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FEDERAL RESERVE BULLETIN

Monetary Policy Report to Congress
Profitability of Insured Commercial Banks
Federal Reserve System Pricing: An Overview

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Monetary Policy Report to Congress

Report submitted to the Congress on July 20, 1982, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

THE PERFORMANCE OF THE ECONOMY IN THE FIRST HALF OF 1982

The contraction in economic activity that began in mid-1981 continued into the first half of 1982, although at a diminished pace. Declines in production and employment slowed, while sales of automobiles improved. Real gross national product fell at an annual rate of 4 percent between the third quarter of 1981 and the first quarter of 1982. With output declining, the margin of unused plant capacity widened and the unemployment rate rose to a postwar record.

By mid-1982, however, the recession seemed to be drawing to a close. Inventory positions had improved substantially, home building was beginning to revive, and consumer spending appeared to be rising. Nonetheless, business investment showed signs of increased weakness. Although final demands apparently fell during the second quarter, the rate of inventory liquidation slowed, and on balance, real GNP apparently changed little. If, in fact, this spring or early summer is determined to have been the cyclical trough, both the depth and duration of the decline in activity will have been about the same as in other postwar recessions.

The progress in reducing inflation that began during 1981 continued in the first half of 1982. The greatest improvement was in prices of food and energy—which benefited from favorable supply conditions—but increases in price measures that exclude these volatile items also have slowed markedly. Moreover, increases in employment costs, which carry forward the momentum of inflation, have diminished considerably. Not only have wage increases eased for union workers in hardpressed industries as a result of contract concessions, but wage and fringe benefit increases also have slowed for nonunion and white-collar workers in a broad range of industries. In addition there has been increasing use of negotiated workrule changes as well as other efforts by business to enhance productivity and trim costs. At the same time, purchasing power has been rising; real compensation per hour increased 1 percent during 1981 and rose at an annual rate of about 3 percent over the first half of 1982.

Interest Rates

As the recession developed in the autumn of 1981, short-term interest rates moved down substantially. However, part of this decline was retraced at the turn of the year as the demand for money bulged and reserve positions tightened. After the middle of the first quarter, short-term rates fluctuated but generally trended downward, as money—particularly the narrow measure, M1—grew slowly on average and the weakness in economic activity continued. In mid-July, short-term rates were distinctly below the peak levels reached in 1980 and 1981. Nonetheless, short-term rates were still quite high relative to the rate of inflation.

Long-term interest rates also remained high during the first half of 1982. In part, this reflected doubts by market participants that the improved price performance would be sustained over the longer run. This skepticism was related to the fact that, during the past two decades, episodes of reduced inflation have been short-lived, followed by reacceleration to even faster rates of price increase. High long-term rates also have been fostered by the prospect of huge deficits in the federal budget even as the economy recovers. Fears of deepening deficits have affected

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

expectations of future credit market pressures, and perhaps also have sustained inflation expectations. The resolution on the 1983 fiscal year budget that was adopted by the Congress represents a beginning effort to deal with the prospect of widening deficits; and the passage of implementing legislation should work in the direction of reducing market pressures on interest rates.

Domestic Credit Flows

Aggregate credit flows to private nonfinancial borrowers increased somewhat in the first half of 1982 from the reduced pace in the second half of 1981, according to very preliminary estimates. Business borrowing rose while households reduced further their use of credit. Borrowing by the federal government increased sharply in late 1981, after the 5 percent cut in personal income tax rates, and remained near the new higher level on a seasonally adjusted basis during the first half of 1982. Reflecting uncertainties about the future economic and financial environment, both lenders and borrowers have shown a strong preference for short-term instruments.

Much of the slackening in credit flows to nonfinancial sectors in the last part of 1981 was accounted for by households, particularly by household mortgage borrowing. Since then, mortgage credit flows have picked up slightly. The advance was encouraged in part by the gradual decline in mortgage rates from the peaks of last fall. In addition, households have made widespread use of adjustable-rate mortgages and "creative" financing techniques—including relatively short-term loans made by sellers at below-market interest rates and builder "buydowns." About two-fifths of all conventional mortgage loans closed recently were adjustable-rate instruments, and nearly three-fourths of existing home transactions reportedly involved some sort of creative financing.

Business borrowing dropped sharply during the last quarter of 1981, primarily reflecting reduced inventory financing needs. However, use of credit by nonfinancial corporations rose significantly in the first half of 1982, despite a further drop in capital expenditures. The high level of bond rates has discouraged corporations from issuing long-term debt, and a relatively large share of business borrowing this year has been accomplished in short-term markets—at banks and through sales of commercial paper. The persistently large volume of business borrowing suggests an accumulation of liquid assets as well as an intensification of financial pressures on at least some firms. Signs of corporate stress continue to mount, including increasing numbers of dividend reductions or suspensions, a rising fraction of business loans at commercial banks with interest or principal past due, and relatively frequent downgradings of credit ratings.

After raising a record volume of funds in U.S. credit markets in 1981, the federal government continued to borrow at an extraordinary pace during the first half of 1982 as receipts (national income and product accounts basis) fell while expenditures continued to rise. Owing to the second phase of the tax cut that went into effect on July 1 and the effects on tax revenues of the recession and reduced inflation, federal credit demands will expand further in the period ahead.

Consumption

Personal consumption expenditures (adjusted for inflation) fell sharply in the fourth quarter of 1981, but turned up early in 1982 and apparently strengthened further during the second quarter. The weakness in consumer outlays during the fourth quarter was concentrated in the auto sector, as total sales fell to an annual rate of 7.4 million units—the lowest quarterly figure in more than a decade—and sales of domestic models plummeted to a rate of 5.1 million units.

Price rebates and other sales promotion programs during the early months of 1982 provided a fillip to auto demand, and sales climbed to a rate of 8.1 million units. Auto markets remained firm into the spring, boosted in part by various purchase incentives. But as has generally occurred when major promotions have ended, auto purchases fell sharply in June. Outside the auto sector, retail sales at most types of stores were up significantly for the second quarter as a whole. Even purchases at furniture and appliance outlets, which had been on a downtrend since last autumn, increased during the spring.

Real after-tax income has continued to edge up, despite the sharp drop in output during the recession. The advance reflects not only typical cyclical increases in transfer payments but also the reduction in personal income tax rates on October 1. Households initially saved a sizable proportion of the tax cut, boosting the personal saving rate from 5¼ percent in mid-1981—about equal to the average of the late 1970s and early 1980s—to 6.1 percent in the fourth quarter of 1981. During early 1982, however, consumers increased spending, partly to take advantage of price markdowns for autos and apparel, and so the saving rate fell.

Business Investment

As typically occurs during a recession, the contraction in business fixed investment has lagged behind the decline in overall activity. Indeed, even though real GNP dropped substantially during the first quarter of 1982, real spending for fixed business capital actually rose a bit. An especially buoyant element of the investment sector has been outlays for nonfarm buildings—most notably, commercial office buildings, for which appropriations and contracts often are set a year or more in advance.

In contrast to investment in structures, business spending for new equipment showed little advance during 1981 and weakened considerably in the first half of 1982. Excluding business purchases of new cars, which also were buoyed by rebate programs, real investment in producers' durable equipment fell at an annual rate of 2 percent in the first quarter. The decline evidently accelerated in the second quarter. In April and May, shipments of nondefense capital goods, which account for about 80 percent of the spending on producers' durable equipment, averaged nearly 3 percent below the first-quarter level in nominal terms. Moreover, sales of heavy trucks dropped during the second quarter to a level more than 20 percent below the already depressed first-quarter average.

Businesses liquidated inventories at a rapid rate during late 1981 and in the first half of 1982. The adjustment of stocks followed a sizable buildup during the summer and autumn of last year that accompanied the contraction of sales. The most prominent inventory overhang by the end of 1981 was in the automobile sector as sales fell precipitously. However, with a combination of production cutbacks and sales promotions, the days' supply of unsold cars on dealers lots had improved considerably by spring.

Manufacturers and nonauto retailers also found their inventories rising rapidly last autumn. Since then, manufacturers as a whole have liquidated the accumulation that occurred during 1981, although some problem areas still exist—particularly in primary metals. Stocks held by nonauto retailers have been brought down from their cyclical peak, but they remain above prerecession levels.

Residential Construction

Housing activity thus far in 1982 has picked up somewhat from the depressed level in late 1981. Housing starts during the first five months of 1982 were up 10 percent on average from the fourth quarter of 1981. The improvement in home building has been supported by strong underlying demand for housing services in most markets and by the continued adaptation of real estate market participants to nontraditional financing techniques that facilitate transactions.

The turnaround in housing activity has not occurred in all areas of the country. In the south, home sales increased sharply in the first part of 1982, and housing starts rose 25 percent from the fourth quarter of 1981. In contrast, housing starts declined further, on average, during the first five months of 1982 in both the west and the industrial north central states.

Government

Federal government purchases of goods and services, measured in constant dollars, declined over the first half of 1982. The decrease occurred entirely in the nondefense area, primarily reflecting a sharp drop in the rate of inventory accumulation by the Commodity Credit Corporation during the spring quarter. Purchases by the Commodity Credit Corporation had reached record levels during the previous two quarters, owing to last summer's large harvests and weak farm prices. Other nondefense outlays fell slightly over the first half of the year as a result of cuts in employment and other expenditures under many programs. Real defense spending apparently rose over the first half of the year, and the backlog of unfilled orders grew further. The federal deficit on a national income and product account basis widened from $100 billion at the end of 1981 to about $130 billion during the spring of this year. Much of this increase in the deficit reflects the effects of the recession on federal expenditures and receipts.

At the state and local government level, real purchases of goods and services fell further over the first half of 1982 after having declined 2 percent during 1981. Most of the weakness this year has been in construction outlays as employment levels have stabilized after large reductions in the federally funded program (under the Comprehensive Employment and Training Act) led to sizable layoffs last year. The declines in state and local government activity in part reflect fiscal strains associated with the withdrawal of federal support for many activities and the effects of cyclically sluggish income growth on tax receipts. Because of the serious revenue problems, several states have increased sales taxes and excise taxes on gasoline and alcohol.

International Payments and Trade

The weighted-average value of the dollar, after having declined about 10 percent from its peak last August, began to strengthen sharply again around the beginning of the year, and since then it has appreciated nearly 15 percent on balance. The appreciation of the dollar has been associated to a considerable extent with the declining inflation rate in the United States and the rise in dollar interest rates relative to yields on assets denominated in foreign currencies.

Reflecting the effects of the strengthening dollar, as well as the slowing of economic growth abroad, real exports of goods and services have been decreasing since the beginning of 1981. The volume of imports other than oil, which rose fairly steadily throughout last year, dropped sharply in the first half of 1982, owing to the weakness of aggregate demand—especially for inventories—in the United States. In addition, both the volume and the price of imported oil fell during the first half of the year. The current account, which was in surplus for 1981 as a whole, recorded another surplus in the first half of this year as the value of imports fell more than the value of exports.

Labor Markets

Employment has declined nearly 1½ million since the peak reached in mid-1981. As usually happens during a cyclical contraction, the largest job losses have been in durable goods manufacturing industries—such as autos, steel, and machinery—as well as at construction sites. The job losses in manufacturing and construction during this recession follow a limited recovery from the 1980 recession; as a result, employment levels in these industries are more than 10 percent below their 1979 highs. In addition, declines in aggregate demand have tempered the pace of hiring at service industries and trade establishments over the past year. As often happens near a business-cycle trough, employment fell faster than output in early 1982 and labor productivity showed a small advance after having declined sharply during the last half of 1981.

Since mid-1981 the overall unemployment rate has risen 2¼ percentage points to a postwar record of 9½ percent. The effects of the recession have been most severe in the durable goods and construction industries, and the burden of rising unemployment has been relatively heavy on adult men who tend to be more concentrated in these industries. At the same time, joblessness among young and inexperienced workers remains extremely high; hardest hit have been black male teenagers who experienced an unemployment rate of nearly 60 percent in June 1982.

Reflecting the persistent slack in labor markets, most indicators of labor supply also show a significant weakening. For example, the number of discouraged workers—that is, persons who report that they want work but are not looking for jobs because they believe they cannot find any—has increased by nearly a half million over the past year, continuing an upward trend that began before the 1980 recession. In addition, the labor force participation rate—the proportion of the working-age population that is employed or actively seeking jobs—has been essentially flat for the last two years after rising about ½ percentage point annually between 1975 and 1979.

Prices and Labor Costs

A slowing in the pace of inflation, which was evident during 1981, continued through the first half of this year. During the first five months of 1982 (the latest data available), the consumer price index (CPI) increased at an annual rate of 3.5 percent, sharply lower than the 8.9 percent rise during 1981. Much of the improvement was in energy and food prices as well as in the volatile CPI measure of homeownership costs. But even excluding these items, the annual rate of increase in consumer prices has slowed to 5½ percent this year compared with 9½ percent last year. The moderation of price increases also was evident at the producer level. Prices of capital equipment have increased at an annual rate of 4¼ percent thus far this year—well below the 9¼ percent pace of 1981. In addition, the decline in raw materials prices, which occurred throughout last year, has continued in the first half of 1982.

Gasoline prices at the retail level, which had remained virtually flat over the second half of 1981, fell substantially during the first four months of 1982. Slack domestic demand and an overhang of stocks on world petroleum markets precipitated the decline in prices. However, gasoline prices began to rise again in May in reflection of rising consumption, reduced stocks, and lower production schedules by major crude oil suppliers.

The rate of increase in employment costs decelerated considerably during the first half of 1982. The index of average hourly earnings, a measure of wage trends for production and nonsupervisory personnel, rose at an annual rate of 6¼ percent over the first half of this year, compared with an increase of 8¼ percent during 1981. Part of the slowing was due to early negotiation of expiring contracts and renegotiation of existing contracts in a number of major industries. These wage concessions are expected to relieve cost pressures and to enhance the competitive position of firms in these industries. Increases in fringe benefits, which generally have risen faster than wages over the years, also are being scaled back. Because wage demands, not to mention direct escalator provisions, are responsive to price performance, the progress made in reducing the rate of inflation should contribute to further moderation in labor cost pressures.

The Growth of Money and Credit in the First Half of 1982

The annual targets for the monetary aggregates announced in February were chosen to be consistent with continued restraint on the growth of money and credit in order to exert sustained downward pressure on inflation. At the same time, these targets were expected to result in sufficient money growth to support an upturn in economic activity. Measured from the fourth quarter of 1981 to the fourth quarter of 1982, the growth ranges for the aggregates adopted by the Federal Open Market Committee (FOMC) were as follows: for M1, 2½ to 5½ percent; for M2, 6 to 9 percent; and for M3, 6½ to 9½ percent. The corresponding range specified by the FOMC for bank credit was 6 to 9 percent.[2]

When the FOMC was deliberating on its annual targets in February, the Committee was aware that M1 already had risen well above its average level in the fourth quarter of 1981. In light of the financial and economic backdrop against which the bulge in M1 had occurred, the Committee believed it likely that there had been an upsurge in the public's demand for liquidity. It also seemed probable that this strengthening of money demand would unwind in the months ahead. Thus, under these circumstances and given the relatively low base for the M1 range for 1982, it did not appear appropriate to seek an abrupt return to the annual target range, and the FOMC

2. Because of the authorization of international banking facilities (IBFs) on December 3, 1981, the bank credit data starting in December 1981 are not comparable with earlier data. The target for bank credit was put in terms of annualized growth measured from the average of December 1981 and January 1982 to the average level in the fourth quarter of 1982 so that the shift of assets to IBFs that occurred at the turn of the year would not have a major impact on the pattern of growth.

indicated its willingness to permit M1 to remain above the range for a while. At the same time, the FOMC agreed that the expansion in M1 for the year as a whole might appropriately be in the upper part of its range, particularly if available evidence suggested the persistence of unusual desires for liquidity that had to be accommodated to avoid undue financial stringency.

In setting the annual target for M2, the FOMC indicated that M2 growth for the year as a whole probably would be in the upper part of its annual range and might slightly exceed the upper limit. The Committee anticipated that demands for the assets included in M2 might be enhanced by new tax incentives such as the broadened eligibility for individual retirement and Keogh accounts, or by further deregulation of deposit rates. The Committee expected that M3 growth again would be influenced importantly by the pattern of business financing and, in particular, by the degree to which borrowing would be focused in markets for short-term credit.

As anticipated—and consistent with the FOMC's short-run targets—the surge in M1 growth in December and January was followed by appreciably slower growth. After January, M1 increased at an annual rate of only 1¼ percent on average, and the level of M1 in June was only slightly above the upper end of the Committee's annual growth range. From the fourth quarter of 1981 to June, M1 increased at a 5.6 percent annual rate. M2 growth so far this year also has run a bit above the FOMC's annual range; from the fourth quarter of 1981 through June, M2 increased on average at an annual rate of 9.4 percent. From a somewhat longer perspective, M1 has increased at an annual rate of 4.7 percent, measuring growth from the first half of 1981 to the first half of 1982 and abstracting from the shift into NOW accounts in 1981; and M2 has grown at a 9.7 percent annual rate on a half-year over half-year basis.

Although M1 growth has been moderate on balance thus far this year, that growth has considerably exceeded the pace of increase in nominal GNP. Indeed, the first-quarter decline in the income velocity of M1—that is, GNP divided by M1—was extraordinarily sharp. Similarly, the velocity of the broader aggregates has been unusually weak. Given the persistence of high interest rates, this pattern of velocity behavior suggests a heightened demand for M1 and M2 over the first half.

The unusual demand for M1 has been focused on its negotiable order of withdrawal account component. After the nationwide authorization of NOW accounts at the beginning of 1981, the growth of such deposits surged. When the aggregate targets were reviewed this past February, a variety of evidence indicated that the major shift from conventional checking and savings accounts into NOW accounts was over; in particular, the rate at which new accounts were being opened had dropped off considerably. As a result of that shift, however, NOW accounts and other interest-bearing checkable deposits had grown to account for almost 20 percent of M1 by the beginning of 1982. Subsequently, it has become increasingly apparent that M1 is more sensitive to changes in the public's desire to hold highly liquid assets.

M1 is intended to be a measure of money balances held primarily for transaction purposes. However, in contrast to the other major components of M1—currency and conventional checking accounts—NOW accounts also have some characteristics of traditional savings accounts. Apparently reflecting precautionary motives to a considerable degree, NOW accounts and other interest-bearing checkable deposits grew surprisingly rapidly in the fourth quarter of last year and the first quarter of this year. Although growth in this component has slowed recently, its growth from the fourth quarter of last year to June has been 30 percent at an annual rate. The other components of M1 increased at an annual rate of less than 1 percent over this same period.

Looking at the components of M2 not also included in M1, the so-called nontransaction components, these items grew at a 10¾ percent annual rate from the fourth quarter of 1981 to June. General-purpose and broker–dealer money market mutual funds were an especially strong component of M2, increasing at an annual rate of almost 30 percent this year. Compared with last year, however, when the assets of such money funds more than doubled, this year's increase represents a sharp deceleration.

Perhaps the most surprising development affecting M2 has been the behavior of conventional savings deposits. After declining in each of the past four years—falling 16 percent last year—savings deposits have increased at an annual rate of about 4 percent thus far this year. This turnaround in savings deposit flows, taken together with the strong increase in NOW accounts and the still substantial growth in money funds, suggests that stronger preferences to hold safe and highly liquid financial assets in the current recessionary environment are bolstering the demand for M2 as well as for M1.

M3 increased at an annual rate of 9.7 percent from the fourth quarter of 1981 to June, just above the upper end of the FOMC's annual growth target. Early in the year, growth of M3 was relatively moderate as a strong rise in large-denomination CDs was offset by declines in term RPs and in money market mutual funds restricted to institutional investors. During the second quarter, however, M3 showed a larger increase; the weakness in its term RP and money fund components subsided and heavy issuance of large CDs continued. With growth of "core deposits" relatively weak on average, commercial banks borrowed heavily in the form of large CDs to fund the increase in their loans and investments.

Commercial bank credit grew at an annual rate of 8.3 percent over the first half of the year, in the upper part of the FOMC's range for 1982. Bank loans have increased on average at an annual rate of about 9½ percent, with loans to nonfinancial businesses expanding at an annual rate of 14 percent. In past economic downturns, business loan demand at banks has tended to weaken, but consistently high long-term interest rates in the current recession have induced corporations to meet the bulk of their external financing needs through short-term borrowing. Real estate loans have increased at an annual rate of 7¼ percent this year, somewhat slower than the growth in each of the past two years. Consumer loans outstanding during the first half of the year have grown at the same sluggish pace of 3 percent experienced last year. The investment portfolios of banks have expanded at an annual rate of about 5 percent, with the rate of increase in U.S. government obligations about twice as large as the growth in holdings of other types of securities.

The Federal Reserve's Objectives for Growth of Money and Credit

There is a clear need today to promote higher levels of production and employment in our economy. The objective of Federal Reserve policy is to create an environment conducive to sustained recovery in business activity while maintaining the financial discipline needed to restore reasonable price stability. The experience of the past two decades has amply demonstrated the destructive impact of inflation on economic performance. Because inflation cannot persist without excessive monetary expansion, appropriately restrained growth of money and credit over the longer run is critical to achieving lasting prosperity.

The policy of firm restraint on monetary growth has contributed importantly to the recent progress toward reducing inflation. But when inflationary cost trends remain entrenched, the process of slowing monetary growth can entail economic and financial stresses, especially when so much of the burden of dealing with inflation rests on monetary policy. These strains—reflected in reduced profits, liquidity problems, and balance sheet pressures—place particular hardships on industries, such as construction, business equipment, and consumer durables, that depend heavily on credit markets.

Unfortunately, these stresses cannot be easily remedied through accelerated money growth. The immediate effect of encouraging faster growth in money might be lower interest rates, especially in short-term markets. In time, however, the attempt to drive interest rates lower through a substantial reacceleration of money growth would founder, for the result would be to embed inflation and expectations of inflation even more deeply into the nation's economic system. It would mean that this recession was another wasted, painful episode instead of a transition to a sustained improvement in the economic environment. The present and prospective pressures on financial markets urgently need to be eased not by relaxing discipline on money growth, but by adopting policies that will ensure a lower and declining federal deficit. Moreover, a return to financial health will require the adoption of more prudent credit practices on the part of private borrowers and lenders alike.

In reviewing its targets for 1982 and setting tentative targets for 1983, the FOMC had as its basic objective the maintenance of the longer-range thrust of monetary discipline in order to reduce inflation further, while providing sufficient money growth to accommodate exceptional liquidity pressures and support a sustainable recovery in economic activity. At the same time, the Committee recognized that regulatory actions or changes in the public's financial behavior might alter the implications of any quantitative monetary goals in ways that cannot be fully predicted.

In light of all these considerations, the Committee concluded that a change in the previously announced targets was not warranted at this time. Because of the tendency for the demand for money to run strong on average in the first half, and also responding to the congressional budget resolution, careful consideration was given to the question of whether some raising of the targets was in order. However, the available evidence did not suggest that a large increase in the ranges was justified, and a small change in the ranges would have represented a degree of "fine tuning" that appeared inconsistent with the degree of uncertainty surrounding the precise relationship of money to other economic variables at this time. However, the Committee concluded, based on current evidence, that growth this year around the top of the ranges for the various aggregates would be acceptable.

The Committee also agreed that possible shifts in the demand for liquidity in current economic circumstances might require more than ordinary elements of flexibility and judgment in assessing appropriate needs for money in the months ahead. In the near term, measured growth of the aggregates may be affected by the income tax reductions that occurred on July 1, by cost-of-living increases in social security benefits, and by the ongoing difficulties of accurately accounting for seasonal movements in the money stock. But more fundamentally, it is unclear to what degree businesses and households may continue to wish to hold unusually large precautionary liquid balances. To the extent the evidence suggests that relatively strong precautionary demands for money persist, growth of the aggregates somewhat above their targeted ranges would be tolerated for a time and still would be consistent with the FOMC's general policy thrust.

Looking ahead to 1983 and beyond, the FOMC remains committed to restraining money growth in order to achieve sustained noninflationary economic expansion. At this point, the FOMC feels that the ranges now in effect can appropriately remain as preliminary targets for 1983. Because monetary aggregates in 1982 more likely than not will be close to the upper ends of their ranges, or perhaps even somewhat above them, the preliminary 1983 targets would be fully consistent with a reduction in the actual growth of money in 1983.

In light of the unusual uncertainty surrounding the economic, financial, and budgetary outlook, the FOMC stressed the tentative nature of its 1983 targets. On the one hand, postwar cyclical experience strongly suggests that some reversal of this year's unusual shift in the asset-holding preferences of the public could be expected; with economic activity on an upward trend, any lingering precautionary motives for holding liquid balances should begin to fade, thus contributing to a rapid rise in the velocity of money. Moreover, regulatory actions by the Depository Institutions Deregulation Committee that increase the competitive appeal of deposit instruments—as well as the more widespread use of innovative cash management techniques, such as "sweep" accounts—also could reduce the demand for money relative to income and interest rates. On the other hand, factors exist that should increase the attractiveness of holding cash balances. The long upward trend in the velocity of money since the 1950s took place in an environment of rising inflation and higher nominal interest rates—developments that provide incentives for economizing on money holdings. As these incentives recede, it is possible that the attractiveness of cash holdings will be enhanced and that more money will be held relative to the level of business activity.

The Outlook for the Economy

The economy at midyear appears to have leveled off after sizable declines last fall and winter.

Consumption has strengthened with retail sales up significantly in the second quarter. New and existing home sales have continued to fluctuate at depressed levels, but housing starts nonetheless have edged up. In the business sector, substantial progress has been made in working off excess inventories, and the rate of liquidation appears to have declined. On the negative side, however, plant and equipment spending, which typically lags an upturn in overall activity, is still depressed. And the trend in export demand continues to be a drag on the economy, reflecting the dollar's strength and weak economic activity abroad.

An evaluation of the balance of economic forces indicates that an upturn in economic activity is highly likely in the second half of 1982. Monetary growth along the lines targeted by the FOMC should accommodate this expansion in real GNP, given the increases in velocity that typically occur early in a cyclical recovery and absent an appreciable resurgence of inflation. The 10 percent cut in income tax rates that went into effect July 1 is boosting disposable personal income and should reinforce the growth in consumer spending. Given the improved inventory situation, any sizable increase in consumer spending should, in turn, be reflected in new orders and a pickup in production. Another element supporting growth in real GNP will be the continuing rise in defense spending and the associated private investment outlays needed for the production of defense equipment.

At least during the initial phase, the expansion is likely to be more heavily concentrated in consumer spending than in past business cycles, as current pressures in financial markets and liquidity strains may inhibit the recovery in investment activity. With mortgage interest rates high, residential construction does not seem likely to contribute to the cyclical recovery to the extent that it has in the past. Likewise, the high level of corporate bond rates, and the cumulative deterioration in corporate balance sheets resulting from reliance in recent years on short-term borrowing, may restrain capital spending, especially given the considerable margin of unutilized capacity that now exists.

The excellent price performance so far this year has been helped by slack demand and by exceptionally favorable energy and food supply developments. For that reason, the recorded rate of inflation may be higher in the second half. However, prospects appear excellent for continuing the downtrend in the underlying rate of inflation. As noted earlier, significant progress has been made in slowing the rise in labor compensation, and improvement in underlying cost pressures should continue over the balance of the year. Unit labor costs also are likely to be held down by a cyclical rebound in productivity growth as output recovers. Moreover, lower inflation will contribute to smaller cost-of-living wage adjustments, which will moderate cost pressures further.

The Federal Reserve's objectives for money growth through the end of 1983 are designed to be consistent with continuing recovery in economic activity. A critical factor influencing the composition and strength of the expansion will be the extent to which pressures in financial markets moderate. This, in turn, depends importantly on the progress made in further reducing inflationary pressures. A marked decrease in inflation will take pressure off financial markets in two ways. First, slower inflation will lead to a reduced growth in transaction demands for money, given any particular level of real activity. It follows that a given target for money growth can be achieved with less pressure on interest rates and accordingly less restraint on real activity, the greater is the reduction in inflation. Second, further progress in curbing inflation will help lower long-term interest rates by reducing the inflation premium contained in nominal interest rates. The welcome relief in inflation seen recently apparently is assumed by many to represent a cyclical rather than a sustained drop in inflation. But the longer that improved price performance is maintained, the greater will be the confidence that a decisive downtrend in inflation is being achieved. Such a change should be reflected in lower long-term interest rates and stronger activity in the interest-sensitive sectors of the economy.

Another crucial influence on financial markets and thus on the nature of the expansion in 1983 will be the federal budgetary decisions that are made in coming months. The budget resolution that was recently passed by the House and the Senate is a constructive first step in reducing budget deficits as the economy recovers. However, much remains to be done in appropriation and revenue legislation to implement this resolution. How the budgetary process unfolds will be an important factor in determining future credit demands by the federal government and thus the extent to which deficits will preempt the net savings generated by the private economy. A strong program of budget restraint would minimize pressures in financial markets and thereby enhance the prospects for a more vigorous recovery in home building, business fixed investment, and other credit-dependent sectors.

Economic projections of FOMC members

Item	Actual	Projected	
	1981	1982	1983
Changes, fourth quarter to fourth quarter, percent			
Nominal GNP	9.8	5½ to 7½	7 to 9½
Real GNP	.9	½ to 1½	2½ to 4
GNP deflator	8.9	4¾ to 6	4 to 5¾
Average level in the fourth quarter, percent			
Unemployment rate	8.3	9 to 9¾	8½ to 9½

In assessing the economic outlook, the individual members of the FOMC have formulated projections for several key measures of economic performance that fall generally within the ranges in the accompanying table. In addition to the monetary aggregate objectives discussed earlier, these projections assume that the federal budget will be put on a course that over time will result in significant reductions in the federal deficit.

Revised administration forecasts for the economy were not available at the time of the Committee's deliberation. Our understanding, however, is that the administration's midyear budgetary review will be presented within the framework of the economic assumptions used in the first budget resolution. For the remainder of 1982, those assumptions imply somewhat more rapid recovery than the range now thought most likely by members of the FOMC, but are consistent with the monetary targets outlined in this report on the assumption of growth in velocity characteristic of the early stages of a number of past recoveries. Looking further ahead, the Committee members, like the administration and the Congress, foresee continued economic expansion in 1983, but currently anticipate a less rapid rate of price increase and somewhat slower real growth than the assumptions underlying the budget. The monetary targets tentatively set for 1983, which will be reviewed early next year, would imply, under the budgetary assumptions, relatively high growth in velocity. □

Profitability of Insured Commercial Banks

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

Profitability of insured commercial banks was well maintained in 1981. The 0.76 percent returned on average assets and 13.2 percent earned on average equity capital in 1981 were slightly below recent peaks, but were a bit above the averages for the preceding five years. Against a backdrop of rising interest rates and deposit ceiling deregulation, banks had to expand and redistribute their asset portfolios in order to achieve continued strong profitability. The number of banks recording extremely poor operating results did increase, but it remained small; in many instances, the problems of weaker performers reflected the adverse economic circumstances, which contributed to a deterioration in the quality of assets. Table 1 summarizes income and expenses relative to average assets for all insured commercial banks, and table A.1 presents these data in dollar amounts.

Increases in interest expenses attributable to changes in liability structure and to higher money market interest rates induced asset adjustments by most groups of banks. Demand deposits, on which payment of explicit interest is prohibited by law, again declined—by nearly $50 billion—and at the end of the year financed only 19 percent of total banking assets in contrast to 28 percent as recently as 1977. Some balances formerly in demand deposits were shifted to the relatively new interest-bearing transaction accounts on which an interest ceiling of 5¼ percent applies and which grew by $43 billion. The remaining asset growth was funded by nontransaction claims that in general bear open market interest rates, including accounts with rate ceilings that have been liberalized or eliminated for depositors with small balances. These depositors are relatively important customers of small banks, and adjustments of asset portfolios also were pronounced at small banks.

An above-average exposure to interest risk, suggested by an imbalance between assets and liabilities carrying interest rates highly responsive to changing market interest rates, was significant in differentiating those banks with reduced net interest margins from their peers. However, those banks actually reporting losses in the second half of 1981 appeared to have encountered problems primarily with loan quality, as indicated by their above-average loan loss provisions.

Commercial banks with foreign offices or Edge Act or Agreement subsidiaries experienced a gain in net interest margins of foreign offices but an erosion in net interest returns from the more important domestic offices. The resultant reduc-

1. Income and expense as percent of average assets, all insured commercial banks, 1979–81[1]

Item	1979	1980	1981
Gross interest earned	8.62	9.87	11.81
Gross interest expense	5.50	6.78	8.75
Net interest margin	3.12	3.09	3.07
Noninterest income	.78	.89	.99
Loan loss provision	.24	.25	.26
Other noninterest expense	2.54	2.63	2.76
Income before tax	1.12	1.10	1.04
Taxes[2]	.28	.28	.24
Other[3]	.04	-.03	-.04
Net income	.80	.79	.76
Cash dividends declared	.28	.29	.30
Net retained earnings	.52	.50	.46
MEMO			
Net interest margin, taxable equivalent[4]	3.48	3.46	3.45
Average assets (billions of dollars)[1]	1,594	1,768	1,933

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

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

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

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

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

tion in consolidated net interest margins, along with a small increase in net noninterest expenses, caused returns on assets of these large banks to decline slightly in 1981.

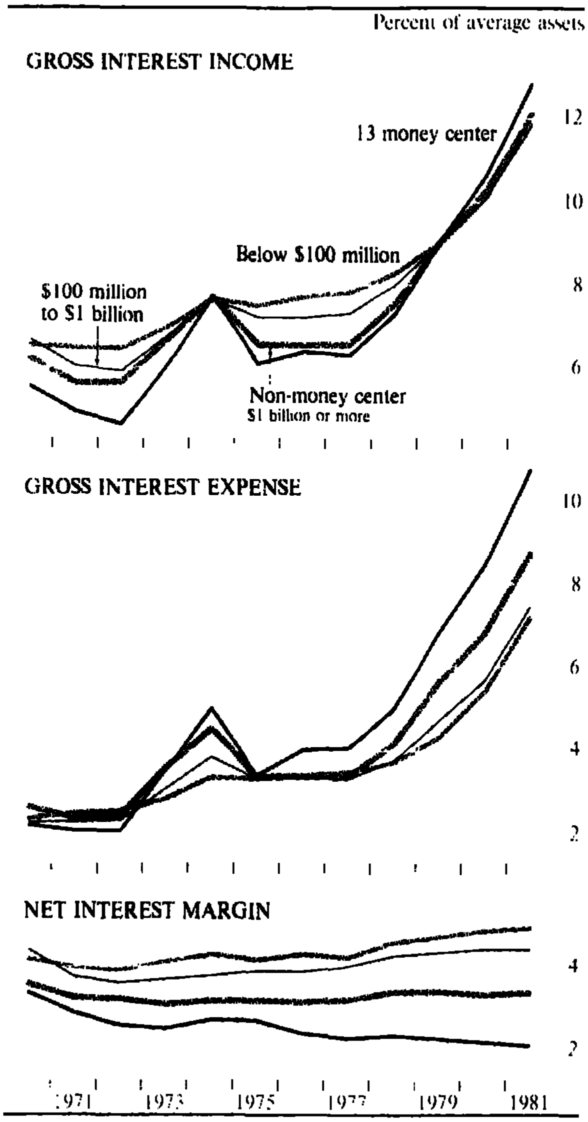
Dollar profits of all insured commercial banks increased nearly \$0.8 billion during 1981, to \$14.7 billion. Virtually all of that increase was passed on to shareholders in the form of increased cash dividends, especially by small and medium-sized banks. The \$8.9 billion of income retained in the capital structure of banks during 1981 was identical to that in the preceding year, although assets grew by \$170 billion.

Interest Income

Gross interest income relative to average assets of all banks increased nearly 200 basis points during 1981. This increase was about as large at small banks as at money center banks, a pattern that contrasts with the experience in the early stages of the 1973–75 business cycle, as shown in chart 1. Such comparability would not be expected on the basis of the relatively larger holdings at money center banks of loans and other assets carrying yields that tend to move closely with prevailing market rates. Whereas loan yields at some small banks increased sharply during 1981, as discussed later, much of the acceleration in interest earnings at small banks is attributable to a restructuring of their asset portfolios both to increase the yield sensitivity of their holdings and to reap short-run gains from a steeply inverted term structure of market yields. During 1981, commercial banks with year-end assets of \$100 million or less added, net, nearly \$7 billion of federal funds sold, reverse repurchase agreements, and interest-bearing deposits of other commercial banks; the acquisition of such extremely short-term instruments represented 18 percent of the total net asset growth of small banks and increased the fraction of their outstanding assets so invested from 7 to 8 percent over the year. Securities accounted for another 31 percent of net asset growth of small banks leaving less than 40 percent of new assets allocated to loan growth, well below the fraction of outstanding small bank assets held as loans.

Yields on loan portfolios held by all insured banks increased more than 2½ percentage points during 1981 (table 2), both before and after account is taken of provisions for potential credit losses. Yields on securities, after estimated adjustments for taxable equivalence, increased much less—about 1½ percentage points. Loan portfolio yields increased faster at money center and other large banks than at small banks, consistent with the lower incidence in small-bank loan portfolios of short maturities and variable

1. Components of interest margin



Size categories are based on year-end consolidated assets of each bank.

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

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

2. Rates of return on fully consolidated portfolios, all insured commercial banks, 1979-81[1]

Percent

Item	1979	1980	1981
Securities, total	7.08	7.88	9.27
U.S. government	8.25	9.58	11.38
State and local government	5.58	6.03	6.77
Other	9.24	10.55	11.54
Loans, gross	12.01	13.71	16.37
Net of loan loss provision	11.55	13.19	15.83
Taxable equivalent[2]			
Total securities	9.31	10.23	12.33
State and local	10.44	11.13	12.15
Total securities and gross loans	11.37	12.88	15.26

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

interest rates. The improvement in securities yields was above average at small banks, which acquired a disproportionately large volume of investments at a time when market rates were well above average portfolio yields. These yields, and other 1981 data referred to in the tables, are shown for various bank size categories in table A.2; for comparable data for 1980, see BULLETIN (September 1981), page 668.

The share of banking assets allocated to loans declined during 1981 (table 3), particularly for domestic-office portfolios. This decline was due entirely to the shift by small banks from loans to short-term investments. On a consolidated basis, for which activity by large and money center banks would carry greater weight, the allocation of assets to loans changed little. Similarly reflecting asset restructuring undertaken by small banks, total domestic-office holdings of commercial banks in the interest-bearing deposits of other banks increased from 0.6 to 1.6 percent of average assets.

The composition of commercial bank loan portfolios was altered somewhat during 1981. In addition to adjustments initiated by banks in managing their portfolios, borrower demand for consumer loans was sluggish; sales of autos, appliances, and other durable goods traditionally sold on credit were weak, and consumers seemed reluctant to incur new debt in an uncertain economic environment. Consumer loans dropped from 18 to 17 percent of the nearly $1.2 trillion in loans held by commercial banks. By contrast, business loans increased from 38 to 40 percent of bank loans as businesses exhibited unusually strong cyclical reliance on bank loans in the face of unfavorable terms in the public debt and equity markets. The shift from consumer to business loans tended to increase the responsiveness of yields on bank portfolios to open market rates; the share of business loans subject to market-based repricing through floating-rate provisions or short maturities is much higher than that for consumer loans.

INTEREST EXPENSE

Gross interest expense relative to average assets increased nearly 200 basis points, about the same as interest income. Small and medium-sized banks continue to have a large, albeit declining, share of their assets financed by claims carrying fixed below-market ceilings on deposit interest

3. Portfolio composition as percent of total assets including loan loss reserves, all insured commercial banks, 1979-81[1]

Average during year

Item	Domestic 1979	Domestic 1980	Domestic 1981	Fully consolidated 1979	Fully consolidated 1980	Fully consolidated 1981
Interest-earning assets	80.7	80.2	80.8	83.0	82.9	83.8
Loans	56.0	55.2	54.5	56.3	55.4	55.2
Securities	20.0	20.1	20.0	17.2	17.0	17.0
U.S. Treasury	6.6	6.1	6.4	5.5	5.3	5.3
U.S. government agencies	3.1	3.7	4.0	2.8	3.0	3.3
State and local governments	9.5	9.4	9.1	8.0	7.8	7.6
Other bonds and stocks	.5	.5	.5	.8	.8	.8
Gross federal funds sold and reverse repurchase agreements	4.0	4.4	4.8	3.4	3.7	4.0
Interest-bearing deposits	.4	.6	1.6	6.2	6.8	7.7
MEMO: Average gross assets (billions of dollars)	1,329	1,460	1,603	1,593	1,768	1,930

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

rates; the slower increase in their interest expenses compared with those of larger banks, as shown in chart 1, reflects that funding mix.

In 1981 alone, deposits subject to fixed interest ceilings declined from four-tenths to three-tenths of total interest-bearing liabilities of small banks. As recently as the end of 1978, almost 80 percent of the interest-bearing liabilities of small banks were subject to fixed interest ceilings such as are currently in force on negotiable order of withdrawal (NOW) and passbook accounts and on some small time deposits. (At large banks, the decline in issuance of fixed-ceiling passbook and small time deposits essentially occurred long ago; their respective proportions were three-tenths in 1978 and slightly more than two-tenths in 1981.) The change in the composition of small-bank liabilities reflects almost entirely the evolution in the structure of interest ceilings on small time deposits, as the proportion of large certificates of deposit (CDs) and other money market instruments has remained at slightly less than 20 percent of their interest-bearing claims since the mid-1970s.

The deposit most responsible for the change in the liability structure at small banks is the six-month money market certificate (MMC), created in mid-1978 with a rate ceiling linked to market yields on six-month U.S. Treasury bills. By the end of 1981, the MMC had grown to account for one-third of small-bank interest-bearing liabilities. Further steps were taken during 1981 that enhanced the ability of depository institutions to offer the public attractive instruments carrying longer maturities. The one-year "all savers certificate" was authorized by the Congress for issuance during the 15-month period between October 1, 1981, and December 31, 1982; this account carries a tax-free yield set at 70 percent of the investment yield on new one-year U.S. Treasury bills. In the late summer, the Depository Institutions Deregulation Committee (DIDC) removed the "cap" on the interest rate ceiling on the 2½-year small saver certificate (SSC) so that offering yields on this account freely could follow increases in market yields on U.S. Treasury securities; and near the end of the year, in the first example of total deregulation since 1974, DIDC removed all constraints on the interest rates that depositories could offer on individual retirement account and Keogh deposits maturing in 1½ years or more. During 1981, SSCs grew from 8 to 12 percent of all interest-bearing claims outstanding at small banks; by the end of 1981, all saver certificates had grown to 2 percent of small-bank interest-bearing liabilities.

The rapid growth in these new deposits in an environment of fluctuating but generally increasing short-term market yields contributed to a sharp rise in effective interest rates paid on savings and small time deposits. That increase was larger, at 220 basis points, for small banks than for all banks taken together ("other deposits" in table 4) because the change in the composition of deposits was more pronounced at small banks.

4. Rates paid for fully consolidated liabilities, all insured commercial banks, 1979–81[1]

Percent

Item	1979	1980	1981
Time and savings accounts	8.69	10.66	13.38
Negotiable certificates of deposit[2]	10.52	12.56	16.42
Deposits in foreign offices	11.38	14.03	17.34
Other deposits	6.65	8.10	10.02
Subordinated notes and debentures	8.41	8.90	10.01
Gross federal funds purchased and repurchase agreements	12.95	14.68	17.52
Other liabilities for borrowed money	9.17	11.34	14.42
Total	9.13	11.10	13.86
MEMO: Not covered by regulatory ceilings[2]	11.20	13.45	16.82

1. Calculated as described in the "Technical note," BULLETIN (September 1979), p. 704.
2. Does not include nonnegotiable time deposits of $100,000 or more.

Effective interest rates paid for large negotiable CDs increased almost 4 percentage points, even though more than one-half of the net growth in these claims occurred during the fourth quarter of 1981 when market yields had fallen sharply from earlier peaks. Interest costs of most other short-term liabilities increased between 3 and 3½ percentage points in 1981.

In addition to the influence of higher interest costs, an increase in the proportion of assets funded by interest-bearing claims also exerted upward pressure on bank interest expenses. The share of average outstanding assets funded by demand deposits issued by domestic offices, on which payment of explicit interest is prohibited, dropped about 5 percentage points in just two years (table 5). Clearly, some of that decline

5. Composition of financial liabilities as percent of total assets including loan loss reserves, all insured commercial banks, 1979–81[1]

Average during year

Item	Domestic			Fully consolidated		
	1979	1980	1981	1979	1980	1981
Financial claims	88.0	87.6	87.2	89.7	89.1	88.8
Demand deposits	30.3	29.1	25.1	25.3	24.0	20.8
Interest-bearing claims	57.7	58.5	62.1	64.4	65.1	68.0
Time and savings accounts	47.3	47.8	50.8	55.0	55.5	57.8
Large time[2]	15.2	15.5	17.2	12.7	12.8	14.2
In foreign offices	.....	.....	.....	15.6	16.1	15.8
Other domestic	32.1	32.3	33.6	26.7	26.7	27.8
NOW accounts	.7	1.2	2.9	.6	1.0	2.4
Subordinated notes and debentures	.4	4	.4	.4	.4	.3
Other borrowings	2.0	1.9	1.8	2.4	2.3	2.3
Gross federal funds purchased and repurchase agreements	7.9	8.4	9.1	6.6	6.9	7.5
MEMO						
Managed liabilities[3]	25.6	26.1	28.5	37.6	38.4	40.2
Average gross assets (billions of dollars)	1,329	1,460	1,603	1,593	1,768	1,940

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

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

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

represented shifts into interest-bearing transaction deposits such as NOW accounts; commercial banks were authorized to offer these accounts nationwide at the beginning of 1981, subject to a 5¼ percent interest ceiling. Banks responded to the remainder of the shift out of demand deposits by increasing their reliance on large time deposits, purchases of federal funds, and sales of securities under repurchase agreements, all of which entail money market interest costs that in 1981 averaged in the range of 16 to 17 percent.

Net Interest Margins

Interest income net of interest expense, the net interest margin, declined fractionally during 1981 for all insured commercial banks taken as a group. However, that result reflects the experience of the money center banks, for which net interest margins of domestic offices contracted significantly. Net interest margins at other size classes of insured commercial banks were either unchanged or improved, as shown in chart 1.

Nearly as many commercial banks with at least $25 million in assets experienced increases in net interest margins from 1980 as experienced no change or a decline; substantially more banks with less than $25 million in assets experienced improved net interest margins during 1981 (table 6). Looking within asset size classes, an important factor distinguishing those with improved margins from their peers was estimated interest risk exposure, as indicated by the relationship between assets and liabilities carrying interest returns or costs highly sensitive to changes in market interest rates. Specifically, commercial banks with increased net interest margins allocated significantly more assets than did their peers to instruments carrying yields highly responsive to changes in market rates; they also funded a significantly smaller proportion of assets with liabilities carrying rapidly changing interest costs. Banks with increased net interest margins had about the same overall magnitude and intrayear timing of asset growth as their peers, unlike 1980 when management of asset growth appeared to have had a material influence on profitability.

Another way of looking at the influence of the relationship of "interest-sensitive" assets and liabilities on patterns in net interest margins is to categorize banks not by size but by specialization in their loan portfolios. Two examples are banks with large allocations to mortgages and to agricultural loans. Maturities of mortgage portfolios tend to be considerably longer than those of agricultural loans so that more old fixed-rate mortgages with low yields still remain outstand-

6. Factors associated with the 1980–81 change in net interest margins, all insured commercial banks[1]

Percent except for number of banks

Assets, year-end 1981	Number	Rate-sensitive assets and liabilities[2]				Average interest margin[3]		Asset growth	
		Assets		Liabilities				1981	
		1980	1981	1980	1981	1980	1981	H1	H2
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Less than $25 million									
Increased margins	3,733	19.4	22.0	28.3	32.5	5.13	5.78	5.1	7.0
Others	2,599	17.3	20.2	31.6	36.2	5.16	4.64	5.2*	7.1*
$25 million to $100 million									
Increased margins	2,863	16.9	19.4	30.9	34.3	5.03	5.51	5.1	7.3
Others	2,951	14.4	18.2	32.8	36.8	4.75	4.27	4.4	6.8*
$100 million to $1 billion									
Increased margins	821	20.9	23.8	34.2	37.5	4.67	5.11	3.4	7.5
Others	826	17.7	22.0	35.8	39.9	4.47	3.95	3.5†	6.6†
13 money center									
Increased margins	4	57.8	62.7	60.0	65.5	1.91	2.06	4.9	3.8
Others	9	59.9†	63.1†	60.8†	67.8†	2.19	2.06†	4.8†	2.6†
Others, $1 billion or more									
Increased margins	96	45.9	49.4	45.2	48.3	3.59	3.99	2.7	8.7
Others	93	39.4	43.5	44.8†	48.0†	3.76	3.32	3.3†	6.7†

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

2. As a percent of total assets, December 1980 and December 1981. Rate-sensitive assets: interest-bearing deposits, federal funds sold, reverse RPs, loans and government debt maturing in one year or less, and other loans with floating rates. Small banks do not report the loan detail, so their holdings of loans to financial institutions, construction loans, and purpose loans are included. Rate-sensitive liabilities: large time deposits and foreign office deposits due in one year or less, federal funds, RPs, MMCs, and other short-term borrowings.

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

ing than agricultural loans; also, indications are that acceptance of variable interest rate terms has been occurring more rapidly in agricultural than in mortgage markets. Banks in both groups tend to be small, averaging in each case less than $100 million in assets, and both have participated in the rapid change in liabilities associated with the introduction of variable-ceiling small time deposits.[2] However, as shown in chart 2, net interest margins of banks specializing in agricultural loans have increased—in 1981 by about as much as at all small banks—whereas margins of banks specializing in mortgages have declined. Gross interest income relative to average assets of the mortgage group increased 170 basis points during 1981; that of all small banks increased 182 basis points, and that of the agricultural group increased 198 basis points.

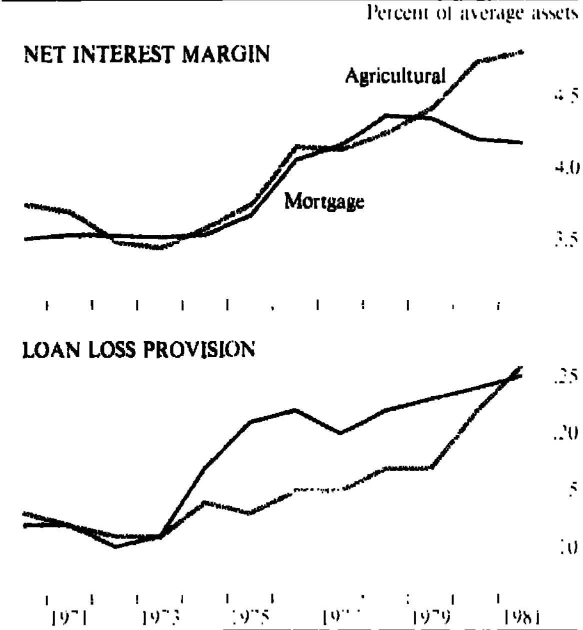
2. The mortgage group consists of commercial banks with at least one-fourth of their assets allocated to loans secured by real estate; in 1981, this group contained 3,400 banks. The agricultural group consists of commercial banks with at least one-fourth of loans at their domestic offices allocated to farm real estate mortgages and loans made to finance agricultural production; this group contained 4,214 banks in 1981.

The experience of small commercial banks that utilized the MMC most extensively relative to other sources of funds was compared with that for small banks with the lowest degree of MMC use (table 7). Interest expenses of the high-MMC group were significantly higher, and net interest margins significantly lower, than the group with the lowest MMC use. As in 1980, but in contrast to prior years, those banks with the lowest utilization rate of MMCs tended to have relatively large amounts of transaction deposits; what advantage they had relative to other banks in lower interest costs appears to have been offset by higher noninterest operating expenses, and the net profit rates of the two groups showed no significant difference.

Loan Losses and Other Noninterest Income and Expense

For all banks, increased loan loss provisions accounted for a deterioration of 1 basis point in income relative to average assets. Large banks other than the money center group reported a

2. Insured commercial banks with large mortgage and agricultural loan portfolios



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

small decline in provisions for loan losses relative to average assets. Other size categories reported increases on the order of 1 or 2 basis points during 1981. Loan loss provisions of banks with large concentrations of mortgage loans increased about in line with those for other small banks (chart 2). Banks specializing in agricultural lending reported sharply increased loan loss provisions for the second year, after a prolonged period of below-average provisions.

Actual loan losses net of amounts recovered from loans that had been previously charged off as losses increased moderately again in 1981 (chart 3). However, the reduction in small-bank asset allocations to loans has had the effect, if everything else were held constant, of holding down the statistic as shown in the chart. Thus, the impact of a deteriorating economy in 1981 on the credit quality of commercial bank loan portfolios is indicated more clearly by the ratio shown in table 8— loan losses measured in terms of average loans outstanding during the year. At 0.35 percent of average loans, that ratio for all banks had edged down, but principally because the dollar volume of net charge-offs at large

7. Comparison of operating results in 1981, small insured commercial banks with greatest and least reliance on MMCs[1]

Means, in percent

Item	Quartile: Highest	Quartile: Lowest
Growth in total assets (percent)	12.8	[illegible]
Income and expense scaled to average consolidated assets		
Interest income	11.80	[illegible]
Interest expense	[illegible]	6.21
Net interest margin, taxable equivalent	[illegible]	[illegible]
Noninterest income	.80	.98
Loan loss provision	.28	[illegible]
Other noninterest expense	2.80	[illegible]
Profit before tax	1.71	1.69
Net income	1.24	[illegible]
As percent of year-end financial claims		
Transaction balances	25.8	[illegible]
NOW, ATS	[illegible]	[illegible]
MMCs	[illegible]	[illegible]
Average volume in 1981 (thousands of dollars)		
Total financial claims	[illegible]	[illegible]
Transactions	[illegible]	922
NOW, ATS	1,219	[illegible]
MMCs	1,862	[illegible]

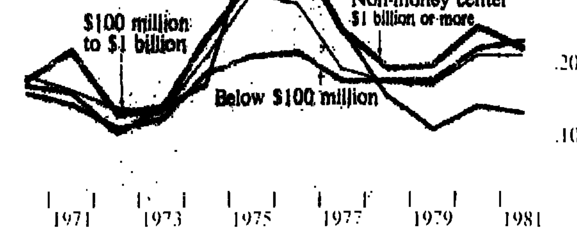
1. Top and bottom quartiles, as determined by MMCs as a percent of total financial claims at the end of 1981, of all banks with year-end assets below $100 million.

The differences between means of the two groups are all statistically significant at the [illegible] percent level except when indicated [illegible]. Each group contains 3,069 observations.

banks remained level while their loans grew rapidly. By contrast, for commercial banks with $100 million or less in assets, net charge-offs as a fraction of average outstanding loans increased sharply, exceeding the peak net charge-off rate of 0.41 percent in 1976.

Noninterest income and expenses again increased more rapidly than assets, as they have in

3. Net loan losses charged



Net loan losses are charged as a percent of average consolidated assets net of loan loss reserves, all commercial banks.

8. Loan portfolio losses and recoveries, all insured commercial banks, 1980–81

Millions of dollars, except as noted

Year, and size of bank[1]	Losses charged	Recoveries	Net losses: Dollar amount	Net losses: Percent of loans[2]	Loan loss provision
1980					
All banks	4,852	1,276	3,576	.36	4,452
Less than $100 million	1,006	264	742	.39	889
$100 million to $1 billion	988	245	743	.38	912
$1 billion or more					
Money center	1,089	316	773	.25	1,036
Others	1,769	451	1,318	.45	1,615
1981					
All banks	5,240	1,519	3,721	.35	5,032
Less than $100 million	1,107	292	815	.43	987
$100 million to $1 billion	1,095	280	815	.39	1,014
$1 billion or more					
Money center	1,175	400	775	.22	1,269
Others	1,863	546	1,317	.40	1,762

1. Size categories are based on year-end fully consolidated assets.

2. Average of beginning- and end-of-year loan balances.

recent years. Since 1978, service charges on deposits have increased 6 basis points relative to average assets, at least partially reflecting changes in pricing associated with the transition to NOW and other interest-bearing transaction deposits. Income from charges and fees other than on deposit accounts also has increased relative to average assets by 6 basis points since 1978; at least some of this growth may reflect income from outstanding business loan commitments and standby letters of credit, the combined total of which grew from $217 billion at the end of 1978 to $436 billion at the end of 1981, from about 14 percent to 21 percent of assets. About half of the 13-basis-point increase in noninterest operating expenses during 1981 came from growth in salaries and occupancy expenses.

PROFITABILITY AND DIVIDENDS

Before-tax profits at all insured commercial banks edged down 6 basis points to 1.04 percent of assets in 1981. Before-tax profitability declined across all size classes but fell most at the large money center banks.

All size groups of banks also incurred losses from securities transactions and/or extraordinary items, presumably in connection with the impact of continued high and volatile market interest rates on the capital values of portfolio assets. With assets growing and the volume of liquid short-term assets growing even faster, losses realized on securities portfolios were probably related more to investment strategy than to cash-flow needs.

9. Profit rates, all insured commercial banks, 1977–81

Percent

Type of return and size of bank[1]	1977	1978	1979	1980	1981
Return on assets[2]					
All banks	.71	.76	.80	.79	.76
Less than $100 million	.98	1.04	1.15	1.18	1.15
$100 million to $1 billion	.82	.90	.96	.96	.91
$1 billion or more					
Money center	.50	.53	.56	.56	.53
Others	.62	.68	.72	.66	.68
Return on equity[3]					
All banks	11.8	12.9	13.9	13.7	13.2
Less than $100 million	12.4	13.2	14.1	14.2	13.6
$100 million to $1 billion	12.0	13.2	13.9	13.7	12.8
$1 billion or more					
Money center	11.4	12.8	14.0	14.4	13.4
Others	11.2	12.5	13.5	12.7	12.9

1. Size categories are based on year-end fully consolidated assets.

2. Net income as a percent of the average of beginning- and end-of-year fully consolidated assets net of loan loss reserves.

3. Net income as a percent of the average of beginning- and end-of-year equity capital.

10. Sources of increase in total equity capital, all insured commercial banks, 1977–81
Millions of dollars, except as noted

Year	Retained income[1]		Net increase in equity capital		Increase in equity capital from retained income (percent)	
	Total	Large banks[2]	Total	Large banks[2]	Column 1 ÷ column 3	Column 2 ÷ column 4
	(1)	(2)	(3)	(4)	(5)	(6)
1977	5,599	2,157	7,094	2,939	79	73
1978	7,019	2,947	8,148	3,304	86	89
1979	8,350	3,616	9,952	4,291	84	84
1980	8,859	3,843	10,828	4,567	82	84
1981	8,904	4,108	11,168	5,426	80	76

1. Net income less cash dividends declared on preferred and common stock.
2. Banks with fully consolidated assets of $1 billion or more.

Income taxes declined relative to average assets, mitigating the impact of lower before-tax earnings on income available for dividends and capital retention. In 1981, net income relative to average assets for all banks declined 3 basis points, only half of the shrinkage in before-tax profits (table 9). The return on average equity capital also edged down for all banks, but at 13.2 percent remained near the decade high reached in 1979.

Despite the ability of commercial banks as a group to maintain strong profitability, not all banks successfully avoided losses associated with risks from changing interest rates and from the weakening of loan portfolio quality that occurred during the year. More banks had expenses exceeding income in 1981 than in other recent years, especially during the second half when the economy fell into recession. Banks with net losses during the second half of 1981 had larger loan loss provisions relative to average assets than their peers, as well as lower gross interest income, both of which are consistent with poorer loan quality. Small unprofitable banks had about the same rate of interest expense as profitable banks of the same size, but among larger banks, the unprofitable institutions had higher interest expenses.

Cash dividends declared on preferred and common stock grew, relative to average assets, at all except money center banks. Small increases in dividends and decreases in net profit rates brought down the rate of income retained during 1981 to 0.46 percent of assets. Small banks retained less income, even in dollar terms, than they had in 1980, while large banks increased the amount of earnings retained as capital and attracted external funds as well (table 10). Nonetheless, capital-to-asset ratios changed little, remaining at an average 5.8 percent for all banks and 3.9 percent for money center banks but edging up slightly for smaller institutions.

Insured U.S. Commercial Banks with Foreign Offices

Commercial banks with foreign offices or Edge Act or Agreement corporations held $1.2 trillion in consolidated assets at the end of 1981, an increase of 10 percent from a year earlier. By the close of the year, 190 banks had such offices, 12 more than at the end of 1980.

In 1981, more of the domestic-office assets of these banks were allocated to loans than a year earlier, and less were allocated to interbank business and securities (table 11). At foreign offices also, loans increased in proportion to assets, and interbank business shrank.

Interest earned on loans booked at foreign offices increased 3¼ percentage points (table 12). Yields on domestic-office loans increased less, 2½ percentage points, in part reflecting a lower incidence of short-term and floating-rate provisions in domestic-office portfolios but also reflecting a change in the pricing of business loans booked at the domestic offices of these large multinational banks. The shift in pricing, away from the prime rate and toward lower rates tied explicitly to money market instruments, apparently represents a competitive response by large banks to retain business loan customers with direct access to the money markets. Interest rates paid on all interest-bearing liabilities of

11. Assets and liabilities, U.S. insured commercial banks with foreign offices, December 31, 1981

Item	Domestic offices		Foreign offices	
	Billions of dollars	Percent of total	Billions of dollars	Percent of total
Total assets	**849**	**100**	**394**	**100**
Cash and due from banks	102	12	131	33
Gross federal funds sold and reverse repurchase agreements	38	4	1	*
Securities	108	13	9	2
Loans	484	57	209	53
Other[1]	117	14	44	12
Total liabilities	**791**	**100**	**394**	**100**
Deposits	566	72	319	81
Noninterest-bearing[2]	198	25	12	3
Interest-bearing	368	46	307	78
Savings and small time	175	22	n.a.	n.a.
Time over $100,000	193	24	n.a.	n.a.
Nondeposit financial claims	148	19	18	4
Federal funds purchased and repurchase agreements	121	15	*	*
Subordinated notes and debentures	4	1	*	*
Other liabilities for borrowed money	23	3	18	4
Other[1]	77	10	57	15

1. Of these amounts, $33 billion represents net funds advanced by domestic offices to their own foreign offices and $13 billion represents net funds advanced to domestic offices by their own foreign offices.

2. Demand deposits in domestic offices, noninterest-bearing deposits in foreign offices.

* Less than $500,000 or 0.5 percent.

n.a. Not available.

domestic offices increased 2¾ percentage points, more than the increase of 2¼ percent in taxable-equivalent returns on all interest-earning assets. At foreign offices, effective interest rates paid for interest-bearing claims increased 3¼ percentage points, slightly less than the improvement in yields on interest-earning assets.

Noninterest-bearing deposits issued by domestic offices declined from 31 percent to 25 percent of total liabilities and were replaced by interest-bearing transaction accounts and by claims such as large time deposits bearing market interest rates. With that shift toward more reliance on interest-bearing liabilities and with interest costs rising faster than interest returns, the net interest

12. Rates of return and rates paid for funds, U.S. insured commercial banks with foreign offices, 1980–81[1]

Percent

Item	Domestic offices		Foreign offices	
	1980	1981	1980	1981
Loans	13.82	16.32	16.00	19.27
Interest-earning assets[2]	13.24	15.53	15.06	18.47
Interest-bearing deposits	10.11	12.91	14.03	17.34
Interest-bearing claims	11.10	13.85	13.97	17.27

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

2. Taxable equivalent approximated for domestic offices according to the method described in table 1, note 4.

13. Interest income and expense as percent of average assets, U.S. insured commercial banks with foreign offices, 1980–81

Item	Domestic offices		Foreign offices	
	1980	1981	1980	1981
Gross interest income	8.67	10.24	12.37	14.96
Gross interest expense	5.79	7.60	10.99	13.16
Net interest margin	2.88	2.64	1.39	1.80
Taxable equivalent[1]	3.23	3.02	1.39	1.80

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

14. Consolidated income and expenses, U.S. insured commercial banks with foreign offices, 1980–81

Percent of average assets

Item	1980	1981
Gross interest income	10.08	12.13
Gross interest expense	7.65	9.74
Net interest margin	2.43	2.39
Taxable equivalent[1]	2.68	2.66
Noninterest income	.98	1.10
Loan loss provision	.24	.25
Other noninterest expense	2.25	2.38
Income before tax	.92	.86
Foreign offices[2]	.26	.30
Domestic offices[2]	.66	.56
Net income	.61	.60
International business[2]	.19	.21
Domestic business[2]	.42	.39

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

2. See table A.3. Reflects amounts attributed, giving full allocation of income and expense.

margins of domestic offices narrowed almost 1/4 percentage point to 3.02 percent (table 13). Margins at foreign offices, responding to changes in interest yields and costs, expanded sharply.

Overall, consolidated net interest margins of banks with foreign offices narrowed slightly, influenced more by domestic-office results than by improvement at foreign offices (table 14). As with all large commercial banks, noninterest income and expenses both grew more rapidly than assets, but by roughly offsetting amounts. The share of total income attributable to international business increased, bolstered by the higher net interest margins of foreign offices and by the increased share of consolidated assets at foreign offices. Before-tax income narrowed slightly to 0.86 percent of average assets, and net income was maintained at only 1 basis point below the 1980 rate. □

APPENDIX TABLES

A.1. Report of income, all insured commercial banks

Amounts shown in millions of dollars

Item	1976	1977	1978	1979	1980	1981
Operating income—Total	**80,388**	**90,069**	**113,170**	**149,795**	**190,109**	**247,932**
Interest						
Loans	51,471	58,881	75,948	101,942	126,663	163,171
Balances with banks	4,459	4,860	6,662	10,561	16,035	23,935
Federal funds sold and securities purchased under resale agreement	1,979	2,471	3,664	6,106	8,750	12,236
Securities (excluding trading accounts)						
Total income	14,333	15,140	16,432	18,755	22,968	29,333
U.S. Treasury and U.S. government agencies and corporations	8,362	8,835	9,335	10,630	13,400	18,037
States and political subdivisions	5,116	5,338	6,003	6,928	8,131	9,671
Other[1]	855	967	1,094	1,197	1,437	1,635
Trust department	1,795	1,980	2,138	2,375	2,738	3,179
Direct lease financing	534	699	862	1,073	1,371	1,746
Service charges on deposits	1,629	1,797	2,039	2,517	3,173	3,905
Other charges, fees, etc	2,175	2,404	2,930	3,635	4,352	5,302
Other operating income	2,011	1,903	2,495	2,831	4,059	5,116
Operating expenses—Total	**70,466**	**78,484**	**98,104**	**131,950**	**170,675**	**227,714**
Interest						
Time and savings deposits	34,894	38,701	50,054	71,693	98,130	138,977
Time CDs of $100,000 or more issued by domestic offices	7,083	6,732	11,693	18,105	24,753	39,034
Deposits in foreign offices	8,745	10,216	14,559	24,523	34,941	46,696
Other deposits	19,066	21,753	23,802	29,065	38,436	53,248
Federal funds purchased and securities sold under repurchase agreements	3,305	4,536	7,247	12,218	16,707	23,786
Other borrowed money[2]	665	816	1,452	3,162	4,380	5,894
Capital notes and debentures	343	391	445	497	541	611
Salaries, wages, and employee benefits	14,686	16,276	18,654	21,465	24,565	27,927
Occupancy expense[3]	4,464	4,959	5,559	6,255	7,325	8,566
Provision for loan losses	3,650	3,244	3,499	3,764	4,453	5,059
Other operating expenses	8,456	9,561	11,194	12,796	14,573	16,962
Income before taxes and securities gains or losses	9,922	11,585	15,067	17,843	19,435	20,149
Applicable income taxes	2,287	2,829	4,155	4,736	5,009	4,611
Income before securities gains or losses	7,635	8,756	10,911	13,109	14,426	15,539
Net securities gains or losses (—) after taxes	190	95	−225	−350	−492	−861
Extraordinary charges (—) or credits after taxes	24	47	45	39	17	54
Net income	7,849	8,898	10,731	12,797	13,950	14,731
Cash dividends declared	3,029	3,299	3,714	4,449	5,091	5,831
MEMO						
Number of banks	14,397	14,397	14,380	14,352	14,421	14,400
Average fully consolidated assets (billion of dollars)	1,123	1,257	1,418	1,593	1,768	1,933

1. Includes interest income from other bonds, notes, debentures, and dividends from stocks.
2. Includes interest paid on U.S. Treasury tax and loan account balances, which were begun in November 1978.
3. Occupancy expense for bank premises plus furniture and equipment expenses minus rental income received for bank premises.

A.2. Earnings, portfolio composition, and interest rates, all insured commercial banks, 1981[1]

Item	All	Assets: Less than $100 million	Assets: $100 million to $1 billion	Assets: $1 billion or more: Money center	Assets: $1 billion or more: Others
	Balance sheet (as percent of average consolidated assets)				
Interest-earning assets	83.8	90.8	88.0	79.6	81.3
Loans	55.2	53.6	54.1	57.5	54.4
Securities	17.0	29.4	25.7	6.8	14.4
U.S. Treasury	5.3	9.9	8.1	2.0	4.2
U.S. government agencies	3.3	7.4	5.0	.8	2.2
State and local governments	7.6	11.5	11.9	2.7	7.5
Other bonds and stock	.8	.5	.7	1.3	.5
Gross federal funds sold and reverse RPs	4.0	5.9	5.5	2.1	3.9
Interest-bearing deposits	7.7	1.9	2.8	13.2	8.7
Financial claims	88.8	89.5	90.6	87.2	88.8
Demand deposits	20.8	22.5	25.0	14.7	23.1
Interest-bearing claims	68.0	66.9	65.6	72.5	65.7
Time and savings deposits	57.8	65.0	58.2	59.5	51.9
Large time	14.2	10.0	15.0	13.5	16.8
In foreign offices	15.8		.2	39.3	11.7
Other domestic	27.8	55.0	43.0	6.6	23.2
MMCs	10.5	22.5	15.8	2.3	8.2
NOW accounts	2.4	4.0	3.6	.7	2.5
Subordinated notes and debentures	.3	.2	.4	.2	.5
Other borrowings	2.3	.3	.9	4.4	2.3
Gross RPs and federal funds purchased	7.5	1.4	6.1	8.5	11.0
MEMO: Managed liabilities	40.2	12.0	22.6	65.9	42.4
	Effective interest rates (percent)				
On securities	9.27	9.69	9.14	9.90	8.65
State and local governments	6.72	6.44	6.49	7.68	6.86
On loans, gross	16.37	14.90	15.23	17.63	16.62
Net of loan loss provision	15.83	14.30	14.66	17.20	16.00
Taxable equivalent					
Securities	11.73	11.77	11.44	12.74	11.56
Securities and gross loans	15.26	13.79	13.99	17.10	15.53
For time and savings deposits					
Negotiable CDs	16.42	15.18	16.05	16.98	16.63
In foreign offices	17.34	...	15.84	17.17	17.94
Other deposits	10.02	10.56	9.99	9.40	9.55
For managed liabilities	16.82	15.11	16.07	17.10	16.93
For all interest-bearing liabiliites	13.86	11.31	11.97	16.20	14.11
	Earnings and expenses (as percent of average consolidated assets)				
Gross interest income	11.81	11.49	11.25	12.58	11.60
Gross interest expense	8.75	7.13	7.39	10.69	8.64
Net interest margin	3.07	4.36	3.86	1.89	2.96
Noninterest income	.99	.69	.87	1.11	1.13
Loan loss provision	.26	.28	.27	.21	.29
Other noninterest expense	2.76	3.23	3.34	1.94	2.92
Profits before tax	1.04	1.55	1.12	.86	.88
Taxes	.24	.35	.17	.31	.15
Other	−.04	−.06	−.05	−.02	−.05
Net income	.76	1.15	.91	.53	.68
Dividends	.30	.35	.39	.21	.31
Retained income	.46	.80	.52	.32	.37
MEMO: Net interest margin, taxable equivalent	3.45	4.92	4.40	2.07	3.35

1. See notes to tables in the text.

A.3. Income attributable to international business of U.S. commercial banks with foreign offices, 1981

Millions of dollars

Item	Amount
Pretax income attributable to foreign offices[1]	3,453
Plus: Pretax income attributable to international business conducted in domestic offices	1,098
Less: adjustment amount[2]	232
Pretax income attributable to international business	4,319
Less; All income taxes attributable to international business	1,921
Net income attributable to international business	2,398
MEMO	
Provision for possible loan losses attributable to international business	567
Noninterest income attributable to foreign offices[1]	2,192
Noninterest income attributable to international business	2,761
Noninterest expense attributable to foreign offices[1]	3,736
Noninterest expense attributable to international business	5,567
Intracompany interest income attributable to international business	6,805
Intracompany interest expense attributable to international business	10,028
Interest income of domestic offices from foreign-domiciled customers	4,147
Fully consolidated	
Pretax income	9,940
Total applicable taxes	2,691
Net income[3]	6,853
Average total assets	1,150,135

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

Federal Reserve System Pricing: An Overview

This report was presented by E. Gerald Corrigan, Chairman of the System's Pricing Policy Committee and President of the Federal Reserve Bank of Minneapolis, on July 29, 1982.

My purpose today is to provide an overview of the experience of the Federal Reserve Banks during the first year of pricing and to share with you our plans for the next year or so with respect to our priced services activities. I am sensitive to our responsibilities to keep depository institutions informed of our intentions in this area. Now, with a year or so of pricing experience behind us, we are in a position to formulate and articulate better a reasonably comprehensive overview of those plans. Before getting into the specific elements of our plans, let me begin by providing perspective on where we are right now and a brief overview of how we see our role in the payments area.

The Role of the Fed in the Priced Services Environment

The basic purpose to be served by a continued Federal Reserve presence in the payments service area—indeed, the purpose intended by the Congress—is to contribute to the efficiency and integrity of the payments mechanism. As a corollary to this, it is simple enough to say that as long as we are serving that purpose, we should remain in the business, and on the contrary if we are not serving that purpose, we should get out of the business. While the logic of this proposition is clear enough, it is not so simple to develop an operational and functional approach that should guide our day-to-day actions.

On the surface, the issue would seem to come down to the question, how will we know if we are contributing to the efficiency of the payments mechanism? In one sense the "market" should answer that question. If there are enough takers of our services at prices that will generate sufficient revenue to cover our costs in a highly competitive market, the presumption would be strong that our presence in the market is contributing to the underlying goal of efficiency. However, even that seemingly acid test cannot be a sufficient guide to our conduct. For example, the Monetary Control Act of 1980 (MCA) speaks of costs matching revenues "over the long run," giving due regard to "competitive factors and the provision of an adequate level of such services nationwide." That language alone suggests to me—as does our initial experience with pricing—that there is no cookbook-like formula that can or should serve as a one-dimensional guide to our actions—particularly in a context that recognizes that we remain a public entity. Taken in historical perspective, the Federal Reserve also has inescapable responsibilities for the safety of the payments mechanism as well as for insuring the overall adequacy of payments services. We cannot back away from these responsibilities even in the so-called pricing environment.

Because we do not have the luxury of a one-dimensional guide to our actions, it will, I am sure, come as no surprise to most of you that we in the Federal Reserve have given extensive thought to devising an operational approach that will permit us to best meet the pricing provisions of the MCA while continuing to serve our historical public responsibilities regarding the payments mechanism. Our first attempt—as reflected in our initial schedule of fees—was rather simple. We essentially calculated our costs for each individual product, added on the private sector adjustment factor (PSAF), mailed out the resulting price schedule, and in effect let nature run its course. Despite our conservative but reasonable initial approach—or perhaps because of the approach—we have learned much in our first year of pricing.

Let me mention a few things that stand out in my mind. First, it does appear that Federal Reserve prices are generally within the range of private suppliers' prices. That fact, in turn, implies that the visible presence of our prices in the marketplace should be working in the direction of lowering the overall costs to society of payment services. Second, although we have lost volume, literally thousands of institutions—including approximately 3,000 nonmember institutions that heretofore did not have full access to Fed services—are securing at least some services from the Fed. The fact that so many institutions choose to obtain services from the Fed when alternatives are often readily available also says something. We want Fed pricing to have the desirable effect of causing all market participants—the Fed included—to sharpen their pencils in search of lower costs and better services. If we accomplish this, the operational presence of the Federal Reserve in the payments mechanism will contribute further to the efficiency and integrity of the payments mechanism, while permitting us to retain the capability of providing minimal levels of services at reasonable prices in the event such services might not otherwise be available.

The Transition to Pricing

You are aware that Federal Reserve pricing is only about a year old. As I have implied, the transition from an environment of "giving it away" to the priced and competitive setting has not been easy. However, I suspect that our situation, while more difficult in degree, has something in common with the problems faced by many financial institutions in learning to price their products in a deregulated setting as well as something in common with the problems the airline industry is grappling with in the face of deregulation. But whatever problems the banks and the airline industry have had in adjusting to deregulation, our problems have been different. In part our problems are different because pricing is entirely new to us, and in part because we must not, in the interests of pricing, back away from our essential and ongoing public responsibilities.

To some extent, the situation we have faced in making the transition to pricing was heavily conditioned by developments that predated pricing. For example, for reasons quite apart from the prospect of pricing, the Federal Reserve Banks had—in the years before 1980 when the MCA was enacted—done quite a good job of resource management. For example, between 1974 and 1980, employment in our payments service operations was reduced more than 17 percent and our expense growth was held significantly below the rate of inflation. During that same period, productivity rose a rather remarkable 77 percent. Thus, long before pricing was upon us, the Federal Reserve had been moving aggressively in a direction that would serve it well, from a cost point of view, in the pricing environment.

If that was the good news, there was also some bad news. For example, in the 1978–79 period, the Federal Reserve made a commitment to expend tens of millions of dollars on its long-range automation program. The rationale for this decision was heavily, if not totally, dictated by considerations relating to the effective discharge of our public responsibilities—including those related to monetary policy—rather than in anticipation of pricing our payments services. That program, taken in the context of the sharp reductions in personnel over the 1974–80 period, has had the effect of significantly shifting the weight of our costs to the "fixed" or "overhead" variety. Thus, our current cost structure is one in which, in most cases, making quick adjustments to even relatively modest changes in volume is not easy nor, in some cases, even desirable.

If the transition to pricing has had its uncertainties—and it surely has—none were greater than those relating to what would happen to Federal Reserve processing volume under pricing. And our initial pricing endeavor—wire transfer services—because of the nature of the product, would tell us little about this phenomenon. Check pricing would be the big test because it constitutes three-quarters of our overall costs of priced services and because alternatives to Fed check services are so readily available in virtually every location in the country.

In any event, it is fair to say that, on balance, the drops in volume we have experienced were faster than we anticipated. We expected—and welcomed—a drop in check volume due to the emergence or reemergence of local clearing operations. We welcomed this development because it contributed to efficiency even if it did cut into our volume.

Let me be specific. Since pricing began and through the first quarter of 1982, we estimate that the total volume of our priced services activities has fallen about 20 percent. To be even more specific, the volume of checks *actually processed* by the Federal Reserve Banks has dropped 22 percent.

Almost half of the drop in processed check volume has been offset by a sharp rise in handling of fine sort or packaged checks. Most, if not all, of the decline in processed check volume occurred in the period August 1981 through February 1982. The speed with which check volume fell off, together with the fact that the volume drop has been *very* uneven from one Federal Reserve office to another, suggests that, in fact, much of the fall has been due to the resurgence of local clearing arrangements. Also relevant is that the gains in fine-sort volume suggest that the Federal Reserve provides a necessary and vital coupling link between collecting and paying banks that facilitates the delivery and settlement of those payments.

Whatever its origins, the drops in volume have put the Fed in a difficult position with respect to the task of generating sufficient revenues to cover its costs and the PSAF. Sharp resource adjustments have been made because our Systemwide work force in check operations is expected to drop more than 10 percent in 1982. However, while the amount of real resources devoted to our priced services activities has remained about flat in the last year or so, declines in volume and the rise in nominal costs have produced a short-run divergence between our costs (including the PSAF) and our revenues. For example, in February that gap reached 28 percent, but preliminary estimates suggest that by May the gap had been narrowed to a little less than 18 percent. Such a gap means that as of May, we were covering almost all costs except the 16 percent PSAF. As we see it, however, our shortfall does not so much reflect the fact that we are wildly out of line in costs or prices as much as it does the difficulties of adjusting our cost structure in the short run and the "mechanical" problems that are associated with a first cut at pricing.

Against this background, in February we began a basic reassessment of our approach to pricing. In that process, considerable weight was given to developing plans that would permit an orderly narrowing and elimination of the cost-revenue gap growing out of the declines in volume that have been experienced. Thus, the program we have embarked upon anticipates that by the fourth quarter of 1982 the Reserve Banks, as a group, will be generating sufficient revenues to cover all costs and part of the PSAF. Several individual Banks that have experienced more modest drops in volume are expected to cover all costs and the full amount of the PSAF in that time frame. On the other hand, a couple of Banks that have had substantial drops in volume will take longer to make the adjustments needed to match revenues with costs. In any event, we expect that all Reserve Banks will have made the transition to a cost-plus-PSAF–revenue match by late 1983.

The cost–revenue gap situation brought into sharp focus a series of both strategic and tactical questions concerning our approach to pricing. Indeed, given the drops in volume and the resulting cost–revenue gaps, we had three basic choices. First, we could simply conclude that we should begin a planned, wholesale withdrawal from the payments business; second, we could drift along in much the same mode as that adopted in our first year of pricing and more or less let the cards fall where they may; or third, we could take a more responsive and flexible approach to pricing.

We have chosen the third alternative after due consideration and for a number of reasons. On the one hand, a planned withdrawal from the payments business does not seem compatible with the objective of working toward the efficiency of the payments mechanism or with those other essential public responsibilities mentioned earlier. Moreover, most financial institutions—small and large alike—seem to agree that the Federal Reserve must play a role in the payments process. This, of course, does not mean that we will not drop an individual service component when the market tells us we have nothing to offer or when no public benefit is associated with our activities. Nor does it mean that, in time, we would not drop full lines of service if events so dictate. However, it does say that we should make an honest effort to maintain a viable presence when that presence is demonstrably compatible with the goal of efficiency and with our overall public responsibilities.

We have also concluded that a continuation of the passive—if not mechanistic—approach we had initially adopted was not likely to provide much of a test of the extent to which the Fed's operational presence in payments activities was working to increase overall efficiency. Thus, if we are genuinely to help insure that payment services are delivered in the most effective and cheapest manner possible, we should emphasize a coordinated program of cost containment, product enhancement, and product promotion. This emphasis does not mean that we will behave as a private correspondent bank; we are a public institution and will remain so. Similarly, this approach does not mean that we covet any particular share of the market. Our fundamental mission, as we see it, is to contribute to the efficiency and safety of the payments mechanism, and the program I will outline below has been developed with this underlying objective fully in mind.

Prospective Changes in Check Services and Prices

In mid-August the Federal Reserve Banks will be announcing new check prices and services, which will take effect on September 30, 1982. In the same general time frame we will be implementing a number of important changes in service levels, making a modified approach to price determination, and completing the job of eliminating or pricing Federal Reserve float. To put the overall program into perspective, let me comment briefly on the major elements of the check repricing effort.

Price-Setting Methodology

The new check prices to be promulgated in mid-August reflect some departure from our earlier pricing methodology. As mentioned earlier, our initial price setting exercise was rigid, mechanistic, and solely driven by costs. No effort was made to price in a manner that recognized that the value of some services might be different from their "costs" nor was any effort made to take account of prevailing market practices.

Essentially, the new pricing approach starts with the proposition that, for the full line of check processing services, costs (including the PSAF) and revenue must match. However, within the overall check service line, we wanted to build in more flexibility to vary prices in line with market forces. Therefore, the approach we have adopted is that, for any individual product within an overall service line, the prices must at least cover direct production costs. Of course any shortfall from total cost recovery for one product in the check service line must be compensated for in the prices of other check products. In effect, therefore, we have built an element of flexibility into the pricing methodology that permits overhead costs to be spread among individual components of an overall service line in accordance with judgments concerning the relative demand for these individual service components. Rigorous control and monitoring procedures have been established to insure that this added degree of flexibility is used conservatively and judiciously. We believe that such flexibility is a more appropriate approach to pricing and that it is more in line with typical pricing practices.

The adoption of this approach to pricing will, of course, mean that our prices, when published in mid-August, will look a bit different than they do today. It also means that there could be more variability in specific prices among Federal Reserve offices. By and large, however, the extent to which this added flexibility has been used by the Reserve Banks will be quite limited. The most important and widespread use of this technique will be reflected in prices for certain types of cash letter deposits for which we have made major improvements in availability and thereby have vastly enhanced the value of the service. Thus, the modified approach to price determination not only is one that provides somewhat more flexibility, but more importantly, is one that provides the opportunity to create price incentives that will work toward making the payments system operate better.

Improvements in Availability

While the individual Federal Reserve Banks have already implemented or are planning to implement a number of enhancements in check processing services, the most important change will come about because of dramatic accelerations in the collection of certain classes of checks. The principal catalyst for these enhancements will be a reconfiguration of the interdistrict transportation network (ITS) used by the Federal Reserve in moving checks around the country. The new ITS network—which will be operated for about the same overall cost as the Fed's current overall air transportation network—will be phased into operation beginning August 1, 1982.

The new transportation network is structured on a "spoke and hub" concept. That is, five hubs around the country will serve a series of spokes, the endpoint of each being a Federal Reserve office. Charter planes will make multiple flights nightly between the respective hubs and their spoke endpoints. Checks will be exchanged at the hubs either for delivery to endpoints connected to the same hub or for shipment to other hubs with subsequent dispatch to endpoints at those more distant hubs.

By using these transportation arrangements and by moving to later deposit deadlines for interzone checks that are deposited with and transported by the Federal Reserve for next-day or same-day credit, we expect to effect major enhancements to the check collection process. For example, under current Federal Reserve transportation arrangements and with Fed collection schedules, most inter-District Regional check Processing Center (RCPC) items are two-day availability points. Under the new arrangements, we expect that 50 to 70 percent of these inter-District items will be collected and credited within one day—thereby accelerating by 24 hours the collection of items valued at between $1.6 billion and $2.6 billion per day. At current interest rates, the value of their acceleration in collection can be as much as $1 million per day or a staggering $360 million per year.

This change—while clearly in the interest of improving the speed and efficiency of the overall check collection process—is not one without its own problems and transitional difficulties. At the Federal Reserve Banks, for example, processing windows for late delivery work will be shortened. Similarly, with the related shift to 12:00 noon presentment for city checks, the processing windows for at least some banking organizations will also be shortened. Over time, a more generalized shift to a later presentment may also create some transitional problems for other classes of payor banks and to certain of their corporate customers. On the other hand, many depositing banks will have considerably more time to get interzone checks into the Federal Reserve network for same-day or next-day presentment and credit. For example, under current arrangements, checks deposited at the New York Federal Reserve Bank drawn on a Chicago city bank must be at the New York Bank by 12:30 a.m. for same-day availability. With the restructured transportation arrangements such checks can be deposited at the New York Bank as late as 3:00 a.m.

Let me digress here for a bit and speak directly about the 12:00 noon presentment issue, which I know has been a source of contention to some institutions. While we have talked informally about moving to later presentment for quite some time, and have provided reasonable advance notice of our intent to shift to 12:00 noon presentment for city items, we did not necessarily do either of these things within a context that made readily apparent the rationale for changing presentment hours. In some ways, the most essential ingredient in that missing context is, of course, the overall acceleration in check collection we expect to achieve by a combination of initiatives, including, but not limited to, 12:00 noon presentment. Also, not necessarily apparent to all was that the shift to later presentment would be accompanied by substantially later deposit hours for certain classes of cash letters.

In any event, a number of banks and some of their corporate customers have indicated that they may have some transitional problems associated with 12:00 noon presentment. Whereas we are sensitive to those problems, we also believe that they are manageable because most checks will still be presented to city banks much in accordance with existing schedules.

Indeed, the noon presentment hour should be viewed as the latest hour at which presentment will take place. In practice, the presentment of most checks by virtually all Federal Reserve offices will take place in advance of the noon deadline. However, in order to ensure that these changes in check collection procedures are digested by banks and their customers with a minimal amount of difficulty, we have modified the schedule for implementation of later presentment to provide a further six-week period over which the changes will be phased in.

The first phase of implementation will start on August 2, when the Reserve Banks will begin presenting checks to reserve city banks no later than 11:00 a.m., unless the Reserve Bank is currently presenting checks after that time. Now, Federal Reserve offices in at least four Districts present checks as late as 12:00 noon to some city banks, and offices in eight Districts present checks to some banks outside the reserve city at 12:00 noon or later.

The second step in the phase-in will occur on August 16 when the Reserve Banks will shift to later deposit deadlines for interzone RCPC checks. Of course, later deposit times will translate into more rapid collection of these items.

The final step of the implementation will occur on September 16 when deposit deadlines for interzone city checks will be moved forward. At this time, 12:00 noon presentment will be implemented, but even then we fully expect that the presentment of most city items by Federal Reserve offices will occur before the noon deadline.

This modification in the program should help minimize transitional problems associated with the change in check collection procedures. Even then, some problems may remain, which must be considered and resolved in the context of the overall benefits of the program in its entirety—including the fact that accelerating the collection of checks should encourage further shifts to electronic payments. In this larger context, we are obviously convinced that the program is appropriate and consistent with our continuing objective of improving the payments process.

Float Reduction and Elimination Program

Financial institutions around the country are quite familiar with the fact that the Federal Reserve has made dramatic progress in reducing float—some I suspect are all too familiar with our progress. The record speaks for itself. In the first quarter of 1980, our float averaged $4.9 billion whereas in the second quarter of 1982 it averaged $1.8 billion. This reduction in float increased our payments to the Treasury about $350 million. However, to the extent we have reduced float, someone else—be it a bank, a corporation, or a state or local government—has in one way or another picked up the tab. That is one of the ironies of float, whether it is Federal Reserve float or one of the many other forms of float that, in the aggregate, are symptomatic of inefficiencies in the payments mechanism.

Indeed, the greatest irony of all is that the float game is played with the expectation of net winners when in fact float is, by definition, a zero-sum game. As a practical matter, however, there are winners—some by accident of location, some by clever design, some by the sheer weight of their relative economic power, and even some by outright abuse. However, it is very hard—if not virtually impossible—to identify the specific winners and the specific net losers in float. That reality has had, and will continue to have, an important impact on the approach of the Federal Reserve to pricing or eliminating float.

Some would suggest that the simplest way to proceed would be for the Federal Reserve to price float immediately and directly. A move in that direction could be achieved either by charging payor banks directly for "actual" float or by folding the value of Fed float into our overall check prices. The former approach entails a morass of technical, administrative, accounting, and legal issues. The latter approach just does not make good sense to us because it would not create any incentive to get rid of float. Indeed, to the extent that relative economic power—to say nothing of abusive practices—has anything to do with who benefits from float, this approach could produce perverse results. To state the case more directly, we want to go about the task of eliminating or pricing float in a way that places the incentives and the disincentives where they belong. The costs of float or float reduction should be borne, to the fullest extent possible, by those who "benefit" from float and particularly by those who are engaged in deliberate efforts to create float.

Primarily for this reason the Federal Reserve, in its float reduction efforts to date, has placed so much emphasis on float reduction rather than prematurely attempting to price float explicitly. Over the next six to nine months, we will continue to emphasize operational improvements in our efforts to eliminate float. However, beginning in early 1983 the thrust of the program will begin to move in some new directions in that we will begin to alter crediting procedures for interterritory cash letters and/or to price explicitly holdover and intraterritory transportation float.

Specifically, we have developed a comprehensive program that, by roughly the end of the first quarter of 1983, should reduce the level of Federal Reserve float to a low frictional level (see the accompanying table).

Summary of proposed plan for reduction of System float in 1982–83

Approximate target date	Proposed action
September 1982	Charge payor institutions for cash letter presentments on midweek closings.
September 1982	Wire advice for return items equal to or greater than \$50,000.
September 1982	Wire advice of adjustments equal to or greater than \$50,000 (short-term measure). Automatic adjustment process (long-term measure).
January 1983	Change crediting procedures for interterritory cash letter deposits.
Early 1983	Eliminate or price holdover float.
Early 1983	Eliminate or price intraterritory transportation float.
Early 1983	Eliminate or price noncheck float.

At present, the largest remaining component of Federal Reserve float results from the shipment of inter-District checks between Federal Reserve offices. Such float now amounts to about \$1 billion on a daily average basis. The current practice is to give credit availability for each category of check deposit according to a fixed (whole-day) schedule. Thus, anything that goes amiss in the usual transportation cycle will slow the collection of a portion of the checks, and float results. Therefore, the key to the success of our float program rests with our success in dealing with this element of float. To some extent, we anticipate that the major improvement of the ITS transportation network discussed earlier should get things moving in the right direction. However, the major changes that should do the job will come in January 1983 when the Reserve Banks modify the way in which they credit depositors for interterritory cash letter deposits. The Reserve Banks will be permitted to offer any or all of the following methods:

1. Fixed availability initially with "as of" adjustments to correct for float after it occurs.
2. Actual availability in which credit is passed only when the checks are received on a timely basis by the payor banks' Federal Reserve office.
3. Fractional availability, in which fixed but fractional day availability is given so that float is zero on average.
4. Payment for float by holding a clearing balance at Reserve Banks.

We are providing these four options in the interest of trying to satisfy the differing needs of the various types and sizes of banking organizations that receive checks from the Federal Reserve. However, as a practical matter, we believe events will gravitate in the direction of actual availability and the use of clearing balances.

In order to execute this program, the Federal Reserve Banks are now developing a Systemwide, automated "cash letter monitoring system." That system will permit us to track and pinpoint almost instantaneously the location of any cash letter in the Federal Reserve collection network. We believe that this system will provide major benefits to us, to banking organizations, and to the payments network generally. It may even help us in the execution of monetary policy as it should permit us to provide the Trading Desk in New York with more accurate and timely estimates of the amount of float that open market operations must offset or accommodate in managing the reserve position of the banking system as a whole. More to the point in the current context, however, the cash letter monitoring system will permit us to take the next and last major step in the float reduction–pricing program in a manner that is consistent with the objectives outlined earlier.

Assuming these programs, in the aggregate, succeed in getting float down to some low level around mid-1983, we will have another bridge to cross. Namely, what to do about the remaining or frictional levels of float? We have not yet made that decision, in part because we are just now beginning to focus on the question of whether or not some low level of Federal Reserve float exists that might properly be viewed as a necessary lubricant for the payments mechanism.

Such a question, of course, is very complex and undoubtedly controversial, and it is also one that in the final analysis might require a change in the statute. For now, however, we must wait to evaluate how these other initiatives work. We will then be in a better position to determine the amount of residual float and what should best be done with that residual.

Other Near-Term Pricing Initiatives

While most of what I have said is related to the check processing activities of the Federal Reserve Banks, financial institutions should be aware of a number of other near- and intermediate-term plans in other areas. Let me, therefore, comment briefly on pending developments.

Automated Clearinghouse Prices. On or about August 16, the Reserve Banks will be announcing the new schedule of ACH prices. These prices will represent the first step in our stated objective of recovering full costs of ACH operations in 1985. At this time, we fully expect no further ACH price increases until August 1983. We contemplate that the new ACH price schedules will differ from the current price schedules in that they will incorporate a differential price for originators of debits and the receivers of credits and will also incorporate a night-cycle "premium" price. Also we have commissioned a number of longer-term studies of what can be done—in cooperation with the private sector—to promote the use of the ACH.

Securities and Noncash Collection Repricing. At present we contemplate that new price schedules for our securities processing and safekeeping services, along with coupon collection services, will be announced on or about November 15 to take effect as of the first of next year. We are still analyzing our experience with securities pricing to learn what modifications in prices and in the structure of prices would seem most appropriate.

Cash Transportation Services. We have not yet begun to focus in detail on the cash service area because it was not initially priced until earlier this year. However, we tentatively expect to announce new prices and any service level modifications early in 1983.

Clearing Balances. With the phasedown in member bank reserve requirements called for in the MCA, and given certain elements of our float reduction plan, an increasingly large number of institutions may want or need to establish clearing balance relationships with their respective Federal Reserve Banks. Therefore, in mid-August, we will be announcing a series of changes in our rules governing eligibility and administration of clearing balances. These changes are aimed at providing a greater degree of flexibility to depository institutions and to the Reserve Banks in the establishment and use of clearing balances.

Electronic Check Collection. For a number of months the Federal Reserve has been involved in design work for a particular form of electronic check collection (ECC). While that analysis has provided many valuable insights into the problems and opportunities associated with shifting paper payments to an electronic form, the ECC program that has been discussed with the banking industry will not be pursued further by the Federal Reserve at this time. Nevertheless, some of the problems to which ECC had been directed (large checks) and some of its objectives (encouraging the shift to electronic payments) remain just as valid today as they were a year ago or five years ago. Thus, we will continue our efforts to develop programs and initiatives that can effectively serve those objectives.

FRCS-80. As many of you know, last month the Federal Reserve began live processing on the FRCS-80, the Fed's new nationwide telecommunications network. At present, the Reserve Banks are developing standard software packages to replace the existing funds and securities transfers, bulk data, administrative messages, and related systems that will use the FRCS-80. Of course, the network is highly powerful and flexible and should be able to meet our existing applications at least for the remainder of this decade. Over a longer time frame we believe FRCS-80 will be a tool that can help meet the evolving needs of our national payments mechanism.

Longer-Term Plans

I cannot tell you with any precision what may develop in the longer term with respect to the nature and extent of the role and presence of the Federal Reserve in the payments area. I can repeat that we are very much inclined to the view that we should seek to maintain a viable, operational presence in the payments business primarily because we believe that presence is consistent with the goal of improving the efficiency and effectiveness of the payments mechanism. Similarly, I can tell you that we remain strongly committed to a number of related objectives. These would include encouraging a continued shift toward faster, cheaper, and more certain forms of payment and, to the maximum extent possible, encouraging an evolution in payment practices in which institutions, small and large, and individuals will be direct beneficiaries of those constructive changes we help to foster. Achieving those objectives may not require that the Federal Reserve perform all of the operational functions it performs today. On the other hand, it may require that we take on some things that we do not do today. If the need arises, we are prepared to move in that direction.

The important point as I see it, however, is not so much the precise role that the Federal Reserve plays in this process of change nor is it the precise role that any one institution, or group of institutions, plays in that process. To the contrary, the genuinely important point is to recognize—as I believe we all do—that we in the Federal Reserve and you in the financial industry have a common interest in seeing that these objectives are well served.

Having said that, let me say something you already know. There simply is no way that each thing we do can please 15,000 banks, 4,000 savings and loans, 400 savings banks, and 20,000 credit unions. If we speed up check collection and reduce float, inevitably, somebody is "hurt" and unhappy. But many others are better off. If we adopt later presentment hours, someone's ox is perceived as being gored, but here too, many others are better off. Those realities should not deter us or you from seeking out those areas in which we have common interests and from working together to achieve those larger objectives of which I spoke earlier.

In closing, let me say a few words on a related subject. In virtually every form in which the subject of pricing is discussed among financial institutions, the point is made that the Federal Reserve might use, could use, or perhaps even has used its regulatory authority to its competitive advantage. We are extremely sensitive to this view.

I firmly believe our safeguards against abuse of our regulatory authority are more than adequate. Foremost among those safeguards is our own extremely high level of sensitivity to the issue. In addition, the fact that we operate under such close public scrutiny is, in and of itself, a powerful safeguard. Beyond that, we have also taken steps within the Reserve Banks to create our own version of the "Chinese Wall" by segregating, to the maximum extent possible, priced service activities from other activities within the Banks. Finally, if despite all of this, we appear to cross the line, obviously numerous avenues of redress are available to those who may perceive that the "Wall" has been breached.

In my judgment, the best way to insure that the problem does not arise is to seek out opportunities for open and frank discussion of our concerns, our plans, our priorities, and our intentions. Consistent with that, I believe the time may be at hand when some degree of more formal and regular communication between the Federal Reserve and the financial industry—at the level of the policymakers—may be appropriate, and I would welcome your views as to how that might be accomplished. Earlier, I mentioned two areas—the future of the ACH and moving on with a viable form of ECC—that I believe are ripe candidates for such dialogue. In the meanwhile, I hope that we in the Federal Reserve have, through this vehicle, begun to provide more adequately some insights into our current plans. □

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. In some instances the Federal Reserve System finances similar studies by members of the academic profession.

From time to time, papers that are of general interest to the professions and to others are selected for the Staff Studies series. These papers are summarized—or, occasionally, printed in full—in the FEDERAL RESERVE BULLETIN.

In all cases 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

STRUCTURE–PERFORMANCE STUDIES IN BANKING: AN UPDATED SUMMARY AND EVALUATION

Stephen A. Rhoades—Staff, Board of Governors

Prepared as a staff paper in the first half of 1982

The structure–performance analytical framework grew out of the theoretical work of Edward Chamberlin and Joan Robinson during the 1930s. It has proved to be remarkably useful and versatile. Indeed, it has become an important foundation for antitrust policy and has provided the basic framework for examining a wide variety of hypotheses other than the basic structure–performance hypothesis. The banking industry is a convenient laboratory for testing many of these hypotheses.

While the early tests of the basic structure–performance hypothesis had focused on the industrial sector, the Bank Merger Act of 1960 gave impetus to similar studies in banking. An earlier Staff Study summarized and evaluated the 39 structure–performance studies in banking conducted from 1960 through September 1977. This Staff Study summarizes and evaluates 26 structure–performance studies from September 1977 through June 1982.

Evidence of a structure–performance relationship was found in 30 of the 39 studies from 1960 through September 1977 but in 23 of the 26 recent ones. Many of the later studies, in contrast with the earlier ones, do not examine the structure-performance relationship per se. That is, they have some other objective, and findings on the basic structure–performance relationship emerge as a by-product. The concentration ratio proved to be the most frequently used and the most "successful" measure of market structure. Evidence is building that studies that use banks as the unit of observation should include a measure of market share. In the recent studies, as in the earlier ones, wage costs are generally not taken into account when prices rather than profits are used as a performance measure—probably a mistake. It is surprising that more of the recent studies did not account for nonbank thrift institutions in light of the expanded services these institutions may offer. Those studies that did

account for nonbank thrift institutions yielded conflicting results regarding the degree of competition between banks and thrifts.

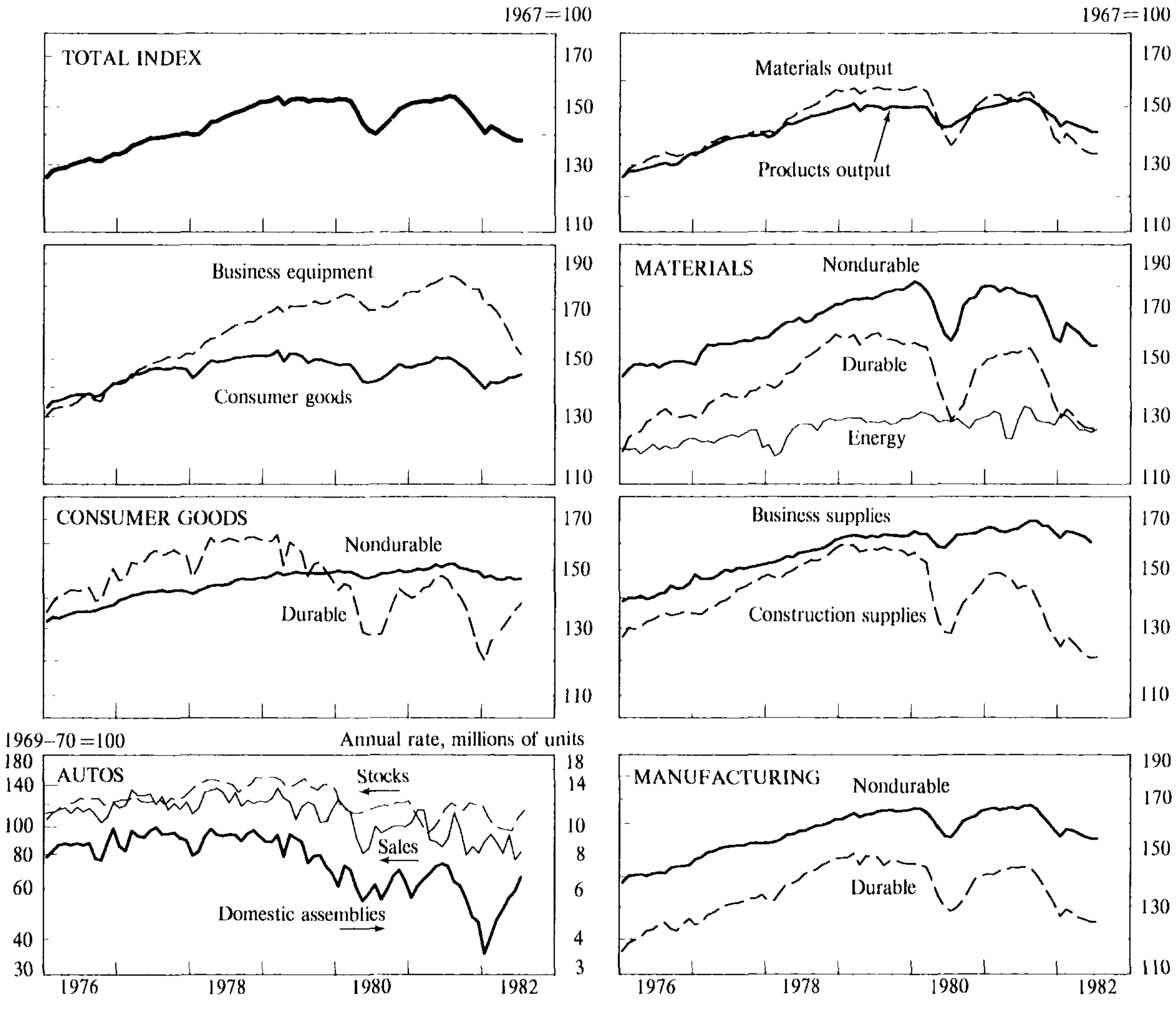
In conclusion, market structure does influence performance in banking. Though the magnitude of the influence is generally small, exceptions exist. Therefore, the structure–performance analytical framework provides a solid foundation for bank merger policy. From a research standpoint, the banking industry is proving to be a particularly fruitful arena for investigations into a variety of questions relying on the general structure–performance framework. Nevertheless, the nonprofit objectives of businessmen, the use of nonprice competition, the reason for the small measured effect of structure on performance, and the competitive effects of nonbank thrifts are receiving less attention than one might expect.

Industrial Production

Released for publication August 13

Industrial production edged down 0.1 percent in July following declines of 0.7 percent in each of the two preceding months. Output of consumer goods increased during the month and materials remained unchanged, but sizable reductions continued in the output of business equipment. At 138.1 percent of the 1967 average, the total index in July was 10.3 percent below a year earlier.

In market groupings, production of consumer goods increased 0.6 percent, reflecting a sharp rise in output of autos. Autos were assembled at an annual rate of 6.6 million units—up about 12 percent from June, but the industry has scheduled about an equivalent reduction for August.



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

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, July 1981 to July 1982
	1982		1982					
	June	July	Mar.	Apr.	May	June	July	
	Major market groupings							
Total industrial production	**138.2**	**138.1**	**−.8**	**−1.1**	**−.7**	**−.7**	**−.1**	**−10.3**
Products, total	141.1	141.0	−.6	−.6	−.5	−.8	−.1	−7.8
Final products	141.1	140.9	−.6	−.5	−.2	−.8	−.1	−7.4
Consumer goods	143.7	144.5	−.2	.4	1.0	.1	.6	−4.1
Durable	136.1	138.4	1.7	2.0	2.0	2.1	1.7	−5.5
Nondurable	146.7	147.0	−.9	−.1	.6	.5	.2	−3.5
Business equipment	155.2	152.0	−1.5	−2.4	−2.9	−3.1	−2.1	−17.7
Defense and space	108.1	109.0	.5	.2	.5	.4	.8	6.2
Intermediate products	140.8	141.1	−.8	1.0	−1.0	−1.0	.2	−9.7
Construction supplies	120.9	121.2	−1.5	−1.6	−1.7	−.5	.2	−16.0
Materials	133.7	133.7	−1.4	−1.7	−1.2	−.7	.0	−13.9
	Major industry groupings							
Manufacturing	137.1	137.1	−.6	−1.0	−.6	−.5	.0	−10.5
Durable	125.3	125.2	−.9	−1.2	−.6	−.6	−.1	−12.8
Nondurable	154.2	154.2	−.3	−.8	−.8	−.5	.0	−7.7
Mining	125.1	121.9	−3.0	−2.9	−3.3	−3.5	−2.6	−16.8
Utilities	168.7	170.2	−.2	.6	.1	−1.4	.9	−1.7

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

Production of nondurable consumer goods edged up in July, but that of home goods was off slightly. Business equipment fell 2.1 percent further in July as output was reduced sharply in building and mining, manufacturing, power, and commercial equipment. Output of construction and business supplies increased slightly.

Production of total materials was unchanged in July. Another decline occurred in durable materials, reflecting curtailments in basic metals and equipment parts. Output of nondurable materials changed little, while that of energy materials increased.

In industry groupings, the level of manufacturing production remained unchanged in July, but mining was again reduced sharply reflecting shutdowns in metal mining industries as well as continued declines in oil and gas extraction and coal output. Utilities increased an estimated 0.9 percent in July.

Statements to Congress

Statement by John E. Ryan, Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on General Oversight and Renegotiation of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 13, 1982.

I am pleased to participate on behalf of the Federal Reserve in this hearing to evaluate the enforcement and utilization of the Bank Secrecy Act and its reporting requirements. The Federal Reserve shares this subcommittee's desire that the Bank Secrecy Act remain an effective investigative tool in enforcing our nation's laws against drug trafficking, tax evasion, and other efforts to launder or conceal illegal financial transactions. To this end, the Federal Reserve, on an individual basis and in cooperation with the other banking agencies, has been actively engaged in efforts to improve the agencies' ability to monitor compliance with the Bank Secrecy Act, to ensure that apparent violations of the act are reported in a timely manner to the appropriate federal enforcement authority, and to provide law enforcement agencies with information on currency shipments to assist them in their studies of the volume and pattern of cash transactions. Further, the Federal Reserve has conducted special examinations at the request of the enforcement agencies, and it continues to stand ready to assist the agencies in the investigation of potential criminal violations.

By way of background, I would like to describe briefly the general role of the Federal Reserve in monitoring bank compliance with laws and regulations and the other ways in which it can assist the enforcement agencies in carrying out their responsibilities under the Bank Secrecy Act. Then I would like to discuss in somewhat greater detail some ongoing efforts and developments that have occurred within the last year.

As a bank supervisory and regulatory agency, the Federal Reserve refers to the appropriate law enforcement agency evidence of possible criminal violations that are brought to light through its on-site examinations of the books and records of state member banks. With respect to the Bank Secrecy Act, the Federal Reserve has specific responsibilities for monitoring compliance of the financial institutions under its direct supervision with the requirements of the act. This responsibility was delegated to the Federal Reserve and other bank regulatory agencies by the Department of the Treasury, which has primary responsibility for the enforcement of the statute. As the processor of currency and coin, the Federal Reserve also assists the enforcement agencies by providing information on the aggregate dollar amount of currency shipments into and out of Reserve Banks and their branch offices as well as on the principal denominations of the shipments.

Within the last year, the Federal Reserve has taken a number of steps to continue to strengthen its efforts to monitor compliance with the Bank Secrecy Act and to assist the primary agencies in carrying out their enforcement responsibilities. As was reported to this subcommittee last July, the banking agencies implemented revised examination procedures in March 1981. These procedures were designed to strengthen the ability of the agencies to determine if banks were complying with the act and to provide the Treasury Department with better and more comprehensive information on possible violations of the act. In revising the examination procedures, the banking agencies incorporated comments and suggestions from the staffs of the Treasury Department and the General Accounting Office. The procedures are designed to ensure that banks are aware of the requirements of the Bank Secrecy Act and that they have established internal systems and methods to ensure compliance. For those institutions with deficiencies or for those that have engaged in unusually large cash shipments, the procedures call for extensive testing of actual transactions to determine if reports are being prepared as required by the Bank Secrecy Act regulations.

These procedures have been in force now for more than a year, and we believe they have proved to be both an effective and an efficient means for monitoring compliance with the recordkeeping and reporting regulations. In addition to the on-site evaluation of bank compliance, the Federal Reserve reports to the Treasury Department on a quarterly basis those institutions cited for apparent violations of certain of the reporting and recordkeeping requirements. A review of the reports submitted for the period between January 1, 1981, and March 30, 1982, indicates that the Federal Reserve has examined and reviewed Bank Secrecy Act compliance in 1,242 financial institutions, cited 50 institutions for not filing currency transaction reports, criticized 74 institutions for not maintaining a current list of customers who are exempt from reporting such transactions, and addressed violations of the Bank Secrecy Act in four formal supervisory enforcement actions.

In addition to these quarterly reports, the Federal Reserve has made specific referrals to the Treasury Department when circumstances uncovered during an examination suggested possible violations. These notification efforts serve as the basis for further review by the federal enforcement agencies and in some instances may result in the initiation of criminal investigations by the appropriate authorities. In addition to making these reports, the Federal Reserve responds to follow-up questions by enforcement agencies concerning apparent violations and possible criminal investigations and stands ready if requested to conduct special on-site examinations to gather additional information. The System conducted such examinations in connection with Operation Greenback in Florida and has recently received another request to examine an institution in connection with an ongoing investigation.

As a result of its responsibilities for processing currency and coin, the Federal Reserve since November 1979 has provided the Treasury Department with a monthly report on aggregate currency amounts received by and shipped from each of its District Reserve Banks and their 25 branch offices. This information on currency receipts and payments is broken down by denomination to enable the enforcement authorities to focus on the denominations most popular with those engaged in narcotics trafficking. We believe this information has proved useful to the enforcement authorities in analyzing the volume or pattern of regional cash flows and in identifying those areas that may warrant further study. With the assistance of Federal Reserve officials, the enforcement agencies have initiated or completed such studies at three District Federal Reserve offices within the last year. In addition to providing information on currency shipments, Federal Reserve staff members meet regularly upon request with enforcement officials to discuss data availability, to respond to special ad hoc requests, and to exchange information. Within the last several months, the Federal Reserve has agreed to provide the U.S. Customs Service with monthly information on currency shipments. This information has also been provided to other agencies and congressional committees on an ad hoc basis.

In addition to providing aggregate data on currency shipments, District Reserve Banks have assisted the Treasury Department by making available other data on cash shipments within Federal Reserve Districts. Moreover, each Federal Reserve Bank has been instructed to establish systems and internal operating procedures to notify the appropriate banking agency when an institution under that agency's jurisdiction experiences unusually large or abnormal currency flows. In order to facilitate this process, the Federal Reserve Bank of New York has developed a pilot computer program that will automatically identify banks with large currency shipments for the purpose of further review and possible referral to the primary banking agency. These procedures, though relatively recent, have already resulted in Reserve Bank notification of other agencies and should help the banking agencies target their examination efforts on those institutions that warrant increased attention. Moreover, the Federal Reserve is exploring with the enforcement agencies additional ways of improving the System's ability to monitor compliance with the Bank Secrecy Act through the exchange of information derived from the currency transaction reports that banks file pursuant to Treasury Department regulations.

The Federal Reserve remains committed to fulfilling its responsibilities for monitoring compliance with the Bank Secrecy Act through the examination process and to assisting law enforcement agencies by providing data and conducting special examinations. We believe that the actions taken by the banking agencies have enhanced their ability to monitor compliance and to assist the primary authorities in the discharge of their enforcement responsibilities. Moreover, we believe that actions taken by the banking agencies, together with the efforts of the primary enforcement agencies, have served to heighten awareness of the reporting requirements of the Bank Secrecy Act and thereby have contributed to an improvement in the use of the data filed pursuant to the financial recordkeeping and reporting regulations. □

Statement by Preston Martin, Vice Chairman, Board of Governors of the Federal Reserve System, before the Consumer Affairs and Coinage Subcommittee of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 15, 1982.

I appreciate the opportunity to testify on a bill to reinstate the Credit Control Act in a modified form. As you know, under that act, which expired July 1, the President was empowered to authorize the Federal Reserve to "regulate and control any or all extensions of credit" if he found such action "necessary or appropriate to prevent or control inflation generated by the extension of credit in an excessive volume." The act gave the Board broad powers to regulate the terms under which credit is extended and the purposes for which it can be granted, as well as to require reporting and recordkeeping of credit transactions once the President decided that those powers should be exercised. One of the proposed amendments would enlarge the circumstances under which the President could invoke the act to encompass recession and unemployment as well as inflation. Another proposed amendment would make explicit the Board's authority under the act to limit credit granted for "nonproductive" purposes and to ensure the availability of credit for other uses.

The Federal Reserve Board is sympathetic to the concerns about the cost and availability of credit over recent years that apparently have prompted proposals to retain credit control authority. High interest rates have contributed to the weakness of the economy and stresses on the financial condition of entities operating within it and have been a factor in the sharp rise in business and personal bankruptcies in recent years. However, we do not believe that credit controls are an effective, efficient, or fair method to deal with these problems or those of inflation when the more general instruments of monetary and fiscal policy can be used. Our experience with the administration of controls for a brief period in 1980 amply demonstrated the difficulties encountered in the application of credit controls.

Some have argued that direct government intervention in credit allocation may be necessary under extraordinary circumstances, such as a national emergency, and in the absence of standby authority, problems might be encountered in such circumstances if borrowers moved to obtain credit when enabling legislation was being considered. The greater danger would be that distortions in credit flows could occur on other occasions when circumstances seemed to suggest controls might be activated, and the existence of credit control authority might tend to encourage its use unnecessarily. Accordingly, the Board feels that the proposed legislation would do more harm than good.

The Effects of Credit Controls

The ability of credit controls applied in this country to achieve their intended effects over any extended period is limited, and the costs to borrowers, lenders, and society as a whole from attempts to use controls to combat inflation or unemployment could become quite sizable. These difficulties stem in large measure from the availability to many U.S. borrowers of funds from a number of different sources. A large business, for example, may be able to borrow from a bank, finance company, or other financial intermediary, or it could obtain funds directly in a variety of securities markets ranging from very short-term commercial paper through notes and bonds and including sales of equity. These markets are mostly located in this country, but increasing numbers of corporate borrowers are gaining access to a highly integrated worldwide dollar market over which it would be extremely difficult for U.S. authorities to exercise effective control.

This sophisticated and decentralized financial system is a great advantage to the U.S. economy because it gives savers a variety of instruments among which to choose and helps to channel these savings to investment uses in an efficient manner. However, the existence of these markets also means that control of one particular type of credit or of a narrow range of credit instruments is unlikely to be effective over an extended period. Borrowers may have a preference as to the terms on which they wish to fund a particular purchase, but money is fungible—that is, funds obtained from any source can be applied for any purpose—and if the incentive and opportunities are present, unregulated credit will tend to be substituted for credit subject to controls. As attempts are made to maintain the effectiveness of controls in the face of continuing substitutions by borrowers and lenders, regulations will tend to become increasingly pervasive, complex, and burdensome. Moreover, because controls are most readily applied to domestic financial intermediaries, borrowers, such as households and small businesses, that depend on these institutions for credit may tend to feel the major effects of controls even when this is contrary to the intent of their designers.

The cost of credit controls, if maintained for any extended period, would include most visibly the government bureaucracy and the rulemaking and enforcing machinery that would be needed. Less obvious would be the costs incurred by private businesses in increased reporting burden and the expenditure of managerial ingenuity to conform with or, perhaps, get around the regulations. Least easy to ascertain would be the costs arising from distortions in resource allocation and inefficiencies that inevitably result when regulatory mandate is substituted for market decisions. Of course, the whole purpose of controls is to change the allocation of credit and presumably of spending from what would prevail in the absence of interference. A number of governmental programs already exist to influence the flow of funds to various sectors—especially toward housing and agriculture. However, the full effect of these programs, for example on competing uses of credit, and the additional costs of credit controls are difficult to determine. Breaking into the complex web of private decisions about lending and borrowing and about spending and saving may involve considerable unintended indirect consequences from distorting the price and interest rate signals given to market participants.

THE 1980 EXPERIENCE

In many respects, the problems and pitfalls of utilizing credit controls were illustrated by our experience in the spring of 1980, when, consistent with the order of President Carter, the Board took a series of actions designed to curb inflationary pressures by slowing the overall growth of credit while directing it to uses considered most beneficial to the economy. The components of the program, not all of which required the authority of the Credit Control Act, included the following: a voluntary special credit restraint program intended to reduce the expansion of short-term credit, primarily by holding the growth of bank loans below 9 percent for the year, with restraint to be applied mainly to loans for speculative purposes or for effecting takeovers or stock repurchases, rather than to loans to small businesses, farmers, and purchasers of homes and autos; special deposit requirements on increases in certain types of consumer loans; an increase in the reserve requirement on growth in managed liabilities of member banks and extension of the marginal reserve requirement to nonmembers to discourage further the expansion of bank credit; a special deposit requirement on increases in money market fund assets, in the expectation that lower yields on these intermediaries would slow the diversion of deposits from local institutions; and a surcharge on frequent borrowing from the Federal Reserve discount window by large banks.

When the President authorized the imposition of credit controls in March 1980, conditions in credit markets had been deteriorating in many respects. Interest rates were rising, with concern about impending federal government deficits and a pickup in inflation driving bond yields to record levels, and bank credit growth was running well above the range considered appropriate by the Federal Open Market Committee. The public appeared to have little confidence that the usual fiscal and monetary policy instruments would be used to effect a lasting reduction in inflation. Under these circumstances, it seemed appropriate to supplement these techniques temporarily with the special measures of the credit restraint program; it was hoped that these actions would speed the response of the economy to the more general policies already in place.

The program did contribute to a sharp reduction in interest rates, but this downward movement in rates accompanied a steep decline in economic activity. One reason for this was the great amount of uncertainty and confusion that accompanied the onset of controls. Borrowers reduced their use of all types of credit, including those the credit restraint program was *not* intended to curtail, and with this reduction went a sharp drop in credit-financed purchases. Some lenders, fearful of violating Board guidelines, drew back from the credit markets, cutting sharply their credit extensions; others used the credit restraint program as the occasion for accelerating a tightening of loan terms that had been in train for some time. In response to incoming information about the economy and credit markets, the Federal Reserve quickly took steps to ease the credit restrictions. With the credit restraints off, interest rates lower, and underlying demands for goods and services still strong, the economy rebounded rapidly in the third and fourth quarters of 1980, thereby carrying interest rates to even higher levels. In the end the credit controls appeared to add to the volatility in financial markets and the economy in 1980, and in some ways, by distorting underlying economic and financial conditions, made sound fiscal and monetary policies more difficult to formulate.

In addition, the numerous practical problems encountered in implementing the program tended to demonstrate the essentially arbitrary nature of governmental direction of credit decisions and the burdens imposed by controls. The general principles guiding the credit restraint program seemed reasonably straightforward, but constant modification, interpretation, and clarification were needed as these general principles were applied to the complex financial relationships that characterize our economy. In the few months they were in effect, the consumer credit regulations, by themselves, required 31 pages of answers to common questions and also to innumerable responses to inquiries specific to individual institutions, even though these regulations were aimed at quite a limited sector of the consumer credit market. The voluntary credit restraint program for banks and other lenders necessitated numerous judgments by the Federal Reserve and the lenders as to whether individual loans for takeover, purely financial, or speculative purposes were justified under the guidelines. Lenders and borrowers rarely enter loan contracts that they do not feel will produce some economic benefits, and we found that the longer the program was in effect, the more numerous and difficult became the issues of this sort that had to be confronted. Problems also were encountered in verifying whether credit continued to be made available to borrowers, such as farmers and small businesses, that were supposed to receive favored treatment under the regulations.

Recognizing that larger corporations might be unfairly advantaged by access to a variety of credit markets, the Board required these corporations to report directly to us so we could monitor their total use of credit. Great difficulty arose in standardizing and interpreting these reports, however, especially the information dealing with transactions with foreign subsidiaries. Moreover, the regulations and accompanying reports placed a substantial burden on corporations and lenders, who often were asked to develop and report data in unfamiliar and difficult categories. The Federal Reserve Banks and the Board also found that considerable resources had to be diverted from regular duties to interpret and monitor compliance with the regulations, answer questions, and analyze incoming reports.

Credit Controls to Combat Inflation or Recession

As in 1980, the usual reason for imposing credit controls has been to combat inflation, or prevent its outbreak. In the past, imposition of credit controls has primarily occurred during war when resources were being diverted from the production of consumer goods, and the exigencies of war finance were thought to constrain the degree to which monetary and fiscal policies could be used to hold down overall demand pressures. In this context the terms or availability of credit to finance consumer purchases was controlled in order to discourage consumer spending. Such a policy might be successful in a national emergency when a public consensus existed that would discourage finding ways to reduce the effect of the controls, but even in these circumstances, avoiding an eventual upward movement in prices requires policies that bring aggregate supply and demand into more lasting balance. The use of credit controls—with the attendant costs, distortions, and possibilities for evasion—is unlikely to produce a permanent reduction in inflationary pressures, unless it is also accompanied by limitations on the overall growth of money and credit.

In the proposed bill, credit controls may also be authorized by the President to combat unemployment and recession. The success of credit allocation for this purpose is likely to be even less than when credit controls are used for holding down inflation. Regulations to prevent or limit a proposed extension of credit or to raise its cost would have a far better chance of being effective than would regulations to induce credit extensions that do not appear beneficial to the lender or borrower. Lenders require a fair return on their investments; for financial institutions such a return implies a reasonable margin over the cost of obtaining funds. To encourage borrowing and spending as a method of boosting economic activity, credit controls would have to result in greater volumes of credit at lower interest rates. It is difficult to see how credit controls would ever work in this way.

Controls also can be used in an attempt to effect a redistribution of credit, perhaps to rechannel spending in directions considered more socially desirable or to reduce unemployment in particular sectors. Controls may succeed in this redistribution, but only at the expense of increasing unemployment or reducing spending in other sectors, and their effectiveness may be limited over time if constrained borrowers can substitute credit from noncontrolled sources.

Differences in credit availability between productive and nonproductive (usually takeover credit) uses have been widely discussed. In that connection I should note that borrowing to finance takeovers does not draw significantly on the nation's total volume of savings—our ultimate source of credit. These transactions involve an exchange of financial assets, and while the purchaser of stock may borrow to obtain the necessary funds, those selling the stock generally will recycle the proceeds back into financial markets by making a deposit in a bank or in some other financial institution or by purchasing another security.

Although the overall balance of credit supplies and demands will not be greatly affected by such transactions, some distortions may occur in the distribution of credit and the structure of rates in different markets. In addition, the tendency for banks to take on large obligations to individual firms in short periods in conjunction with takeover financing may have implications in the context of the Federal Reserve's supervisory responsibilities. For these reasons, we monitor the volume and terms of financing takeovers carefully. When firm constraints operate on growth of bank credit, loans for one use would reduce from banks funds available for other purposes, with potentially adverse consequences for those borrowers without access to other credit sources.

The most recent example of asking banks to limit takeover loans was during the credit restraint period in the spring of 1980, when, as noted earlier, we asked the banks not only to curb lending for nonproductive purposes but also to maintain the flow of credit to homebuyers, small businesses, and others whose credit needs seemed important to satisfy. The problems we encountered then—for example, determining which takeovers were justified and monitoring the use of foreign credit to finance mergers—highlighted the difficulties of enforcing such restrictions in an equitable manner without impairing the efficient funding in our financial markets of necessary and legitimate changes in business ownership. In this area, as in others, problems of anticipations also complicate the administration of controls.

It seems to me that the problems facing borrowers today do not stem from a lack of availability of funds from certain lenders that might be remedied by redirecting credit flows, but rather from the generally high level of interest rates. Liquidity pressures and balance sheet imbalances of many years' standing are prevailing throughout our credit markets. Of particular concern is the elevated level of long-term rates, which has depressed our housing markets and discouraged businesses from undertaking the capital investment and balance sheet restructuring so urgently needed. One factor keeping those rates so high is investor fears of a reemergence of inflation at even higher levels as the economy recovers—repeating the pattern of recent decades; another is the prospect of the crowding out of private borrowers because of the financing of massive and growing federal budget deficits in the midst of economic expansion. Unless the Congress and the administration structure a federal budget that will move toward balance instead of toward greater deficits at higher levels of employment and output, the federal government will continue to use an outsized share of our nation's savings. Private borrowers, under these circumstances, will continue to face high interest rates, and the credit-sensitive sectors of our economy will not regain their former vigor. Stimulus to private activity cannot be obtained by promulgating rules favoring one sector over another. Instead we must work to increase the flow of credit to all private borrowers and to assure that this credit will be available at reasonable rates by pursuing monetary and fiscal policies that promise a lasting abatement of inflationary pressures. □

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, July 20, 1982.

I am pleased to have this opportunity once again to discuss monetary policy with you within the context of recent and prospective economic developments. As usual on these occasions, you have the Humphrey–Hawkins report of the Board of Governors before you. This morning I want to enlarge upon some aspects of that report and amplify as fully as I can my thinking with respect to the period ahead.

In assessing the current economic situation, I believe the comments I made five months ago remain relevant. Without repeating that analysis in detail, I would emphasize that we stand at an important crossroads for the economy and for economic policy.

In these past two years we have traveled a considerable way toward reversing the inflationary trend of the previous decade or more. I would recall to you that, by the late 1970s, that trend had shown every sign of feeding upon itself and tending to accelerate to the point at which it threatened to undermine the foundations of our economy. Dealing with inflation was accepted as a top national priority, and as events developed, that task fell almost entirely to monetary policy.

In the best of circumstances, changing entrenched patterns of inflationary behavior and expectations—in financial markets, in the practices of business and financial institutions, and in labor negotiations—is a difficult and potentially painful process. Those, consciously or not, who had come to "bet" on rising prices and the ready availability of relatively cheap credit to mask the risks of rising costs, poor productivity, aggressive lending, or overextended financial positions have found themselves in a particularly difficult position.

The pressures on financial markets and interest rates have been aggravated by concerns over the prospect of huge volumes of Treasury financing, and by the need of some businesses to borrow at a time of a severe squeeze on profits. Lags in the adjustment of nominal wages and of other costs to the prospects for sharply reduced inflation are perhaps inevitable, but they have the effect of prolonging the pressure on profits—and indirectly on financial markets and employment. Remaining doubts and skepticism that public policy will "carry through" on the effort to restore stability also affect interest rates, perhaps most particularly in the longer-term markets.

In fact, the evidence now seems to me strong that the inflationary tide has turned in a fundamental way. In making that statement, I do not rely entirely on the exceptionally favorable consumer and producer price data thus far this year, when the recorded rates of price increase (at annual rates) declined to 3½ and 2½ percent respectively. That apparent improvement was magnified by some factors likely to prove temporary, including, of course, the intensity of the recession; those price indexes are likely to appear somewhat less favorable in the second half of the year. What seems to me more important for the longer run is that the trend of underlying costs and nominal wages has begun to move lower, and that trend should be sustainable as the economy recovers upward momentum. While less easy to identify—labor productivity typically does poorly during periods of business decline—encouraging signs have appeared that both management and workers are giving more intense attention to the effort to improve productivity. That effort should "pay off" in a period of business expansion by helping to hold down costs and encouraging a revival of profits, thereby setting the stage for the sustained growth in real income we want.

I am acutely aware that these gains against inflation have been achieved in a context of serious recession. Millions of workers are unemployed, many businesses are hard-pressed to maintain profitability, and business bankruptcies are at a postwar high. While some of the hardship can reasonably be traced to mistakes in management or personal judgment, including presumptions that inflation would continue, large areas of the country and sectors of the economy have been swept up in more generalized difficulty. Our financial system has great strength and resiliency, but particular points of strain have been evident.

Quite obviously, a successful program to deal with inflation, with productivity, and with the other economic and social problems we face cannot be built on a crumbling foundation of continuing recession. As you know, there have been some indications—most broadly reflected in the rough stability of the real gross national product in the second quarter and small increases in the leading indicators—that the downward adjustments may be drawing to a close. The tax reduction effective July 1, higher social security payments, rising defense spending and orders, and the reductions in inventory already achieved, all tend to support the generally held view among economists that some recovery is likely in the second half of the year.

I am also conscious of the fact that the leveling off of the GNP has masked continuing weakness in important sectors of the economy. In its early stages, the prospective recovery must be led largely by consumer spending. But to be sustained over time, and to support continuing growth in productivity and living standards, more investment will be necessary. At present, as you know, business investment is moving lower. House building has remained at depressed levels; despite some small gains in starts during the spring, the cyclical strength "normal" in that industry in the early stages of recovery is lacking. Exports have been adversely affected by the relative strength of the dollar in exchange markets.

I must also emphasize that the current problems of the American economy have strong parallels abroad. Governments around the world have faced, in greater or lesser degree, both inflationary and fiscal problems. As they have come to grips with those problems, growth has been slow or nonexistent, and the recessionary tendencies in various countries have fed back, one on another.

In sum, we are in a situation that obviously warrants concern, but also has great opportunities. Those opportunities lie in major part in achieving lasting progress—in pinning down and extending what has already been achieved—toward price stability. In doing so, we will be laying the base for sustaining recovery over many years ahead and for much lower interest rates, even as the economy grows. Conversely, to fail in that task now, when so much headway has been made, could only greatly complicate the problems of the economy over time. I find it difficult to suggest when and how a credible attack could be renewed on inflation should we neglect completing the job now. Certainly the doubts and skepticism about our capacity to deal with inflation—which now seem to be yielding—would be amplified, with unfortunate consequences for financial markets and ultimately for the economy.

I am certain that many of the questions, concerns, and dangers in your mind lie in the short run—and that those in good part revolve around the pressures in financial markets. Can we look forward to lower interest rates to support the expansion in investment and housing as the recovery takes hold? Is there, in fact, enough liquidity in the economy to support expansion—but not so much that inflation is reignited? Will, in fact, the economy follow the recovery path so widely forecast in coming months?

These are the questions that we in the Federal Reserve must deal with in setting monetary policy. As we approach these policy decisions, we are particularly conscious of the fact that monetary policy, however important, is only one instrument of economic policy. Success in reaching our common objective of a strong and prosperous economy depends upon more than appropriate monetary policies, and I will touch this morning on what seem to me appropriately complementary policies in the public and private sectors.

THE MONETARY TARGETS

Five months ago, in presenting our monetary and credit targets for 1982, I noted some unusual factors could be at work, tending to increase the desire of individuals and businesses to hold assets in the relatively liquid forms encompassed in the various definitions of money. Partly for that reason—and recognizing that the conventional base for the M1 target of the fourth quarter of 1981 was relatively low—I indicated that the Federal Open Market Committee contemplated growth toward the upper ends of the specified ranges. Given the bulge early in the year in M1, the Committee also contemplated that that particular measure of money might for some months remain above a straight-line projection of the targeted range from the fourth quarter of 1981 to the fourth quarter of 1982.

As events developed, M1 and M2 both remained somewhat above straight-line paths until recently. M3 and bank credit have remained generally within the indicated range, although close to the upper ends. (See the accompanying table.) Taking the latest full month (June), M1 grew 5.6 percent from the base period and M2, 9.4 percent, close to the top of the ranges. To the second quarter as a whole, the growth was higher, at 6.8 percent and 9.7 percent respectively. Looked at on a year-over-year basis, which appropriately tends to average through volatile monthly and quarterly figures, M1 during the first half of 1982 averaged about 4.7 percent above the first half of 1981 after accounting for shifts in negotiable order of withdrawal (NOW) accounts early last year. On the same basis, M2 and M3 grew 9.7 and 10.5 percent respectively, a rate of growth distinctly faster than the nominal GNP over the same interval.

In conducting policy during this period, the Committee was sensitive to indications that the desire of individuals and others for liquidity was unusually high, apparently reflecting concerns and uncertainties about the business and financial situation. One reflection of that may be found in unusually large declines in "velocity" over the period—that is, the ratio of measures of

Targeted and actual growth
of money and bank credit

Percent changes, at seasonally adjusted annual rates

Aggregate	FOMC objective, 1981:4 to 1982:4	Actual growth		
		1981:4 to June 1982	1981:4 to 1982:2	1981 H1 to 1982 H1
M1	2½ to 5½	5.6	6.8	4.7[1]
M2	6 to 9	9.4	9.7	9.7
M3	6½ to 9½	9.7	9.8	10.5
Bank credit[2]	6 to 9	8.0	8.3	8.4

1. Adjusted for impact of shifts to new NOW accounts in 1981.
2. The base for the bank credit target is the average level of December 1981 and January 1982, rather than the average for 1981:4. This base was adopted because of the impact on the series of shifts of assets to the new international banking facilities (IBFs); the figure for 1981 H1 to 1982 H1 has been adjusted for the impact of the initial shifting of assets to IBFs.

money to GNP. M1 velocity—particularly for periods as short as three to six months—is historically volatile. A cyclical tendency to slow (relative to its upward trend) during recessions is common. But an actual decline for two consecutive quarters, as happened late in 1981 and the first quarter of 1982, is rather unusual. The magnitude of the decline during the first quarter was larger than in any quarter of the entire postwar period. Moreover, declines in velocity of this magnitude and duration are often accompanied by (and are related to) reduced short-term interest rates. Those interest rate levels during the first half of 1982 were distinctly lower than during much of 1980 and 1981, but they rose above the levels reached in the closing months of last year.

More direct evidence of the desire for liquidity or precautionary balances affecting M1 can be found in the behavior of NOW accounts. As you know, NOW accounts are a relatively new instrument, and we have no experience of behavior over the course of a full business cycle. We do know that NOW accounts are essentially confined to individuals; their turnover relative to demand accounts is relatively low; and from the standpoint of the owner, they have some of the characteristics of savings deposits, including a similarly low interest rate but easy access on demand. We also know the bulk of the increase in M1 during the early part of the year—almost 90 percent of the rise from the fourth quarter of 1981 to the second quarter of 1982—was concentrated in NOW accounts, even though only about a fifth of total M1 is held in that form. In contrast to the steep downward trend in low-interest savings accounts in recent years, savings account holdings have stabilized or even increased in 1982, suggesting the importance to many individuals of a high degree of liquidity in allocating their funds. A similar tendency to hold more savings deposits has been observed in earlier recessions.

I would add that the financial and liquidity positions of the household sector of the economy, as measured by conventional liquid asset and debt ratios, has improved during the recession period. Relative to income, debt repayment burdens have declined to the lowest level since 1976. Trends among business firms are clearly mixed. While many individual firms are under strong pressure, some rise in liquid asset holdings for the corporate sector as a whole appears to be developing. The gap between internal cash flow (that is, retained earnings and depreciation allowances) and spending for plant, equipment, and inventory has also been at a historically low level, suggesting that a portion of recent business credit demands is designed to bolster liquidity. But for many years business liquidity ratios have tended to decline, and balance sheet ratios have reflected more dependence on short-term debt. In that perspective, any recent gains in liquidity appear small.

In light of the evidence of the desire to hold more NOW accounts and other liquid balances for precautionary rather than transaction purposes during the months of recession, strong efforts to reduce further the growth rate of the monetary aggregates appeared inappropriate. Such an effort would have required more pressure on bank reserve positions—and presumably more pressures on the money markets and interest rates in the short run. At the same time, an unrestrained buildup of money and liquidity clearly would have been inconsistent with the effort to sustain progress against inflation, both because liquidity demands could shift quickly and because our policy intentions could easily have been misconstrued. Periods of decline in velocity over a quarter or two are typically followed by periods of relatively rapid increase. Those increases tend to be particularly large during cyclical recoveries. Indeed, velocity appears to have risen slightly during the second quarter, and the growth in NOW accounts has slowed.

Judgments on these seemingly technical considerations inevitably take on considerable importance in the target-setting process because the economic and financial consequences (including the consequences for interest rates) of a particular increase in M1 or M2 are dependent on the demand for money. Over longer periods, a certain stability in velocity trends can be observed, but there is a noticeable cyclical pattern. Taking account of those normal historical relationships, the various targets established at the beginning of the year were calculated to be consistent with economic recovery in a context of declining inflation. That remains our judgment today. Inflation has, in fact, receded more rapidly than anticipated at the start of the year leaving potentially more room for real growth. On that basis, the targets established early in the year still appeared broadly appropriate, and the Federal Open Market Committee decided at its recent meeting not to change them at this time.

However, the Committee also felt, in the light of developments during the first half, that growth around the top of those ranges would be fully acceptable. Moreover—and I would emphasize this—growth somewhat above the targeted ranges would be tolerated for a time in circumstances in which it appeared that precautionary or liquidity motivations, during a period of economic uncertainty and turbulence, were leading to stronger-than-anticipated demands for money. We will look to a variety of factors in reaching that judgment, including such technical factors as the behavior of different components in the money supply, the growth of credit, the behavior of banking and financial markets, and more broadly, the behavior of velocity and interest rates.

I believe it is timely for me to add that, in these circumstances, the Federal Reserve should not be expected to respond, and does not plan to respond, strongly to various bulges—or for that matter "valleys"—in monetary growth that seem likely to be temporary. As we have emphasized in the past, the data are subject to a good deal of statistical "noise" in any circumstances, and at times when demands for money and liquidity may be exceptionally volatile, more than usual caution is necessary in responding to "blips."[1]

1. In that connection, a number of observers have noted that the first month of a calendar quarter—most noticeably January and April—sometimes shows an extraordinarily large increase in M1—amplified by the common practice of multiplying the actual change by 12 to show an annual rate. Those bulges, more typically than not, are partially "washed out" by slower-than-normal growth the following month. The standard seasonal adjustment techniques we use to smooth out monthly money supply variations—indeed, *any* standard techniques—may, in fact, be incapable of keeping up with rapidly changing patterns of financial behavior, as they affect seasonal patterns. A note attached to this statement sets forth some work in process on new seasonal adjustment techniques (available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551).

We, of course, have a concrete instance at hand of a relatively large (and widely anticipated) jump in M1 in the first week of July—possibly influenced to some degree by larger social security payments just before a long weekend. Following as it did a succession of money supply declines, that increase brought the most recent level for M1 barely above the June average, and it is not of concern to us.

In this context, and in view of recent declines in short-term market interest rates, the Federal Reserve yesterday reduced the basic discount rate from 12 to 11½ percent.

In looking ahead to 1983, the Open Market Committee agreed that a decision at this time would—even more obviously than usual—need to be reviewed at the start of the year in light of all the evidence as to the behavior of velocity or money and liquidity demand during the current year. Apart from the cyclical influences now at work, the possibility of a more lasting change in the trend of velocity will need to be evaluated.

The persistent rise in velocity during the past 20 years has been accompanied by rising inflation and interest rates—both factors that encourage economization of cash balances. In addition, technological change in banking—spurred in considerable part by the availability of computers—has made it technically feasible to do more and more business on a proportionately smaller cash base. With incentives strong to minimize holdings of cash balances that bear no or low interest rates and given the technical feasibility to do so, turnover of demand deposits has reached an annual rate of more than 300, quadruple the rate 10 years ago. Technological change is continuing, and changes in regulation and bank practices are likely to permit still more economization of M1-type balances. However, lower rates of interest and inflation should moderate incentives to exploit that technology fully. In those conditions, velocity growth could slow, or conceivably at some point stop.

To conclude that the trend has in fact changed would clearly be premature, but it is a matter we will want to evaluate carefully as time passes. For now, the Committee felt that the existing targets should be tentatively retained for next year. Since we expect to be around the top end of the ranges this year, those tentative targets would of course be fully consistent with somewhat slower growth in the monetary aggregates in 1983. Such a target would be appropriate on the assumption of a more-or-less normal cyclical rise in velocity. With inflation declining, the tentative targets would appear consistent with, and should support, continuing recovery at a moderate pace.

THE BLEND OF MONETARY AND FISCAL POLICY

The Congress, in adopting a budget resolution contemplating cuts in expenditures and some new revenues, also called upon the Federal Reserve to "reevaluate its monetary targets in order to assure that they are fully complementary to a new and more restrained fiscal policy." I can report that members of the FOMC welcomed the determination of the Congress to achieve greater fiscal restraint, and I want particularly to recognize the leadership of members of the Budget Committees and others in achieving that result. In most difficult circumstances, progress is being made toward reducing the huge potential gap between receipts and expenditures. But I would be less than candid if I did not also report a strong sense that considerably more remains to be done to bring the deficit under control as the economy expands. The fiscal situation, as we appraise it, continues to carry the implicit threat of crowding out business investment and housing as the economy grows—a process that would involve interest rates substantially higher than would otherwise be the case. For the more immediate future, we recognized that the need remains to convert the intentions expressed in the budget resolution into concrete legislative action.

In commenting on the budget, I would distinguish sharply between the "cyclical" and the "structural" deficit—that is, the portion of the deficit reflecting an imbalance between receipts and expenditures even in a satisfactorily growing economy with declining inflation. To the extent the deficit turns out to be larger than contemplated entirely because of a shortfall in economic growth, that "add on" would not be a source of so much concern. But the hard fact remains that, if the objectives of the budget resolution are fully reached, the deficit would be about as large in fiscal 1983 as this year's deficit, even as the economy expands at a rate of 4 to 5 percent a year, and inflation (and thus inflation-generated revenues) remains higher than members of the Open Market Committee now expect.

In considering the question posed by the budget resolution, the Open Market Committee felt that full success in the budgetary effort should itself be a factor contributing to lower interest rates and reduced strains in financial markets. It would thus assist importantly in the common effort to reduce inflationary pressures in the context of a growing economy. By relieving concern about future financing volume and inflationary expectations, I believe as a practical matter a credibly firmer budget posture might permit a degree of greater flexibility in the actual short-term execution of monetary policy without arousing inflationary fears. Specifically, market anxiety that short-run increases in the monetary aggregates might presage continuing monetization of the debt could be ameliorated. But any gains in these respects will of course be dependent on firmness in implementing the intentions set forth in the budget resolution and on encouraging confidence among borrowers and investors that the effort will be sustained and reinforced in coming years.

Taking account of all these considerations, the Committee did not feel that the budgetary effort, important as it is, would in itself appropriately justify still greater growth in the monetary aggregates over time than I have anticipated. Indeed, excessive monetary growth—and perceptions thereof—would undercut any benefits from the budgetary effort with respect to inflationary expectations. We believe fiscal restraint should be viewed more as an important complement to appropriately disciplined monetary policy than as a substitute.

CONCLUDING COMMENTS

In an ideal world, less exclusive reliance on monetary policy to deal with inflation would no doubt have eased the strains and high interest rates that plague the economy and financial markets today. To the extent that the fiscal process can now be brought more fully to bear on the problem, the better off we will be—the more assurance we will have that interest rates will decline and keep declining during the period of recovery, and that we will be able to support the increases in investment and housing essential to a healthy, sustained recovery.

Efforts made in the private sector—to increase productivity, to reduce costs, and to avoid inflationary and job-threatening wage increases—are also vital, even though the connection between the actions of individual firms and workers and the performance of the economy may not always be evident to the decisionmakers. We do know that progress is being made in these areas, and more progress will hasten full and strong expansion.

But we also know that we do not live in an ideal world. Strong resistance has developed to changing patterns of behavior and expectations ingrained over years of inflation. The slower the progress on the budget, the more industry and labor build in cost increases in anticipation of inflation or government acts to protect markets or impede competition; the more highly speculative the financing undertaken, the greater the threat that available supplies of money and credit will be exhausted in financing rising prices instead of new jobs and growth. Those in vulnerable competitive positions are most likely to feel the impact first and hardest, but unfortunately the difficulties spread over the economic landscape.

The hard fact remains that we cannot escape those dilemmas by a decision to give up the fight on inflation—by declaring the battle won before it is. Such an approach would be transparently clear—not just to you and me—but to the investors, the businessmen, and the workers who would, once again, find their suspicions confirmed that they had better prepare to live with inflation, and try to keep ahead of it. The reactions in financial markets and other sectors of the economy would, in the end, aggravate our problems, not eliminate them. It would strike me as the cruelest blow of all to the millions who have felt the pain of recession directly to suggest, in effect, that it was all in vain.

I recognize months of recession and high interest rates have contributed to a sense of uncertainty. Businesses have postponed investment plans. Financial pressures have exposed lax practices and stretched balance sheet positions in some institutions—financial as well as nonfinancial. The earnings position of the thrift industry remains poor.

But none of those problems can be dealt with successfully by re-inflation or by a lack of individual discipline. It is precisely that environment that contributed so much to the current difficulties.

In contrast, we are now seeing new attitudes of cost containment and productivity growth—and ultimately our industry will be in a more robust competitive position. Millions are benefiting from less rapid price increases—or actually lower prices—at their shopping centers and elsewhere. Consumer spending appears to be moving ahead, and inventory reductions help set the stage for production increases.

Those developments should help recovery get firmly under way. The process of disinflation has enough momentum to be sustained during the early stages of recovery—and that success can breed further success as concerns about inflation recede. As recovery starts, the cash flow of business should improve. And more confidence should encourage greater willingness among investors to purchase longer debt maturities. Those factors should in turn work toward reducing interest rates and sustaining them at lower levels, encouraging in turn the revival of investment and housing we want.

I have indicated that the Federal Reserve is sensitive to the special liquidity pressures that could develop during the current period of uncertainty. Moreover, the basic solidity of our financial system is backstopped by a strong structure of governmental institutions precisely designed to cope with the secondary effects of isolated failures. The recent problems, related largely to the speculative activities of a few highly leveraged firms, can and will be contained, and over time, an appropriate sense of prudence in taking risks will serve us well.

We have been through—we are in—a trying period. But too much has been accomplished not to move ahead and complete the job of laying the groundwork for a much stronger economy. As we look forward, not just to the next few months but to many years, the rewards will be great: in renewed stability, in growth, and in higher employment and standards of living. That vision will not be accomplished by monetary policy alone. But we mean to do our part. □

Chairman Volcker gave similar testimony before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 21, 1982.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, July 28, 1982.

I am pleased to have this opportunity to meet with you again to review the monetary and budgetary situation in the light of our economic objectives.

I want to take this occasion to recognize particularly the leadership of members of this committee in pressing for the budgetary savings reflected in the First Budget Resolution. Given the nature of our budgetary problems, that step cannot be the last if we are to bring the fiscal deficit under control. But it does represent, in most difficult circumstances, encouraging evidence of the willingness and determination of the Congress to undertake the necessary effort.

In presenting our monetary and credit targets to the Banking Committees last week, I noted that the basic objective of Federal Reserve monetary policy is the fostering of an environment conducive to sustained recovery in business activity, while maintaining the financial discipline needed to restore reasonable price stability. In reviewing the appropriate means to those broad ends, the Federal Open Market Committee at its recent meetings concluded, in effect, that the quantitative objectives for the various Ms set forth at the beginning of the year should not be changed at this time, but that we would find an outcome around the top of those target ranges fully acceptable.

In reaching that conclusion, we considered carefully and explicitly the intent of the Congress, as expressed in the First Budget Resolution, that the Federal Reserve "reevaluate its monetary targets in order to assure that they are fully complementary to a new and more restrained fiscal policy." In the light of that Resolution, as well as other factors, we debated the appropriateness of the monetary targets for 1982.

Analysis of past experience suggested strongly that the previously announced targets, particularly with growth around the top of the range, should provide enough money and liquidity to support moderate expansion over the remainder of this year. Pressing aggressively to reduce monetary growth well within the ranges did not seem desirable at this stage of economic developments, particularly in light of the evidence of a demand for liquidity for precautionary—as opposed to transaction—purposes. A sizable increase in the ranges, on the other hand, might imply a buildup of money and liquidity to the degree that it would impair the effort needed to maintain and extend the encouraging progress toward disinflation.

In reaching that judgment, we were conscious that the strong liquidity demands evident in recent months could shift quickly as the economy showed signs of recovery, and that raising the targets could easily be misconstrued as a willingness to tolerate more inflation. At the same time, the FOMC clearly recognized that possible demands for liquidity in the current uncertain economic circumstances would continue to require a degree of flexibility and judgment in assessing appropriate needs for money in the months ahead.

We could observe that, over the first half of the year, the desire of individuals and businesses to hold assets in relatively liquid forms appeared to be extraordinarily strong, apparently reflecting concerns about the business and financial situation. One reflection of that may be found in the large declines in the "velocity" of money over the recession period—that is, the ratio of the gross national product to measures of money.

That drop in velocity is particularly striking in view of the persistence of high interest rates, suggesting a heightened desire to hold money or liquid assets relative to earlier trends.

While velocity often fluctuates widely over short periods of time, trends have been much more stable over time. Assuming that velocity rebounds in the second half—as typically occurs early in a period of economic recovery—the targets established at the beginning of the year for the monetary aggregates should be fully consistent with economic expansion in a context of declining inflation. Postwar experience strongly points in that direction. However, the FOMC explicitly considered the possibility that relatively strong precautionary demands for money could persist. In that event—and it would inevitably involve elements of judgment—growth of the aggregates somewhat above the targeted ranges would be tolerated for a time as consistent with the FOMC's general policy thrust.

In looking ahead to 1983, the FOMC has decided to retain tentatively the existing targets. The Committee will review the decision at the start of next year, taking account of, among other things, the behavior of velocity over the remainder of this year. Because we expect that the monetary aggregates will be near the upper ends of their ranges at the end of 1982, the tentative targets for 1983 would be consistent with somewhat slower money growth next year. With inflation declining, the tentative targets should be compatible with continuing recovery at a moderate pace and an improvement in employment opportunities.

In approaching these policy decisions, I have been very conscious of the fact that monetary policy, however important, is only one instrument of economic policy. The attainment of our common objective of a strong and prosperous economy depends also on appropriately complementary policies in the fiscal sphere and in the private sector.

Relaxing discipline on money growth might seem attractive to some as a means of alleviating stresses in financial markets. Indeed, in circumstances in which inflationary expectations and pressures are quiescent, the immediate effect of encouraging faster growth in money might be to lower interest rates, particularly in short-term markets. In time, however, an attempt to maintain lower interest rates by excessive money growth would founder. The net result would be to embed inflation even more deeply into our economic system, and to make buyers of fixed-interest securities still more wary. Sooner or later, public and private demands for credit would reflect the higher price levels, and savings likely would be discouraged. Market pressures would return in amplified force. Put simply, inflationary creation of money provides no escape from the pressures of demands for credit, nor can money creation substitute for real savings.

We can, of course, affect that balance of demand and supply in credit markets by fiscal and other policies, and that is why I welcome the effort of the Congress to achieve greater fiscal restraint. I recognize—and more importantly the markets recognize—that sizable obstacles remain in converting the intentions expressed in the First Budget Resolution into concrete legislative action; harmonizing the values and aims of the authorizing and revenue committees—indeed the values and aims of our citizens—within the constraints of budgetary discipline is always difficult, and no more so than in today's circumstances.

Moreover, the effort this year must be put in larger perspective. Even if the objectives of the Budget Resolution are fully achieved for next year and the underlying economic assumptions are realized, the deficit in fiscal year 1983 would be about as large as this year's. Moreover, the risks seem, in my judgment, all on the side of a still greater deficit, despite your important efforts. If the deficit turns out to be larger than expected entirely because of a shortfall in economic growth or inflation—and I would point out that the members of the FOMC anticipate somewhat less real growth and inflation (and thus inflation-generated revenues) than does the Congress—that "add on" should not be a source of much concern. What is of concern is that you are working from so large a "structural" deficit—a deficit that would exist even in a relatively prosperous economy—and that concern would mount to the extent the targeted savings are not achieved.

As we appraise the fiscal situation today, projected deficits continue to carry the implicit threat of "crowding out" business investment and housing as the economy expands—a process that would imply significantly higher interest rates than would otherwise result. Your continuing leadership in prodding your colleagues in the Congress to deal with the budget dilemma thus remains crucially important to the outlook for interest rates and the credit markets.

Put more positively, significant progress in paring the deficits will contribute importantly to lower interest rates and reduced strains in financial markets within any monetary framework. That budgetary policy, as we see it, is not fundamentally a substitute for disciplined monetary policy but rather an essential complement.

When monetary policy alone must carry the burden of dealing with inflation, and when fiscal deficits absorb so large a fraction of the capacity of the economy to generate savings, pressures tend to concentrate on financial markets and on vulnerable credit-dependent sectors of the economy. Conversely, budget restraint relieves those pressures and risks directly and would reinforce the growing sense of conviction that the inflationary tide has turned.

While the FOMC, in responding to the Budget Resolution, did not feel that larger growth in the money supply over time would be desirable, let me also say that I believe a credibly firmer budgetary posture would permit us a degree of greater flexibility in the short-run conduct of policy. Specifically, by damping concern about a resurgence of inflation or credit market pressures, fiscal restraint also lessens fears that short-run increases in the money supply might presage a continuing inflationary monetization of the debt. But any gains in that respect will of course depend on firmness in implementing the intentions set forth in your First Resolution, and encouraging confidence among investors and borrowers that the effort will be sustained and reinforced in coming years.

I need not dwell on the fact that we are in most difficult economic circumstances, with unemployment far too high, with strong pressures on financial markets, and with a sense of widespread uncertainty. We cannot build a sound program against inflation on a base of continuing recession. But let us recognize, too, that we have come a long way toward turning back the inflationary tide that had come to grip our economy over the decade of the 1970s, and that promising evidence of improvements in productivity and efficiency is under way. More recently, there are at least some signs that the "grid-lock" in the financial markets may be beginning to break up; interest rates, while still very high in historical perspective, have declined to the lowest levels for some time.

The challenge is to sustain that progress during a period of recovery, for such progress is needed to extend and support economic expansion over the long years ahead. Monetary and fiscal policies alike need to be directed, and work in concert, toward that objective. In that context, I and my colleagues believe a continuing dialogue with members of this Committee is highly constructive, and I welcome your comments and questions. □

Announcements

Changes in Discount Rate

The Federal Reserve Board approved a reduction in the basic discount rate from 12 percent to 11½ percent, effective July 20, 1982. The action was taken in the context of recent declines in short-term market rates and the relatively restrained growth of money and credit in recent months.

In announcing the change, the Board acted on requests from the Federal Reserve Banks of Chicago, Dallas, Atlanta, Richmond, Kansas City, New York, and San Francisco. (Subsequently, the Board approved similar action by the directors of the Federal Reserve Banks of Boston, Cleveland, St. Louis, and Minneapolis, effective July 21, and the Federal Reserve Bank of Philadelphia, effective July 23, 1982.) The discount rate is the interest rate that applies to borrowings from the District Federal Reserve Banks.

In light of market interest rates and relatively restrained money and credit growth, the Federal Reserve Board on July 30, 1982, approved a reduction in the basic discount rate from 11½ percent to 11 percent, effective August 2.

The Board acted on requests from the Federal Reserve Banks of Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. (Subsequently, the Board approved similar action by the directors of the Federal Reserve Bank of Cleveland, effective August 3, 1982.)

Revisions in Priced Services

The Federal Reserve on July 29, 1982, announced planned revisions in priced services offered to depository institutions.

The changes were announced by E. Gerald Corrigan, President of the Federal Reserve Bank of Minneapolis and Chairman of the System's Pricing Policy Committee. The changes will be phased in over a number of months beginning in August.

Among the changes announced are technical revisions in the method for pricing Federal Reserve services and accelerations in the collection of certain classes of checks. Also announced were plans for further reduction of Federal Reserve float and pricing of automated clearinghouse (ACH) services. Plans for an electronic check collection (ECC) program that had been under discussion will be discontinued.

In announcing the pricing and service changes, Mr. Corrigan emphasized that the Federal Reserve System's continuing objective is to enhance the efficiency of the payments mechanism in a manner consistent with the Fed's overall public responsibilities.

The System's initial pricing strategy was based on detailed cost estimates and involved calculating individual product costs, then adding a private sector adjustment factor (PSAF). The revised pricing technique recognizes that the value of some services might be different from their costs and takes into account prevailing market practices. The most important and widespread use of this technique will be reflected in prices for handling certain types of cash letter deposits (checks deposited with the Federal Reserve for clearance), an area in which major improvements have been made in the availability of funds to depositing institutions.

Revised OTC Stock List

The Federal Reserve Board has published a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective July 26, 1982.

Changes that have been made in the list, which now includes 1,536 OTC stocks, are as follows: 86 stocks have been included for the first time; 19 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; and 42 stocks have been removed for reasons such as listing on a national securities exchange or being acquired by another firm. The list is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Proposed Actions

The Federal Reserve Board has announced that it is seeking comment on possible changes in the Board's rules concerning ways to deal with seller's points—reduced rate financing—in disclosures under its Regulation Z (Truth in Lending). The Board requested comment by August 27, 1982.

The Federal Reserve Board has also requested comment on a proposal by the Federal Reserve Banks to improve the speed and efficiency of the nation's payments mechanism by modifying the System's check processing and collection procedures. The Board asked for comment on the proposal by September 20, 1982.

Change in Board Staff

The Federal Reserve Board has announced the following appointment.

Griffith L. Garwood, Deputy Director, has been named Director of the Board's Division of Consumer and Community Affairs, effective August 1, 1982. He succeeds Janet Hart, director of the division since 1976, who has retired.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period July 11 through August 10, 1982:

Colorado
Aurora........................ Aurora Bank
Westminster.......... Bank of Westminster
Florida
Fort Myers............. First Independence Bank of Florida
Texas
El Paso .... Cielo Vista Bank
Midland........... Midland American Bank
Vermont
Stowe .... Mountain Trust Company

Legal Developments

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

Orders Under Section 3 of Bank Holding Company Act

Citicorp, New York, New York

Order Approving Acquisition of Bank

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares, less directors' qualifying shares, of Citibank (Delaware), Wilmington, Delaware, a proposed new 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 and the time for filing comments and views has expired. The Board has considered the applications and all comments received, including those of Kingsbridge Heights Neighborhood Improvement Association ("KHNIA"),[1] in light of the factors set forth in section 3(c) of the act (12 U.S.C. § 1842(c)).

Citicorp, with total consolidated assets of $119.2 billion, is the second largest banking organization in the nation.[2] It presently operates three banking subsidiaries. Its lead bank, Citibank, N.A., New York, New York, which accounts for approximately 87 percent of its consolidated assets, is a full-service commercial bank with $21.9 billion in domestic deposits. It is the second largest commercial bank in the state of New York with 12.3 percent of state-wide commercial bank deposits as of June 30, 1981. Citibank (New York State), N.A., Buffalo, New York, is engaged principally in retail banking through branches north of the New York City metropolitan area, in New York State. Citibank (South Dakota), N.A., Sioux Falls, South Dakota, was established in 1981 principally to conduct the nationwide consumer credit card activities transferred from Citibank (New York State), N.A. Citicorp also engages, directly and through subsidiaries, in a variety of nonbanking activities.

Bank is a newly chartered bank formed to engage in wholesale banking on a national and international basis. Section 3(d) of the Bank Holding Company Act (12 U.S.C § 1842(d)) prohibits the Board from approving any application by a bank holding company to acquire any bank located outside the state in which the operations of the bank holding company's banking subsidiaries are principally conducted unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." On February 19, 1981, the state of Delaware amended its banking laws to permit an out-of-state bank holding company to acquire a single de novo bank that will be "operated in a manner and at a location that is not likely to attract customers from the general public in [Delaware] to the substantial detriment of existing banking institutions located in this state."[3]

The proposed acquisition under the Delaware law is subject to approval by the State Bank Commissioner who, in acting on the application, must consider the financial and managerial resources of the out-of-state bank holding company or its subsidiary, the future prospects of the company, its financial history, whether the acquisition may result in undue concentration of resources or substantial lessening of competition in Delaware, and the convenience and needs of the public in Delaware. On November 17, 1981, the State Banking Commissioner of Delaware preliminarily approved Citicorp's formation and acquisition of Bank. Based on the foregoing, the Board has determined, as required by section 3(d) of the act, that the proposed acquisition conforms to Delaware law and is specifically authorized by the statute laws of Delaware.

1. The Board notes that an objection to approval of the application was also received from Option Advisory Services, Inc., New York, New York, concerning the operations of certain of Citicorp's subsidiaries and alleging certain conflicts of interest involving Citicorp. Inasmuch as these objections were determined to be immaterial, nonsubstantive, and without merit, the related request for hearing has been denied.

2. Unless otherwise stated, banking data are as of December 31, 1981.

3. Delaware Code Annotated Title 5 § 803 (Interim Supp. 1981). The law provides, however, that the bank may be operated to attract and retain customers with whom the bank, the out-of-state holding company, or the holding company's banking and nonbanking subsidiaries have or have had business relations.

Under the limitations imposed by Delaware law on Bank's operations it is not likely that Bank will be a significant competitor in the Wilmington banking market.[4] The Board notes that Bank will engage in a "wholesale" banking business in the United States and internationally, will hold demand and other types of deposits, make loans, and provide a range of other banking and financial services to corporate customers and depository institutions. Inasmuch as Bank will provide these services de novo, consummation of the proposed transaction is regarded as procompetitive. Accordingly, the Board concludes that the proposal will not have adverse effects on competition in any relevant area, and that the overall competitive effects of the proposal are consistent with approval.

The financial and managerial resources of Citicorp, its subsidiaries and Bank are considered satisfactory, and their future prospects appear favorable. The Board has considered the capital position of Citicorp, and wishes to reemphasize its earlier statements that the nation's largest banking organizations should make every effort to improve their capital positions over time. With respect to Citicorp, the Board has noted the improvements that Citicorp has made in its capital position, and expects that efforts for further improvement will continue. Accordingly, banking factors are consistent with approval of the proposal.

With respect to the effect of this application on the convenience and needs of the community to be served, the Board notes that upon consummation of this proposal a variety of financial services will be available to Bank's customers, as well as to other local depository institutions and their customers. Such services include foreign exchange and international trade services, custodial services, investment management services, and private placement advice. Bank will also participate in loans originated by local banks, thereby making a larger amount of lendable funds available to local borrowers.

In considering the effects of the proposed acquisition on the convenience and needs of the community to be served, the Board also has considered the record of Citicorp's subsidiaries in meeting the credit needs of their communities as provided in the Community Reinvestment Act of 1977 ("CRA") (12 U.S.C. § 2901–05) and the Board's Regulation BB (12 C.F.R. § 228). In this regard, the Board has reviewed the objections raised by KHNIA concerning the record of performance of Citicorp's lead bank, Citibank, N.A., New York, New York, under the CRA. With regard to the issues raised by the protest, the Board has considered all the information submitted by KHNIA, as well as the responses of Citibank. In addition, representatives of the Board participated in a public meeting held by the Office of the Comptroller of the Currency ("OCC") on April 20, 1982, with regard to a branch application pending before the OCC, which KHNIA had protested based on identical issues under CRA. The entire record of that public meeting has been made part of the record in this application. The Board has also considered the conclusions reached by the OCC resulting from recent regular and special examinations of Citibank that included an assessment of Citibank's CRA record.

KHNIA maintains that Citibank is pursuing a strategy of "disengagement" in the Bronx, as reflected by the closing of four branches in the Bronx in the past four years, particularly the branch located in the Kingsbridge Heights neighborhood. As the Board has stated previously, while it may not prescribe the manner in which an applicant conducts its operations provided that they conform with applicable law and banking practices, the Board does expect an applicant to conduct its operations with due regard to serving the needs of its community.[5] In this case the Board does not find evidence that Citibank is pursuing a policy of disengaging itself from the Bronx generally. Moreover, while the closing of the Kingsbridge Heights branch inconvenienced some Citibank customers, it appears that their banking needs continue to be served by Citibank and other depository institutions in the area. Citibank currently operates 21 branches throughout the Bronx, more than any other depository institution in that area. Since 1976, Citibank has opened three branches in the Bronx and relocated two branches. In recent years, Citibank has spent over $6 million in renovating 18 of its Bronx branches including the Kingsbridge Branch.

With respect to the Kingsbridge Heights branch, which was opened in 1974, from the record it appears that it was closed because it was not profitable, despite specific efforts undertaken by Citibank to improve its profitability. Citibank has established internal standards and procedures for closing branches, including meeting with community representatives and planning for continued provision of banking services to customers. The record indicates that in closing the Kings-

4. The Wilmington banking market is approximated by Cecil County in Maryland, Salem County in New Jersey, Chester County in Pennsylvania, and New Castle County in Delaware.

5. "First National Boston Corporation", 66 FEDERAL RESERVE BULLETIN 162 (1980). The Board notes that opening and closing branches is a factor considered by each of the Federal bank regulatory agencies in assessing the record of performance of a bank in meeting the credit needs of its community. See for example, section 228.7(g) of Board's Regulation BB (12 C.F.R. § 228.7(g)).

bridge Heights branch Citibank generally observed these internal procedures, and that these procedures have also been observed in a number of suburban Citibank branch closings. Moreover, Citibank operates four branches within one mile of the closed Kingsbridge Heights site, and there are numerous other banking alternatives within a short distance of the closed branch. Indeed, the record indicates that as of the date of the hearing, Citibank is continuing to serve a substantial portion of the accounts formerly maintained at the Kingsbridge Heights branch.

The second issue raised by KHNIA concerns Citibank's record in meeting the need for long-term mortgage and rehabilitation financing of multifamily housing. Citibank has received few applications for and has extended few long-term loans for multifamily housing. Citibank's policy of requiring a personal guarantee from any owner/landlord seeking multifamily credit is a contributing factor. This policy, which is applied uniformly by Citibank throughout its entire community, reduces the risk involved with such lending, and is a common requirement for this type of financing by commercial banks in the New York City area. While the policy may have a more significant effect on residential lending in areas that have a greater proportion of multifamily housing such as the Bronx, the Board believes that such a policy is consistent with safe and sound bank practices. KHNIA asserts that Citibank has failed to honor an earlier commitment made to it in 1980 to work with community groups on developing an effective loan program for multifamily housing rehabilitation and other credit needs of the community. In this regard, Citibank notes that one governmental program directed at multifamily housing, in which it planned to participate, did not develop as anticipated. Moreover, in an effort to assist in providing financing for housing, Citicorp has created a separate subsidiary, Citicorp Community Development, Inc., which has lent over $500 million to rehabilitate housing throughout the New York area, including $80 million for housing renovation in the Bronx since 1978. In addition, Citibank notes its leadership in residential lending throughout the New York City area, and its continued activities with community groups.

The final issue raised by KHNIA charges that Citibank instituted an advertising campaign directed to customers in the Bronx promoting the availability of residential credit in areas outside the Bronx. From the record, it appears that the advertising program, which was directed to all Citibank customers in a four-county area, including the Bronx, promoted residential housing in Rockland and Westchester counties. While one aspect of the program may have suggested that there was greater availability of credit outside the Bronx, Citibank asserts that this suggestion was not intentional. Citicorp also concedes that this program was the result of a marketing error, and has expressed its intention of closely monitoring its subsidiaries' advertising programs in the future. While the Board believes that this type of promotion is a legitimate area for concern, the direct impact on the community does not appear great. In addition, the record indicates that Citibank extends credit to Bronx residents on the same basis as to residents of other communities it serves. On balance, this issue does not outweigh the positive aspects of Citibank's record.

Based on the foregoing, and other facts of record, the Board believes that Citicorp's overall record is consistent with the purposes of CRA, and that factors relating to the convenience and needs of the community are consistent with approval of the application. Accordingly, on the basis of the record, the application is approved. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than six months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective July 21, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Hospital Trust Corporation, Providence, Rhode Island

HTC Properties, Inc., Providence, Rhode Island

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

Hospital Trust Corporation, Providence, Rhode Island ("Applicant"), has applied for the Board's approval, pursuant to section 3(a)(3) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1842(a)(3)), to acquire through merger with its wholly-owned subsidiary HTC Properties, Inc., National Columbus Bancorp, Inc., Providence, Rhode Island ("Columbus"), and indirectly its subsidiary bank, Columbus National Bank of Rhode Island, Providence, Rhode Island ("Bank"). In connection with this application, HTC Properties, Inc., Providence, Rhode Island, has applied for the Board's approval, under section 3(a)(1) of the act (12 U.S.C. § 1842(a)(1)), to become a bank holding company through merger with Columbus.

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

Applicant, the third largest banking organization in Rhode Island, controls aggregate deposits of $1.1 billion, representing 15.4 percent of total deposits in commercial banks in the state.[1] Acquisition of Columbus ($117 million in deposits), the ninth largest banking organization in Rhode Island, will increase Applicant's share of commercial bank deposits in the state by 1.6 percent but will not alter Applicant's ranking in the state. Thus, consummation of the transaction would not result in a significant increase in the concentration of banking resources in Rhode Island.

Applicant operates in the Providence, Rhode Island, banking market, while Columbus Bank operates in the Providence, Rhode Island,[2] and New London, Connecticut,[3] banking markets. It appears from the facts of record that consummation of the proposal would have no significant effects on potential or existing competition in the New London market. Applicant is the third largest of 19 commercial banking organizations competing in the Providence market with $1.2 billion in total deposits, controlling about 15.4 percent of total commercial bank deposits in the market.[4] Columbus is the ninth largest commercial banking organization in the Providence market with $117.2 million in deposits, controlling 1.7 percent of the market. Acquisition of Columbus by Applicant would result in the elimination of some existing competition between Applicant and Columbus in the Providence banking market.

In this instance, Applicant's acquisition of Columbus would increase Applicant's market share to 17.1 percent, while Applicant's rank in the market would remain unchanged. Following consummation of this proposal, the market's four-firm concentration ratio would increase from 74.7 to 76.4 percent. However, the Providence banking market contains a large number of banking organizations. In light of these and other facts of record, the Board finds that consummation of the proposal will result in an elimination of existing competition between Applicant and Columbus and will increase somewhat the concentration of banking resources in the Providence market. While consummation of the proposal would have adverse competitive effects, the Board notes that the overall operations of Columbus and Bank have declined in recent years, which has served to reduce its effectiveness as a competitor in the Providence market. Accordingly, in light of this and other facts of record, the Board's judgment is that the anticompetitive effects of the proposed transaction are not significantly adverse. Moreover, the Board is of the view that other factors associated with this proposal mitigate any anticompetitive effects of the transaction.

The financial and managerial resources and future prospects of Applicant and its subsidiaries are satisfactory and their future prospects appear favorable. As a result of consummation of this proposal, Columbus' financial and managerial resources will be strengthened, particularly in light of Applicant's commitment to provide Bank with $6 million of additional capital. This affiliation with Applicant represents a means of preserving and strengthening a competitor in the market. Thus, considerations relating to banking factors lend weight toward approval of the application.

The Board has received a protest from Raul L. Lovett, Providence, Rhode Island ("Protestant"), representing an unidentified group of persons, challenging under the Community Reinvestment Act, the record of Applicant's subsidiary bank, Rhode Island Hospital Trust National Bank, Providence, Rhode Island ("Hospital Trust"), in meeting the credit needs of its community in low- and middle-income areas in Providence, Rhode Island. Protestant contends that mortgage data statistics indicate that Hospital Trust has made disproportionately more mortgage loans in the high-income sections of Providence than in the low- to moderate-income areas of the city. The Board has considered Protestant's comments and Applicant's response and has found that Protestant's allegations are without merit.

Hospital Trust's record is generally satisfactory and indicates that it is meeting the credit needs of its community. Hospital Trust has been active in assisting small businessmen by providing technical assistance and below market financing to such businesses. Also, Hospital Trust has been active in restoring abandoned property in the low-income areas of Providence and has participated in an organization that channels funds to low- and moderate-income neighborhoods. Such projects are providing employment to minority citi-

1. Unless otherwise indicated, all banking data are as of June 30, 1981.

2. The Providence banking market is approximated by the Providence SMSA and the towns of West Greenwich and Exeter, Rhode Island.

3. The New London banking market is approximated by the New London Ranally Metro Area and the town of Voluntown, Connecticut.

4. Data are as of June 30, 1981.

zens in the area. Thus, Protestant's allegations are without merit.[5]

In addition, Applicant intends to provide Columbus with access to Applicant's secondary mortgage capabilities, full trust services, automated teller facilities, and commercial lending expertise. In light of the above, considerations relating to the convenience and needs of the community to be served lend significant weight toward approval of the application and outweigh any adverse competitive effects that might result from consummation of the proposal. Accordingly, the Board has determined that these applications should be approved.

On the basis of the record, these applications are approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Boston, under delegated authority.

By order of the Board of Governors, effective July 12, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Texas Commerce Bancshares, Inc., Houston, Texas

Telp Corporation, Houston, Texas

Order Approving Formation of a Bank Holding Company, Merger of Bank Holding Companies and Acquisition of Nonbanking Companies

Texas Commerce Bancshares, Inc., Houston, Texas ("Texas Commerce"), a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. §§ 1841 et seq.) has applied for the Board's approval under section 3(a)(5) of the act (12 U.S.C. § 1842(a)(5)) to acquire El Paso National Corporation, El Paso, Texas ("El Paso National"), and thereby acquire El Paso National's banking and nonbanking subsidiaries. Upon acquisition, El Paso National's banking and nonbanking subsidiaries will be transferred to a newly formed nonoperating subsidiary of Texas Commerce, Telp 2 Corporation, Houston, Texas ("Telp"), whose name will then be changed to El Paso National Corporation, El Paso, Texas. Telp has also applied to become a bank holding company pursuant to section 3(a)(1) of the act (12 U.S.C. § 1842(a)(1)).

In addition, Texas Commerce and Telp have applied for the Board's approval, under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire El Paso National's nonbanking subsidiaries, Trans Texas International Company, Trans Commonwealth Associates, and El Paso National General Agency, Inc., all of El Paso, Texas.

Notice of these applications, affording opportunity for interested persons to submit comments and views has been duly published. 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 (12 U.S.C. § 1843(c)(8)).

Texas Commerce is the third largest banking organization in Texas, holding total bank deposits of $7.8 billion, or 8.31 percent of the state's total bank deposits, and controlling 50 banking subsidiaries, including two de novo banks approved but not yet operating.[1] Texas Commerce does not have any banking subsidiaries operating in the El Paso banking market[2] and its nearest banking subsidiary is located approximately 280 miles from El Paso. El Paso National, the largest banking organization in the El Paso market with 35.8 percent of all banking deposits in the market, ranks fourteenth among banking organizations in Texas. El Paso National holds deposits of $606.4 million, or 0.65 percent of the state's total bank deposits, and has seven bank subsidiaries, all operating in the El Paso banking market. Consummation of the proposed merg-

5. Protestant has also requested an extension of time in which to file additional information and a request for a hearing regarding this application. Under section 3(b) of the act, the Board is required to hold a hearing when the primary supervisor of the bank to be acquired recommends disapproval of the application (12 U.S.C. § 1842(b)). In this case, the Comptroller of the Currency has recommended that the application be approved and, therefore, there is no statutory requirement that the Board hold a hearing. Moreover, the Board has considered the allegations of Protestant, Applicant's response, and other facts of record and finds that a grant of an extension of time in which to file additional information is unwarranted and that a hearing would not significantly supplement the record before the Board, or resolve any material issues of fact. In view of these facts, including the circumstances surrounding the financial condition of Bank and the need for prompt action on this application, the Board concludes that the record in this case is sufficiently complete to render a decision and hereby denies Protestant's request for an extension of time and a hearing.

1. All banking data are as of June 30, 1981, and reflect bank holding company formations and acquisitions approved as of December 31, 1981.

2. The El Paso banking market is defined as the El Paso SMSA

er would increase Texas Commerce's share of statewide banking deposits to 8.96 percent and would make Texas Commerce the second largest banking organization in Texas. While the size of the organizations involved is significant, approval of this proposal will have little effect on statewide concentration or on statewide banking structure. Because Texas Commerce does not operate in the El Paso market, where all of El Paso National's subsidiaries operate, no existing competition will be eliminated.

Several factors, including the large size of El Paso National, its market rank, and the high level of concentration in the El Paso market,[3] have caused the Board to consider carefully whether this merger may be precluded upon the basis of the probable future competition doctrine. In particular, the Board has reviewed these applications in light of its proposed policy statement[4] for assessing competitive effects of bank and bank holding company acquisitions and mergers. On the basis of the record, the Board has concluded that there is insufficient ground upon which to determine that there would be a substantially adverse effect on potential competition were Texas Commerce to enter the El Paso market by merger with El Paso National.

The financial and managerial resources and future prospects of Texas Commerce, Telp, and El Paso National and their respective subsidiaries are considered satisfactory and consistent with approval. Although some new or expanded services may result from approval of this acquisition, there is no evidence in the record indicating that the banking needs of the community to be served are not being met. Considerations relating to the convenience and needs of the community to be served are consistent with approval.

With respect to the applications of Texas Commerce and Telp to acquire El Paso National's nonbanking subsidiaries, these subsidiaries carry on the activities of a trust company, act as investment or financial advisor, and act as insurance agent or broker for the sale of credit related insurance. Such activities have been found permissible for bank holding companies as activities closely related to banking or managing or controlling banks and are included in the list of permissible nonbanking activities in Regulation Y (12 C.F.R. § 225.4(a)(4), (5), and (9)). Texas Commerce's nonbanking subsidiaries do not derive significant amounts of business from the El Paso area. El Paso National's nonbanking subsidiaries operate solely in the El Paso SMSA. There is no evidence in the record to indicate that approval would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the act is consistent with approval of the applications.

Based on the foregoing and the facts of record, the Board has determined that the applications under sections 3(a)(1), 3(a)(5), and 4(c)(8) should be and are approved. The merger shall not be made before the thirtieth calendar day following the effective date of this Order; and neither the subject merger nor the acquisition of the nonbanking subsidiaries shall be made later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, pursuant to delegated authority. The determination as to Texas Commerce's and Telp's acquisition of El Paso National's nonbank subsidiaries is subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)) and to the Board's authority to require such modifications or termination of 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 July 27, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Dissenting Statement of Governor Teeters

By approving these applications, the Board is continuing the trend it set in the PanNational case[1] of applying the standards set by the United States Court of Appeals for the Fifth Circuit[2] for probable future competition analysis in such an unrealistic manner as to

3. The El Paso market has a three firm deposit concentration level of 76.2 percent and a four firm concentration level of 82.3 percent. The El Paso market also has a Herfindahl index level of 2431.

4. "Proposed 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 (March 3, 1982). While the proposed policy statement has not been approved by the Board, the Board will apply the proposed policy statement to all applications to determine whether further scrutiny is warranted regarding anti-competitive effects.

1. "Mercantile Texas Corporation" (PanNational Group, Inc.), 68 FEDERAL RESERVE BULLETIN 191 (1982).

2. *Mercantile Texas Corp. v. Board of Governors*, 638 F.2d 1255 (5th Cir. 1981).

eliminate this type of analysis as an effective tool for the monitoring and regulation of the development of banking markets. As I stated in my dissent regarding that application, although probable future competition analysis has been burdened with cumbersome standards, I do not believe that the Board has given sufficient attention to ways of administering these standards that would make their application more feasible.

It is evident to me that the facts of this case, when viewed realistically, would support a finding that the acquisition will substantially lessen probable future competition. Indeed, I believe that the facts of record would support a denial of this application within the standards set forth by United States Court of Appeals for the Fifth Circuit. The El Paso banking market is highly concentrated, there are relatively few potential entrants into this market, and the market is attractive to outside banking organizations, as witnessed by the size and number of such organizations that have entered the market. Texas Commerce's expansion history and de novo banking experience indicates that de novo or foothold entry is feasible for Texas Commerce and such entry would result in the eventual deconcentration of this market. If the majority continues to believe that such facts are not adequate to support a denial of this type of application, I doubt that sufficient facts would be found in many future applications.

July 27, 1982

Orders Under Section 4 of Banking Holding Company Act

Citicorp, New York, New York

Order Approving Engaging in Data Processing and Data Transmission Activities

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to engage in certain data processing and data transmission activities through a subsidiary to be known as Citishare Corporation ("Citishare") New York, New York. Citicorp proposes to engage, through Citishare, in the following activities: processing and transmitting banking, financial, and economic related data for others through timesharing; electronic funds transfer; home banking; authentication; provision of packaged financial systems to depository or other institutions to perform traditional banking functions; selling excess capacity on data processing and data transmission facilities; providing by-products of permissible data processing and data transmission activities; and providing data processing and data transmission services for the internal operations of Citicorp and its subsidiaries. These activities would be performed from an office of Citishare located in New York, New York, and the geographic area to be served is the entire United States. The Board has determined that certain data processing activities are closely related to banking and therefore permissible for bank holding companies (12 C.F.R. § 225.4(a)(8)).

Notice of Citicorp's application, affording interested persons the opportunity to submit comments on the public interest factors, was duly published (44 *Federal Register* 12504 (1979)). Following publication of notice of the application, the Association of Data Processing Service Organizations ("ADAPSO") and other interested organizations (collectively "Protestants")[1] filed written submissions in opposition to the application and requested that the Board either deny the application or order a formal hearing on the application.

On June 10, 1980, the Board published an Order requiring a public formal administrative hearing on Citicorp's proposal (45 *Federal Register* 41533 (1980)). Prior to commencement of the hearing, the Board granted a request by Citicorp to amend its application by adding certain activities related to data processing and transmission, including electronic funds transfer activities, to the activities proposed to be engaged in by Citishare Corporation. Citicorp also proposed that the Board adopt an amendment to its Regulation Y to permit the activities specified in Citicorp's application.

After Citicorp amended its application, the Board republished the Order for a formal public hearing to consider Citicorp's application and the proposed rule (45 *Federal Register* 75221 (1980)). The Hearing Order stated that material issues of fact existed concerning Protestants' assertion that technological developments in the data processing industry had advanced the scope of data processing activities, including the proposed activities, beyond that contemplated by the Board's Regulation Y. The Hearing Order also noted that certain of the proposed activities had not previously been determined to be permissible for bank holding companies. Accordingly, the Board directed that a public hearing be held with respect to whether each of the activities proposed by Citicorp is "so

1. Other Protestants to the application were: ADP Network Services, Inc.; Comshare, Inc.; National CSS, Inc.; On-Line Systems, Inc.; Quantum Computer Services, Inc.; and Tymshare, Inc. On-Line Systems, Inc. subsequently withdrew from the proceeding.

closely related to banking or managing or controlling banks as to be a proper incident thereto" within the meaning of section 225.4(a) of Regulation Y and section (4(c)(8) of the act; and whether each of the proposed activities can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.

A public formal hearing, in accordance with the Board's Rules of Practice for Hearings (12 C.F.R. § 263), was held on July 6 and 7, September 21, 22, and 23, and November 16 and 17, 1981, in Washington, D.C., before an Administrative Law Judge appointed by the Board. A substantial record on the application and proposed rule was developed through the submission of exhibits and testimony and through the participation of Protestants, Citicorp, and other interested parties.

In a Recommended Decision dated March 29, 1982, the Administrative Law Judge concluded that each of the activities proposed to be engaged in by Citicorp is closely related to banking and thus permissible for a bank holding company. The Administrative Law Judge also found that approval of Citicorp's proposal would produce benefits to the public that would outweigh possible adverse effects. Accordingly, the Administrative Law Judge recommended that the Board approve the application. The Administrative Law Judge also recommended that Regulation Y be amended to encompass those activities proposed by Citicorp that are not currently permissible for bank holding companies. Protestant's timely filed Exceptions to the Administrative Law Judge's Recommended Decision and Citicorp timely filed a Response to Protestant's Exceptions.

Having considered the entire record of the proceeding, including the transcript, exhibits, rulings and briefs filed in connection with the hearing, the Recommended Decision filed by the Administrative Law Judge, together with Protestants' Exceptions thereto and Citicorp's Response to Protestants' Exceptions, the Board has determined that the Administrative Law Judge's findings of fact and conclusions, as modified and supplemented herein, are fully supported by the evidence of record and should be adopted as the findings and conclusions of the Board. Accordingly, the Board now states its findings on the facts and its conclusions drawn therefrom and issues its Order.

Findings

Citicorp, the largest banking organization in the United States, controls two subsidiary banks in New York with aggregate deposits of $24.3 billion, representing 13.6 percent of total domestic deposits in commercial banks in that state. Applicant also controls one subsidiary bank in South Dakota with deposits of $174.5 million, representing 3.6 percent of total domestic deposits in commercial banks in that state.[2] Citicorp's New York banking subsidiary, Citibank, N.A., engages in some of the proposed activities through an unincorporated division of Citibank known as Citishare. Citicorp proposes to transfer all of the activities that were commenced de novo by Citishare and the new activities contemplated by this application to Citishare Corporation, a wholly-owned subsidiary of Citicorp.

Whether Citicorp's Proposed Activities are Closely Related to Banking

As discussed above, section 4(c)(8) of the act permits a bank holding company to engage, directly or through a subsidiary, in activities that the Board, after due notice and opportunity for hearing, has determined by order or regulation to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

In the "National Courier" decision,[3] a federal court established guidelines to determine whether a particular activity meets the "closely related to banking" test. Under these guidelines, an activity may be found to be closely related to banking if it is demonstrated that banks generally have in fact provided the proposed service; or that banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or that banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form.[4] The Board has previously found the "National Courier" guidelines useful in determining whether there is a reasonable basis for an applicant's opinion that a proposed nonbanking activity is closely related to banking.[5] The Board's Regulation Y also permits bank holding companies to engage in activities that are incidental to closely related activities. The "National Courier" court defined incidental activities

2. All banking data are as of June 30, 1981.

3. *National Courier Association* v. *Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir. 1975).

4. These guidelines have been followed by other Federal Circuit Courts of Appeals. *NCNB Corporation* v. *Board of Governors of the Federal Reserve System*, 599 F.2d 609 (4th Cir. 1979); *Association of Bank Travel Bureaus, Inc.* v. *Board of Governors of the Federal Reserve System* 568 F.2d 549, 551 (7th Cir. 1978); *Alabama Association of Insurance Agents* v. *Board of Governors of the Federal Reserve System*, 533 F.2d 224, 241 (5th Cir. 1976), modified on other grounds, 558 F.2d 729 (1977), cert. denied, 435 U.S. 904 (1978).

5. E.g., "NCNB Corporation" (Superior Insurance Company and Superior Claim Service), 64 FEDERAL RESERVE BULLETIN 506, 507 (1978), aff'd sub nom. *NCNB Corporation* v. *Board of Governors of the Federal Reserve System*, 599 F.2d 609 (4th Cir. 1979).

as those that are necessary to the performance of closely related activities.[6]

1. *Internal Operations.* Citicorp proposes to provide data processing and data transmission services for the internal operations of Citicorp and its subsidiaries. This activity is a permissible servicing activity under section 4(c)(1)(C) of the act and the current provisions of the Board's Regulation Y (12 C.F.R. § 225.4(a)(8)(i)). This activity was not protested and the Board finds that it is permissible.

2. *Data Processing through Timesharing.* Citicorp proposes to provide to financial and other institutions a variety of data processing[7] services with respect to financial, banking and other economic related data through timesharing.[8] In timesharing technology, the data to be processed are transmitted, typically through leased telephone lines, to and from the computer through use of a terminal on the customer's premises. As part of this activity, Citicorp proposes to provide services such as credit analysis and financial modeling to banks and other financial institutions. Citicorp also proposes to provide accounting, bookkeeping, and economic forecasting and similar services to businesses generally. The third element of this activity consists of providing customers with access to data bases containing a variety of financial and economic information, such as national economic statistics, that is stored in Citicorp's computers.

The Board finds that the proposed timesharing activity is closely related to banking. The record of this proceeding demonstrates that banks in fact provide data processing services that assist banks in performing their own credit functions and that perform financial bookkeeping and accounting operations for other businesses. The record also demonstrates that banks have for many years provided economic statistics, forecasts, and analyses by newsletter or circulars. These findings support the conclusion that Citicorp's proposed services are closely related to banking under the "National Courier" criteria because they are provided by banks or are so similar to banking services that banking organizations are particularly well equipped to provide such services.

The proposed services appear to be permissible, to a large extent, under the existing provisions of the Board's Regulation Y.[9] The only novel aspect of this proposed activity is that the data to be processed or provided would be transmitted by remote electronic means rather than by the traditional "batch" method, under which the data are physically delivered to the computer. The Board has recognized, in previous actions involving data processing activities, that the particular technology by which a data processing activity is provided is not determinative of whether such an activity is permissible. In its "Decimus" decision,[10] the Board expressly stated that permissible data processing services may be provided by any technologically feasible method.[11]

Protestants object to the Recommended Decision's failure to impose controls that would limit the proposed timesharing activities as well as the other proposed operations to permissible banking, financial and economic data. The Recommended Decision, however, imposed the limitation, which the Board adopts, that all proposed data processing services provided by Citicorp to others outside the holding company for banking, financial, and economic data must be provided pursuant to a written agreement so describing and limiting the services.

The Board also adopts the Recommended Decision's requirement that the data processing facilities[12] provided or made available to customers by Citicorp must be designed and marketed for the transmission of permissible banking, financial, and economic data. However, the Board notes that, based on the facts of record, Citicorp has the

6. 516 F.2d at 1241.

7. These services include data processing means the processing of banking, financial and economic data, delivery of such data to and from customers and furnishing systems to protect the security of such data.

8. Citicorp proposes to process and transmit "banking, financial, and *economic related* data." (emphasis supplied). This formulation differs somewhat from the current provision of Regulation Y which permits data processing of banking, financial, and *related economic* data (12 C.F.R. § 225.4(a)(8)(ii)). Protestants assert that the "economic related data" test is too broad and includes data that are not closely related to banking. The Board agrees with Protestants' assertion that "economic related data" implies a significant expansion of the type of data permitted to be processed and transmitted by bank holding companies. The Recommended Decision contains no conclusion or finding to support such an expansion of the types of data permitted to be processed and transmitted. The record supports a finding that banks engage in the processing and transmission of economic data and such a finding was not contested by Citicorp. Therefore, the Board finds that Citicorp should be permitted to perform permissible data processing activities for "banking, financial, and *economic* data."

9. Section 225.4(a)(8)(ii) of Regulation Y currently provides that it is permissible for a bank holding company to store and process banking, financial, or related economic data, such as performing payroll, accounts receivable or payable, or billing services.

10. "BankAmerica Corp." (Decimus Corp.), 66 FEDERAL RESERVE BULLETIN 511, 513 (1980).

11. Protestants argue that the technology that Citicorp proposes to use to process and transmit the data, viewed independently, is not closely related to banking within the meaning of the act. The Board believes, however, that the data processing technology involved in this proposal is not an activity in itself, but merely the means of providing services that the record demonstrates are closely related to banking.

12. Facilities is defined to include data processing and transmission hardware, systems software, documentation and operating personnel. Hardware refers to the electronic equipment used in creating data processing systems. Software refers to the coded instructions that control the manner in which the data is processed by the hardware.

technological capability to limit the use of its data processing facilities to the types of financial data that the Board has found permissible for a bank holding company. The Administrative Law Judge did not impose any restrictions on this basis on the grounds that it is undesirable to require excessive efforts in equipment design. The Board believes, however, that it is appropriate that all reasonable efforts should be taken to assure compliance with the Board's finding that only the processing and transmission of banking, financial, and economic data is permissible. A limitation on the types of data for which processing and transmission services are offered does not appear excessive, since the technology to effect such limitation currently exists. Therefore, in conducting its timesharing and other proposed activities, Citicorp should take the technical steps necessary to ensure that its facilities are operated only with respect to banking, financial, and economic data. Accordingly, based on the entire record of this proceeding, the Board finds that the provision of data processing and data transmission activities through timesharing, under the limitations described above, is closely related to banking.

3. *On-Site Data Processing*. Citicorp proposes to provide packaged financial systems, including general and special purpose hardware and software, for installation at the site of a depository or other institutional customer for the purpose of effecting banking or banking-related activities such as check collection, trust department securities recordkeeping, and the issuance of certificates of deposit. The record of this proceeding demonstrates that, as a part of the correspondent banking relationship, banks sell systems that perform these functions to other banks.

The software that would be provided in connection with this activity would assist financial institution customers to perform banking and financial operations, such as check collection and issuance of certificates of deposit. The Board believes that offering this type of software to banks and financial institutions is so functionally similar to ordinary correspondent services that banking organizations are particularly well suited to provide such software, within the second standard of the "National Courier" test. Moreover, because banks and other financial institutions require such software in a specialized form, the proposed offering of such software is closely related to banking under the third standard of the "National Courier" test.[13]

The record indicates that Citicorp also intends to provide computer hardware, as part of an integrated package with software, to financial institutions in connection with its on-site data processing services. The Board believes that, unless it is specifically required to be provided in a specialized form, the sale of computer hardware is not itself an activity that is closely related to banking.[14] However, the record supports a finding that the proposed offering of general purpose or specialized hardware in connection with a package of data processing services designed to perform traditional banking operations is reasonably necessary to providing such a package of services and therefore is a permissible incidental activity to an activity that is closely related to banking.

The Recommended Decision found that customers of data processing services require that suppliers provide both software and hardware as an integrated package. Customers are interested in obtaining solutions to their data processing problems and are unwilling to obtain the various components of a data processing package from different vendors. Moreover, according to the record, certain types of hardware are now being offered with software built into the hardware.[15] Thus, as the Recommended Decision found, a prohibition against providing hardware in connection with the sale of software or other data processing services would place the data processing vendor at a competitive disadvantage. Accordingly, the activity of providing software without the corresponding authority to provide related hardware is of questionable economic feasibility.[16]

13. The software developed in connection with correspondent services may also be a permissible by-product that may be sold to others as an incidental activiy of permissible data processing activities. See, 12 C.F.R. § 225.123(e)(2).

14. To the extent that software or hardware is required to be provided in a specialized form in order to provide a permissible data processing or tansmission services, and is not likely to be used, to any significant extent, for nonfinancial purposes, the provision of such software or hardware as a part of such service is "closely related to banking" in the act as interpreted by the courts that have ruled on that language.

15. ADAPSO also contends that the evidence showing the economic necessity of packaging hardware with software is limited to certain types of software (systems software, that is, software designed to control the hardware and not to perform specific tasks). This evidence does not support, it is argued, a finding that provision of hardware and software together in general is economically necessary. A review of the record shows that the Recommended Decision's finding on this topic and supporting data are not limited to any particular type of software.

16. ADAPSO objects to these findings on the grounds that there is some evidence in the record that software is viewed in this industry as a product separate from hardware. However, that software and hardware may be separate products does not preclude a finding that as a practical matter both products must be provided to the seller in the same package. Moreover, the Administrative Law Judge, after having been presented with all of the evidence, made the factual determination that it was only questionably feasible to sell software and other services without hardware. Even if some evidence might support a conflicting inference, the Board's review of the record indicates that the Judge's conclusion is supported by substantial evidence, is reasonable, and should be upheld.

In order to assure that its proposed provision of hardware comprises only an incidental activity, Citicorp has committed that it will offer hardware only in conjunction with software that is designed and marketed solely for banking, financial, or economic data. Citicorp has also committed that the hardware provided as a part of an integrated package of data processing services will not constitute the predominant part of the package.

In the Board's view, the offering of computer hardware is relatively far removed from banking functions and the provision of hardware is permissible only as an incidental activity. A bank holding company should not, accordingly, become involved in such an activity to any substantial extent, even in connection with permissible data processing activities. According to the record, hardware costs approximately 25 percent of total costs for the data processing industry as a whole, and are even lower (12-13 percent) for large firms. This data suggests that the sale of hardware is now an ancillary aspect of the provision of data processing services and indicates an approximate ceiling that is consistent with the Board's view of the permissible extent of involvement in an incidental activity.

Based on these facts, the Board has determined that Citicorp may offer general purpose hardware in connection with the provision of its data processing services only if the cost to Citicorp of such hardware generally does not exceed approximately 30 percent of the total cost of the services provided. The Board recognizes that, in individual cases, the cost of hardware may exceed the percentage limitation yet remain incidental to the sale of software. However, the Board would view with concern hardware sales that consistently exceed this limitation because such circumstances would indicate that the sale of hardware had ceased to be incidental and had become a primary activity.[17] The Board expects, that in computing relative costs for purposes of applying this limitation, all costs, both direct and indirect, of each component of the package of services, including the cost of development of that component, will be taken into account and that the cost of each component will reflect only the costs attributable to that component. In light of the facts of record, including the condition that Citicorp not provide general purpose hardware where the cost of the hardware exceeds 30 percent of the total cost of the package of data processing services, the Board finds that the offering of hardware in connection with the proposed on-site data processing services is a permissible incidental activity.[18]

In sum, the Board finds that providing a package of hardware and software as part of the proposed on-site data processing services is closely related to banking or an incidental activity to an activity that is closely related to banking.

4. *Electronic Funds Transfer and Information Exchange Activities*. Citicorp proposes to sell integrated data processing and transmission systems, including both hardware and software, designed to: facilitate interbank transactions such as transfers of funds, foreign exchange, check clearing and collection; and transmit between such institutions other financial and economic information normally exchanged by financial institutions, (money market data).

The record of this proceeding demonstrates that these activities are fundamental banking functions and that banks have, in fact, provided the proposed services.[19] The record also demonstrates that banks are particularly well equipped to provide the proposed funds transfer services. Moreover, the necessity for security and accuracy in the operation of these services requires the provision of these services, including hardware and software, in a specialized form.

The proposed activities therefore meet the "National Courier" tests for activities that are closely related to banking and, based on the entire record of this proceeding, the Board finds that the proposed electronic funds transfer and information exchange activities are closely related to banking.

5. *Home Banking Services*. Citicorp proposes to provide consumers with banking-related services and the capability to access banking and financial services through packaged electronic data processing and data transmission systems including soft-

17. The Board believes that a 30 percent limitation will provide sufficient flexibility to adapt to the changing realities of the market for data processing services. The Board notes that Citishare may make minor alterations on procured equipment that is intended to be sold as part of a package. However, Citicorp has not applied for approval to manufacture hardware or software and this activity is not intended to be encompassed by this order.

18. Citicorp also intends to sell hardware, specifically terminals, in connection with its timesharing proposal. The Board's findings that the provision of hardware is incidental to the on-site proposal apply equally to the sale of general purpose terminals in connection with permissible timesharing activities. Moreover, the conditions discussed above applicable to the offering of hardware in connection with on-site data processing are intended to apply to the offering of hardware in connection with timesharing or any other activity involved in this proposal where general purpose hardware is proposed to be provided.

19. For example, Citibank and other New York banks have created an automated clearing house that processes thousands of funds transfers each day. Moreover, banks have established large interbank networks with hundreds of terminals for the transmission of financial information other than funds transfers.

ware and hardware. Citicorp would offer desk-top automated teller machines to consumers for use in the home. These machines would enable consumers to instruct the bank to pay their bills, to receive financial information, such as money market rates and stock prices, and to perform limited budget and accounting functions.

In the Board's view, each aspect of the proposed home banking services is closely related to banking. Regarding bill paying and the provision of financial information, the record shows that many large banks now provide cash management services to their corporate customers. These services involve providing such customers, through terminals placed in their offices, access to banking services as well as information providing money market rates. Providing the same services and information to consumers through terminals located in the home clearly is so functionally similar to these cash management services currently provided to corporate customers that banks are well suited to provide the proposed services.

As noted above, banks now provide budgeting and tax accounting services to business customers and, under the current provisions of Regulation Y, bank holding companies also provide these services to business customers. The record of this proceeding demonstrates that banks are particularly well equipped to provide these services. Providing these same services to consumers is, in the Board's view, also functionally similar to providing the services to business customers. To the extent this proposed activity requires the sale of hardware and software as an integrated part of the entire activity, such hardware and software will be provided to the consumer in a specialized form suitable only for the banking-related operations encompassed by the proposal.

Accordingly, each of the elements of Citicorp's home banking proposal meets at least one of the "National Courier" tests for closely relatedness. Based on its consideration of the entire record of this proceeding, including Citicorp's commitments, the Board finds that the provision of home banking services, as described and listed above, is closely related to banking.

6. *Authentication*. Citicorp proposes to provide hardware and software for authentication of interbank and intrabank identifiers for funds transfer and other electronic transmissions.

According to the record, banks require provision of these services in a specialized form for protection from the substantial risks of electronic forgery. The proposed service meets the "National Courier" test for an activity that is closely related to banking and based upon its consideration of the entire record of this proceeding, including Citicorp's commitments, the Board finds that the provision of authentication systems is closely related to banking.

7. *Excess Capacity*. Citicorp proposes to sell, for any purpose, excess capacity on data processing and data transmission facilities. The only involvement of Citishare will be the furnishing of the facilities. In connection with the sale of excess capacity, Citicorp has committed that it will not provide programs for nonfinancial data and will not purchase equipment to create excess capacity. The Administrative Law Judge also recommended that Citicorp be prohibited from providing hardware in connection with excess capacity.

The sale of excess computer time has been determined by the Board to be incidental to the provision of permissible data processing services.[20] The record of this proceeding demonstrates that because of the time-sensitive nature of much of the data processed and customer expectations, data processors providing timesharing must maintain sufficient capacity to meet peak demand and provide back-up capacity in case of equipment failure. Excess capacity necessarily results from these requirements. The sale of such excess capacity is essential to timesharing since such sales are necessary to reduce costs and to remain competitive.[21]

Accordingly, based on the record of this case, including Citicorp's commitment and the Administrative Law Judge's limitation, the Board finds that the sale of excess computer capacity is incidental to the provision of data processing and transmission services concerning banking, financial, and economic data.[22]

8. *By-Products*. Citicorp proposes to sell the by-products of permissible data processing and data transmission activities. By-products may be data, software, or data processing techniques that may be applicable to the data processing requirements of

20. 12 C.F.R. § 225.123(e)(1).

21. The Administrative Law Judge determined that the sale of excess capacity is closely related to banking. Protestants challenge this finding, and the Board agrees that Protestants' exception is technically correct. The Board believes that the Administrative Law Judge's conclusion is premised on a misinterpretation of the applicable standard for a closely related activity. The Administrative Law Judge's evaluation of the sale of excess capacity applies the test for an activity that is incidental to a closely related activity as delineated by the "National Courier" court and applied by the Board. No evidence was introduced in the record of this application that would support a finding that the sale of excess capacity, which can involve any type of service with respect to any type of data, is closely related to banking.

22. Section 225.4(a) of Regulation Y permits bank holding companies to engage in "such incidental activities as are necessary to carry on" a closely related activity.

other industries. The sale of by-products has been determined by the Board to be a permissible incidental activity. The record of this proceeding demonstrates that the sale of by-products is a necessary incident to the provision of data processing services. In its consideration of this activity, the Board relied on Citicorp's commitment that by-products will not be designed or appreciably enhanced for the purpose of marketability.

The proposed activity meets the "National Courier" test for an activity that is incidental to a closely related activity. Accordingly, the Board finds that the provision of by-products of data processing activities is incidental to the provision of permissible data processing and data transmission activities.

Protestants' General Exceptions. Protestants have made a general objection to the types of data for which the proposed data processing services would be provided. Protestants claim that processing of financial and economic data is not closely related to banking because by definition such data is not banking data. The facts of record indicate, however, that the data processing activities of banks today are not limited to banking data, but extend to other types of financial and economic data. Because banks engage in the processing of this type of data, the Board may properly find, under the "National Courier" tests, that Citicorp's proposed activities with respect to financial and economic data are closely related to banking.[23]

The Balance of Public Benefits Over Possible Adverse Effects

Under section 4(c)(8) of the act, in order to approve a proposal by a bank holding company to engage in activities that the Board has determined to be "closely related to banking," the Board must determine whether the performance of the proposed activity "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." In directing the Board to determine whether the proposed activity "can reasonably be expected to produce benefits . . . that outweigh possible adverse effects," the statute thus commands the Board to assess only those effects that, based on the record, are reasonably likely to occur. The Board is not required to ensure against every potential adverse contingency that might be hypothesized in connection with a proposal.[24]

Based on the evidence of record, the Administrative Law Judge found that the benefits to the public from the proposal in fact outweigh the possible adverse effects. The Board concurs in and adopts that finding.

1. *Absence of Possible Adverse Effects.*

Absence of Tying. Section 106 of the act prohibits a bank from requiring its customers to purchase from it an additional service, such as data processing services, in order to obtain credit from the bank.[25] The Board's Regulation Y applies this prohibition to a bank holding company engaged in a permissible nonbanking activity, such as data processing.[26] Thus, section 106 prohibits Citicorp from engaging in any explicit or implicit conduct that would condition obtaining credit on the purchase of Citicorp's data processing activities.

Protestant asserts, however, that voluntary tying could occur with respect to the proposed data processing services. "Voluntary tying" results when a customer believes that he or she stands a better chance of obtaining another scarce product (such as credit) if he or she voluntarily accepts other unwanted products rather than seeking these products in the marketplace.[27] As the Board has previously stated, the potential for voluntary tie-ins is structural and is based on the nature of competition in the relevant market areas. The possibility of such tying is significantly reduced in competitive markets where there are a large number of alternative sources of credit in the relevant markets.[28]

23. Protestants' argument that the types of data processed by banks for their internal use is an invalid basis for determining what types of data a bank holding company may process for others. The record clearly indicates, however, that banks currently process and transmit banking, financial, and economic data for others, not merely for internal use.

24. *Connecticut Bankers Association* v. *Board of Governors of the Federal Reserve System*, 627 F.2d 245, 254 (D.C. Cir. 1980).

25. 12 U.S.C. § 1971, *et seq.*

26. 12 C.F.R. § 225.4(c)(1).

27. See, "Citicorp" (Person-to-Person Financial Center), 67 FEDERAL RESERVE BULLETIN 443, 446 (1981); "Virginia National Bancshares, Inc.", 66 FEDERAL RESERVE BULLETIN 668, 670 (1980), aff'd sub nom. *Independent Insurance Agents of America, Inc.* v. *Board of Governors of the Federal Reserve System*, 646 F.2d 868 (4th Cir. 1981).

28. Id. Contrary to Protestant's contention, the legislative history of section 4(c)(8) clearly requires the Board to assess market structure and the market power of the seller in determining the likelihood of voluntary tie-ins. E.g., H.R. Rep. No. 1747, 91st Cong., 2d Sess. 18 (1970) ("the dangers of 'voluntary' tie-ins are basically structural" and necessarily involve a "scarce" commodity). The scarcity of a product depends on the number of alternative sources for that product.

The Administrative Law Judge, finding that tying in any form is unlikely unless the seller has market power in the tying product, determined that the market for commercial loans is a competitive one and no evidence was introduced that any bank holding company is dominant in any market. Therefore, there is little likelihood that voluntary tying would occur in connection with the provision of the proposed services.

Moreover, Protestants did not introduce any credible evidence that Citibank has engaged in any form of tying in connection with its current data processing services. In this connection, Citicorp has stated that the personnel and management of its affiliates are fully aware of the anti-tying provision of section 106 of the act.

Protestants point to certain facts of record as evidence that voluntary tying is a likely result of this proposal. This argument overlooks the fact that scarcity of credit is the fundamental prerequisite of voluntary tying. Where there are significant alternative sources of credit, as is the case here, the fact that Citicorp would offer some data processing services as a package, or would employ the "Citi" prefix used by other Citicorp subsidiaries does not, standing alone, demonstrate the likelihood of voluntary tying.[29] In addition, the Board does not accept Protestants' argument that Citicorp will price its data processing services not solely on the basis of the cost of such services but also on whether the customer purchases other Citicorp services and thus will encourage tying. The anti-tying provisions of the act and the Board's Regulation Y noted above expressly prohibit a bank holding company from fixing or varying the price for one service on the express or implied condition that the customer purchase a service from another Citicorp subsidiary. In the absence of any evidence that voluntary tying has or will occur, the Board does not believe this anticompetitive effect is likely to result from approval of this application.

Absence of Cross-Subsidization or Predatory Pricing. The Administrative Law Judge determined that it is unlikely that cross-subsidization or predatory pricing will result from Citicorp's proposed provision of data processing services. Cross-subsidization is the use of the profits of one company to subsidize the activities of an affiliate company or division. Through such subsidization, the affiliate can offer its services at prices that are below its cost.[30] The Administrative Law Judge found that there was no evidence in the record that Citicorp has engaged in cross-subsidization. The Administrative Law Judge also found that cross-subsidization or predatory pricing is rational, and therefore a likely competitive technique only where the subsidizing company possesses sufficient market dominance such that below-cost pricing would eliminate competitors and permit reaping of monopoly profits sufficient to more than recover prior losses.[31] The facts of record in this proceeding show that the data processing services industry has a large number of competitors and low barriers to entry and, because of the significant resources of many of the firms providing such services, it is unlikely that a single competitor could become dominant. Therefore, cross-subsidization is unlikely as a result of Citicorp's proposal.

In support of their claims that cross-subsidization is a likely adverse effect, Protestants cite certain evidence in the record showing that Citibank, in connection with its existing data processing activities, has provided services at below-market prices or, in some cases, at no extra cost. However, as the Board has previously noted, providing a service at prices lower than competitors does not necessarily establish cross-subsidization, because prices below market may result from greater efficiency and economies of scale.[32] Indeed, the most controversial example of pricing below prevailing market rates cited by Protestants resulted because Citibank used a mainframe computer substantially more efficient than the computers used by most of its competitors. There is

29. For similar reasons, Protestants' argument that Citicorp has not made certain commitments to guard against voluntary tying that were voluntarily made in other applications is not persuasive. Citicorp has made a number of voluntary commitments to strengthen this proposal and the record demonstrates that additional commitments are unnecessary.

30. The Board notes that cross-subsidization is a somewhat amorphous concept and is not unique to banking. Any company that provides more than one product or service is capable of cross-subsidization and, to the extent that it results in unfair competitive practices, applicable statutes would restrict the practice.

31. Contrary to Protestants' contentions, the Board perceives no meaningful distinction between the mechanics of predatory pricing and cross-subsidization. While cross-subsidization can involve using the income from one service to offset below-cost pricing of another product, and while predatory pricing may result by pricing only a single product below cost, both practices can involve the identical adverse effect—the unjustified below-cost pricing of another product to the substantial detriment of competitors. Cross-subsidization is not usually a goal in itself, but can represent a means of engaging in predatory pricing.

32. In addition, it is accepted antitrust theory that a seller may temporarily price below cost to meet competition or for promotional purposes. E.g., Areeda & Turner, "Predatory Pricing and Related Practices under Section 2 of the Sherman Act", 88 Harv. L. Rev. 697, 733 (1975).

no record evidence that Citicorp has engaged in cross-subsidization in the past or is likely to do so in the future. This conclusion is based in part on the competitive nature of the data processing industry, which makes it unlikely that any one competitor could recoup the substantial costs of cross-subsidization. To minimize the possibility of cross-subsidization or other unfair practices, Citicorp has committed that Citishare will maintain separate books and financial statements, and will provide to customers only Citishare's financial statements, not the statements of Citicorp, unless requested.

Absence of Undue Concentration of Resources and Other Adverse Effects. The Administrative Law Judge concluded that there is no evidence that Citicorp will engage in any form of unfair competition or that this proposal is likely to result in any undue concentration of resources or other adverse effects if this application is approved. The Board adopts these findings as supported by the entire record of this proceeding.

2. *Public Benefits.*
De Novo Entry. The Recommended Decision found that Citicorp's proposal would have a procompetitive effect. While certain of the services involved in this proposal are currently being offered by Citicorp through Citibank, the remaining proposed services would be initiated de novo.[33]

The Board views de novo entry as procompetitive and as a positive public benefit because such entry provides an additional source of competition in the market. In section 4(c)(8), Congress authorized the Board to differentiate between activities commenced de novo and activities commenced through acquisition of a going concern because Congress viewed de novo entry as having beneficial effects on competition. The Board's Regulation Y implementing section 4(c)(8) of the act established expedited procedures for the processing of applications to engage de novo in approved activities based on economic theory, legislative history, court interpretations, and the Board's experience in administering the act that, absent contrary evidence, de novo entry is generally procompetitive.[34]

33. A few of Citibank's data processing activities were commenced through the acquisition of going concerns. Citicorp has committed that it will not transfer any of these data processing activities to Citishare without submitting separate applications for Board approval as required by section 4(c)(8) of the act.

34. See, "Virginia National Bancshares, Inc.", supra; "BankAmerica Corp." (Decimus Corp.), supra.

Protestants object to the finding that Citicorp's proposal constitutes de novo entry, asserting that the data processing services currently offered through Citibank cannot be characterized as de novo services. However, it is undisputed that some of the proposed activities of Citishare will be de novo since they are not currently being offered by Citibank. Approval of the application would result in the entry of a new competitor in the market for these services and would result in public benefits. Thus, to the extent that de novo activities are involved, a positive public benefit results from Citicorp's proposal. Accordingly, with respect to the de novo nature of Citicorp's proposed new activities, the Board adopts the Administrative Law Judge's finding as one that is supported by the record.

Greater Convenience and Gains in Efficiency. The Administrative Law Judge found that the proposal would result in other public benefits. The Judge found that entry of Citicorp into the data processing and data transmission field would enhance convenience and efficiency by increasing the accessibility of various financial services to customers and by permitting depository institutions and other customers to automate their operations and reduce labor costs. The record supports these findings of the Administrative Law Judge and the Board adopts them.

Request for Oral Argument
In their exceptions to the Recommended Decision, Protestants request oral argument before the Board under section 263.14 of the Board's Rules of Practice for Hearings (12 C.F.R. § 263.14). Protestants state that it would be useful to present the technological and competitive issues involved directly to the Board. Protestants' request does not show that any purpose would be served by allowing oral argument and this request is opposed by Citicorp. The Board believes that issues in this proposal are fully and adequately explained in the Recommended Decision and in the numerous written submissions of the parties and Board Counsel. Accordingly, no useful purpose would be served by granting oral argument before the Board. Protestants' request is hereby denied.

Conclusion

On the basis of all the facts of record, including the commitments made by Citicorp, the Board concludes that Citicorp's provision of data processing and transmission services through Citishare as proposed in this application can reasonably be expected to produce benefits to the public that clearly outweigh possible adverse effects.

Based on the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved subject to the restrictions enumerated in this Order.

This determination is also subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulation and orders issued thereunder, or to prevent evasion thereof. The transaction shall not be made later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective July 9, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

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

Order Approving Application to Engage in Certain Futures Commission Merchant Activities

J. P. Morgan & Co. Incorporated, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.), has applied for the Board's approval, under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage through its subsidiary, Morgan Futures Corporation, New York, New York ("Morgan Futures"), in acting as a futures commission merchant (an "FCM") for nonaffiliated persons, in the execution and clearance of certain futures contracts on major commodity exchanges. Such contracts would cover bullion, foreign exchange, U.S. Government securities, negotiable U.S. money market instruments, and certain other money market instruments.

Notice of the application, affording interested persons an opportunity to submit comments and views on the relation of the proposed activity to banking and on the balance of public interest factors regarding the application, has been duly published (46 *Federal Register* 60503 (1981)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the act.

Applicant is a bank holding company by virtue of its control of Morgan Guaranty Trust Company of New York, New York, New York ("Morgan Guaranty"). Morgan Guaranty holds total deposits of $37.4 billion,[1] and is the fourth largest commercial bank in New York State. Applicant, through certain of its subsidiaries, engages in various permissible nonbanking activities.

Closely Related to Banking

In order to approve an application submitted pursuant to section 4(c)(8) of the act, the Boart is first required to determine that the proposed activity is closely related to banking or managing or controlling banks. Upon consideration of all the facts of record, the Board has determined, for the reasons explained below, that Morgan Futures' proposed activities as an FCM, with respect to the contracts involved in this application, would be closely related to banking.

Bullion and Foreign Exchange. On prior occasions, the Board has determined that FCM activities or their equivalent, with respect to bullion and foreign exchange, were closely related to banking. These determinations were issued in connection with the applications of Republic New York Corporation, New York, New York, to retain Republic Clearing Corporation[2] in 1977, and Standard and Chartered Banking Group Ltd., London, England, to acquire Mocatta Metals, Inc. in 1973.[3] In both orders, the Board relied on the fact that the FCM, or its banking affiliate, was statutorily authorized to deal in the underlying commodities involved. The Board also concluded in "Standard and Chartered" that the proposed activities would complement the applicant's international banking operations. In "Republic New York" the Board noted that the proposed service appeared to be an "integral adjunct" to precious metals professionals' other gold and silver dealings with the FCM's banking affiliate, and that the proposed service was fundamentally a substitute for or variation of other precious metals services the banking affiliate already provided.

1. Banking data are as of March 31, 1982.
2. "Republic New York Corporation", 63 FEDERAL RESERVE BULLETIN 951 (1977).
3. "Standard and Chartered Banking Group", Ltd., 38 *Federal Register* 27552 (1973).

After applying the same factors it employed in reaching these earlier determinations to the facts of this application, the Board has concluded that the proposed activities with respect to bullion and foreign exchange also are closely related to banking. New York law grants Morgan Guaranty the authority to buy and sell bullion and foreign exchange.[4] Morgan Guaranty or its predecessors traded bullion in the New York market as early as the mid-nineteenth century. They were major participants in the international gold market during the late nineteenth and early twentieth centuries, and Morgan Guaranty continues to be so. FCM activities in bullion would thus appear to complement Morgan Guaranty's trading in the cash bullion markets. Moreover, Morgan Guaranty already trades in the cash and forward markets in bullion and foreign exchange for its customers, and acting as an FCM in futures markets for the same commodities would appear to be an "integral adjunct" to these present services. Lastly, it is reasonable to assume that market participants regard futures contracts in bullion or foreign exchange as the functional equivalent of forward contracts for some purposes, so that the proposed activity could be considered fundamentally a substitute for other services Morgan Guaranty already provides. On this basis, the Board concludes that Morgan's proposal to act as an FCM for bullion and foreign exchange is closely related to banking.

Government Securities and Money Market Instruments. Applicant's proposal also involves the execution and clearance of futures contracts covering U.S. Government securities, negotiable U.S. money market instruments, and certain other money market instruments. The Board believes that FCM activities on the part of Morgan Futures with respect to contracts covering U.S. Government securities would be closely related to banking. Morgan Guaranty already trades in futures contracts covering U.S. Government securities for its own account, and in the cash and forward markets for U.S. Government securities on behalf of its customers. Applicant's experience in these activities has provided it with useful expertise in areas that are operationally or functionally similar to FCM activities for nonaffiliated persons in U.S. Government securities.

The Board has also determined, in the circumstances of this case, that Morgan Futures' proposed activities as an FCM with respect to futures contracts in negotiable U.S. money market instruments and other money market instruments would be closely related to banking. Morgan Guaranty is an active participant in the cash markets for various money market instruments, and this experience has provided Applicant with useful expertise in trading the underlying commodity involved in these futures contracts. Like futures contracts in U.S. Government securities, futures contracts in these instruments are used in large part to hedge against interest-rate risk associated with holding and trading financial assets and liabilities. There appears to be little basis for distinguishing between the operational or functional characteristics of FCM activities with respect to contracts in these money market instruments and those of FCM activities with respect to contracts in U.S. Government securities.

In this regard, the Board has considered the comments submitted by the Securities Industry Association, Washington, D.C., and E. F. Hutton & Company, Inc., New York, New York, who maintained that Applicant's experience in the cash, forward, and futures markets has not sufficiently prepared Applicant to engage in FCM activities for nonaffiliated persons. The Board believes that these comments do not take sufficient account of the functional similarity between trading in forward markets for the account of customers and trading in futures markets for the account of customers, and the operational similarity between trading in futures contracts for one's own account and for the account of others. Applicant's present activities indicate that it possesses the necessary expertise to provide the proposed services.

On the basis of all the facts of record, including the financial and managerial qualifications of persons associated with the formation and operation of Morgan Futures, and the customer base Morgan Futures is anticipated to serve, the Board has concluded that the points raised in these comments do not provide a substantial basis for denial of the application.[5]

Balance of Public Benefits and Adverse Effects

In order to approve this application, the Board is required to determine that the performance of the proposed activities by Morgan Futures, "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests,

4. New York Banking Law § 96.1 (McKinney 1971).

5. The Board also notes that the Office of the Comptroller of the Currency has preliminarily approved certain proposed FCM activities by an operating subsidiary of North Carolina National Bank, Charlotte, North Carolina.

or unsound banking practices," (12 U.S.C. § 1843(c)(8)).

Public Benefits

Consummation of the proposal would provide added convenience to those clients of Morgan Guaranty who trade in the cash, forward, and futures markets for the commodities involved in this application. The Board expects that the de novo entry of Morgan Futures into the market for FCM services would increase the level of competition among FCMs already in operation. Consummation of the proposal is also likely to provide Applicant with some gains in efficiency, through the reduction of average fixed costs and the increase in economies of scale. Accordingly, the Board has concluded that the performance of the proposed activities by Morgan Futures can reasonably be expected to produce benefits to the public.

Adverse Effects

The Board has considered several issues with respect to possible adverse effects. The Board recognizes that the activity of trading futures contracts involves various types of financial risks and potential conflicts of interest, and is susceptible to anticompetitive and manipulative practices. The Board also notes, however, that Congress has addressed these types of possible adverse effects through the passage of the Commodity Exchange Act[6] and the creation of the Commodity Futures Trading Commission ("CFTC"). The CFTC has also promulgated regulations to effectuate the provisions of the Commodity Exchange Act.[7] Applicant has chosen to conduct the proposed activities through a separately incorporated subsidiary that is subject to CFTC regulation. The Board has considered the impact of this statutory and regulatory framework in evaluating the likelihood that significant adverse effects regarding conflicts of interests, unsound banking practices, decreased or unfair competition, or undue concentration of resources would develop in this case.

Conflicts of Interests. Conflicts of interests that could be associated with this proposal fall into two broad categories: those arising out of the general business of engaging in FCM activities, and those arising out of the particular circumstances of an FCM that is a subsidiary of a bank holding company. Rules and regulations promulgated and enforced by the CFTC and the relevant futures exchanges substantially reduce the possibility for significant conflicts of the first category. Furthermore, Morgan Futures has committed to time-stamp orders of all customers to the nearest minute, and to execute all orders in strictly chronological sequence. Morgan Futures has stated that it will execute each order with reasonable promptness upon receipt, with due regard to market conditions.

With respect to the second category of conflicts, the Board believes that existing statutory and supervisory safeguards, together with Applicant's internal control procedures, will substantially reduce the possibility of significant adverse effects. For example, section 23A of the Federal Reserve Act[8] would require any extension of credit by Morgan Guaranty to Morgan Futures to be secured by collateral of a value at least 20 percent greater than the amount of the credit, or at least 10 percent greater than the amount of the credit if secured by the obligations of any state or political subdivision of a state. Although Morgan Guaranty may lend to customers of Morgan Futures, all such loans will be subject to examination by the Board and appropriate state authorities. Furthermore, Applicant's internal procedures generally prohibit disclosure within Morgan Guaranty of confidential information pertaining to customers, whether received from customers or derived from internal sources. Finally, as discussed below, the circumstances of this application alleviate any substantial concern regarding the possibility of voluntary tying.

Unsound Banking Practices. Acting as an FCM can in certain circumstances entail such a degree of financial exposure as to lead to unsound banking practices. As an FCM engaged in clearing and executing contracts for nonaffiliated persons, there are several types of financial risks to which Morgan Futures would be exposed. However, the Board believes that Applicant's competence, experience, and resources sufficiently equip Morgan Futures to deal with these risks.

Furthermore, the Board believes that the Commodity Exchange Act and regulation by the CFTC and the various commodity exchanges are significant factors in ameliorating the general hazards of the proposed activity. For example, regulations of the CFTC generally require FCMs to meet specified

6. 7 U.S.C. §§ 1-24.

7. For example, CFTC regulations require FCMs to keep detailed records on many aspects of FCM activities, such as segregation of funds and investments made on behalf of customers (17 C.F.R. §§ 1.20, 1.25); prescribe protective procedures for such activities as buying and selling contracts of two customers on opposite sides of the same transaction (17 C.F.R. § 1.39); and impose minimum financial and related reporting requirements (17 C.F.R. §§ 1.10-.18).

8. 12 U.S.C. § 371c.

net capital requirements that, as structured by the CFTC, take into account the degree of collateralization of loans extended by FCMs.[9] Structuring the net capital requirement in this way addresses the possibility that FCMs may lend to trading customers on an insufficiently secured basis, thereby endangering the financial integrity of the FCM and the stability of the market involved. In addition, the CFTC possesses statutory authority to establish position limits that prescribe the maximum net position that any one person may hold or control in a particular contract.[10] Furthermore, as a general matter, domestic exchanges establish daily price movement limits on each futures contract. The CFTC is statutorily empowered to approve or disapprove these limits,[11] and thus may influence the exposure of FCMs to broad price fluctuations.

As an FCM for nonaffiliated persons, Morgan Futures would be contractually liable for nonperformance by a customer of Morgan Futures on each futures contract traded by Morgan Futures for that customer. Similarly, in some circumstances, Morgan Futures could be obligated to meet a margin call delivered to a customer of Morgan Futures. Applicant and its subsidiaries appear well prepared to deal with these potential obligations. The risks that a customer of Morgan Futures would default on a contract or fail to meet a margin call are essentially credit risks of a type Morgan Guaranty has significant expertise in evaluating. In addition, the record indicates that Morgan Futures would employ a high degree of credit selectivity in choosing its customers, some of whom are institutional and commercial clients of Morgan Guaranty.

Another type of risk faced by Morgan Futures would arise because its membership in certain commodity exchange clearing associations could expose it to contingent liability for the contractual obligations due the associations by all clearing members. This potential liability exists through the assessment provisions of certain clearing association guaranty funds to which all clearing members must contribute. In evaluating this element of risk to Morgan Futures, the Board has considered the effect of margin requirements and the level of supervision and regulation imposed on the futures trading industry by the CFTC and by the exchanges and their affiliated clearing associations. Clearing associations, in particular, have established various procedures that reduce the likelihood that this type of liability would arise.

The degree of risk associated with providing FCM services as a clearing member on a commodities exchange can be increased through the practice of requiring the parent corporation of a clearing member to also become a member of that exchange or clearing association. Applicant has committed that Morgan Futures would not, without the prior consent of the Board, become a clearing member of any exchange whose rules impose such a requirement that has not waived that requirement for Applicant.

The Futures Industry Association, Washington, D.C. ("FIA"), has drawn attention to the risks associated with FCM retail activity and asserted that the expertise that banks such as Morgan Guaranty have developed in managing risks for substantial commercial customers does not prepare them for the financial risks associated with FCM dealings with the public. However, with respect to credit risk, the record indicates that Morgan Futures will serve large and sophisticated institutional and corporate customers. In addition, the record in this case establishes Morgan Guaranty's long experience in trading bullion, foreign exchange, government securities, and money market instruments. The assertions of FIA do not specifically detail the types of risk referred to and do not explain why Morgan Guaranty's experience in these areas would be inadequate.

On the basis of all the facts of record, the Board has concluded that the inherent risks of providing FCM services for nonaffiliated persons as a clearing member of commodity exchanges under the circumstances of this proposal are manageable in view of the expertise and resources of Applicant and its subsidiaries and the regulatory environment in which the FCM activities would be conducted.

Decreased or Unfair Competition. It has been suggested by FIA that a bank in the position of Morgan Guaranty could exert subtle pressure on its customers to use the services of the bank's affiliated FCM, or that a borrower could perceive that its use of an affiliated FCM could secure more favorable terms for the borrower in the borrower's banking business. The Board notes that compulsory tying arrangements, whether subtle or overt, are prohibited by the Bank Holding Company Act, and that voluntary tying can only take place when a firm possesses significant market power.[12] It appears that Applicant lacks the requisite market power for voluntary tying to occur, in view of the substantial competition among FCMs and in commercial lending. Moreover,

9. 17 C.F.R. §§ 1.17(a), .17(c)(2), .17(3), .52(a).
10. 7 U.S.C. § 6a.
11. 7 U.S.C. § 7a(12).

12. "Citicorp" (Citicorp Person-to-Person Financial Center of Connecticut, Inc.), 67 FEDERAL RESERVE BULLETIN 443, 446 (1981).

FIA has conceded that it is unaware of any indication that Applicant has engaged in compulsory tying arrangements.

In addition, Applicant has committed that Morgan Futures will advise each customer that doing business with Morgan Futures will not in any way affect any provision of credit to that customer from Morgan Guaranty or any other subsidiary of Applicant. The Board has considered FIA's suggestion that Morgan Futures be permitted to offer FCM services only to corporations that have been customers of Morgan Guaranty for at least one year. However, the Board does not believe such a requirement would be necessary or helpful in addressing FIA's concerns in this area.

Conclusion

On the basis of all the facts of record, the Board has determined that in the circumstances of this case, the provision by Morgan Futures of the proposed FCM services to nonaffiliated persons would not result in decreased or unfair competition, conflicts of interests, unsound banking practices, or undue concentration of resources in either commercial banking or the market for FCM services. In considering this application, the Board has placed particular reliance on the following aspects of Applicant's proposal:

1. Morgan Futures will not trade for its own account.
2. The instruments and precious metals upon which the proposed futures contracts are based are essentially financial in character and are of a type that a bank may execute for its own account.
3. Morgan Futures has an initial capitalization that is in substantial excess of that required by CFTC regulations, and will maintain fully adequate capitalization.
4. Morgan Futures and Morgan Guaranty have entered into a formal service agreement that specifies the services that Morgan Guaranty will supply to Morgan Futures on an explicit fee basis. These services include the assessment of customer credit risk, the continuous monitoring of customer positions, and monitoring the status of customer margin accounts.
5. Through its proposed service agreement with Morgan Guaranty, Morgan Futures will be able to assess customer credit risks, and will take such assessments into consideration in establishing appropriate position limits for each customer, both with respect to each type of contract and with respect to the customer's aggregate position for all contracts.
6. With respect to each futures exchange involved in this application that requires a parent of a clearing member to also become a clearing member, Applicant has obtained a waiver of the requirement.
7. Morgan Futures has committed that it will, in addition to time-stamping orders of all customers to the nearest minute, execute all orders, to the extent consistent with customers' specifications, in strictly chronological sequence, and that it will execute all orders with reasonable promptness with due regard to market conditions.
8. Applicant and its subsidiaries have demonstrated expertise and established capability of the cash, forward, and futures markets for the contracts involved.
9. Applicant will require Morgan Futures to advise each of its customers in writing that doing business with Morgan Futures will not in any way affect any provision of credit to that customer by Morgan Guaranty or any other subsidiary of Applicant.
10. Applicant is adequately capitalized to engage in additional nonbanking activities.
11. Morgan Futures will not extend credit to customers for the purpose of meeting initial or maintenance margin required of customers, subject to the limited exception of posting margin on behalf of customers in advance of prompt reimbursement.

An individual commenter and FIA requested that the Board hold a formal trial-type hearing regarding this application. Under section 4(c)(8) of the act, the Board is only required to hold a hearing when the record indicates there are issues of fact that are material to the Board's decision that are disputed by the relevant parties.[13] The Board has provided FIA with a full opportunity to present its views at an informal evidentiary meeting between Board staff, representatives of FIA, and representatives of Applicant, in order to determine whether a formal hearing on the arguments raised by FIA was necessary. Representatives of FIA indicated that FIA had no further arguments or evidence other than what was presented at the meeting. Each of FIA's major points has been discussed above, and upon complete examination of the entire record, the Board concludes that FIA's request presents no issues of material fact. Therefore, the Board hereby denies FIA's request for a hearing.

The individual commenter who requested a hearing argued that Applicant would fund the operations of Morgan Futures in such a way as to result in an unsound banking practice. However, the argument put forward by this commenter is inconsistent with the facts as presented in the record, and the commenter

13. *Connecticut Bankers Association* v. *Board of Governors*, 627 F.2d 245, 250–51 (D.C. Cir. 1980).

did not directly challenge these facts.[14] Accordingly, the Board finds that the request is grounded on a conclusory allegation and presents no genuine issue of material fact. The Board concludes that a hearing would serve no useful purpose, and hereby denies this request for a hearing.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with consummation of this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors, which the Board is required to consider under section 4(c)(8) of the act, is favorable. Accordingly, the application is hereby approved.[15]

This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The proposed activities shall not commence later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of New York.

By order of the Board of Governors, effective July 1, 1982.

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

(Signed) JAMES MCAFEE,
[SEAL] *Associate Secretary of the Board.*

Northwest Bancorporation, Minneapolis, Minnesota

Order Approving Acquisition of Nonbank Company

Northwest Bancorporation, Minneapolis, Minnesota, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire Dial Corporation, Des Moines, Iowa ("Dial"). Dial engages primarily in making direct consumer installment loans to individuals. In addition, Dial is engaged in purchasing sales finance contracts arising from the sale of goods and services; the leasing of industrial and agricultural equipment; commercial financing including accounts receivable financing; offering data processing services; offering thrift certificates and accepting passbook savings; selling as agent travelers checks; and acting as agent for the sale of credit-related insurance and underwriting as reinsurer credit-related insurance. Each of these activities has been determined by the Board to be closely related to banking, (12 C.F.R. §§ 225.4(a)(1), (2), (4), (6), (8), (9), (10), and (13)).[1]

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (47 *Federal Register* 21918 (1982)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)).

Applicant with total assets of $15.2 billion[2] is the 19th largest bank holding company in the United States by virtue of its control of 87 banks in a seven-state area including Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Wisconsin. In addition, Applicant engages in lease financing, mortgage banking, agricultural financing, secured commercial financing, data processing, credit-related insurance sales and reinsurance, municipal bond underwriting, and corporate trust and securities clearance services.

Dial, with total assets of $979 million as of December 31, 1981, operates 489 offices in 37 states. It is the 16th largest noncaptive finance company and the 31st largest of all finance companies in the United States, operating 476 consumer finance offices. As of December 31, 1981, approximately 78 percent of Dial's finance receivables were direct installment loans to individuals.

In evaluating applications under the Bank Holding Company Act, the Board considers the capital position

14. Specifically, the individual commenter asserts that Applicant proposes "to finance Morgan Futures with 'roll over' borrowings from MMFs (money market funds)," and argues that "American public savings would bear the risk of the new venture." The record indicates that Morgan Futures will be capitalized through a $10 million capital contribution by Applicant, and that Morgan Futures will not be trading for its own account. There is nothing in the record to support the commenter's allegation.

15. The Board notes that the circumstances of this application differ from those of a recent application submitted pursuant to section 25(a) of the Federal Reserve Act, "Bankers International Corporation", 67 FEDERAL RESERVE BULLETIN 364 (1981). That application involved brokerage activities with respect to futures contracts covering greasy wool, live cattle, and boneless beef. In addition, the regulatory environment in which the activities proposed in the earlier application would have taken place differs in key respects from those involved in this application.

1. Dial engages also in certain insurance activities that are not permissible for Applicant. Applicant has committed that Dial and its subsidiaries will cease such activities upon consummation of this proposal.

2. All banking data are as of December 31, 1981.

of the banking organization involved and the effects the proposal will have on the organization's capital position. In accordance with this policy, the Board has considered the capital position of Applicant. Applicant's capital ratios compare favorably with the capital ratios of banking organizations of similar size and are consistent with the Board's recently published capital adequacy guidelines.[3] In connection with this acquisition, the Board notes that Applicant has historically maintained a satisfactory capital position and has strengthened its capital position by issuing preferred stock. Applicant will also incur some debt in connection with the acquisition, but it has demonstrated the capacity to service this debt. The Board expects that further developments in its debt position will be consistent with the continued maintenance of Applicant's satisfactory capital position. Dial is in satisfactory condition and its operations compare favorably with those of other consumer finance companies. Based on the above analysis, the Board concludes the financial and managerial resources of Applicant, its subsidiaries and Dial are satisfactory. Indeed, the Board concludes Applicant's favorable capital position is a factor that contributes to approval in this case.

The Board believes that the relevant product market to be considered in evaluating the competitive effects of Applicant's acquisition of Dial's consumer finance operations is the making of personal cash loans.[4] The Board has previously determined that consumer finance companies compete with commercial banks for personal loans and that the relevant geographic market is approximated by the local banking market.[5] Dial has offices engaged in consumer finance activities in fifteen local markets in which Applicant's banking subsidiaries also compete. In seven of the markets in which Applicant and Dial currently compete, their combined market share would be less than 10.0 percent and, in light of the other characteristics of these markets, the Board does not regard the effects of consummation on existing competition in these markets as significantly adverse. In three other markets where Applicant and Dial compete, Applicant has committed to divest of all Dial offices prior to consummation of the proposed acquisition, thereby avoiding the elimination of any existing competition in these markets. In another market where it competes with Dial (Des Moines, Iowa), Applicant proposes to divest of two Dial offices, thereby reducing the anticompetitive consequences in this market associated with consummation. In the remaining four markets in which Applicant and Dial currently compete (Fargo, Minneapolis/St. Paul, Omaha, and Bismark) their combined market share would range from 12.5 to 16.2 percent. Accordingly, consummation of the proposal would result in the elimination of some existing competition in these markets. The Board notes that in each of these markets Applicant currently has the largest share of consumer finance receivables and that Dial's share ranges from 0.3 to 1.3 percent. However, in evaluating the competitive effects associated with the proposed transaction in these markets, the Board has taken into consideration the facts that none of the markets involved is concentrated; there are numerous other competitors; and there are few barriers to entry associated with the consumer finance industry. In view of the foregoing, the Board does not believe that the anticompetitive effects of this proposal on existing competition in these markets are so significant as to warrant denial.

The Board has considered also the effect of consummation of this proposal on potential competition. In this regard, the Board notes Dial is not dominant in any of the markets in which it operates; the markets involved appear unconcentrated; and in each market there are a significant number of competitors and other potential entrants. Thus, the Board concludes that consummation will not have significant effects on potential competition in any market.

Applicant and Dial both engage in indirect consumer finance, commercial finance, and leasing activities. The Board notes that the geographic market for each is national or regional in scope and that Applicant's and Dial's combined market share of each is small. In addition, both Applicant and Dial engage in data processing activities; however, they do not service the same segment of the market and, absent this affiliation, are unlikely to expand to do so. Moreover, the Board notes the data processing industry is competitive and relatively unconcentrated. Lastly, both Applicant and Dial engage in agricultural lending, the offering of thrift certificates, and the sale of travelers checks. However, in each of these areas Dial's market share is de minimis. Accordingly, the Board concludes that consummation of this proposal will not have

3. FEDERAL RESERVE BULLETIN 33 (1982).

4. Although Applicant does not dispute the Board's definition of the relevant product market, Applicant points out that the appropriate measure may be broader than that used by the Board in connection with prior decisions. Specifically, Applicant states that estimated direct automobile loans should be included in the product market. In addition, Applicant points out that an argument can be made for including indirect paper acquired by various institutions. The Board has determined previously that the appropriate product market in such cases is the making of direct personal loans, and continues to believe this is the appropriate market for considering the competitive effects of the acquisition of a consumer finance company by a bank holding company. "Manufacturers Hanover Corporation", 66 FEDERAL RESERVE BULLETIN 599 (1980). See: "NCNB Corporation/TransSouth Financial Corporation", 64 FEDERAL RESERVE BULLETIN 504 (1978); "Security Pacific Corporation", 65 FEDERAL RESERVE BULLETIN 73 (1979).

5. "Barclays Bank Limited", 65 FEDERAL RESERVE BULLETIN 504 (1979); "Security Pacific Corporation/American Finance System, Incorporated", 65 FEDERAL RESERVE BULLETIN 73 (1979); "Bankers Trust New York Corporation", 59 FEDERAL RESERVE BULLETIN 694 (1973).

significantly adverse competitive effects in any market.

In connection with the proposed acquisition, Applicant has indicated that it will cause Dial to offer a number of new services that will benefit individual customers, small to mid-sized businesses and agricultural customers. In particular, following consummation of this proposal, Dial will provide additional credit to finance agriculture, small to medium sized businesses, education, and home improvements. In addition, Dial will extend SBA-guaranteed and fixed-rate loans for commercial and agricultural purposes. Applicant has undertaken also that, upon consummation, Dial will provide new services for individual customers, including the redrafting of forms used in connection with credit transactions into "plain English." Moreover, Applicant has committed to reduce premiums and improve benefits on credit-related insurance.

On the basis of the foregoing and other facts of record, the Board concludes that the public benefits that would result from the acquisition are sufficient to outweigh any slightly adverse competitive effects that might result from the transaction. Further, the Board notes there is no evidence in the record that consummation of the proposal would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects.[6]

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

The transaction shall not be consummated 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 Minneapolis, pursuant to delegated authority.

By order of the Board of Governors, effective July 27, 1982.

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

(Signed) JAMES MCAFEE,

[SEAL] *Associate Secretary of the Board.*

6. In this regard, the Board has considered Applicant's request that it be allowed five years to divest of Dial's impermissible insurance assets. The Board has considered the request in light of the purposes and policies underlying the act and prior Board decisions, and has determined that Applicant should divest of these impermissible assets within two years of consummation. Accordingly, the Board's approval is so conditioned.

Legal Developments continued on next page.

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

By the Board of Governors

During July 1982, 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)
Cambria State Bankshares, Inc., Cambria, Wisconsin	Cambria State Bank, Cambria, Wisconsin	July 6, 1982
First City Bancorporation of Texas, Inc., Houston, Texas	Citizens First National Bank of Tyler Tyler, Texas	July 23, 1982
	First City Bank-Northchase, N.A., Houston, Texas	July 21, 1982
	First City Bank-West Belt, N.A., Houston, Texas	July 26, 1982
	First City National Bank of Fort Worth, Fort Worth, Texas	July 26, 1982
Merchantile Texas Corporation, Dallas, Texas	Brazospart Bank of Texas, Freeport, Texas	July 1, 1982
	Grand Prairie State Bank, Grand Prairie, Texas	July 23, 1982

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
Americana Bancorporation of Alden, Inc., Edina, Minnesota	Americana State Bank of Alden, Alden, Minnesota	Minneapolis	July 12, 1982
AmSouth Bancorporation, Birmingham, Alabama	National Bank of Birmingham, Birmingham, Alabama	Atlanta	July 22, 1982
Andrews Financial Corporation, Andrews, Texas	Andrews Bancshares, Inc., Andrews, Texas Commercial State Bank, Andrews, Texas	Dallas	July 16, 1982
Bankcore, Inc., North Conway, New Hampshire	North Conway Bank, North Conway, New Hampshire	Boston	July 14, 1982
Chemical New York Corporation, New York, New York	Chemical Bank (Delaware), Wilmington, Delaware	New York	July 27, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Citizens and Southern Georgia Corporation, Atlanta, Georgia	The Citizens and Southern Bank of Dalton, Dalton, Georgia	Atlanta	July 27, 1982
Citizens Commerce Corporation, Ardmore, Oklahoma	National Bank of Ardmore, Ardmore, Oklahoma	Kansas City	July 9, 1982
Citizens' National Corporation, Linton, Indiana	Citizens' National Bank of Linton, Linton, Indiana	St. Louis	July 16, 1982
Community Banks, Inc., Middleton, Wisconsin	Badger Bankshares Corporation, Monona, Wisconsin Monona-Grove State Bank, Monona, Wisconsin	Chicago	July 26, 1982
Crete Bancorporation, Inc., Crete, Illinois	United Bank of Crete-Steger, Crete, Illinois	Chicago	July 27, 1982
Cullen/Frost Bankers, Inc., San Antonio, Texas	Union National Bank of Laredo, Laredo, Texas	Dallas	July 13, 1982
De Kalb Bancorp, Inc., De Kalb, Illinois	The De Kalb Bank, De Kalb, Illinois	Chicago	July 8, 1982
Detroitbank Corporation, Detroit, Michigan	The National Bank of Jackson, Jackson, Michigan	Chicago	July 12, 1982
Farmers Bancorp, Inc., Dyersburg, Tennessee	Farmers Bank, Trimble, Tennessee	St. Louis	July 12, 1982
Firsnabanco, Inc., Viroqua, Wisconsin	First National Bank in Viroqua, Viroqua, Wisconsin	Chicago	July 27, 1982
First Bancorp, Malad City, Idaho	First Bank and Trust of Idaho, Malad City, Idaho	San Francisco	July 16, 1982
First National Bancshares of Fredonia Fredonia, Kansas	First National Bank of Fredonia, Fredonia, Kansas	Kansas City	July 6, 1982
Gulf South Bancshares, Inc., Gretna, Louisiana	Gulf South Bank & Trust Company, Gretna, Louisiana	Atlanta	July 16, 1982
Hopkins Financial Corporation, Mitchell, South Dakota	Day County Bank, Webster, South Dakota	Minneapolis	July 13, 1982
International Bancorp., Denver, Colorado	International Bank North, Federal Heights, Colorado	Kansas City	July 16, 1982
Lakeshore Bancshares, Inc., Oklahoma City, Oklahoma	Lakeshore Bank, N.A., Oklahoma City, Oklahoma	Kansas City	July 13, 1982
Monroe Bancshares, Inc., Madisonville, Tennessee	Bank of Madisonville, Madisonville, Tennessee	Atlanta	July 23, 1982
National Bancshares Corporation of Texas, San Antonio, Texas	Peoples Bank, Houston, Texas	Dallas	July 29, 1982
OMB Financial, Inc., Clarksburg, West Virginia	The Oak Mound Bank, Clarksburg, West Virginia	Richmond	July 21, 1982
Oliver Bancorporation, Inc., Center, North Dakota	State Bank of Oliver County, Center, North Dakota	Minneapolis	July 23, 1982
Oregon Bancorp, Inc., Oregon, Wisconsin	Community National Bank, Oregon, Wisconsin	Chicago	July 9, 1982
PDR Bancshares, Inc., Prairie du Rocher, Illinois	State Bank of Prairie du Rocher, Prairie du Rocher, Illinois	St. Louis	July 14, 1982
Progressive Capital Corporation, Amite, Louisiana	Central Progressive Bank of Amite, Amite, Louisiana	Atlanta	July 9, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Red Bird Bancshares, Inc., Dallas, Texas	Red Bird Bank of Dallas, Dallas, Texas	Dallas	July 28, 1982
Rend Lake Bancorp. Inc., Marion, Illinois	Rend Lake Bank, Christopher, Illinois	St. Louis	July 26, 1982
Riverton State Bank Holding Company, Riverton, Wyoming	Dubois National Bank, Dubois, Wyoming	Kansas City	July 20, 1982
SNB Bancshares, Inc., Eufaula, Oklahoma	The State National Bank of Eufaula, Eufaula, Oklahoma	Kansas City	July 19, 1982
St. Joseph Bancshares, Inc., St. Joseph, Minnesota	First State Bank of St. Joseph, St. Joseph, Minnesota	Minneapolis	July 9, 1982
Tahoka First Bancorp, Inc., Tahoka, Texas	Cedar Creek Bank, Seven Points, Texas	Dallas	July 15, 1982
Tennessee National Bancshares, Inc., Maryville, Tennessee	Tennessee State Bank, Gatlinburg, Tennessee	Atlanta	July 20, 1982
Transworld Bancorp, Sherman Oaks, California	Transworld Bank, Sherman Oaks, California	San Francisco	July 29, 1982
UBF Corporation, Dade City, Florida	The Bank of Pasco County, Dade City, Florida	Atlanta	July 14, 1982
United American Bancshares, Inc., Palestine, Texas	The First National Bank of Palestine, Palestine, Texas	Dallas	July 27, 1982
United American of Northwest Florida, Inc., Pensacola, Florida	First State Bank of Pensacola, Pensacola, Florida	Atlanta	July 9, 1982
Union-Calhoun Investments, Ltd., Rockwell City, Iowa	Union State Bank, Rockwell City, Iowa	Chicago	July 16, 1982
Valley View Bancshares, Inc., Overland Park, Kansas	Security Bancshares, Inc., Kansas City, Kansas	Kansas City	July 21, 1982
Victoria Bankshares, Inc., Victoria, Texas	Angleton Bank of Commerce, Angleton, Texas	Dallas	July 19, 1982
Wilson Bancshares, Inc., Wilson, Texas	Wilson State Bank, Wilson, Texas	Dallas	July 23, 1982

Section 4

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
Citicorp, New York, New York	Drum Savings and Investment Company, of Douglas County, Inc., Omaha, Nebraska	New York	July 15, 1982
European American Bancorp, New York, New York	William J. Gill & Co. Inc., Garden City, New York	New York	July 15, 1982
FM Co., Milligan, Nebraska	Barnard Agency, Milligan, Nebraska	Kansas City	July 15, 1982
Santa Fe Trail Banc Shares, Inc., Hutchinson, Kansas	Thayer Leasing, Inc., Hutchinson, Kansas	Kansas City	July 8, 1982

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
Colonial Capital Corporation Mantee, Mississippi	Bank of Mantee, Mantee, Mississippi	to engage in insurance agency activities	St. Louis	July 7, 1982
East Central Holding Company, Cambridge, Minnesota	First State Bank of Isanti, Isanti, Minnesota	Isanti Agency, Inc., Isanti, Minnesota	Minneapolis	July 29, 1982
Miles-Advance Bancshares Inc. Advance, Missouri	The Bank of Advance, Advance, Missouri	to engage in the sale of credit insurance	St. Louis	July 14, 1982

*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.*

Richter v. *Board of Governors, et al.*, filed May 1982, U.S.D.C. for the Northern District of Illinois.

Montgomery v. *Utah, et al.*, filed May 1982, U.S.D.C. for the District of Utah.

Wyoming Bancorporation v. *Board of Governors*, filed May 1982, U.S.C.A. for the Tenth Circuit.

Florida National Banks of Florida, Inc. v. *Board of Governors*, filed April 1982, U.S.C.A. for the District of Columbia.

John A. Gabriel v. *Board of Governors*, filed April 1982, U.S.C.A. for the Ninth Circuit.

First Bancorporation v. *Board of Governors*, filed April 1982, U.S.C.A. for the Tenth Circuit.

Charles G. Vick v. *Paul A. Volcker, et. al.*, filed March 1982, U.S.D.C. for the District of Columbia.

Jolene Gustafson v. *Board of Governors*, filed March 1982, U.S.C.A. for the Fifth Circuit.

First Lakefield BanCorporation v. *Board of Governors, et al.*, filed January 1982, U.S.D.C. for the District of Minnesota.

Christian Educational Association, Inc. v. *Federal Reserve System*, filed January 1982, U.S.D.C. for the Middle District of Florida.

Option Advisory Service, Inc. v. *Board of Governors*, filed December 1981, U.S.C.A. for the Second Circuit.

Edwin F. Gordon v. *Board of Governors, et al.*, filed October 1981, U.S.C.A. for the Eleventh Circuit (two consolidated cases).

Wendall Hall v. *Board of Governors, et al.*, filed September 1981, U.S.D.C. for the Northern District of Georgia.

Allen Wolfson v. *Board of Governors*, filed September 1981, U.S.D.C. for the Middle District of Florida.

Option Advisory Service, Inc. v. *Board of Governors*, filed September 1981, U.S.C.A. for the Second Circuit (two cases).

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

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

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

First Bank & Trust Company v. *Board of Governors*, filed February 1981, U.S.D.C. for the Eastern District of Kentucky.

9 to 5 Organization for Women Office Workers v. *Board of Governors*, filed December 1980, U.S.D.C. for the District of Massachusetts.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.D.C. for the District of Columbia.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.D.C. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed August 1980, U.S.D.C. for the District of Columbia.

Berkovitz, et al. v. *Government of Iran, et al.*, filed June 1980, U.S.D.C. for the Northern District of California.

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SECURITIES HOLDINGS AND TRANSACTIONS

INTEREST AND EXCHANGE RATES

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Reserves of depository institutions									
1 Total	4.0	3.2	8.3	2.1	10.2	4.8	2.7	4.3	3.3
2 Required	3.1	3.5	7.9	2.6	-6.9	3.1	5.3	1.8	4.7
3 Nonborrowed	7.9	10.5	.4	5.5	18.8	12.2	2.4	18.1	.7
4 Monetary base[2]	4.3	3.9	8.0	7.3	3.4	4.1	9.2	9.0	7.9
Concepts of money and liquid assets[3]									
5 M1	.3	5.7	10.4	3.3	-3.5	2.7	11.0	−2.4	-.3
6 M2	8.3	8.9	9.8	9.5	4.4	11.2	10.0	10.7	6.6
7 M3	11.2	9.3	8.7	10.7	5.8	11.3	12.0	10.9	9.0
8 L	11.9	10.7	10.3	n.a.	10.1[r]	12.0	n.a.	n.a.	n.a.
Time and savings deposits									
Commercial banks									
9 Total	18.4	8.3	7.5	17.0	11.1	19.9	15.7	18.1[r]	17.2
10 Savings[4]	22.7	-11.9	8.7	2.0	.8	13.6	-.7	1.5	-4.5
11 Small-denomination time[5]	24.3	20.8	9.7	23.8	16.1	25.1	28.8	20.8	15.8
12 Large-denomination time[6]	36.0	5.4	4.6	16.8	10.7	17.6	8.7	24.0	29.2
13 Thrift institutions[7]	2.6	2.7	3.1	6.6	5.2	7.4	5.3[r]	9.9	3.8
14 Total loans and securities at commercial banks[8]	8.7	3.6	2.6	8.6	10.7	8.2	8.8	8.2[r]	5.7

Item	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July
	Interest rates (levels, percent per annum)								
Short-term rates									
15 Federal funds[9]	17.58	13.59	14.23	14.52	14.68	14.94	14.45	14.15	12.59
16 Discount window borrowing[10]	14.00	13.04	12.00	12.00	12.00	12.00	12.00	12.00	11.81
17 Treasury bills (3-month market yield)[11]	15.05	11.75	12.81	12.42	12.68	12.70	12.09	12.47	11.35
18 Commercial paper (3-month)[11,12]	16.78	13.04	13.81	13.81	13.80	14.06	13.42	13.96	12.94
Long-term rates									
Bonds									
19 U.S. government[13]	14.51	14.14	14.27	13.74	13.75	13.57	13.46	14.18	13.76
20 State and local government[14]	12.11	12.54	13.02	12.33	12.82	12.59	11.95	12.45	12.28
21 Aaa utility (new issue)[15]	16.82	15.67	15.71	15.73	15.43	15.83	15.22	15.92	15.61
22 Conventional mortgages[16]	17.50	17.33	17.10	16.63	16.80	16.65	16.50	16.75	16.50

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

2. Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

3. M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks, (2) traveler's 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) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

M2: M1 plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and balances of money market mutual funds (general purpose and broker/dealer).

M3: M2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations and balances of institution-only money market mutual funds.

L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrifts and CUSD accounts at credit unions

5. Small-denomination time deposits including retail RPs- -are those issued in amounts of less than $100,000.

6. Large-denomination time deposits are those issued in amounts of $100,000 or more.

7. Savings and loan associations, mutual savings banks, and credit unions.

8. Changes calculated from figures shown in table 1.23. Beginning December 1981, growth rates reflect shifts of foreign loans and securities from U.S. banking offices to international banking facilities.

9. Averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

10. Rate for the Federal Reserve Bank of New York

11. Quoted on a bank-discount basis.

12. Unweighted average of offering rates quoted by at least five dealers.

13. Market yields adjusted to a 20-year maturity by the U.S. Treasury.

14. *Bond Buyer* series for 20 issues of mixed quality.

15. Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations

16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from *Dept. of Housing and Urban Development.*

NOTE. Revisions in M2, M3, and L reflect the inclusion of three general purpose and broker/dealer money market funds that began reporting in May 1982 though their operations began earlier.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1982			1982						
	May	June	July	June 16	June 23	June 30	July 7	July 14p	July 21p	July 28p
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**151,333**	**152,140**	**153,521**	**152,095**	**152,793**	**151,778**	**153,023**	**153,060**	**155,478**	**152,591**
2 U.S. government securities[1]	129,686	130,737	132,400	131,418	131,337	130,458	131,488	131,678	134,155	132,219
3 Bought outright	128,964	130,408	131,540	131,418	130,497	130,458	129,098	131,200	133,214	132,219
4 Held under repurchase agreements	722	329	860	0	840	0	2,390	478	941	0
5 Federal agency securities	9,123	9,077	9,223	9,002	9,236	9,002	9,553	9,120	9,312	9,001
6 Bought outright	9,008	9,004	9,001	9,002	9,002	9,002	9,001	9,001	9,001	9,001
7 Held under repurchase agreements	115	73	222	0	234	0	552	119	311	0
8 Acceptances	164	149	300	0	289	0	744	96	488	0
9 Loans	1,105	1,211	670	929	1,014	1,616	1,070	559	595	548
10 Float	2,167	2,227	2,024	2,088	2,064	1,675	1,589	2,866	2,011	1,766
11 Other Federal Reserve assets	9,088	8,739	8,904	8,657	8,852	9,027	8,578	8,742	8,916	9,057
12 Gold stock	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149
13 Special drawing rights certificate account	3,818	3,818	3,895	3,818	3,818	3,818	3,818	3,818	3,875	4,018
14 Treasury currency outstanding	13,758	13,774	13,785	13,772	13,777	13,781	13,781	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
15 Currency in circulation	144,683	146,504	147,850	146,915	146,321	146,121	147,859	148,804	147,916	147,124
16 Treasury cash holdings	489	464	429	464	455	466	442	432	424	419
Deposits, other than reserves, with Federal Reserve Banks										
17 Treasury	4,292	3,303	3,319	2,950	3,730	3,140	3,370	3,349	3,181	3,358
18 Foreign	332	296	311	303	271	322	269	258	278	261
19 Other	509	506	615	530	450	461	635	571	563	670
20 Required clearing balances	184	205	220	203	206	212	213	213	218	221
21 Other Federal Reserve liabilities and capital	5,364	5,373	5,280	5,308	5,471	5,344	5,134	5,195	5,449	5,330
22 Reserve accounts[2]	24,207	24,230	24,326	24,162	24,634	24,460	23,850	22,991	26,260	24,160
	End-of-month figures			Wednesday figures						
	1982			1982						
	May	June	Julyp	June 16	June 23	June 30	July 7	July 14p	July 21p	July 28p
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**149,884**	**149,003**	**153,768**	**153,126**	**152,677**	**149,003**	**154,983**	**152,031**	**154,190**	**154,673**
24 U.S. government securities[1]	129,407	127,005	132,640	130,803	131,021	127,005	132,143	131,126	132,907	132,934
25 Bought outright	129,407	127,005	132,640	130,803	131,021	127,005	128,456	131,126	132,907	132,934
26 Held under repurchase agreements	0	0	0	0	0	0	3,687	0	0	0
27 Federal agency securities	9,008	9,002	9,001	9,002	9,002	9,002	9,665	9,001	9,001	9,001
28 Bought outright	9,008	9,002	9,001	9,002	9,002	9,002	9,001	9,001	9,001	9,001
29 Held under repurchase agreements	0	0	0	0	0	0	664	0	0	0
30 Acceptances	0	0	0	0	0	0	862	0	0	0
31 Loans	1,058	1,638	458	1,504	1,054	1,638	680	651	750	1,470
32 Float	1,776	2,545	1,713	2,911	2,568	2,545	2,828	2,326	2,474	2,093
33 Other Federal Reserve assets	8,635	8,813	9,956	8,906	9,032	8,813	8,805	8,927	9,058	9,175
34 Gold stock	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149
35 Special drawing rights certificate account	3,818	3,818	4,018	3,818	3,818	3,818	3,818	3,818	4,018	4,018
36 Treasury currency outstanding	13,767	13,781	13,786	13,776	13,781	13,781	13,781	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
37 Currency in circulation	145,523	147,134	147,051	147,069	146,426	147,148	148,995	148,856	147,747	147,547
38 Treasury cash holdings	477	460	418	462	453	446	436	426	421	418
Deposits, other than reserves, with Federal Reserve Banks										
39 Treasury	2,540	4,099	3,275	4,463	2,857	4,099	3,234	2,880	3,844	2,927
40 Foreign	308	586	982	228	275	586	192	239	238	301
41 Other	523	437	663	487	423	437	611	519	671	630
42 Required clearing balances	189	213	221	204	207	213	220	220	218	221
43 Other Federal Reserve liabilities and capital	5,784	4,837	5,359	5,135	5,229	4,837	5,232	4,990	5,214	5,127
44 Reserve accounts[2]	23,274	19,985	24,752	23,821	25,555	19,985	24,812	22,654	24,790	26,455

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

2. Excludes required clearing balances.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages of daily figures									
	1980	1981		1982						
	Dec.	Nov.	Dec.	Jan	Feb.	Mar	Apr.	May	June	July[p]
1 Reserve balances with Reserve Banks[1]	26,664	25,892	26,163	26,721	25,963	24,254	24,565	24,207	24,031	24,319
2 Total vault cash (estimated)	18,149	18,844	19,538	20,284	19,251	18,749	18,577	19,048	19,318	19,553
3 Vault cash at institutions with required reserve balances[2]	12,602	12,986	13,577	14,199	13,082	12,663	12,709	12,972	13,048	13,251
4 Vault cash equal to required reserves at other institutions	704	2,073	2,178	2,290	2,235	2,313	2,284	2,373	2,488	2,439
5 Surplus vault cash at other institutions[3]	4,843	3,785	3,783	3,795	3,934	3,773	3,584	3,703	3,782	3,863
6 Reserve balances + total vault cash[4]	44,940	44,736	45,701	47,005	45,214	43,003	43,142	43,255	43,349	43,873
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	40,097	40,951	41,918	43,210	41,280	39,230	39,558	39,552	39,567	40,010
8 Required reserves (estimated)	40,067	40,604	41,606	42,785	40,981	38,873	39,284	39,192	39,257	39,650
9 Excess reserve balances at Reserve Banks[4,6]	30	347	312	425	299	357	274	360	310	360
10 Total borrowings at Reserve Banks	1,617	695	642	1,526	1,713	1,611	1,581	1,105	1,205	670
11 Seasonal borrowings at Reserve Banks	116	79	53	75	132	174	167	237	239	223
12 Extended credit at Reserve Banks	n.a	178	149	197	232	309	245	177	103	50
	Weekly averages of daily figures for week ending									
	1982									
	May 26	June 2	June 9	June 16	June 23	June 30	July 7	July 14	July 21[p]	July 28[p]
13 Reserve balances with Reserve Banks[1]	24,128	24,153	22,832	24,162	24,634	24,460	23,850	22,991	26,260	24,160
14 Total vault cash (estimated)	18,460	19,175	19,559	19,401	18,664	19,690	19,660	20,246	17,933	20,253
15 Vault cash at institutions with required reserve balances[2]	12,667	12,977	13,131	12,878	12,824	13,380	13,292	13,456	12,272	13,692
16 Vault cash equal to required reserves at other institutions	2,241	2,464	2,587	2,551	2,327	2,492	2,578	2,663	2,132	2,535
17 Surplus vault cash at other institutions[3]	3,552	3,734	3,841	3,972	3,513	3,818	3,790	4,127	3,529	4,026
18 Reserve balances + total vault cash[4]	42,588	43,328	42,391	43,563	43,298	44,150	43,510	43,237	44,194	44,414
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	39,036	39,594	38,550	39,591	39,785	40,332	39,720	39,110	40,665	40,388
20 Required reserves (estimated)	38,937	38,922	38,401	39,352	39,565	39,804	39,220	38,926	40,359	40,056
21 Excess reserve balances at Reserve Banks[4,6]	99	672	149	239	220	528	500	184	306	332
22 Total borrowings at Reserve Banks	1,046	1,048	1,304	929	1,014	1,616	1,070	559	595	548
23 Seasonal borrowings at Reserve Banks	258	260	217	221	253	268	251	231	239	188
24 Extended credit at Reserve Banks	162	132	115	104	96	93	87	70	33	24

1. As of Aug. 13, 1981, excludes required clearing balances of all depository institutions.
2. Before Nov. 13, 1980, the figures shown reflect only the vault cash held by member banks.
3. Total vault cash at institutions without required reserve balances less vault cash equal to their required reserves.
4. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.
5. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.
6. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash used to satisfy reserve requirements less required reserves. (This measure of excess reserves is comparable to the old excess reserve concept published historically.)

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks[1]

Averages of daily figures, in millions of dollars

By maturity and source	1982, week ending Wednesday								
	June 2	June 9	June 16	June 23	June 30r	July 7	July 14	July 21	July 28
One day and continuing contract									
1 Commercial banks in United States	56,689	61,308	59,136	54,217	49,784	57,255	59,875	55,069	52,887
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	23,314	22,468	23,503	22,938	21,892	21,520	23,108	24,862	23,356
3 Nonbank securities dealers	4,483	3,484	3,870	4,322	4,219	3,874	3,721	3,644	4,102
4 All other	21,118	22,044	22,011	22,178	22,321	21,120	22,446	22,990	22,309
All other maturities									
5 Commercial banks in United States	3,977r	4,214r	4,580r	4,562r	4,690	4,431	4,460	4,366	4,566
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	9,559r	9,286r	9,310r	9,586r	9,594	9,467	9,353	9,249	8,924
7 Nonbank securities dealers	3,873	3,315	3,308	3,563	3,506	3,380	3,181	3,546	3,751
8 All other	10,180	9,414	9,019	9,259	9,094	8,740	8,711	8,817	10,005
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	20,681r	19,879	19,418	18,304	17,864	19,389	20,610	20,415	21,974
10 Nonbank securities dealers	3,917r	4,066r	3,731	4,773r	4,426	4,029	3,831	4,327	4,114

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 7/31/82	Effective date	Previous rate	Rate on 7/31/82	Previous rate	Rate on 7/31/82	Previous rate	Rate on 7/31/82	Previous rate	
Boston	11.5	7/21/82	12	11.5	12	12.5	13	13.5	14	7/21/82
New York		7/20/82								7/20/82
Philadelphia		7/23/82								7/23/82
Cleveland		7/21/82								7/21/82
Richmond		7/20/82								7/20/82
Atlanta		7/20/82								7/20/82
Chicago		7/20/82								7/20/82
St. Louis		7/21/82								7/21/82
Minneapolis		7/21/82								7/21/82
Kansas City		7/20/82								7/20/82
Dallas		7/20/82								7/20/82
San Francisco	11.5	7/20/82	12	11.5	12	12.5	13	13.5	14	7/20/82

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, 1972	4½	4½
1973— Jan. 15	5	5
Feb. 26	5-5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6 6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974— Apr. 25	7½ 8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼-7¾	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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼ 5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼-5¾	5¼
31	5¼ 5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6-6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7-7¼	7¼
10	7¼	7¼
Aug 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10-10½	10½
20	10½	10½

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1979— Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12-13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10 11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981— May 5	13-14	14
8	14	14
Nov. 2	13-14	13
6	13	13
Dec. 4	12	12
1982— July 20	11.5–12	11.5
23	11.5	11.5
In effect July 31, 1982	11.5	11.5

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. 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, and 1980.*

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 DEPOSITORY INSTITUTIONS RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Member bank requirements before implementation of the Monetary Control Act		Type of deposit, and deposit interval	Depository institution requirements after implementation of the Monetary Control Act[5]	
	Percent	Effective date		Percent	Effective date
Net demand[2]			*Net transaction accounts*[6,7]		
0–2	7	12/30/76	$0–$26 million	3	11/13/80
2–10	9½	12/30/76	Over $26 million	12	11/13/80
10–100	11¾	12/30/76			
100–400	12¾	12/30/76	*Nonpersonal time deposits*[8]		
Over 400	16¼	12/30/76	By original maturity		
			Less than 3½ years	3	4/29/82
Time and savings[2,3]			3½ years or more	0	4/29/82
Savings	3	3/16/67			
			Eurocurrency liabilities		
Time[4]			All types	3	11/13/80
0–5, by maturity					
30–179 days	3	3/16/67			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			
Over 5, by maturity					
30–179 days	6	12/12/74			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975* and for prior changes, see Board's *Annual Report* for 1976, table 13. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements were gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act as amended through 1978 specified different ranges of requirements for reserve city banks and for other banks. Reserve cities were designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million was considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constituted designation of that place as a reserve city. Cities in which there were Federal Reserve Banks or branches were also reserve cities. Any banks having net demand deposits of $400 million or less were considered to have the character of business of banks outside of reserve cities and were permitted to maintain reserves at ratios set for banks not in reserve cities.

(c) Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent respectively. The Regulation D reserve requirement on borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

(d) Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations were subject to the same reserve requirements as deposits of member banks.

3. (a) Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts were subject to the same requirements as savings deposits.

(b) The average reserve requirement on savings and other time deposits before implementation of the Monetary Control Act had to be at least 3 percent, the minimum specified by law.

4. (a) Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

(b) Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was reduced to zero beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two statement weeks ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29, 1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

5. For existing nonmember banks and thrift institutions at the time of implementation of the Monetary Control Act, the phase-in period ends Sept. 3, 1987. For existing member banks the phase-in period is about three years, depending on whether their new reserve requirements are greater or less than the old requirements. For existing agencies and branches of foreign banks, the phase-in ends Aug. 12, 1982. New institutions have a two-year phase-in beginning with the date that they open for business, except for those institutions having total reservable liabilities of $50 million or more.

6. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others.

7. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement will apply be modified annually to 80 percent of the percentage increase in transaction accounts held by all depository institutions on the previous June 30. At the beginning of 1982 the amount was accordingly increased from $25 million to $26 million.

8. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which the beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons, and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. After implementation of the Monetary Control Act, nonmembers may maintain reserves on a pass-through basis with certain approved institutions.

NOTES TO TABLE 1.16

18. Effective Dec. 1, 1981, depository institutions were authorized to offer time deposits not subject to interest rate ceilings when the funds are deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an IRA agreement or Keogh (H.R. 10) plan. Such time deposits must have a minimum maturity of 18 months, and additions may be made to the time deposit at any time before its maturity without extending the maturity of all or a portion of the balance of the account.

19. Effective May 1, 1982, depository institutions were authorized to offer negotiable or nonnegotiable time deposits with a minimum original maturity of 3½ years or more that are not subject to interest rate ceilings. Such time deposits have no minimum denomination, but must be made available in a $500 denomination. Additional deposits may be made to the account during the first year without extending its maturity.

NOTE. Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526 respectively. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96–221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. The maximum rates on time deposits in denominations of $100,000 or more with maturities of 30–89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions
Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks (thrift institutions)			
	In effect July 31, 1982		Previous maximum		In effect July 31, 1982		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts [2]	5¼	12/31/80	5	1/1/74	5¼	12/31/80	5	1/1/74
Time accounts [3]								
Fixed ceiling rates by maturity [4]								
3 14-89 days [5]	5¼	8/1/79	5	7/1/73	(6)	......	(6)	....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years [7]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years [7]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years [7]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years [8]	7¼	11/1/73	(9)	.....	7½	11/1/73	(9)	....
9 6 to 8 years [8]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more [8]	7¾	6/1/78	(6)	.....	8	6/1/78	(6)	....
11 Issued to governmental units (all maturities) [10]	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 Individual retirement accounts and Keogh (H.R. 10) plans (3 years or more) [10,11]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
Special variable ceiling rates by maturity								
13 91-day time deposits [13]	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)
14 6-month money market time deposits [14]	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)
15 12-month all savers certificates [15]	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)
16 2½ years to less than 3½ years [16]	(16)	(16)	(17)	(17)	(16)	(16)	(17)	(17)
Accounts with no ceiling rates								
17 Individual retirement accounts and Keogh (H.R. 10) plans (18 months or more) [18]	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)
18 3½ years or more time deposits [19]	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)

1. July 1, 1973, for mutual savings banks, July 6, 1973, for savings and loans.

2. For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, in New York State on Nov. 10, 1978, and in New Jersey on Dec. 28, 1979. Authorization to issue NOW accounts was extended to similar institutions nationwide effective Dec. 31, 1980.

3. For exceptions with respect to certain foreign time deposits see the BULLETIN for October 1962 (p. 1279), August 1965 (p. 1084), and February 1968 (p. 167).

4. Effective Nov. 10, 1980, the minimum notice period for public unit accounts at savings and loan associations was decreased to 14 days and the minimum maturity period for time deposits at savings and loan associations in excess of $100,000 was decreased to 14 days. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at mutual savings banks.

5. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at commercial banks.

6. No separate account category.

7. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

8. No minimum denomination. Until July 1, 1979, the minimum denomination was $1,000 except for deposits representing funds contributed to an individual retirement account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.

9. Between July 1, 1973, and Oct. 31, 1973, certificates maturing in 4 years or more with minimum denominations of $1,000 had no ceiling; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more. Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denomination of $1,000. There is no limitation on the amount of these certificates that banks can issue.

10. Accounts subject to fixed-rate ceilings. See footnote 8 for minimum denomination requirements.

11. Effective Jan. 1, 1980, commercial banks are permitted to pay the same rate as thrifts on IRA and Keogh accounts and accounts of governmental units when such deposits are placed in the new 2½-year or more variable-ceiling certificates or in 26-week money market certificates regardless of the level of the Treasury bill rate.

12. Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.

13. Effective May 1, 1982, depository institutions were authorized to offer time deposits that have a minimum denomination of $7,500 and a maturity of 91 days. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 91-day Treasury bills for thrift institutions and the discount rate minus 25 basis points for commercial banks. The rate differential ends 1 year from the effective date of these instruments and is suspended at any time the Treasury bill discount rate is 9% or below for four consecutive auctions. The maximum allowable rates in July (in percent) for commercial banks were as follows: July 7, 12.556; July 13, 11.547; July 20, 10.890, July 27, 10.309, and for thrift institutions: July 7, 12.806; July 13, 11.797; July 20, 11.140; July 27, 10.559.

14. Commercial banks and thrift institutions were authorized to offer money market time deposits effective June 1, 1978. These deposits have a minimum denomination requirement of $10,000 and a maturity of 26 weeks. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 26-week U.S. Treasury bills. Interest on these certificates may not be compounded. Effective for all 6-month money market certificates issued beginning Nov. 1, 1981, depository institutions may pay rates of interest on these deposits indexed to the higher of (1) the rate for 26-week Treasury bills established immediately before the date of deposit (bill rate) or (2) the average of the four rates for 26-week Treasury bills established for the 4 weeks immediately before the date of deposit (4-week average bill rate). Ceilings are determined as follows.

Bill rate or 4-week average bill rate	*Commercial bank ceiling*
7.50 percent or below	7.75 percent
Above 7.50 percent	¼ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate
	Thrift ceiling
7.25 percent or below	7.75 percent
Above 7.25 percent, but below 8.50 percent	½ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate
8.50 percent or above, but below 8.75 percent	9 percent
8.75 percent or above	¼ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate

The maximum allowable rates in July for commercial banks and thrifts based on the bill rate were as follows: July 7, 13.226; July 13, 12.217, July 20, 11.691; July 27, 11.628. The maximum allowable rates in July for commercial banks and thrifts based on the 4-week average bill rate were as follows: July 7, 13.232; July 13, 13.098; July 20, 12.700; July 27, 12.190.

15. Effective Oct. 1, 1981, depository institutions are authorized to issue all savers certificates (ASCs) with a 1-year maturity and an annual investment yield equal to 70 percent of the average investment yield for 52-week U.S. Treasury bills as determined by the auction of 52-week Treasury bills held immediately before the calendar week in which the certificate is issued. A maximum less than 9.50 percent, commercial banks may pay lifetime exclusion of $1,000 ($2,000 on a joint return) from gross income is generally authorized for interest income from ASCs. The annual investment yields for ASCs issued in July (in percent) were as follows: July 11, 9.99.

16. Effective Aug. 1, 1981, commercial banks may pay interest on any variable ceiling nonnegotiable time deposit with an original maturity of 2½ years to less than 4 years at a rate not to exceed ¼ of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. Effective May 1, 1982, the maximum maturity for this category of deposits was reduced to less than 3½ years. Thrift institutions may pay interest on these certificates at a rate not to exceed the average 2½-year yield for Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. If the announced average 2½-year yield for Treasury securities is 9.25 percent and thrift institutions 9.50 percent for these deposits. These deposits have no required minimum denomination, and interest may be compounded on them. The ceiling rates of interest at which they may be offered vary biweekly. The maximum allowable rates in July (in percent) for commercial banks were as follows: July 3, 14.55; July 20, 13.75; and for thrifts: July 3, 14.80; July 20, 14.00.

17. Between Jan. 1, 1980, and Aug. 1, 1981, commercial banks, and thrifts were authorized to offer variable ceiling nonnegotiable time deposits with no required minimum denomination and with maturities of 2½ years or more. Effective Jan. 1, 1980, the maximum rate for commercial banks was ¾ percentage point below the average yield on 2½-year U.S. Treasury securities; the ceiling rate for thrifts was ¼ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¾ percent was placed on these accounts at commercial banks and 12 percent on these accounts at savings and loans. Effective June 2, 1980, the ceiling rates for these deposits at commercial banks and savings and loans was increased ½ percentage point. The temporary ceiling was retained, and a minimum ceiling of 9.25 percent for commercial banks and 9.50 percent for thrifts was established.

NOTES are continued on opposite page.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1979	1980	1981	1981	1982					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	15,998	7,668	13,899	2,170	0	1,017	474	4,149	595	1,559
2 Gross sales	6,855	7,331	6,746	0	2,756	868	995	0	519	0
3 Exchange	0	0	0	0	0	0	0	0	0	200
4 Redemptions	2,900	3,389	1,816	0	600	0	600	0	400	0
Others within 1 year[1]										
5 Gross purchases	3,203	912	317	80	0	20	0	132	0	0
6 Gross sales	0	0	23	0	0	0	0	0	0	0
7 Maturity shift	17,339	12,427	13,794	887	542	2,633	900	333	1,498	988
8 Exchange	-11,308	-18,251	-12,869	-754	0	940	-1,479	-525	-2,541	-1,249
9 Redemptions	2,600	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,148	2,138	1,702	526	0	50	0	570	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	-12,693	-8,909	-10,299	-887	-542	-974	-900	-333	-1,000	-988
13 Exchange	7,508	13,412	10,117	754	0	765	1,479	525	1,600	1,049
5 to 10 years										
14 Gross purchases	523	703	393	165	0	0	0	81	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	-4,646	-3,092	-3,495	0	0	-1,659	0	0	-498	0
17 Exchange	2,181	2,970	1,500	0	0	100	0	0	941	0
Over 10 years										
18 Gross purchases	454	811	379	108	0	0	0	52	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	0	-426	0	0	0	0	0	0	0	0
21 Exchange	1,619	1,869	1,253	0	0	75	0	0	0	0
All maturities[1]										
22 Gross purchases	22,325	12,232	16,690	3,049	0	1,087	474	4,984	595	1,559
23 Gross sales	6,855	7,331	6,769	0	2,756	868	995	0	519	0
24 Redemptions	5,500	3,389	1,816	0	600	0	600	0	400	0
Matched transactions										
25 Gross sales	627,350	674,000	589,312	54,098	51,132	28,033	38,946	44,748	36,047	41,509
26 Gross purchases	624,192	675,496	589,647	54,044	51,717	28,258	38,650	44,759	36,790	37,548
Repurchase agreements										
27 Gross purchases	107,051	113,902	79,920	14,180	12,962	18,656	8,595	18,396	10,155	5,332
28 Gross sales	106,968	113,040	78,733	12,760	12,914	21,919	6,998	14,724	15,424	5,332
29 Net change in U.S. government securities	6,896	3,869	9,626	4,415	-2,724	-2,820	179	8,667	-4,850	-2,402
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	853	668	494	0	0	0	0	0	0	0
31 Gross sales	399	0	0	0	0	0	0	0	0	0
32 Redemptions	134	145	108	4	68	32	13	5	1	6
Repurchase agreements										
33 Gross purchases	37,321	28,895	13,320	1,647	800	872	554	2,033	1,305	831
34 Gross sales	36,960	28,863	13,576	1,697	935	1,006	471	1,119	2,301	831
35 Net change in federal agency obligations	681	555	130	-54	-203	-166	70	909	-997	-6
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	116	73	-582	549	402	-597	488	280	-768	0
37 **Total net change in System Open Market Account**	**7,693**	**4,497**	**9,175**	**3,812**	**-2,524**	**-3,583**	**737**	**9,856**	**-6,615**	**-2,408**

1. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): March 1979, 2,600.

NOTE. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday 1982					End of month 1982		
	June 30	July 7	July 14	July 21	July 28	May	June	July
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149
2 Special drawing rights certificate account	3,818	3,818	3,818	4,018	4,018	3,818	3,818	4,018
3 Coin	415	408	412	421	425	386	415	432
Loans								
4 To depository institutions	1,638	680	651	750	1,470	1,058	1,638	458
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	0	862	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	9,002	9,001	9,001	9,001	9,001	9,008	9,002	9,001
8 Held under repurchase agreements	0	664	0	0	0	0	0	0
U.S. government securities								
Bought outright								
9 Bills	47,921	49,172	50,844	52,625	52,652	50,123	47,921	52,358
10 Notes	60,943	61,143	62,018	62,018	62,018	61,143	60,943	62,018
11 Bonds	18,141	18,141	18,264	18,264	18,264	18,141	18,141	18,264
12 Total[1]	127,005	128,456	131,126	132,907	132,934	129,407	127,005	132,640
13 Held under repurchase agreements	0	3,687	0	0	0	0	0	0
14 Total U.S. government securities	127,005	132,143	131,126	132,907	132,934	129,407	127,005	132,640
15 **Total loans and securities**	**137,645**	**143,350**	**140,778**	**142,658**	**143,405**	**139,473**	**137,645**	**142,099**
16 Cash items in process of collection	9,603	10,913	8,434	8,622	7,743	8,033	9,603	8,220
17 Bank premises	521	521	524	524	529	518	521	528
Other assets								
18 Denominated in foreign currencies[2]	4,779	4,593	4,593	4,597	4,604	4,880	4,779	5,405
19 All other[3]	3,513	3,691	3,810	3,937	4,042	3,237	3,513	4,023
20 **Total assets**	**171,443**	**178,443**	**173,518**	**175,926**	**175,915**	**171,494**	**171,443**	**175,874**
LIABILITIES								
21 Federal Reserve notes	134,228	136,057	135,908	134,803	134,604	132,619	134,228	134,115
Deposits								
22 Depository institutions	20,198	25,032	22,874	25,012	26,676	23,463	20,198	24,974
23 U.S. Treasury—General account	4,099	3,234	2,880	3,844	2,927	2,540	4,099	3,275
24 Foreign—Official accounts	586	192	239	238	301	308	586	982
25 Other	437	611	519	667	630	523	437	662
26 **Total deposits**	**25,320**	**29,069**	**26,512**	**29,761**	**30,534**	**26,834**	**25,320**	**29,893**
27 Deferred availability cash items	7,058	8,085	6,108	6,148	5,650	6,257	7,058	6,507
28 Other liabilities and accrued dividends[4]	2,079	2,295	2,034	2,236	2,149	2,643	2,079	2,197
29 **Total liabilities**	**168,685**	**175,506**	**170,562**	**172,948**	**172,937**	**168,353**	**168,685**	**172,712**
CAPITAL ACCOUNTS								
30 Capital paid in	1,327	1,329	1,334	1,334	1,334	1,316	1,327	1,336
31 Surplus	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278
32 Other capital accounts	153	330	344	366	366	547	153	548
33 **Total liabilities and capital accounts**	**171,443**	**178,443**	**173,518**	**175,926**	**175,915**	**171,494**	**171,443**	**175,874**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	96,122	96,196	96,725	96,479	95,851	91,025	96,122	95,684
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	154,036	154,077	154,346	154,753	155,083	152,932	154,036	155,017
36 LESS: Held by bank[5]	19,976	18,120	18,438	19,950	20,479	20,313	19,808	20,902
37 Federal Reserve notes, net	134,060	135,957	135,908	134,803	134,604	132,619	134,228	134,115
Collateral for Federal Reserve notes								
38 Gold certificate account	11,149	11,149	11,149	11,149	11,149	11,149	11,149	11,149
39 Special drawing rights certificate account	3,818	3,818	3,818	4,018	4,018	3,818	3,818	4,018
40 Other eligible assets	39	108	0	0	0	0	39	0
41 U.S. government and agency securities	119,054	120,882	120,941	119,636	119,437	117,652	119,222	118,948
42 **Total collateral**	**134,060**	**135,957**	**135,908**	**134,803**	**134,604**	**132,619**	**134,228**	**134,115**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies and foreign currencies warehoused for the U.S. Treasury. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.
5. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1982					End of month 1982		
	June 30	July 7	July 14	July 21	July 28	May 28	June 30	July 30
1 Loans—Total	1,638	680	651	750	1,470	1,058	1,638	458
2 Within 15 days	1,585	562	504	715	1,432	1,010	1,585	383
3 16 days to 90 days	53	118	147	35	38	48	53	75
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	862	0	0	0	0	0	0
6 Within 15 days	0	862	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	127,005	132,143	131,126	132,907	132,934	129,407	127,005	132,640
10 Within 15 days[1]	2,316	6,147	4,056	3,910	6,006	3,090	2,316	4,374
11 16 days to 90 days	25,432	27,274	28,520	28,094	26,242	28,912	25,432	27,562
12 91 days to 1 year	34,454	33,719	32,620	34,973	34,756	32,138	34,454	34,775
13 Over 1 year to 5 years	37,326	37,526	38,217	38,217	38,217	37,790	37,326	38,216
14 Over 5 years to 10 years	10,717	10,717	10,830	10,830	10,830	10,717	10,717	10,830
15 Over 10 years	16,760	16,760	16,883	16,883	16,883	16,760	16,760	16,883
16 Federal agency obligations—Total	9,002	9,665	9,001	9,001	9,001	9,008	9,002	9,001
17 Within 15 days[1]	184	729	38	148	174	105	184	174
18 16 days to 90 days	443	557	612	485	524	510	443	524
19 91 days to 1 year	1,629	1,633	1,617	1,668	1,593	1,545	1,629	1,593
20 Over 1 year to 5 years	5,316	5,316	5,315	5,299	5,305	5,387	5,316	5,305
21 Over 5 years to 10 years	927	927	916	898	902	927	927	902
22 Over 10 years	503	503	503	503	503	534	503	503

1 Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposit. Monthly data are at annual rates.

Bank group, or type of customer	1979	1980	1981	1982				
				Feb.	Mar.	Apr.	May	June
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	49,775.0	63,013.4	80,059.7	85,274.3	83,617.4	83,404.1	87,488.1	88,259.6
2 Major New York City banks	18,512.7	25,192.5	33,642.7	35,983.8	34,218.3	35,238.0	37,379.7	37,016.6
3 Other banks	31,262.3	37,820.9	46,417.0	49,290.5	49,399.1	48,166.1	50,108.4	51,243.0
	Debits to savings deposits[2] (not seasonally adjusted)							
4 ATS/NOW[3]	83.3	158.4	741.3	836.7	935.4	1,072.5	929.0	1,069.9
5 Business[4]	77.3	93.4	112.1	95.2	115.4	103.0	90.2	107.6
6 Others[5]	515.2	605.3	582.2	534.8	586.9	609.6	570.4	593.4
7 All accounts	675.8	857.2	1,435.6	1,466.7	1,637.6	1,785.1	1,589.6	1,770.9
	Demand deposit turnover[1] (seasonally adjusted)							
8 All commercial banks	163.5	201.6	281.4	307.1	304.7	301.3	315.8	322.7
9 Major New York City banks	646.2	813.7	1,100.5	1,252.1	1,211.7	1,255.3	1,292.8	1,326.4
10 Other banks	113.3	134.3	182.8	198.0	200.7	193.7	202.0	208.6
	Savings deposit turnover[2] (not seasonally adjusted)							
11 ATS/NOW[3]	7.8	9.7	14.2	13.0	14.2	15.4	14.0	15.8
12 Business[4]	7.2	9.3	12.3	12.1	14.6	13.2	11.4	13.5
13 Others[5]	2.7	3.4	3.7	3.6	3.9	4.0	3.8	3.9
14 All accounts	3.1	4.2	6.6	6.6	7.3	7.8	7.1	7.8

1. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
2. Excludes special club accounts, such as Christmas and vacation clubs.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies)
5 Savings accounts other than NOW; business, and, from December 1978, ATS

NOTE. Historical data for the period 1970 through June 1977 have been estimated; these estimates are based in part on the debits series for 233 SMSAs, which were available through June 1977. Back data are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available before July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1981 Dec.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June
	Seasonally adjusted								
MEASURES[1]									
1 M1	363.2	389.0	414.5	440.9	447.3	448.3	452.4r	451.5	451.3
2 M2	1,403.9	1,518.9	1,656.2	1,822.7	1,848.0	1,865.2	1,880.7	1,897.5	1,907.6
3 M3	1,629.0	1,779.4	1,963.1	2,188.1	2,215.0	2,235.8	2,258.1	2,278.7r	2,295.2
4 L[2]	1,938.9	2,153.9	2,370.4	2,642.8	2,689.9r	2,716.8	n.a.	n.a.	n.a.
SELECTED COMPONENTS									
5 Currency	97.4	106.1	116.2	123.1	124.6	125.1	126.3	127.4	128.4
6 Traveler's checks[3]	3.5	3.7	4.2	4.3	4.3	4.4	4.4	4.5	4.5
7 Demand deposits	253.9	262.2	267.2	236.4	234.5	233.0	233.0	232.6	231.0
8 Other checkable deposits[7]	8.4	16.9	26.9	77.0	83.8	85.7	88.6	87.0	87.5
9 Savings deposits[4]	479.9	421.7	398.9	343.6	348.6	350.7	350.5	350.9	349.9
10 Small-denomination time deposits[5]	533.9	652.6	751.7	854.7	859.4	869.9r	881.6	894.1	901.0
11 Large-denomination time deposits[6]	194.6	221.8	257.9	300.3	308.0	312.6r	317.1	321.4r	328.2
	Not seasonally adjusted								
MEASURES[1]									
12 M1	372.5	398.8	424.6	451.2	437.2	440.0	455.5	445.1	450.4
13 M2	1,408.5	1,524.7	1,662.5	1,829.4	1,842.9	1,861.9	1,887.9	1,888.9r	1,906.1
14 M3	1,637.5	1,789.2	1,973.9	2,199.9	2,216.0	2,237.4	2,266.1	2,268.7r	2,289.3
15 L[2]	1,946.6	2,162.8	2,380.2	2,653.8	2,697.9r	2,722.8	n.a.	n.a.	n.a.
SELECTED COMPONENTS									
16 Currency	99.4	108.2	118.3	125.4	123.0	123.8	125.7	127.2	128.3
17 Traveler's checks[3]	3.3	3.5	3.9	4.1	4.1	4.2	4.2	4.3	4.7
18 Demand deposits	261.5	270.1	275.1	243.3	228.5	228.2	236.1	228.3r	230.3
19 Other checkable deposits[7]	8.4	17.0	27.2	78.4	81.4	83.8r	89.5	85.4r	87.1
20 Overnight RPs and Eurodollars[8]	24.1	26.3	35.0	38.1	42.9	43.0	40.4	42.8	42.8
21 Savings deposits[4]	478.0	420.5	398.0	343.0	344.5	346.1	348.1	347.4	347.9
22 Small-denomination time deposits[5]	531.1	649.7	748.9	851.7	868.5	879.6	888.1r	895.3	902.3
Money market mutual funds									
23 General purpose and broker/dealer	7.1	34.4	61.9	151.2	156.0	159.2	161.9	164.3	168.6
24 Institution only	3.1	9.3	13.9	33.7	30.5	31.5	31.5	32.8	33.7
25 Large-denomination time deposits[6]	198.6	226.0	262.3	305.4	314.2	317.4	317.9	320.1r	323.8

1. Composition of the money stock measures is as follows:

M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's 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) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

M2: M1 plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and balances of money market mutual funds (general purpose and broker/dealer).

M3: M2 plus large-denomination time deposits at all depository institutions, term RPs at commercial banks and savings and loan associations, and balances of institution-only money market mutual funds.

2. L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Outstanding amount of U.S. dollar-denominated traveler's checks of nonbank issuers.

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrift institutions and CUSDs at credit unions.

5. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000.

6. Large-denomination time deposits are those issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

7. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

8. Overnight (and continuing contract) RPs are those issued by commercial banks to other than depository institutions and money market mutual funds (general purpose and broker/dealer), and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. residents other than depository institutions and money market mutual funds (general purpose and broker/dealer).

NOTE. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Back data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1981 Nov.	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June^r	1982 July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves[3]**	**35.08**	**36.37**	**39.01**	**40.15**	**40.53**	**41.28**	**40.93**	**41.09**	**41.18**	**41.33**	**41.44**	**41.45**
2 Nonborrowed reserves	34.22	34.90	37.32	39.49	39.89	39.76	39.14	39.53	39.61	40.21	40.24	40.75
3 Required reserves	34.85	36.04	38.49	39.81	40.21	40.86	40.62	40.73	40.91	40.97	41.13	41.12
4 Monetary base[4]	134.7	145.0	158.0	164.3	165.8	167.4	167.9	168.5	169.8	171.0	172 1	172.6
	Not seasonally adjusted											
5 **Total reserves[3]**	**35.66**	**36.97**	**39.70**	**40.33**	**41.26**	**42.70**	**40.74**	**40.53**	**41.09**	**40.98**	**40.88**	**41.31**
6 Nonborrowed reserves	34.80	35.50	38.01	39.67	40.63	41.18	38.95	38.98	39.52	39.87	39.68	40.61
7 Required reserves	35.43	36.65	39.19	39.99	40.94	42.28	40.44	40.18	40.81	40.63	40.57	40.98
8 Monetary base[4]	137.4	147.9	161.0	165.6	168.9	168.5	166.1	166.5	168.9	170.4	171.5	173.4
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
9 **Total reserves[3]**	**41.68**	**43.91**	**40.66**	**40.95**	**41.92**	**43.20**	**41.29**	**39.23**	**39.56**	**39.55**	**39.57**	**39.99**
10 Nonborrowed reserves	40.81	42.43	38.97	40.29	41.29	41.69	39.50	37.68	37.99	38.43	38.36	39.29
11 Required reserves	41.45	43.58	40.15	40.60	41.60	42.78	40.98	38.88	39.28	39.19	39.26	39.65
12 Monetary base[4]	144.6	156 2	162.4	166.3	169.7	169.1	166.8	165.4	167.6	169.2	170 4	172.4

1. Reserve measures from November 1980 to date reflect a one-time increase—estimated at $550 million to $600 million—in required reserves associated with the reduction of week-end avoidance activities of a few large banks.
2. Reserve aggregates include required reserves of member banks and Edge Act corporations and other depository institutions. Discontinuities associated with the implementation of the Monetary Control Act, the inclusion of Edge Act corporation reserves, and other changes in Regulation D have been removed.
3. Reserve balances with Federal Reserve Banks (which exclude required clearing balances) plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.
4. Includes reserve balances and required clearing balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.
5. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustments to eliminate the effect of changes in Regulation D, including changes associated with the implementation of the Monetary Control Act. Includes required reserves of member banks and Edge Act corporations and, beginning Nov. 13, 1980, other depository institutions. Under the transitional phase-in program of the Monetary Control Act of 1980, the net changes in required reserves of depository institutions have been as follows: effective Nov. 13, 1980, a reduction of $2.8 billion; Feb. 12, 1981, an increase of $245 million; Mar. 12, 1981, an increase of $75 million; May 14, 1981, an increase of $245 million; Aug. 13, 1981, an increase of $245 million; Sept. 3, 1981, a reduction of $1.3 billion; and Nov. 19, 1981, an increase of $220 million.

NOTE. Latest monthly and weekly figures are available from the Board's H.3(502) statistical release. Back data and estimates of the impact on required reserves and changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1981 Dec.[2]	1982 Feb.[2]	1982 Mar.[2]	1982 Apr.[2]	1982 May[2]	1982 June[2]	1981 Dec.[2]	1982 Feb.[2]	1982 Mar.[2]	1982 Apr.[2]	1982 May[2]	1982 June[2]
	Seasonally adjusted						Not seasonally adjusted					
1 **Total loans and securities[3]**	**1,316.3**	**1,332.4[4]**	**1,342.5[5]**	**1,352.6**	**1,361.9**	**1,368.7[6]**	**1,326.1**	**1,328.2[4]**	**1,337.3[5]**	**1,351.4**	**1,355.9**	**1,366.3[6]**
2 U.S. Treasury securities	111.0	115.1[4]	114.4[5]	116.6	116.3	115.8	111.4	115.6[4]	116.1[5]	118.7	115.8	116.1
3 Other securities	231.4	232.0[4]	233.1[5]	234.0	234.9	235.8	232.8	231.5	232.6[5]	234.0	235.1	235.6
4 Total loans and leases[3]	973.9	985.2[4]	995.0[5]	1,002.0	1,010.7	1,017.1[6]	981.8	981.1[4]	988.6[5]	998.7	1,005.0	1,014.6[6]
5 Commercial and industrial loans	358.0	365.6	370.0	373.1	378.8	383.4	360.1	364.2	369.0	375.2	378.9	382.7
6 Real estate loans	285.7	289.8[4]	292.3[5]	293.9	295.5	297.3	286.8	289.6[4]	291.5[5]	293.0	294.4	295.8
7 Loans to individuals	185.1	185.7	186.4	186.9	187.4	188.3[6]	186.4	185.1	184.7	185.6	186.2	187.5[6]
8 Security loans	21.9	20.8	20.9	20.9	20.6	19.5	22.7	20.1	20.3	20.9	19.8	20.5
9 Loans to nonbank financial institutions	30.2	31.4	32.7	33.3	33.2	33.6	31.2	31.5	32.2	33.0	32.8	33.1
10 Agricultural loans	33.0	33.8	34.3	34.4	34.5	34.5	33.0	33.3	33.6	33.8	34.3	34.7
11 Lease financing receivables	12.7	13.1	13.1	13.1	13.1	13.1	12.7	13.1	13.1	13.1	13.1	13.1
12 All other loans	47.2	45.0	45.3	46.5	47.5	47.5	49.2	44.1	44.2	44.1	45.5	47.2
MEMO:												
13 **Total loans and securities plus loans sold[3,7]**	**1,319.1**	**1,335.2[4]**	**1,345.3[5]**	**1,355.4**	**1,364.7**	**1,371.7[6]**	**1,328.9**	**1,331.0[4]**	**1,340.1[5]**	**1,354.2**	**1,358.7**	**1,369.3[6]**
14 Total loans plus loans sold[3,7]	976.7	988.1[4]	997.9[5]	1,004.8	1,013.5	1,020.1[6]	984.7	983.9[4]	991.5[5]	1,001.5	1,007.8	1,017.6[6]
15 Total loans sold to affiliates[7]	2.8	2.8	2.8	2.8	2.8	3.0	2.8	2.8	2.8	2.8	2.8	3.0
16 Commercial and industrial loans plus loans sold[7]	360.2	367.8	372.2	375.3	381.1	385.7	362.3	366.5	371.3	377.5	381.1	385.0
17 Commercial and industrial loans sold[7]	2.2	2.2	2.2	2.3	2.2	2.4	2.2	2.2	2.2	2.3	2.2	2.4
18 Acceptances held	8.9	8.9	9.6	10.3	10.1	9.1	9.8	9.1	9.2	9.5	9.5	9.2
19 Other commercial and industrial loans	349.1	356.6	360.4	362.8	368.8	374.2	350.3	355.2	359.8	365.7	369.4	373.5
20 To U.S. addressees[8]	334.9	344.1	347.7	350.1	355.2	360.0	334.3	342.6	347.2	352.9	356.7	360.5
21 To non-U.S. addressees	14.2	12.5	12.7	12.7	13.5	14.2	16.1	12.6	12.6	12.8	12.7	13.0
22 Loans to foreign banks	19.0	16.6	16.1	15.2	15.0	14.8	20.0	16.2	15.7	14.6	14.4	14.4

1. Includes domestically chartered banks; U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Beginning December 1981, shifts of foreign loans and securities from U.S. banking offices to international banking facilities (IBFs) reduced the levels of several items. Seasonally adjusted data that include adjustments for the amounts shifted from domestic offices to IBFs are available in the Board's G.7 (407) statistical release (available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551).
3. Excludes loans to commercial banks in the United States.
4. The merger of a commercial bank with a mutual savings bank beginning Feb. 24, 1982, increased total loans and securities $1.0 billion; U.S. Treasury securities, $0.1 billion; other securities, $0.1 billion; total loans and leases, $0.8 billion; and real estate loans, $0.7 billion.
5. The merger of a commercial bank with a mutual savings bank beginning Mar. 17, 1982, increased total loans and securities $0.6 billion; U.S. Treasury securities, $0.1 billion; other securities $0.1 billion; total loans and leases, $0.4 billion; and real estate loans, $0.4 billion.
6. Beginning June 2, 1982 total loans and securities, total loans and leases, and loans to individuals were increased $0.5 billion due to acquisition of loans by a commercial bank from a nonbank institution.
7. 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.
8. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday estimates for domestically chartered banks, based on weekly reports of a sample of domestically chartered banks and quarterly reports of all domestically chartered banks. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large agencies and branches and quarterly reports from all agencies, branches, investment companies, and Edge Act corporations engaged in banking.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1980	1981						1982				
	Dec.	July	Aug	Sept.	Oct.	Nov	Dec.	Jan.	Feb	Mar	Apr	May
Total nondeposit funds												
1 Seasonally adjusted[2]	121.9	122.7	123.3	119.8	116.3	116.2	98.7	89.5	87.8	83.5	83.3	81.4
2 Not seasonally adjusted	122.5	124.6	127.4	125.0	118.3	120.8	99.1	87.9	88.1	84.3	84.0	84.7
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	111.0	113.8	110.5	108.2	109.1	110.1	114.4	116.2	113.7	113.5	113.0	113.0
4 Not seasonally adjusted	111.6	115.7	114.6	113.3	111.1	114.7	114.8	114.6	114.0	114.3	113.7	116.3
5 Net balances due to foreign-related institutions, not seasonally adjusted	8.2	6.2	10.1	8.9	4.5	3.4	-18.5	-29.6	28.8	32.9	32.5	-34.4
6 Loans sold to affiliates, not seasonally adjusted[4]	2.7	2.7	2.6	2.7	2.7	2.7	2.8	2.9	2.8	2.8	2.8	2.8
MEMO												
7 Domestically chartered banks net positions with own foreign branches, not seasonally adjusted[5]	14.7	-14.6	-10.2	-12.3	15.4	-14.9	22.4	-27.1	26.1	29.0	29.8	30.3
8 Gross due from balances	37.5	45.0	43.7	44.5	45.5	47.9	54.9	57.1	57.2	59.2	60.0	59.1
9 Gross due to balances	22.8	30.4	33.5	32.2	30.1	32.9	32.5	30.0	31.1	30.1	30.1	28.8
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[6]	22.9	20.8	20.4	21.2	19.9	18.4	3.9	2.5	2.7	-3.8	2.7	-4.0
11 Gross due from balances	32.5	37.4	38.0	40.1	38.3	39.1	48.1	50.0	50.5	50.0	49.1	49.4
12 Gross due to balances	55.4	58.2	58.4	61.3	58.2	57.4	52.0	47.5	47.8	46.2	46.4	45.4
Security RP borrowings												
13 Seasonally adjusted[7]	64.0	69.2	65.7	63.0	64.9	65.0	70.0	73.0	71.0	71.4	71.9	69.0
14 Not seasonally adjusted	62.3	68.9	67.6	65.9	64.7	67.3	68.2	69.2	69.1	70.0	70.4	70.0
U.S. Treasury demand balances[8]												
15 Seasonally adjusted	9.5	10.9	8.3	9.3	11.1	12.1	11.8	13.5	22.2	17.6	13.6	15.4
16 Not seasonally adjusted	9.0	10.8	7.5	10.9	13.3	9.7	11.3	14.5	20.1	15.6	13.8	15.4
Time deposits, $100,000 or more[9]												
17 Seasonally adjusted	267.0	313.1	321.7	324.7	324.8	323.4	324.0	324.3	327.2	332.0	334.4	341.1
18 Not seasonally adjusted	272.4	304.7	314.8	320.2	322.6	324.6	330.3	330.6	335.3	337.2	335.6	339.9

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.
5. Averages of daily figures for member and nonmember banks
6. Averages of daily data
7. Based on daily average data reported by 122 large banks.
8. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
9. Averages of Wednesday figures.

NOTE Beginning December 1981, shifts of foreign assets and liabilities from U.S. banking offices to international banking facilities (IBFs) reduced levels for several items as follows: lines 1 and 2, $22.4 billion; lines 3 and 4, $1.7 billion; line 5, $20.7 billion; line 7, $3.1 billion; and line 10, $17.6 billion. For January 1982, levels were reduced as follows lines 1 and 2, $29.6 billion, lines 3 and 4, $2.4 billion; line 5, $27.2 billion; line 7, $4.7 billion; and line 10, $22.4 billion.

For January 1982, levels were reduced as follows: lines 1 and 2, $29.6 billion; lines 3 and 4, $2.4 billion; line 5, $27.2 billion; line 7, $4.7 billion; and line 10, $22.4 billion.

For February 1982 the levels were reduced as follows: lines 1 and 2, $30.3 billion; lines 3 and 4, $2.4 billion; line 5, $27.9 billion; line 7, $4.8 billion; and line 10, $23.1 billion. For March the levels were reduced as follows, lines 1 and 2, $30.8 billion; lines 3 and 4, $2.4 billion; line 5, $28.4 billion; line 7, $4.8 billion and line 10, $23.6 billion. For April the levels were reduced as follows: lines 1 and 2, $31.3 billion; lines 3 and 4, $2.4 billion; line 5, $28.9 billion; line 7, $4.9 billion; and line 10, $23.9 billion

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

Account	1981				1982						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,242.5	1,239.9	1,249.4	1,267.4	1,261.2	1,271.2	1,285.8	1,292.6	1,300.7	1,315.4	1,313.4
2 Loans, excluding interbank	906.2	902.9	912.8	926.4	920.1	929.1	939.9	947.2	954.3	969.1	966.7
3 Commercial and industrial	308.5	308.5	312.6	320.3	321.0	325.6	332.4	336.7	341.9	348.7	346.4
4 Other	597.8	594.3	600.2	606.0	599.1	603.5	607.5	610.5	612.4	620.4	620.3
5 U.S. Treasury securities	109.4	110.0	106.7	109.8	111.5	112.3	114.5	113.0	111.5	113.4	113.4
6 Other securities	226.9	227.1	229.9	231.3	229.6	229.8	231.4	232.4	234.9	232.9	233.2
7 Cash assets, total	190.2	149.8	162.8	173.1	155.3	151.6	164.5	153.6	153.0	165.4	154.5
8 Currency and coin	19.2	19.7	18.3	22.0	19.8	19.7	18.9	19.9	20.0	20.1	20.5
9 Reserves with Federal Reserve Banks	26.8	25.3	26.1	28.0	30.2	24.8	25.7	25.5	21.7	18.2	25.1
10 Balances with depository institutions	68.9	49.3	52.0	54.5	50.3	51.0	55.9	52.4	54.9	59.6	55.4
11 Cash items in process of collection	75.4	55.5	66.4	68.6	55.0	56.1	64.0	55.8	56.3	67.4	53.6
12 Other assets[2]	184.5	175.5	194.4	211.2	197.0	201.9	219.3	206.6	209.9	223.2	224.2
13 Total assets/total liabilities and capital	**1,617.2**	**1,565.2**	**1,606.7**	**1,651.8**	**1,613.5**	**1,624.7**	**1,669.5**	**1,652.9**	**1,663.6**	**1,704.0**	**1,692.1**
14 Deposits	1,224.4	1,177.1	1,206.0	1,240.3	1,205.8	1,213.7	1,250.8	1,231.0	1,244.0	1,284.8	1,266.5
15 Demand	378.0	324.0	339.2	363.9	322.3	316.7	338.3	315.5	315.4	345.2	314.5
16 Savings	216.7	214.0	217.9	222.4	223.0	222.5	229.9	226.6	227.6	228.9	227.2
17 Time	629.7	639.1	648.9	654.0	660.5	674.4	682.6	688.9	701.0	710.7	724.8
18 Borrowings	176.9	174.5	179.3	190.2	191.9	191.0	196.4	201.1	195.1	189.7	195.4
19 Other liabilities	91.4	89.3	95.2	91.7	89.7	92.5	94.4	92.4	93.9	96.6	99.1
20 Residual (assets less liabilities)	124.4	124.3	126.2	129.6	126.1	127.5	128.0	128.4	130.6	133.0	131.1
MEMO:											
21 U.S. Treasury note balances included in borrowing	15.3	13.9	5.6	13.6	16.7	17.1	10.9	16.6	7.1	7.5	8.0
22 Number of banks	14,720	14,740	14,743	14,744	14,690	14,702	14,709	14,710	14,722	14,736	14,752
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	1,334.3	1,324.7	1,335.5	1,330.0	1,321.6	1,331.5	1,345.8	1,350.7	1,358.5	1,374.3	1,371.4
24 Loans, excluding interbank	993.8	983.6	994.7	984.5	975.8	984.4	995.1	1,000.6	1,007.6	1,023.7	1,020.9
25 Commercial and industrial	366.3	361.7	365.5	360.8	360.3	364.6	372.4	374.7	379.3	386.7	384.4
26 Other	627.5	621.9	629.2	623.7	615.5	619.7	622.7	625.8	628.3	636.9	636.5
27 U.S. Treasury securities	111.6	111.9	108.8	112.5	114.5	115.5	117.6	116.1	114.3	116.2	115.7
28 Other securities	228.9	229.2	232.0	233.0	231.4	231.6	233.1	234.1	236.6	234.4	234.8
29 Cash assets, total	234.5	165.4	179.3	188.1	170.0	165.8	178.8	168.1	167.7	180.3	169.3
30 Currency and coin	19.2	19.7	18.3	22.0	19.8	19.7	18.9	19.9	20.0	20.2	20.5
31 Reserves with Federal Reserve Banks	28.1	26.6	27.5	29.3	31.3	26.1	26.9	26.8	23.0	19.6	26.5
32 Balances with depository institutions	110.7	62.5	66.0	67.1	62.7	63.0	68.0	64.6	67.3	72.2	67.8
33 Cash items in process of collection	76.5	56.6	67.4	69.6	56.1	57.1	65.0	56.8	57.3	68.4	54.6
34 Other assets[2]	251.0	244.0	267.0	288.7	274.2	278.1	295.2	280.3	285.9	300.1	299.4
35 Total assets/total liabilities and capital	**1,819.8**	**1,734.0**	**1,781.7**	**1,806.8**	**1,765.8**	**1,775.5**	**1,819.9**	**1,799.1**	**1,812.1**	**1,854.7**	**1,840.1**
36 Deposits	1,293.7	1,224.6	1,254.1	1,288.7	1,251.5	1,258.3	1,295.0	1,272.7	1,286.2	1,325.8	1,307.4
37 Demand	412.2	337.1	352.6	377.7	335.1	329.4	350.8	327.9	327.9	357.4	326.8
38 Savings	216.9	214.3	218.1	222.6	223.2	222.8	230.2	226.9	227.8	229.1	227.4
39 Time	664.7	673.1	683.4	688.3	693.1	706.2	714.0	717.9	730.4	739.3	753.2
40 Borrowings	242.7	236.8	246.2	250.8	253.5	255.9	260.0	260.8	255.3	253.2	260.0
41 Other liabilities	157.0	146.4	153.3	135.6	132.8	131.8	135.0	135.3	138.2	140.8	139.8
42 Residual (assets less liabilities)	126.3	126.3	128.1	131.5	128.1	129.4	129.9	130.3	132.5	134.9	133.0
MEMO:											
43 U.S. Treasury note balances included in borrowing	15.3	13.9	5.6	13.6	16.7	17.1	10.9	16.6	7.1	7.5	8.0
44 Number of banks	15,189	15,209	15,212	15,213	15,185	15,201	15,214	15,215	15,235	15,235	15,271

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.
2. Other assets include loans to U.S. commercial banks.
3. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month. Data for other banking institutions are for the last day of the quarter until June 1981; beginning July 1981, these data are estimates made on the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition report data.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities, 1982

Millions of dollars, Wednesday figures

Account	June 2	June 9	June 16	June 23	June 30ᵖ	July 7ᵖ	July 14ᵖ	July 21ᵖ	July 28ᵖ
1 Cash items in process of collection	59,329	42,741	49,322	43,051	53,395	52,897	46,416	43,965	42,631
2 Demand deposits due from banks in the United States	8,394	6,726	7,322	6,512	7,233	8,499	6,450	6,392	6,654
3 All other cash and due from depository institutions	36,155	33,454	32,957	34,027	28,590	34,193	32,606	33,090	35,146
4 **Total loans and securities**	**623,221**	**620,563**	**621,766**	**614,507**	**624,817**	**624,950**	**622,637**	**620,262**	**622,858**
Securities									
5 U.S. Treasury securities	36,938	38,056	37,245	36,819	36,997	36,885	36,525	36,649	37,659
6 Trading account	7,767	8,266	7,683	7,301	7,800	7,640	7,497	7,517	8,701
7 Investment account, by maturity	29,170	29,790	29,562	29,518	29,197	29,246	29,027	29,132	28,957
8 One year or less	9,647	10,040	10,120	10,118	9,818	10,208	10,009	9,999	9,743
9 Over one through five years	16,981	17,208	16,977	17,018	16,992	16,651	16,502	16,758	16,902
10 Over five years	2,542	2,542	2,464	2,382	2,387	2,387	2,517	2,375	2,312
11 Other securities	80,609	81,164	79,348	78,883	78,135	78,998	78,173	77,906	77,752
12 Trading account	4,816	5,290	3,708	3,226	2,847	4,028	3,366	3,466	3,175
13 Investment account	75,792	75,874	75,640	75,658	75,288	74,969	74,807	74,439	74,577
14 U.S. government agencies	15,798	15,733	15,622	15,554	15,578	15,498	15,401	15,361	15,516
15 States and political subdivisions, by maturity	57,006	57,037	56,947	57,074	56,512	56,436	56,413	56,053	55,992
16 One year or less	8,103	8,151	8,098	8,247	7,685	7,750	7,770	7,530	7,274
17 Over one year	48,902	48,885	48,849	48,827	48,827	48,686	48,642	48,522	48,718
18 Other bonds, corporate stocks and securities	2,988	3,103	3,071	3,029	3,199	3,035	2,993	3,025	3,069
Loans									
19 Federal funds sold[1]	35,426	31,920	35,649	31,572	36,476	35,754	35,203	34,696	36,056
20 To commercial banks	25,543	21,762	25,369	20,342	25,127	25,410	25,523	24,324	25,636
21 To nonbank brokers and dealers in securities	7,108	7,363	7,445	8,443	8,395	7,295	6,967	7,659	7,727
22 To others	2,775	2,795	2,836	2,788	2,953	3,049	2,713	2,713	2,693
23 Other loans, gross	483,115	482,364	482,493	480,149	486,328	486,448	485,878	484,162	484,562
24 Commercial and industrial	209,132	209,664	209,564	208,580	212,438	212,396	212,116	210,431	210,483
25 Bankers acceptances and commercial paper	5,320	4,924	4,909	3,911	4,170	3,813	4,323	3,918	4,208
26 All other	203,812	204,740	204,655	204,669	208,267	208,583	207,794	206,513	206,275
27 U.S. addressees	196,929	197,772	197,766	197,718	201,043	201,410	200,628	199,495	199,213
28 Non-U.S. addressees	6,883	6,968	6,889	6,951	7,225	7,172	7,165	7,018	7,062
29 Real estate	129,098	129,196	129,466	129,730	129,679	129,762	130,114	130,277	130,083
30 To individuals for personal expenditures	72,207	72,179	72,316	72,435	72,679	72,560	72,470	72,592	72,816
To financial institutions									
31 Commercial banks in the United States	6,980	7,086	6,737	6,625	6,885	6,855	6,538	6,662	6,764
32 Banks in foreign countries	7,392	6,803	7,026	6,925	7,161	7,797	7,572	6,866	7,243
33 Sales finance, personal finance companies, etc.	11,504	11,249	11,637	11,137	11,292	11,342	11,198	11,185	11,076
34 Other financial institutions	16,264	16,305	16,232	16,143	16,382	16,554	16,434	16,486	16,269
35 To nonbank brokers and dealers in securities	6,455	6,682	6,021	5,509	6,144	5,167	6,078	6,496	6,902
36 To others for purchasing and carrying securities[2]	2,601	2,603	2,547	2,519	2,556	2,545	2,505	2,519	2,519
37 To finance agricultural production	6,134	6,138	6,213	6,235	6,270	6,335	6,368	6,418	6,510
38 All other	15,348	14,460	14,734	14,310	14,839	15,135	14,484	14,229	13,896
39 LESS: Unearned income	5,859	5,896	5,916	5,911	5,890	5,865	5,915	5,886	5,873
40 Loan loss reserve	7,007	7,045	7,053	7,006	7,228	7,270	7,226	7,264	7,298
41 Other loans, net	470,248	469,423	469,524	467,231	473,210	473,313	472,736	471,012	471,391
42 Lease financing receivables	11,089	11,100	11,095	11,086	11,127	11,149	11,139	11,167	11,170
43 All other assets	112,869	113,197	115,206	112,307	115,785	117,336	120,049	120,103	119,818
44 **Total assets**	**851,057**	**827,781**	**837,668**	**821,490**	**840,947**	**849,023**	**839,298**	**834,979**	**838,277**
Deposits									
45 Demand deposits	179,471	158,284	168,543	155,401	178,551	176,409	165,274	158,707	158,878
46 Mutual savings banks	651	501	528	433	620	742	540	550	501
47 Individuals, partnerships, and corporations	133,774	122,844	126,610	117,757	133,232	131,489	126,831	121,449	120,287
48 States and political subdivisions	4,521	3,837	4,592	4,379	5,710	4,830	4,130	4,582	4,594
49 U.S. government	1,148	1,264	3,476	2,424	2,350	1,194	1,797	986	1,575
50 Commercial banks in the United States	23,721	16,667	18,916	16,848	20,442	23,415	17,638	17,229	17,299
51 Banks in foreign countries	7,508	6,111	6,817	6,495	6,669	6,900	6,875	6,852	7,078
52 Foreign governments and official institutions	826	926	1,100	848	1,699	1,030	1,206	1,141	1,092
53 Certified and officers' checks	7,321	6,133	6,506	6,215	7,829	6,807	6,257	5,918	6,450
54 Time and savings deposits	381,227	382,513	381,643	380,454	385,125	386,338	387,990	391,391	393,402
55 Savings	80,795	80,709	80,385	78,880	79,646	81,105	79,916	79,463	78,899
56 Individuals and nonprofit organizations	77,363	77,294	77,017	75,537	76,160	77,744	76,634	76,226	75,624
57 Partnerships and corporations operated for profit	2,823	2,828	2,769	2,770	2,778	2,789	2,740	2,715	2,748
58 Domestic governmental units	587	561	579	552	683	549	518	499	496
59 All other	21	25	20	20	24	22	24	23	31
60 Time	300,432	301,804	301,258	301,574	305,479	305,233	308,073	311,928	314,503
61 Individuals, partnerships, and corporations	263,021	264,591	264,764	264,902	269,391	269,454	271,258	274,645	276,274
62 States and political subdivisions	21,546	21,388	20,746	21,023	20,014	19,922	20,322	20,510	20,807
63 U.S. government	541	541	534	574	576	543	535	451	441
64 Commercial banks in the United States	10,686	10,717	10,677	10,636	10,867	10,643	11,196	11,644	12,138
65 Foreign governments, official institutions, and banks	4,638	4,565	4,537	4,440	4,630	4,671	4,762	4,678	4,842
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	550	5,088	838	145	502	60	84	275	1,052
67 Treasury tax-and-loan notes	4,569	1,160	7,029	8,470	4,502	887	2,875	4,274	5,187
68 All other liabilities for borrowed money[3]	154,230	150,687	149,624	143,626	139,217	154,672	150,677	146,292	144,047
69 Other liabilities and subordinated notes and debentures	74,606	73,710	73,759	77,362	76,789	74,375	76,102	77,850	79,623
70 **Total liabilities**	**794,654**	**771,441**	**781,436**	**765,458**	**784,686**	**792,741**	**783,001**	**778,790**	**782,189**
71 Residual (total assets minus total liabilities)[4]	56,403	56,340	56,232	56,032	56,261	56,282	56,297	56,189	56,088

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

NOTE. Beginning in the week ending Dec. 9, 1981, shifts of assets and liabilities to international banking facilities (IBFs) reduced the amounts reported in some items, especially in loans to foreigners and to a lesser extent in time deposits. Based on preliminary reports, the large weekly reporting banks shifted $4.7 billion of assets to their IBFs in the five weeks ending Jan. 13, 1982. Domestic offices net positions with IBFs are now included in net due from or net due to related institutions. More detail will be available later.

1.27 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures, 1982

Account	June 2	June 9	June 16	June 23	June 30^p	July 7^p	July 14^p	July 21^p	July 28^p
1 Cash items in process of collection	55,704	40,333	46,157	40,331	50,321	49,685	43,687	41,442	40,195
2 Demand deposits due from banks in the United States	7,511	6,145	6,623	5,902	6,611	7,684	5,914	5,761	6,062
3 All other cash and due from depository institutions	33,621	31,020	30,425	31,069	26,085	31,897	30,203	30,757	32,552
4 Total loans and securities	**583,875**	**581,187**	**582,341**	**575,627**	**585,107**	**585,401**	**583,331**	**581,075**	**583,658**
Securities									
5 U.S. Treasury securities	33,992	35,071	34,191	33,703	33,837	33,727	33,458	33,560	34,639
6 Trading account	7,649	8,194	7,591	7,208	7,689	7,523	7,407	7,382	8,612
7 Investment account, by maturity	26,343	26,877	26,600	26,494	26,148	26,204	26,051	26,178	26,028
8 One year or less	8,678	8,997	9,038	8,989	8,818	9,182	8,993	9,027	8,783
9 Over one through five years	15,394	15,610	15,368	15,396	15,219	14,898	14,805	15,039	15,196
10 Over five years	2,270	2,270	2,193	2,109	2,112	2,123	2,253	2,111	2,048
11 Other securities	74,258	74,781	72,988	72,513	71,809	72,637	71,852	71,585	71,402
12 Trading account	4,719	5,178	3,609	3,127	2,762	3,896	3,274	3,374	3,057
13 Investment account	69,539	69,603	69,378	69,386	69,046	68,741	68,578	68,210	68,345
14 U.S. government agencies	14,584	14,516	14,428	14,342	14,371	14,297	14,187	14,144	14,313
15 States and political subdivision, by maturity	52,155	52,178	52,080	52,216	51,673	51,605	51,594	51,240	51,170
16 One year or less	7,320	7,373	7,309	7,412	6,935	7,007	7,032	6,804	6,559
17 Over one year	44,835	44,805	44,771	44,804	44,738	44,598	44,561	44,436	44,611
18 Other bonds, corporate stocks and securities	2,800	2,909	2,870	2,828	3,001	2,839	2,797	2,827	2,862
Loans									
19 Federal funds sold[1]	31,375	27,840	31,638	28,118	32,475	31,822	31,328	31,041	32,302
20 To commercial banks	22,344	18,536	22,162	17,849	21,994	22,156	22,426	21,433	22,666
21 To nonbank brokers and dealers in securities	6,395	6,639	6,773	7,625	7,642	6,715	6,308	6,987	7,022
22 To others	2,636	2,665	2,703	2,644	2,839	2,952	2,594	2,620	2,614
23 Other loans, gross	456,096	455,411	455,468	453,179	459,078	459,324	458,808	457,010	457,457
24 Commercial and industrial	198,686	199,247	199,166	198,224	201,870	201,894	201,696	199,937	200,008
25 Bankers acceptances and commercial paper	5,178	4,775	4,779	3,781	4,038	3,696	4,210	3,778	4,039
26 All other	193,508	194,472	194,387	194,443	197,831	198,197	197,486	196,159	195,969
27 U.S. addressees	186,742	187,621	187,612	187,610	190,730	191,146	190,447	189,277	189,038
28 Non-U.S. addressees	6,766	6,851	6,774	6,833	7,101	7,051	7,038	6,882	6,931
29 Real estate	121,928	122,030	122,287	122,545	122,469	122,570	122,871	123,046	122,845
30 To individuals for personal expenditures	64,853	64,774	64,888	64,998	65,237	65,175	65,119	65,219	65,420
To financial institutions									
31 Commercial banks in the United States	6,836	6,927	6,600	6,468	6,705	6,676	6,359	6,477	6,612
32 Banks in foreign countries	7,316	6,726	6,926	6,844	7,078	7,716	7,491	6,797	7,174
33 Sales finance, personal finance companies, etc	11,315	11,069	11,452	10,956	11,106	11,148	11,010	10,999	10,895
34 Other financial institutions	15,864	15,898	15,808	15,729	15,965	16,131	16,009	16,042	15,826
35 To nonbank brokers and dealers in securities	6,398	6,619	5,966	5,460	6,091	5,119	6,035	6,449	6,862
36 To others for purchasing and carrying securities[2]	2,378	2,377	2,327	2,296	2,341	2,327	2,288	2,302	2,299
37 To finance agricultural production	5,971	5,974	6,049	6,069	6,102	6,164	6,194	6,244	6,335
38 All other	14,550	13,768	13,999	13,590	14,116	14,403	13,733	13,497	13,180
39 LESS: Unearned income	5,210	5,246	5,263	5,255	5,241	5,216	5,266	5,235	5,223
40 Loan loss reserve	6,636	6,670	6,680	6,630	6,851	6,892	6,849	6,886	6,919
41 Other loans, net	444,250	443,496	443,524	441,294	446,986	447,215	446,693	444,889	445,315
42 Lease financing receivables	10,745	10,757	10,751	10,756	10,795	10,818	10,808	10,836	10,840
43 All other assets	108,975	109,381	111,293	108,525	111,847	113,418	116,213	116,326	116,020
44 Total assets	**800,432**	**778,823**	**787,590**	**772,210**	**790,766**	**798,903**	**790,156**	**786,198**	**789,328**
Deposits									
45 Demand deposits	166,832	147,175	156,315	144,217	166,355	164,103	153,835	147,560	147,928
46 Mutual savings banks	629	484	507	417	599	715	523	535	485
47 Individuals, partnerships, and corporations	124,087	113,975	117,387	109,347	123,891	121,967	117,863	112,648	111,737
48 States and political subdivisions	4,001	3,412	3,940	3,727	5,069	4,302	3,604	4,062	4,030
49 U.S. government	1,007	1,109	2,976	2,091	2,138	1,019	1,598	870	1,428
50 Commercial banks in the United States	21,827	15,356	17,456	15,524	18,932	21,736	16,260	15,876	15,962
51 Banks in foreign countries	7,442	6,050	6,720	6,426	6,562	6,834	6,811	6,788	7,019
52 Foreign governments and official institutions	822	920	1,099	833	1,698	1,029	1,200	1,135	1,085
53 Certified and officers' checks	7,017	5,869	6,229	5,851	7,464	6,500	5,976	5,646	6,182
54 Time and savings deposits	357,680	358,741	357,944	356,798	361,373	362,508	364,035	367,259	369,172
55 Savings	74,581	74,493	74,180	72,821	73,513	74,849	73,730	73,331	72,797
56 Individuals and nonprofit organizations	71,397	71,330	71,061	69,727	70,305	71,746	70,715	70,353	69,778
57 Partnerships and corporations operated for profit	2,608	2,608	2,553	2,552	2,563	2,570	2,518	2,502	2,530
58 Domestic governmental units	554	529	546	522	620	511	473	454	457
59 All other	21	25	20	20	24	22	24	23	31
60 Time	283,099	284,248	283,764	283,977	287,861	287,660	290,304	293,928	296,376
61 Individuals, partnerships, and corporations	247,771	249,103	249,296	249,344	253,738	253,760	255,505	258,744	260,315
62 States and political subdivisions	19,833	19,683	19,085	19,349	18,423	18,397	18,732	18,869	19,105
63 U.S. government	487	483	477	516	514	486	477	393	386
64 Commercial banks in the United States	10,370	10,412	10,368	10,327	10,555	10,346	10,828	11,243	11,729
65 Foreign governments, official institutions, and banks	4,638	4,565	4,537	4,440	4,630	4,671	4,762	4,678	4,842
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	550	5,061	803	105	356	40	50	275	1,027
67 Treasury tax-and-loan notes	4,272	1,085	6,534	7,878	4,005	804	2,686	3,935	4,780
68 All other liabilities for borrowed money[3]	145,768	142,325	141,553	135,387	131,273	146,414	142,763	138,836	136,399
69 Other liabilities and subordinated notes and debentures	72,507	71,679	71,772	75,278	74,640	72,245	74,004	75,630	77,440
70 Total liabilities	**747,610**	**726,065**	**734,921**	**719,662**	**738,003**	**746,114**	**737,374**	**733,494**	**736,746**
71 Residual (total assets minus total liabilities)[4]	52,822	52,757	52,669	52,547	52,764	52,789	52,782	52,703	52,581

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures, 1982

Account	June 2	June 9	June 16	June 23	June 30 p	July 7p	July 14p	July 21p	July 28p
1 Cash items in process of collection	15,493	12,860	13,436	11,962	16,444	13,229	13,452	12,428	12,652
2 Demand deposits due from banks in the United States	1,743	1,362	1,406	1,216	1,370	1,363	1,189	1,088	1,236
3 All other cash and due from depository institutions	7,800	6,327	7,543	5,122	4,324	8,200	5,664	4,990	6,269
4 Total loans and securities[1]	**138,067**	**135,906**	**136,397**	**135,226**	**138,540**	**138,102**	**138,242**	**135,406**	**137,986**
Securities									
5 U.S. Treasury securities[2]	....	....	....	....	....	....	....	....	....
6 Trading account[2]	....	....	....	....	....	....	....	....	....
7 Investment account, by maturity	6,492	6,629	6,231	6,172	6,032	6,097	5,834	6,063	6,055
8 One year or less	1,089	1,040	1,012	1,014	909	1,238	1,138	1,126	1,123
9 Over one through five years	4,543	4,735	4,441	4,431	4,397	4,132	3,973	4,292	4,345
10 Over five years	859	854	778	727	726	726	723	644	587
11 Other securities[2]	....	....	....	....	....	....	....	....	....
12 Trading account[2]	....	....	....	....	....	....	....	....	....
13 Investment account	14,962	15,056	15,015	14,907	14,785	14,662	14,637	14,370	14,335
14 U.S. government agencies	2,057	2,042	2,035	2,027	2,006	2,006	2,024	2,053	2,003
15 States and political subdivision, by maturity	12,057	12,065	12,026	11,934	11,669	11,727	11,724	11,375	11,359
16 One year or less	2,506	2,496	2,449	2,356	2,034	2,084	2,094	1,855	1,654
17 Over one year	9,551	9,569	9,577	9,578	9,635	9,642	9,630	9,521	9,706
18 Other bonds, corporate stocks and securities	848	949	954	946	1,111	930	888	941	972
Loans									
19 Federal funds sold[3]	8,222	7,121	7,081	8,066	9,073	8,112	7,976	7,232	9,374
20 To commercial banks	4,311	3,338	3,052	3,356	4,360	3,680	4,307	3,361	5,322
21 To nonbank brokers and dealers in securities	2,775	2,854	2,994	3,300	3,324	2,935	2,465	2,668	2,795
22 To others	1,136	929	1,035	1,410	1,388	1,498	1,204	1,203	1,257
23 Other loans, gross	112,158	110,880	111,874	109,836	112,372	112,958	113,536	111,480	111,964
24 Commercial and industrial	58,927	59,212	59,644	58,861	59,868	60,371	60,779	59,468	59,315
25 Bankers acceptances and commercial paper	1,757	1,545	1,678	1,191	1,457	1,162	1,575	1,163	1,296
26 All other	57,170	57,667	57,967	57,670	58,412	59,209	59,204	58,305	58,019
27 U.S. addressees	55,698	56,187	56,458	56,217	56,893	57,708	57,667	56,818	56,561
28 Non-U.S. addressees	1,472	1,480	1,509	1,453	1,518	1,501	1,537	1,486	1,459
29 Real estate	18,167	18,202	18,260	18,316	18,336	18,344	18,394	18,467	18,432
30 To individuals for personal expenditures	11,105	11,110	11,143	11,166	11,172	11,222	11,257	11,288	11,298
31 *To financial institutions* Commercial banks in the United States	1,946	1,968	1,684	1,650	2,121	2,259	1,905	1,859	1,952
32 Banks in foreign countries	3,306	2,662	2,914	2,801	2,895	3,484	3,237	2,562	2,712
33 Sales finance, personal finance companies, etc.	5,058	4,903	5,186	4,829	4,924	5,040	4,957	4,900	4,860
34 Other financial institutions	4,823	4,879	4,745	4,662	4,704	4,788	4,788	4,751	4,704
35 To nonbank brokers and dealers in securities	3,683	3,382	3,291	3,054	3,644	2,610	3,582	3,638	3,904
36 To others for purchasing and carrying securities[4]	653	650	645	622	619	617	568	584	590
37 To finance agricultural production	391	377	361	354	337	338	320	327	436
38 All other	4,097	3,535	4,001	3,522	3,750	3,885	3,748	3,636	3,760
39 LESS: Unearned income	1,496	1,500	1,514	1,504	1,501	1,488	1,523	1,517	1,512
40 Loan loss reserve	2,271	2,281	2,289	2,250	2,221	2,239	2,217	2,221	2,230
41 Other loans, net	108,391	107,099	108,070	106,082	108,649	109,231	109,796	107,742	108,222
42 Lease financing receivables	2,258	2,262	2,265	2,267	2,269	2,267	2,266	2,262	2,254
43 All other assets[5]	45,955	44,100	43,966	42,404	44,348	46,704	48,362	48,059	47,875
44 Total assets	**211,317**	**202,817**	**205,013**	**198,196**	**207,295**	**209,885**	**209,176**	**204,234**	**208,273**
Deposits									
45 Demand deposits	47,201	40,895	43,330	40,029	49,228	46,274	43,522	41,072	41,650
46 Mutual savings banks	303	228	251	196	293	394	267	308	237
47 Individuals, partnerships, and corporations	31,592	28,479	28,896	26,556	32,610	30,177	29,458	27,782	27,620
48 States and political subdivisions	471	488	532	584	756	625	464	552	426
49 U.S. government	159	296	1,045	586	541	239	426	216	355
50 Commercial banks in the United States	4,985	3,408	3,821	3,745	5,032	5,779	3,881	3,468	3,702
51 Banks in foreign countries	5,721	4,569	5,186	4,953	4,938	5,370	5,297	5,308	5,526
52 Foreign governments and official institutions	590	698	887	628	1,498	786	944	885	809
53 Certified and officers' checks	3,380	2,729	2,711	2,780	3,561	2,905	2,786	2,552	2,975
54 Time and savings deposits	67,939	68,151	68,438	67,502	70,010	69,995	69,652	70,270	71,825
55 Savings	9,694	9,670	9,714	9,581	9,682	9,766	9,616	9,546	9,473
56 Individuals and nonprofit organizations	9,337	9,328	9,354	9,241	9,303	9,426	9,291	9,231	9,156
57 Partnerships and corporations operated for profit	234	235	230	228	234	233	230	226	227
58 Domestic governmental units	121	105	129	110	143	106	94	87	88
59 All other	2	2	2	2	2	2	2	2	2
60 Time	58,245	58,481	58,723	57,921	60,328	60,229	60,036	60,724	62,352
61 Individuals, partnerships, and corporations	49,302	49,798	50,117	49,493	52,070	51,885	51,384	52,003	52,876
62 States and political subdivisions	2,433	2,355	2,277	2,286	1,935	1,984	2,017	2,033	2,192
63 U.S. government	123	115	114	119	127	98	82	85	74
64 Commercial banks in the United States	4,119	4,022	4,044	3,955	3,971	4,009	4,247	4,473	4,968
65 Foreign governments, official institutions, and banks	2,268	2,192	2,171	2,068	2,225	2,253	2,306	2,130	2,242
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	....	2,415	17	....	....	....	....	275	400
67 Treasury tax-and-loan notes	1,266	289	2,370	2,358	1,171	180	925	1,295	1,538
68 All other liabilities for borrowed money[6]	48,115	45,167	45,074	40,492	39,433	47,728	48,749	44,738	45,534
69 Other liabilities and subordinated notes and debentures	29,120	28,131	28,098	30,219	29,722	28,063	28,573	28,849	29,779
70 Total liabilities	**193,642**	**185,048**	**187,601**	**180,328**	**189,565**	**192,240**	**191,422**	**186,500**	**190,726**
71 Residual (total assets minus total liabilities)[7]	17,674	17,768	17,685	17,596	17,730	17,645	17,754	17,734	17,546

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Other than financial institutions and brokers and dealers.
5. Includes trading account securities.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures, 1982

Account	June 2	June 9	June 16	June 23	June 30p	July 7p	July 14p	July 21p	July 28p
BANKS WITH ASSETS OF $750 MILLION OR MORE									
1 Total loans (gross) and securities adjusted[1]	603,564	604,657	602,630	600,457	605,923	605,820	603,717	602,426	603,629
2 Total loans (gross) adjusted[1]	486,018	485,437	486,036	484,754	490,791	489,937	489,019	487,871	488,218
3 Demand deposits adjusted[2]	95,273	97,612	96,830	93,078	102,364	98,903	99,423	96,527	97,372
4 Time deposits in accounts of $100,000 or more	190,598	191,561	190,545	190,643	193,846	193,160	195,393	198,757	200,982
5 Negotiable CDs	135,919	136,613	135,814	135,451	138,754	138,202	140,105	142,789	144,864
6 Other time deposits	54,678	54,948	54,730	55,192	55,092	54,958	55,288	55,968	56,118
7 Loans sold outright to affiliates[3]	2,805	2,850	2,924	3,060	3,057	2,853	2,855	2,812	2,817
8 Commercial and industrial	2,266	2,302	2,400	2,395	2,326	2,315	2,304	2,256	2,264
9 Other	539	548	525	665	731	537	552	556	553
BANKS WITH ASSETS OF $1 BILLION OR MORE									
10 Total loans (gross) and securities adjusted[1]	566,541	567,640	565,523	563,195	568,501	568,678	566,660	565,287	566,523
11 Total loans (gross) adjusted[1]	458,291	457,788	458,344	456,980	462,855	462,315	461,351	460,141	460,482
12 Demand deposits adjusted[2]	88,293	90,378	89,726	86,270	94,964	91,662	92,290	89,371	90,344
13 Time deposits in accounts of $100,000 or more	181,969	182,753	181,853	181,878	185,094	184,516	186,609	189,782	191,909
14 Negotiable CDs	130,745	131,294	130,568	130,166	133,435	132,909	134,709	137,264	139,243
15 Other time deposits	51,223	51,460	51,285	51,712	51,660	51,607	51,900	52,518	52,666
16 Loans sold outright to affiliates[3]	2,716	2,757	2,828	2,852	2,971	2,763	2,768	2,726	2,724
17 Commercial and industrial	2,193	2,226	2,321	2,321	2,262	2,248	2,240	2,192	2,192
18 Other	523	532	508	530	709	515	528	534	532
BANKS IN NEW YORK CITY									
19 Total loans (gross) and securities adjusted[1,4]	135,577	134,382	135,465	133,975	135,780	135,891	135,770	133,924	134,454
20 Total loans (gross) adjusted[1]	114,123	112,696	114,219	112,896	114,962	115,132	115,300	113,491	114,064
21 Demand deposits adjusted[2]	26,565	24,331	25,028	23,736	27,211	27,028	25,764	24,959	24,941
22 Time deposits in accounts of $100,000 or more	44,313	44,545	44,671	43,935	46,209	45,907	45,685	46,337	47,914
23 Negotiable CDs	33,359	33,495	33,765	33,127	35,396	35,039	34,846	35,329	36,922
24 Other time deposits	10,954	11,050	10,906	10,809	10,813	10,868	10,839	11,008	10,993

1. Exclusive of loans and federal funds transactions with domestic commercial banks.
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company
4. Excludes trading account securities

1.291 LARGE WEEKLY REPORTING BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities

Millions of dollars, Wednesday figures, 1982

Account	June 2	June 9	June 16	June 23	June 30p	July 7p	July 14p	July 21p	July 28p
1 Cash and due from depository institutions	6,423	5,775	5,911	5,951	6,400	6,243	5,973	6,260	6,231
2 Total loans and securities	45,174	46,079	44,830	45,873	46,916	45,538	45,489	45,732	45,352
3 U.S. Treasury securities	2,257r	2,273r	2,180r	2,126r	2,324	2,025	1,924	1,935	1,911
4 Other securities	847r	852r	771r	773r	778	780	796	793	835
5 Federal funds sold[1]	3,986	4,346	3,337	4,816	4,962	4,066	3,486	3,756	2,715
6 To commercial banks in United States	3,737	3,970	2,982	4,592	4,627	3,832	3,242	3,510	2,554
7 To others	248	377	356	224	335	234	244	245	161
8 Other loans, gross	38,084	38,608	38,542	38,158	38,851	38,666	39,284	39,248	39,891
9 Commercial and industrial	18,870	18,904	19,031	18,754	18,890	18,729	18,851	18,605	18,839
10 Bankers acceptances and commercial paper	3,168	3,393	3,371	3,355	3,362	3,236	3,222	3,056	3,034
11 All other	15,702	15,511	15,660	15,399	15,528	15,494	15,629	15,549	15,805
12 U.S. addressees	13,564	13,413	13,478	13,223	13,363	13,367	13,597	13,517	13,786
13 Non-U.S. addressees	2,137	2,098	2,183	2,176	2,164	2,127	2,032	2,033	2,018
14 To financial institutions	14,607	14,890	14,824	15,055	15,202	15,267	15,650	15,756	15,974
15 Commercial banks in United States	11,605	11,888	11,840	11,983	11,889	12,096	12,553	12,679	12,946
16 Banks in foreign countries	2,448	2,445	2,396	2,409	2,582	2,511	2,434	2,455	2,390
17 Nonbank financial institutions	554	557	588	663	731	660	664	623	637
18 For purchasing and carrying securities	452	767	575	304	389	273	430	562	738
19 All other	4,155	4,046	4,113	4,045	4,371	4,398	4,353	4,324	4,340
20 Other assets (claims on nonrelated parties)	12,403	12,583r	12,663	12,495	12,578	12,630	13,096	12,924	12,946
21 Net due from related institutions	11,974	12,277	11,836	11,520	12,591	10,631	11,066	10,976	11,767
22 Total assets	75,973	76,714r	75,240	75,839	78,485	75,042	75,624	75,893	76,296
23 Deposits or credit balances[2]	21,990	21,647	20,459	20,871	21,887	21,074	21,459	20,965	20,885
24 Credit balances	268	259	214	196	262	198	226	275	237
25 Demand deposits	2,156	1,865	1,912	1,968	2,319	2,018	2,074	1,903	2,022
26 Individuals, partnerships, and corporations	826	741	846	726	955	770	738	721	753
27 Other	1,330	1,124	1,065	1,242	1,364	1,248	1,335	1,181	1,270
28 Total time and savings	19,567	19,523	18,333	18,707	19,306	18,858	19,160	18,787	18,626
29 Individuals, partnerships, and corporations	16,019	16,187	14,876r	15,413	15,941	15,600	15,710	15,786	15,532
30 Other	3,548	3,336	3,457r	3,294	3,364	3,258	3,449	3,001	3,094
31 Borrowings[3]	30,615	31,201	31,306	29,900	32,203	30,332	30,627	32,089	33,213
32 Federal funds purchased[4]	7,839	7,497	7,744	6,005	7,810	6,309	6,297	7,788	8,358
33 From commercial banks in United States	6,626	6,337	6,569	4,931	6,852	5,429	5,601	6,906	7,435
34 From others	1,213	1,159	1,175	1,074	957	880	696	882	923
35 Other liabilities for borrowed money	22,776	23,704	23,562	23,894	24,393	24,022	24,330	24,301	24,855
36 To commercial banks in United States	20,500	21,349	21,157	21,535	22,040	21,709	21,965	21,888	22,406
37 To others	2,276	2,355	2,405	2,360	2,353	2,314	2,366	2,413	2,449
38 Other liabilities to nonrelated parties	12,922	13,143r	13,004	13,003	12,556	12,693	12,921	13,030	13,034
39 Net due to related institutions	10,446	10,722	10,471	12,065	11,840	10,944	10,617	9,809	9,164
40 Total liabilities	75,973	76,714r	75,240	75,839	78,485	75,042	75,624	75,893	76,296
MEMO									
41 Total loans (gross) and securities adjusted[5]	29,832	30,221	30,009	29,297	30,400	29,610	29,694	29,543	29,852
42 Total loans (gross) adjusted[5]	26,727	27,096	27,058	26,399	27,298	26,804	26,975	26,814	27,106

1. Includes securities purchased under agreements to resell.
2. Balances due to other than directly related institutions.
3. Borrowings from other than directly related institutions.
4. Includes securities sold under agreements to repurchase.
5. Excludes loans and federal funds transactions with commercial banks in United States

NOTE. Beginning in the week ending Dec. 9, 1981, shifts of assets and liabilities to international banking facilities (IBFs) reduced the amounts reported in some items, especially in loans to foreigners and to a lesser extent in time deposits. Based on preliminary reports, the large weekly reporting branches and agencies shifted $22.2 billion of assets to their IBFs in the six weeks ending Jan. 13, 1982. Domestic offices net positions with IBFs are now included in net due from or net due to related institutions. More detail will be available later.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding 1982					Net change during 1982				
	Mar. 31	Apr 28	May 26	June 30	July 28p	Q1	Q2	May	June	Julyp
1 Durable goods manufacturing	28,638	29,086	28,842	29,104	28,537	1,720	465	−244	262	−567
2 Nondurable goods manufacturing	23,162	23,577	23,998	25,322	24,746	1,364	2,160	420	1,324	−576
3 Food, liquor, and tobacco	4,550	4,816	4,784	4,817	4,688	346	267	−31	32	−129
4 Textiles, apparel, and leather	4,535	4,654	4,722	4,864	5,070	353	329	68	142	206
5 Petroleum refining	4,449	4,409	4,677	5,087	4,792	−418	638	269	410	−295
6 Chemicals and rubber	5,138	5,187	5,232	5,566	5,160	795	428	45	334	−405
7 Other nondurable goods	4,490	4,512	4,581	4,988	5,035	287	498	70	406	47
8 Mining (including crude petroleum and natural gas)	25,851	26,792	28,246r	28,257	27,857	1,486	2,406	1,454r	11	−399
9 Trade	28,868	28,642	28,704	29,166	28,666	794	298	62	462	500
10 Commodity dealers	2,322	1,858	1,873	1,861	1,648	30	−460	14	−12	−213
11 Other wholesale	13,573	13,558	13,489	13,775	13,686	606	202	−69	286	89
12 Retail	12,972	13,225	13,342	13,529	13,331	158	556	116	187	−198
13 Transportation, communication, and other public utilities	23,642	23,686	23,703	25,030	24,972	462	1,387	18	1,326	−58
14 Transportation	9,154	9,101	9,070	9,228	8,932	540	74	−31	158	−296
15 Communication	4,242	4,471	4,559	4,779	4,794	287	538	88	220	15
16 Other public utilities	10,247	10,114	10,074	11,022	11,245	−365	775	−40	949	222
17 Construction	7,252	7,413	7,690	7,765	7,940	14	513	277	75	175
18 Services	27,142	27,359	27,956	28,781	28,842	554	1,638	597	825	61
19 All other[1]	17,268	16,942	17,133	17,307	17,478	195	38	191	174	172
20 **Total domestic loans**	**181,825**	**183,496**	**186,271r**	**190,730**	**189,038**	**6,589**	**8,905**	**2,774r**	**4,459**	**−1,692**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	87,203	88,277	89,282	89,849	87,588	1,917	2,646	1,004	568	−2,261

1. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of Dec. 31, 1977, are included in this series. The series is on a last-Wednesday-of-the-month basis. Partly estimated historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.31 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	Commercial banks								
	1978 Dec.	1979[2] Dec.	1980 Dec.	1981 Mar.[3]	1981 June[4]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June
1 **All holders—Individuals, partnerships, and corporations**	**294.6**	**302.2**	**315.5**	**280.8**	↑	**277.5**	**288.9**	**268.9**	**271.5**
2 Financial business	27.8	27.1	29.8	30.8	|	28.2	28.0	27.8	28.6
3 Nonfinancial business	152.7	157.7	162.3	144.3	|	148.6	154.8	138.7	141.4
4 Consumer	97.4	99.2	102.4	86.7	n.a.	82.1	86.6	84.6	83.7
5 Foreign	2.7	3.1	3.3	3.4	|	3.1	2.9	3.1	2.9
6 Other	14.1	15.1	17.2	15.6	↓	15.5	16.7	14.6	15.0
	Weekly reporting banks								
	1978 Dec.	1979[5] Dec	1980 Dec	1981 Mar.[3]	1981 June[4]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June
7 **All holders—Individuals, partnerships, and corporations**	**147.0**	**139.3**	**147.4**	**133.2**	↑	**131.3**	**137.5**	**126.8**	**127.9**
8 Financial business	19.8	20.1	21.8	21.9	|	20.7	21.0	20.2	20.2
9 Nonfinancial business	79.0	74 1	78.3	69.8	|	71.2	75.2	67.1	67.7
10 Consumer	38.2	34 3	35.6	30.6	n.a.	28.7	30.4	29.2	29.7
11 Foreign	2.5	3.0	3.1	3.2	|	2.9	2.8	2.9	2.8
12 Other	7.5	7.8	8.6	7.7	↓	7.9	8.0	7.3	7.5

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.
2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0, nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.
3. Demand deposit ownership data for March 1981 are subject to greater than normal errors reflecting unusual reporting difficulties associated with funds shifted to negotiable order of withdrawal (NOW) accounts authorized at year-end 1980. For the household category, the $15.7 billion decline in demand deposits at all commercial banks between December 1980 and March 1981 has an estimated standard error of $4.8 billion.
4. Demand deposit ownership survey estimates for June 1981 are not yet available due to unresolved reporting errors.
5. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1977 Dec.	1978 Dec.	1979[1] Dec.	1980 Dec.	1981 Dec	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June
	Commercial paper (seasonally adjusted)										
1 **All issuers**	**65,051**	**83,438**	**112,803**	**124,524**	**165,508**	**165,305**	**164,954**	**166,572**	**171,709**	**176,048**	**178,683**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	8,796	12,181	17,359	19,790	30,188	29,303	30,057	31,574	32,848	34,683	36,686
3 Bank-related (not seasonally adjusted)	2,132	3,521	2,784	3,561	6,045	6,200	6,538	7,034	7,887	7,974	7,173
Directly placed paper[4]											
4 Total	40,574	51,647	64,757	67,854	81,660	80,566	79,370	78,168	81,428	82,228	84,614
5 Bank-related (not seasonally adjusted)	7,102	12,314	17,598	22,382	26,914	28,801	27,435	27,426	29,276	30,414	30,668
6 Nonfinancial companies[5]	15,681	19,610	30,687	36,880	53,660	55,436	55,527	56,830	57,433	59,137	57,383
	Bankers dollar acceptances (not seasonally adjusted unless noted otherwise)										
7 **Total**	**25,450**	**33,700**	**45,321**	**54,744**	**69,226**	**70,088**	**70,468**	**71,619**	**71,128**	**73,756**	
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	10,857	10,227	11,953	12,964	12,675	13,260	
9 Own bills	8,915	7,653	8,327	8,963	9,743	9,095	10,928	11,139	11,409	12,035	
10 Bills bought	1,519	927	1,538	1,601	1,115	1,132	1,025	1,825	1,266	1,225	
Federal Reserve Banks											
11 Own account	954	1	704	776	0	0	0	0	0	0	n.a.
12 Foreign correspondents	362	664	1,382	1,791	1,442	1,427	1,530	1,379	1,329	1,234	
13 Others	13,700	24,456	33,370	41,614	56,926	58,434	56,985	57,276	57,124	59,262	
Basis											
14 Imports into United States	6,378	8,574	10,270	11,776	14,765	14,727	15,430	14,877	15,303	15,503	
15 Exports from United States	5,863	7,586	9,640	12,712	15,400	15,599	16,119	16,835	16,887	17,795	
16 All other	13,209	17,540	25,411	30,257	39,061	39,762	38,919	39,907	38,937	40,458	

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing, factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
3. Includes all financial company paper sold by dealers in the open market.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1981—Sept. 15	20.00	1981—Dec. 1	15.75	1981—Mar.	18.05	1981—Dec.	15.75
22	19.50			Apr.	17.15		
Oct. 5	19.00	1982—Feb. 2	16.50	May	19.61	1982—Jan.	15.75
13	18.00	18	17.00	June	20.03	Feb.	16.56
Nov. 3	17.50	23	16.50	July	20.39	Mar.	16.50
9	17.00	July 20	16.00	Aug.	20.50	Apr.	16.50
	16.50–	29	15.50	Sept.	20.08	May	16.50
17	17.00	1981—Jan.	20.16	Oct.	18.45	June	16.50
20	16.50	Feb.	19.43	Nov.	16.84	July	16.26
24	16.00						

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 3–8, 1982

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	36,600,259	885,940	501,046	707,807	2,349,121	1,198,641	30,957,703
2 Number of loans	161,197	115,667	14,935	11,137	13,022	1,848	4,588
3 Weighted-average maturity (months)	1.2	3.4	3.8	3.4	3.6	2.4	.9
4 Weighted-average interest rate (percent per annum)	17.11	18.51	18.56	18.06	17.77	17.98	16.94
5 Interquartile range[1]	16.58–17.51	17.42–19.51	17.55–19.25	17.62–18.50	17.00–18.67	17.00–18.97	16.57–17.30
Percentage of amount of loans							
6 With floating rate	29.8	39.2	48.4	44.8	52.3	50.8	26.3
7 Made under commitment	51.7	36.2	40.3	49.3	63.7	51.2	51.5
8 With no stated maturity	14 4	12.8	14.8	24.9	19.9	24.0	13.4
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS		← 1–99 →					
9 Amount of loans (thousands of dollars)	3,705,382		253,640		410,817	164,045	2,876,880
10 Number of loans	20,575		18,222		1,547	244	562
11 Weighted-average maturity (months)	49.8		29.9		50.1	43.3	51.8
12 Weighted-average interest rate (percent per annum)	16.96		18.80		17.59	17 29	16.69
13 Interquartile range[1]	16.50–17.51		17.79–19.56		17.50–17.81	16.50–18.00	16.00–17.32
Percentage of amount of loans							
14 With floating rate	71.7		38.6		45.9	83.5	77.7
15 Made under commitment	72.1		28.9		36.2	82.8	80.4
CONSTRUCTION AND LAND DEVELOPMENT LOANS						← 500 and over →	
16 Amount of loans (thousands of dollars)	1,921,308	182,396	228,405	166,690	427,520	916,297	
17 Number of loans	31,454	18,881	6,446	2,273	3,050	805	
18 Weighted-average maturity (months)	11.1	7.2	12.3	8.3	14.1	10.6	
19 Weighted-average interest rate (percent per annum)	17.80	19.13	18.81	17.97	18.45	16.96	
20 Interquartile range[1]	16.07–19.10	18.54–20.15	17.00–19.82	16.72–19.25	18.13–19.59	16.07–17.88	
Percentage of amount of loans							
21 With floating rate	28.8	37.7	22.5	47.1	20.7	29.0	
22 Secured by real estate	85.0	74.1	82.1	80.6	97.9	82.8	
23 Made under commitment	32.9	55.5	65.6	19.3	18.4	29.6	
24 With no stated maturity	9	1 9	1.1	2.7	1.4	.0	
Type of construction							
25 1- to 4-family	30.0	40.0	54.0	40.8	26.0	21.9	
26 Multifamily	4.8	3.2	1.1	4.9	2.7	7.1	
27 Nonresidential	65.2	56.8	44.9	54.3	71.3	71.0	
LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
28 Amount of loans (thousands of dollars)	1,224,054	172,901	214,006	167,333	190,019	193,183	286,611
29 Number of loans	70,983	46,365	15,091	4,919	2,781	1,363	465
30 Weighted-average maturity (months)	7.6	6.6	6.4	7.6	5.3	9.3	9.4
31 Weighted-average interest rate (percent per annum)	17.76	17.63	17.59	17.59	18.01	17.76	17.91
32 Interquartile range[1]	17.18–18.39	17.00–18.39	17.18–18.27	17.06–18.13	17.25–18.68	17.17–18.27	17.25–18.77
By purpose of loan							
33 Feeder livestock	17.81	17.89	17.73	17.69	18.56	17.84	17.56
34 Other livestock	17.51	17.75	17.57	17.34	17.42	17.97	*
35 Other current operating expenses	17.66	17.46	17.61	17.57	17.83	17.65	17.59
36 Farm machinery and equipment	18.19	18.14	17.31	17.30	*	*	*
37 Other	17.85	18.21	17.70	17.68	17.76	17.85	17.98

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.
2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2 (111) statistical release.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1979	1980	1981	1982 Apr.	1982 May	1982 June	1982 July	1982, week ending July 2	July 9	July 16	July 23	July 30
MONEY MARKET RATES												
1 Federal funds[1,2]	11.19	13.36	16.38	14.94	14.45	14.15	12.59	14.81	14.47	13.18	12.14	11.02
Commercial paper[3,4]												
2 1-month	10.86	12.76	15.69	14.38	13.79	13.95	12.62	14.68	14.22	13.26	11.39	11.13
3 3-month	10.97	12.66	15.32	14.06	13.42	13.96	12.94	14.71	14.29	13.46	11.91	11.69
4 6-month	10.91	12.29	14.76	13.64	13.02	13.79	13.00	14.46	14.04	13.28	12.11	12.24
Finance paper, directly placed[3,4]												
5 1-month	10.78	12.44	15.30	14.17	13.49	13.79	12.42	14.46	13.96	13.05	11.16	10.93
6 3-month	10.47	11.49	14.08	13.21	12.75	13.09	12.24	13.52	13.49	12.57	11.44	11.21
7 6-month	10.25	11.28	13.73	13.09	12.61	12.69	12.15	13.26	13.12	12.31	11.54	11.39
Bankers acceptances[4,5]												
8 3-month	11.04	12.78	15.32	13.95	13.29	14.00	12.90	14.68	14.10	13.45	11.99	11.66
9 6-month	n.a.	n.a.	14.66	13.49	12.90	13.76	12.91	14.37	13.78	13.09	12.16	12.27
Certificates of deposit, secondary market[6]												
10 1-month	11.03	12.91	15.91	14.44	13.95	14.18	12.88	14.86	14.44	13.54	11.80	11.25
11 3-month	11.22	13.07	15.91	14.44	13.80	14.46	13.44	15.21	14.80	13.96	12.58	12.01
12 6-month	11.44	12.99	15.77	14.42	13.77	14.66	13.80	15.36	14.88	14.05	12.88	13.00
13 Eurodollar deposits, 3-month[2]	11.96	14.00	16.79	15.18	14.53	15.45	14.37	16.28	15.78	15.00	14.10	13.08
U.S. Treasury bills[4]												
Secondary market[7]												
14 3-month	10.07	11.43	14.03	12.70	12.09	12.47	11.35	12.81	12.23	11.71	10.64	10.51
15 6-month	10.06	11.37	13.80	12.80	12.16	12.70	11.88	13.08	12.57	12.06	11.21	11.39
16 1-year	9.75	10.89	13.14	12.50	11.98	12.57	11.90	12.86	12.50	12.06	11.29	11.50
Auction average[8]												
17 3-month	10.041	11.506	14.077	12.821	12.148	12.108	11.914	13.269	12.806	11.797	11.140	10.559
18 6-month	10.017	11.374	13.811	12.861	12.220	12.310	12.236	13.419	12.976	11.967	11.441	11.378
19 1-year	9.817	10.748	13.159	12.731	12.194	12.173	12.318	....	....	12.318	....	....
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[9]												
Constant maturities[10]												
20 1-year	10.67	12.05	14.78	13.98	13.34	14.07	13.24	14.41	13.98	13.46	12.50	12.73
21 2-year	10.12	11.77	14.56	14.20	13.78	14.47	13.80	14.75	14.43	14.00	13.20	13.34
22 2-1/2-year[11]	......	....	....	....	....	....	....	14.80	....	14.00	....	13.45
23 3-year	9.71	11.55	14.44	14.18	13.77	14.48	14.00	14.81	14.49	14.08	13.53	13.72
24 5-year	9.52	11.48	14.24	14.00	13.75	14.43	14.07	14.73	14.48	14.10	13.66	13.89
25 7-year	9.48	11.43	14.06	13.94	13.74	14.47	14.07	14.73	14.47	14.06	13.67	13.93
26 10-year	9.44	11.46	13.91	13.87	13.62	14.30	13.95	14.54	14.30	13.93	13.58	13.85
27 20-year	9.33	11.39	13.72	13.57	13.46	14.18	13.76	14.28	14.06	13.73	13.44	13.69
28 30-year	9.29	11.30	13.44	13.37	13.24	13.92	13.55	14.03	13.79	13.53	13.27	13.49
Composite[12]												
29 Over 10 years (long-term)	8.74	10.81	12.87	12.84	12.67	13.32	12.97	13.42	13.25	12.98	12.69	12.87
State and local notes and bonds												
Moody's series[13]												
30 Aaa	5.92	7.85	10.43	11.66	11.05	11.55	11.47	11.60	11.55	11.40	11.40	11.40
31 Baa	6.73	9.01	11.76	13.29	12.63[c]	12.74[c]	13.17	13.20	13.20	13.15	13.15	13.15
32 *Bond Buyer* series[14]	6.52	8.59	11.33	12.59	11.95	12.45	12.28	12.58	12.47	12.36	12.01	11.97
Corporate bonds												
Seasoned issues[15]												
33 All industries	10.12	12.75	15.06	15.53	15.34	15.77	15.70	15.96	15.90	15.76	15.54	15.58
34 Aaa	9.63	11.94	14.17	14.46	14.26	14.81	14.61	15.07	14.96	14.65	14.32	14.39
35 Aa	9.94	12.50	14.75	14.90	14.77	15.26	15.21	15.50	15.44	15.27	15.01	15.04
36 A	10.20	12.89	15.29	15.95	15.70	16.07	16.20	16.29	16.29	16.28	16.13	16.09
37 Baa	10.69	13.67	16.04	16.78	16.64	16.92	16.80	16.95	16.88	16.82	16.70	16.78
Aaa utility bonds[16]												
38 New issue	10.03	12.74	15.56	15.83	15.22	15.92	15.61	....	15.88	....	15.33	....
39 Recently offered issues	10.02	12.70	15.56	15.45	15.24	15.84	15.61	16.03	15.80	15.70	15.26	15.47
MEMO: Dividend/price ratio[17]												
40 Preferred stocks	9.07	10.57	12.36	12.90	12.58	12.96	13.24	13.20	13.35	13.29	13.18	13.15
41 Common stocks	5.46	5.25	5.41	5.99	5.97	5.97	6.31	6.29	6.43	6.24	6.19	6.38

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are statement week averages- -that is, averages for the week ending Wednesday.
3. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
5. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
6. Unweighted average of offered rates quoted by at least five dealers early in the day.
7. Unweighted average of closing bid rates quoted by at least five dealers.
8. Rates are recorded in the week in which bills are issued.
9. Yields are based on closing bid prices quoted by at least five dealers.
10. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
11. Each weekly figure is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week. The biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates. (See table 1.16.)
12. Unweighted averages of yields (to maturity or call) for all outstanding notes and bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
13. General obligations only, based on figures for Thursday, from Moody's Investors Service.
14. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.
17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1979	1980	1981	1981 Nov.	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June	1982 July
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	55.67	68.06	74.02	71.49	71.81	67.91	66.16	63.86	66.97	67.07	63.10[r]	62.82
2 Industrial	61.82	78.64	85.44	80.86	81.70	76.85	74.78	71.51	75.59	75.97	71.59	71.37
3 Transportation	45.20	60.52	72.61	67.68	68.27	62.04	59.09	55.19	57.91	56.84	53.07	53.40
4 Utility	36.46	37.35	38.90	40.73	40.22	39.30	38.32	38.57	39.20	39.40	37.34	37.20
5 Finance	58 65	64.28	73.52	76.47	74.74	70.99	70.50	69.08	71.44	69.16	63.19	61.59
6 Standard & Poor's Corporation (1941–43 = 10)[1]	107.94	118.71	128.05	122.92	123.79	117.41	114.50	110.84	116.31	116.35	109.70	109.38
7 American Stock Exchange (Aug. 31, 1973 = 100)	186.56	300.94	343.58	321.0	322.65	296.49	275.10	255.08	271.15	272.88	254.72	250.63
Volume of trading (thousands of shares)												
8 New York Stock Exchange	32,233	44,867	46,967	50,791	43,598	48,419	51,169	55,227	54,116[r]	51,328[r]	50,481[r]	54,533
9 American Stock Exchange	4,182	6,377	5,346	5,257	4,992	4,497	4,400	4,329	3,937	4,292	3,720	3,611
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Regulated margin credit at brokers–dealers[2]**	**11,619**	**14,721**	**14,411**	**14,124**	**14,411**	**13,441**	**13,023**	**12,095**	**12,202**	**12,237**	**11,783**	
11 Margin stock[3]	11,450	14,500	14,150	13,860	14,150	13,190	12,770	11,840	11,950	11,990	11,540	
12 Convertible bonds	167	219	259	261	259	249	251	249	251	246	242	n.a.
13 Subscription issues	2	2	2	3	2	2	2	6	1	1	1	
Free credit balances at brokers[4]												
14 Margin-account	1,105	2,105	3,515	3,290	3,515	3,455	3,755	3,895	4,145	4,175	4,220	
15 Cash-account	4,060	6,070	7,150	6,865	7,150	6,575	6,595	6,510	6,270	6,355	6,350	
	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**	
By equity class (in percent)[5]												
17 Under 40	16.0	14.0	37.0	30.0	37.0	37.0	44.0	39.0	34.0	40.0	43.0	
18 40–49	29.0	30.0	21.0	25.0	24.0	24.0	22.0	24.0	25.0	24.0	21.0	
19 50–59	27.0	25.0	22.0	21.0	17.0	16.0	15.0	16.0	18.0	15.0	16.0	n.a.
20 60–69	14.0	14.0	10.0	11.0	10.0	10.0	8.0	10.0	10.0	9.0	9.0	
21 70–79	8.0	9.0	6.0	6.0	6.0	7.0	6.0	6.0	7.0	6.0	6.0	
22 80 or more	7.0	8.0	6.0	7.0	6.0	6.0	5.0	5.0	6.0	5.0	5.0	
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)[6]**	**16,150**	**21,690**	**25,870**	**25,409**	**25,870**	**26,080**	**26,850**	**28,030**	**28,252**	**28,521**	**29,798**	
Distribution by equity status (percent)												
24 Net credit status	44.2	47.8	58.0	57.0	58.0	58.0	58.0	59.0	57.0	58.0	59.0	n.a.
Debt status, equity of												
25 60 percent or more	47.0	44.4	31.0	33.0	31.0	31.0	30.0	28.0	29.0	29.0	28.0	
26 Less than 60 percent	8.8	7.7	11.0	10.0	11.0	11.0	12.0	13.0	13.0	13.0	13.0	

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. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.
In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.
3. A distribution of this total by equity class is shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1979	1980	1981				1982					
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar	Apr.	May[r]	June[p]
	Savings and loan associations											
1 **Assets**	**578,962**	**630,712**	**655,658**	**659,073**	**660,326**	**663,844**	**667,600**	**671,895**	**678,039**	**681,368**	**686,942**	**692,225**
2 Mortgages	475,688	503,192	518,778	519,248	519,146	518,350	517,493	516,284	515,896	514,475	513,807	512,399
3 Cash and investment securities[1]	46,341	57,928	59,530	61,517	61,369	62,756	64,089	66,585	67,758	67,859	69,931	70,523
4 Other	56,933	69,592	77,350	78,308	79,811	82,738	86,018	89,026	94,835	99,034	103,204	109,303
5 **Liabilities and net worth**	**578,962**	**630,712**	**655,658**	**659,073**	**660,326**	**663,844**	**667,600**	**671,895**	**678,039**	**681,368**	**686,942**	**692,225**
6 Savings capital	470,004	511,636	515,649	519,288	519,777	524,374	526,382	529,064	535,566	532,899	534,517	538,054
7 Borrowed money	55,232	64,586	87,477	86,108	86,255	89,097	89,099	89,465	91,013	93,883		
8 FHLBB	40,441	47,045	61,857	62,000	61,922	62,794	62,581	62,690	63,639	65,347	65,216	67,006
9 Other	14,791	17,541	25,620	24,108	24,333	26,303	26,518	26,775	27,374	28,536	29,224	30,147
10 Loans in process	9,582	8,767	7,040	6,757	6,451	6,369	6,249	6,144	6,399	6,550	6,748	7,021
11 Other	11,506	12,394	15,307	17,506	19,101	15,612	18,356	20,145	18,574	22,012	25,819	24,547
12 Net worth[2]	32,638	33,329	30,185	29,414	28,742	28,392	27,514	27,077	26,487	26,024	25,418	25,450
13 MEMO: Mortgage loan commitments outstanding[3]	16,007	16,102	16,012	15,733	15,758	15,225	15,131	15,397	15,582	16,375	16,622	16,839
	Mutual savings banks[4]											
14 **Assets**	**163,405**	**171,564**	**175,234**	**175,693**	**175,258**	**175,728**	**175,938**	**175,763**	**174,776**	**174,813**	**174,952**	
Loans												
15 Mortgage	98,908	99,865	99,944	99,903	99,879	99,997	99,788	98,838	97,464	97,160	96,334	
16 Other	9,253	11,733	14,868	14,725	15,073	14,753	15,029	15,604	16,514	16,424	17,409	
Securities												
17 U.S. government[5]	7,658	8,949	9,594	9,765	9,508	9,810	9,991	9,966	10,072	10,146	9,968	
18 State and local government	2,930	2,390	2,323	2,394	2,271	2,288	2,290	2,293	2,276	2,269	2,259	
19 Corporate and other[6]	37,086	39,282	38,118	38,108	37,874	37,791	37,849	37,781	37,379	37,473	37,486	
20 Cash	3,156	4,334	4,810	5,118	5,039	5,442	5,210	5,412	5,219	5,494	5,469	n.a.
21 Other assets	4,412	5,011	5,577	5,681	5,615	5,649	5,781	5,869	5,852	5,846	6,027	
22 **Liabilities**	**163,405**	**171,564**	**175,234**	**175,693**	**175,258**	**175,728**	**175,938**	**175,763**	**174,776**	**174,813**	**174,952**	
23 Deposits	146,006	154,805	153,412	154,066	153,809	155,110	154,843	154,626	154,022	153,187	153,354	
24 Regular[7]	144,070	151,416	151,072	151,975	151,787	153,003	152,801	152,616	151,979	151,021	151,253	
25 Ordinary savings	61,123	53,971	49,254	48,238	48,456	49,425	48,898	48,297	48,412	47,733	47,895	
26 Time and other	82,947	97,445	101,818	103,737	126,889	121,343	120,740	120,282	118,536	117,372	116,948	
27 Other	1,936	2,086	25,769	24,806	2,023	2,108	2,042	2,010	2,043	2,166	2,101	
28 Other liabilities	5,873	6,695	11,458	11,513	11,434	10,632	11,280	11,464	11,132	12,141	12,246	
29 General reserve accounts	11,525	11,368	10,364	10,114	10,015	9,986	9,814	9,672	9,622	9,485	9,352	
30 MEMO: Mortgage loan commitments outstanding[8]	3,182	1,476	1,218	1,140	1,207	1,293	916	950	978	953	998	
	Life insurance companies											
31 **Assets**	**432,282**	**479,210**	**509,478**	**515,079**	**519,281**	**521,354**	**525,331**	**526,573**	**530,014**	**533,810**	**537,281**	
Securities												
32 Government	338	21,378	24,280	24,621	25,200	25,310	26,157	26,847	27,322	27,691	28,023	
33 United States[9]	4,888	5,345	7,670	7,846	8,321	8,578	9,204	9,887	10,236	10,465	10,698	
34 State and local	6,428	6,701	7,033	7,129	7,148	6,968	7,063	7,043	7,069	7,139	7,193	
35 Foreign[10]	9,022	9,332	9,577	9,646	9,731	9,764	9,890	9,917	10,017	10,087	10,132	
36 Business	222,332	238,113	250,315	253,976	255,632	254,978	257,614	257,318	257,452	260,034	261,521	
37 Bonds	178,371	190,747	205,908	208,004	209,194	208,587	211,686	212,685	213,217	214,984	216,972	n.a.
38 Stocks	39,757	47,366	44,407	45,972	46,438	46,391	45,928	44,633	44,235	45,050	44,549	
39 Mortgages	118,421	131,080	136,982	137,736	138,433	139,046	139,596	139,777	140,259	140,688	141,023	
40 Real estate	13,007	15,033	17,801	18,382	18,629	19,157	19,276	18,999	19,472	19,947	20,186	
41 Policy loans	34,825	41,411	47,042	47,731	48,275	48,741	49,092	49,535	50,083	50,640	51,059	
42 Other assets	27,563	31,702	33,058	32,633	33,112	34,122	33,288	34,097	35,426	34,810	35,469	
	Credit unions											
43 **Total assets/liabilities and capital**	**65,854**	**71,709**	**76,145**	**76,123**	**76,830**	**77,682**	**78,012**	**78,986**	**81,055**	**81,351**	**82,858**	**84,107**
44 Federal	35,934	39,801	41,682	41,727	42,025	42,382	42,512	43,111	44,263	44,371	45,077	45,705
45 State	29,920	31,908	34,463	34,396	34,805	35,300	35,500	35,875	36,792	36,980	37,781	38,402
46 Loans outstanding	53,125	47,774	51,407	51,029	50,631	50,448	49,949	49,610	49,668	49,533	49,556	49,919
47 Federal	28,698	25,627	27,871	27,686	27,508	27,458	27,204	27,051	27,119	27,064	27,073	27,295
48 State	24,426	22,147	23,536	23,343	23,123	22,990	22,745	22,559	22,549	22,469	22,483	22,624
49 Savings	56,232	64,399	67,512	67,625	67,981	68,871	69,432	70,227	72,218	72,569	73,602	74,834
50 Federal (shares)	35,530	36,348	36,928	37,015	37,261	37,574	37,875	38,331	39,431	39,688	40,213	40,710
51 State (shares and deposits)	25,702	28,051	30,584	30,610	30,720	31,297	31,557	31,896	32,787	32,881	33,389	34,124

For notes see bottom of page A30.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1979	Fiscal year 1980	Fiscal year 1981	Calendar year					
				1981		1982	1982		
				H1	H2	H1	Apr.	May	June
U.S. budget									
1 Receipts[1]	463,302	517,112	599,272	317,304	301,777	322,478	75,777	36,753	66,353
2 Outlays[1,2]	490,997	576,675	657,204	333,115	358,558	348,678	66,073	55,683	59,629
3 Surplus, or deficit (−)	−27,694	−59,563	−57,932	−15,811	−56,780	−26,200	9,704	−18,930	6,724
4 Trust funds	18,335	8,801	6,817	5,797	−8,085	−17,690	626	1,958	5,192
5 Federal funds[3]	−46,030	−68,364	−64,749	−21,608	−48,697	−43,889	9,077	−20,888	1,532
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−13,261	−14,549	−20,769	−11,046	−8,728	−7,942	−1,153	−2,459	−2,052
7 Other[4]	793	303	−236	−900	−1,752	227	160	−34	−216
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−40,162	−73,808	−78,936	−27,757	−67,260	−33,914	8,711	−21,424	4,457
Source or financing									
9 Borrowing from the public	33,641	70,515	79,329	33,213	54,081	41,728	2,527	3,187	3,260
10 Cash and monetary assets (decrease, or increase (−))[5]	−408	−355	−1,878	2,873	−1,111	−408	−11,256	15,700	3,489
11 Other[6]	6,929	3,648	1,485	−8,328	14,290	−7,405	19	2,537	−4,228
MEMO:									
12 Treasury operating balance (level, end of period)	24,176	20,990	18,670	16,389	12,046	10,999	28,740	7,947	10,999
13 Federal Reserve Banks	6,489	4,102	3,520	2,923	4,301	4,099	12,239	2,540	4,099
14 Tax and loan accounts	17,687	16,888	15,150	13,466	7,745	6,900	16,501	5,407	6,900

1. The *Budget of the U.S. Government, Fiscal Year 1983,* has reclassified supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other social insurance receipts, as offsetting receipts in the health function.
2. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
3. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
4. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank; it also includes petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
5. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
6. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; 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 United States Government, Fiscal Year 1983.*

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations.
3. Excludes figures for loans in process, which are shown as a liability.
4. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Before that date, data were reported on a gross-of-valuation-reserves basis.
5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.
7. Excludes checking, club, and school accounts.
8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1979	Fiscal year 1980	Fiscal year 1981	Calendar year 1981 H1	1981 H2	1982 H1	1982 Apr.	1982 May	1982 June
RECEIPTS									
1 **All sources**[1]	**463,302**	**517,112**	**599,272**	**317,304**	**301,777**	**322,478**	**75,777**	**36,753**	**66,353**
2 Individual income taxes, net	217,841	244,069	285,917	142,889	147,035	150,565	41,672	9,576	32,273
3 Withheld	195,295	223,763	256,332	126,101	134,199	133,575	22,699	20,965	21,912
4 Presidential Election Campaign Fund	36	39	41	36	5	34	6	7	4
5 Nonwithheld	56,215	63,746	76,844	59,907	17,391	66,174	35,282	1,183	11,774
6 Refunds	33,705	43,479	47,299	43,155	4,559	49,217	16,315	12,580	1,417
Corporation income taxes									
7 Gross receipts	71,448	72,380	73,733	44,048	31,056	37,836	9,032	2,159	11,943
8 Refunds	5,771	7,780	12,596	6,565	738	8,028	1,690	957	1,354
9 Social insurance taxes and contributions, net	138,939	157,803	182,720	101,316	91,592	108,079	21,593	20,483	17,572
10 Payroll employment taxes and contributions[2]	115,041	133,042	156,953	83,851	82,984	88,795	14,642	14,650	16,189
11 Self-employment taxes and contributions[3]	5,034	5,723	6,041	6,240	244	7,357	4,470	502	828
12 Unemployment insurance	15,387	15,336	16,129	9,205	6,355	9,809	2,120	5,004	217
13 Other net receipts[1,4]	3,477	3,702	3,598	2,020	2,009	2,119	362	327	336
14 Excise taxes	18,745	24,329	40,839	21,945	22,097	17,525	2,732	2,848	2,768
15 Customs deposits	7,439	7,174	8,083	3,926	4,661	4,310	704	683	771
16 Estate and gift taxes	5,411	6,389	6,787	3,259	3,742	4,208	582	613	745
17 Miscellaneous receipts[5]	9,252	12,748	13,790	6,487	8,441	7,984	1,152	1,349	1,634
OUTLAYS									
18 **All types**[1,6]	**490,997**	**576,675**	**657,204**	**333,115**	**358,558**	**346,286**	**66,073**	**55,683**	**59,629**
19 National defense	117,681	135,856	159,765	80,005	87,421	93,154	16,385	15,204	16,419
20 International affairs	6,091	10,733	11,130	5,999	4,655	5,183	1,111	559	402
21 General science, space, and technology	5,041	5,722	6,359	3,314	3,388	3,370	532	613	543
22 Energy	6,856	6,313	10,277	5,677	4,394	2,814	511	486	601
23 Natural resources and environment	12,091	13,812	13,525	6,476	7,296	5,636	1,148	849	1,041
24 Agriculture	6,238	4,762	5,572	3,101	5,181	7,087	949	-400	53
25 Commerce and housing credit	2,579	7,788	3,946	2,073	1,825	1,410	1,178	129	4
26 Transportation	17,459	21,120	23,381	11,991	10,753	9,915	1,867	1,425	1,752
27 Community and regional development	9,542	10,068	9,394	4,621	4,269	3,193	523	457	557
28 Education, training, employment, social services	29,685	30,767	31,402	15,928	13,878	12,595	2,304	1,996	1,997
29 Health[1]	46,962	55,220	65,982	33,113	35,322	37,213	6,298	6,019	6,772
30 Income security[6]	160,159	193,100	225,099	113,490	129,269	112,782	21,912	20,269	20,812
31 Veterans benefits and services	19,928	21,183	22,988	10,531	12,880	10,865	3,239	753	1,927
32 Administration of justice	4,153	4,570	4,698	2,344	2,290	2,334	419	364	353
33 General government	4,093	4,505	4,614	2,692	2,311	2,410	123	433	393
34 General-purpose fiscal assistance	8,372	8,584	6,856	3,015	3,043	3,325	1,176	352	204
35 Interest	52,566	64,504	82,537	41,178	47,667	50,070	7,633	7,720	13,787
36 Undistributed offsetting receipts[7]	18,488	21,933	30,320	12,432	- 17,281	14,680	1,235	1,286	7,989

1. The *Budget of the U.S. Government, Fiscal Year 1983* has reclassified supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other social insurance receipts, as offsetting receipts in the health function.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
7. Consists of interest received by trust funds, rents and royalties on the outer continental shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1983*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1980				1981				1982
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**870.4**	**884.4**	**914.3**	**936.7**	**970.9**	**977.4**	**1,003.9**	**1,034.7**	**1,066.4**
2 Public debt securities	863.5	877.6	907.7	930.2	964.5	971.2	997.9	1,028.7	1,061.3
3 Held by public	677.1	682.7	710.0	737.7	773.7	771.3	789.8	825.5	858.9
4 Held by agencies	186.3	194.9	197.7	192.5	190.9	199.9	208.1	203.2	202.4
5 Agency securities	7.0	6.8	6.6	6.5	6.4	6.2	6.1	6.0	5.1
6 Held by public	5.5	5.3	5.1	5.0	4.9	4.7	4.6	4.6	3.9
7 Held by agencies	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.2
8 **Debt subject to statutory limit**	**864.5**	**878.7**	**908.7**	**931.2**	**965.5**	**972.2**	**998.8**	**1,029.7**	**1,062.2**
9 Public debt securities	862.8	877.0	907.1	929.6	963.9	970.6	997.2	1,028.1	1,062.7
10 Other debt[1]	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.5
11 MEMO: Statutory debt limit	879.0	925.0	925.0	935.1	985.0	985.0	999.8	1,079.8	1,079.8

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	1978	1979	1980	1981	1982				
					Mar	Apr	May	June	July
1 **Total gross public debt**	**789.2**	**845.1**	**930.2**	**1,028.7**	**1,061.3**	**1,065.7**	**1,071.7**	**1,079.6**	**1,089.6**
By type									
2 Interest-bearing debt	782.4	844.0	928.9	1,027.3	1,059.8	1,064.5	1,066.4	1,078.4	1,083.3
3 Marketable	487.5	530.7	623.2	720.3	752.6	755.8	755.7	764.0	774.0
4 Bills	161.7	172.6	216.1	245.0	256.2	254.9	256.1	256.0	262.0
5 Notes	265.8	283.4	321.6	375.3	395.0	399.7	398.4	406.9	411.1
6 Bonds	60.0	74.7	85.4	99.9	101.4	101.3	101.2	101.1	101.0
7 Nonmarketable[1]	294.8	313.2	305.7	307.0	307.2	308.7	310.7	314.4	309.2
8 Convertible bonds[2]	2.2	2.2	....	....	....	....	....	....	....
9 State and local government series	24.3	24.6	23.8	23.0	23.2	23.2	23.4	23.4	23.4
10 Foreign issues[3]	29.6	28.8	24.0	19.0	19.6	19.4	18.4	17.5	16.6
11 Government	28.0	23.6	17.6	14.9	15.6	15.4	14.8	13.8	13.6
12 Public	1.6	5.3	6.4	4.1	4.1	4.1	3.6	3.6	3.0
13 Savings bonds and notes	80.9	79.9	72.5	68.1	67.4	67.3	67.3	67.4	67.4
14 Government account series[4]	157.5	177.5	185.1	196.7	196.7	198.5	201.3	206.0	201.5
15 Non-interest-bearing debt	6.8	1.2	1.3	1.4	1.5	1.1	5.3	1.2	1.1
By holder[5]									
16 U.S. government agencies and trust funds	170.0	187.1	192.5	203.3	202.5	204.3	206.7		
17 Federal Reserve Banks	109.6	117.5	121.3	131.0	126.6	134.3	129.4		
18 Private investors	508.6	540.5	616.4	694.5	733.3	727.1	735.2		
19 Commercial banks	93.2	96.4	116.0	109.4	114.3	110.1	109.4		
20 Mutual savings banks	5.0	4.7	5.4	5.2	5.8	5.6	5.7		
21 Insurance companies	15.7	16.7	20.1	19.1	19.8	21.2	25.5	n.a.	n.a.
22 Other companies	19.6	22.9	25.7	37.8	37.5	36.5r	38.8		
23 State and local governments	64.4	69.9	78.8	85.6	88.3	88.5	91.8		
Individuals									
24 Savings bonds	80.7	79.9	72.5	68.0	67.5	67.3	67.4		
25 Other securities	30.3	36.2	56.7	75.6	79.0	78.4	78.8		
26 Foreign and international[6]	137.8	124.4	127.7	141.4	140.8	139.4r	138.9		
27 Other miscellaneous investors[7]	58.9	90.1	106.9	152.3	180.3	180.0	182.9		

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).
3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
4. Held almost entirely by U.S. government agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Consists of investments of foreign balances and international accounts in the United States.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities.
Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.42 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1980	1981	1982 Apr.	1982 May	1980	1981	1982 Apr.	1982 May
	All maturities				1 to 5 years			
1 **All holders**	**623,186**	**720,293**	**755,832**	**755,688**	**197,409**	**228,550**	**240,814**	**245,598**
2 U.S. government agencies and trust funds	9,564	8,669	8,001	7,994	1,990	1,906	1,906	1,906
3 Federal Reserve Banks	121,328	130,954	134,257	128,996	835	38,223	39,629	37,423
4 Private investors	492,294	580,671	613,576	618,699	159,585	188,422	199,279	206,269
5 Commercial banks	77,868	74,618	76,488	75,964	44,482	39,021	39,823	39,456
6 Mutual savings banks	3,917	3,971	4,352	4,417	1,925	1,870	2,031	2,010
7 Insurance companies	11,930	12,090	13,848	13,026	4,504	5,596	6,512	6,116
8 Nonfinancial corporations	7,758	4,214	3,893	3,665	2,203	1,146	956	911
9 Savings and loan associations	4,225	4,122	4,721	4,817	2,289	2,260	2,459	2,693
10 State and local governments	21,058	18,991	21,593	22,865	4,595	4,278	4,544	4,845
11 All others	365,539	462,663	488,680	493,946	99,577	134,251	142,955	150,238
	Total, within 1 year				5 to 10 years			
12 **All holders**	**297,385**	**340,082**	**355,754**	**354,741**	**56,037**	**63,483**	**66,920**	**63,044**
13 U.S. government agencies and trust funds	830	647	20	14	1,404	779	779	779
14 Federal Reserve Banks	56,858	64,113	66,735	64,254	13,548	11,854	10,813	10,559
15 Private investors	239,697	275,322	288,998	290,474	41,175	50,851	55,329	51,706
16 Commercial banks	25,197	29,480	30,381	30,586	5,793	4,496	3,048	2,838
17 Mutual savings banks	1,246	1,569	1,829	1,864	455	238	186	201
18 Insurance companies	1,940	2,201	2,025	2,034	3,037	2,507	2,926	2,667
19 Nonfinancial corporations	4,281	2,421	1,911	1,665	357	344	258	270
20 Savings and loan associations	1,646	1,731	2,003	1,890	216	98	178	111
21 State and local governments	7,750	7,536	6,868	7,456	2,030	2,365	2,463	2,468
22 All others	197,636	230,383	243,981	244,980	29,287	40,804	46,270	43,150
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**216,104**	**245,015**	**254,880**	**256,114**	**36,854**	**44,744**	**46,335**	**46,295**
24 U.S. government agencies and trust funds	1	*	2	1	3,686	3,996	3,952	3,952
25 Federal Reserve Banks	43,971	49,679	50,509	50,123	5,919	6,692	6,817	6,642
26 Private investors	172,132	195,335	204,369	205,990	27,250	34,055	35,565	35,701
27 Commercial banks	9,856	9,667	10,711	10,084	1,071	873	1,231	1,293
28 Mutual savings banks	394	423	596	631	181	151	170	189
29 Insurance companies	672	760	591	652	1,718	1,119	1,539	1,418
30 Nonfinancial corporations	2,363	1,173	1,228	1,046	431	131	329	405
31 Savings and loan associations	818	363	743	709	52	16	20	25
32 State and local governments	5,413	5,126	4,163	4,727	3,597	2,824	4,988	5,209
33 All others	152,616	177,824	186,335	188,142	20,200	28,940	27,289	27,160
	Other, within 1 year				Over 20 years			
34 **All holders**	**81,281**	**95,068**	**100,874**	**98,627**	**35,500**	**43,434**	**46,010**	**46,010**
35 U.S. government agencies and trust funds	829	647	19	12	1,656	1,340	1,343	1,343
36 Federal Reserve Banks	12,888	14,433	16,226	14,131	9,258	10,073	10,263	10,118
37 Private investors	67,565	79,987	84,630	84,484	24,587	32,020	34,404	34,549
38 Commercial banks	15,341	19,814	19,670	20,502	1,325	749	2,006	1,791
39 Mutual savings banks	852	1,146	1,233	1,233	110	144	137	152
40 Insurance companies	1,268	1,442	1,433	1,382	730	666	847	790
41 Nonfinancial corporations	1,918	1,248	683	618	476	172	439	414
42 Savings and loan associations	828	1,368	1,260	1,181	21	17	61	99
43 State and local governments	2,337	2,410	2,704	2,729	3,086	1,988	2,731	2,886
44 All others	45,020	52,560	57,646	56,838	18,838	28,285	28,184	28,417

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of May 31, 1982: (1) 5,289 commercial banks, 444 mutual savings banks, and 725 insurance companies, each about 80 percent; (2) 406 nonfinancial corporations and 464 savings and loan associations, each about 50 percent; and (3) 488 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

	Item	1979	1980	1981	1982 Apr[r]	1982 May[r]	1982 June	1982, week ending Wednesday June 30	July 7	July 14	July 21	July 28
	Immediate delivery[1]											
1	U.S. government securities	13,183	18,331	24,728	28,454	31,556	27,136	27,080	27,778	35,391	38,631	34,358
	By maturity											
2	Bills	7,915	11,413	14,768	16,119	16,674	16,831	16,853	16,705	21,804	24,652	20,298
3	Other within 1 year	454	421	621	911	764	646	852	707	1,002	990	1,378
4	1–5 years	2,417	3,330	4,360	5,286	7,402	4,438	4,496	4,443	6,026	6,536	7,522
5	5–10 years	1,121	1,464	2,451	3,156	3,384	2,821	2,858	4,040	4,045	3,933	3,056
6	Over 10 years	1,276	1,704	2,528	2,983	3,333	2,400	2,022	1,884	2,515	2,520	2,104
	By type of customer											
7	U.S. government securities dealers	1,448	1,484	1,640	1,722	1,730	1,693	2,320	1,564	2,221	2,706	2,241
8	U.S. government securities brokers	5,170	7,610	11,750	13,671	15,507	13,061	12,559	12,887	17,640	19,176	16,322
9	All others[2]	6,564	9,237	11,337	13,062	14,319	12,382	12,201	13,327	15,530	16,749	15,796
10	Federal agency securities	2,723	3,258	3,306	3,622	3,918	3,237	3,588	2,837	4,775	4,752	4,368
11	Certificates of deposit	1,764	2,472	4,477	4,488	5,437	5,518	7,312	5,299	7,436	6,648	5,950
12	Bankers acceptances			1,807	2,441	2,454	2,250	2,114	2,425	3,480	3,317	2,900
13	Commercial paper			6,128	7,537	7,975	8,131	8,627	8,330	8,080	8,077	7,188
	Futures transactions[3]											
14	Treasury bills			3,523	4,527	5,630	4,629	3,532	3,318	5,753	5,822	5,474
15	Treasury coupons			1,330	975	1,970	1,215	1,019	943	1,247	1,157	982
16	Federal agency securities	n.a.	n.a.	234	216	276	267	234	228	269	372	368
	Forward transactions[4]											
17	U.S. government securities			365	371	807	692	397	360	252	525	805
18	Federal agency securities			1,370	951	571	537	509	611	661	760	586

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.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1979	1980	1981	1982 Apr[r]	1982 May	1982 June	1982, week ending Wednesday June 2	June 9	June 16	June 23	June 30
		Positions										
	Net immediate[1]											
1	U.S. government securities	3,223	4,306	9,033	12,567	14,103	11,075	14,424	13,659	13,196	9,156	6,648
2	Bills	3,813	4,103	6,485	7,721	7,390	7,284	7,647	8,653	9,335	5,813	4,661
3	Other within 1 year	-325	-1,062	-1,526	-99	-295	-462	-319	-360	-360	515	-648
4	1–5 years	-455	434	1,488	2,903	4,083	2,206	3,610	2,684	1,931	2,064	1,687
5	5–10 years	160	166	292	-540	-20	-254	647[r]	141	14	-393	-1,085
6	Over 10 years	30	665	2,294	2,582	2,946	2,301	2,839[r]	2,541	2,277	2,188	2,033
7	Federal agency securities	1,471	797	2,277	2,916	3,117	2,976	3,192	3,179	3,182	2,930	2,526
8	Certificates of deposit	2,794	3,115	3,435	4,467	4,950[r]	5,580	5,610	5,165	5,262	5,160	6,924
9	Bankers acceptances			1,746	2,530	2,719	2,666	3,047	2,968	2,753	2,246	2,525
10	Commercial paper			2,658	3,229	3,455[r]	3,503	3,717	3,594	3,480	3,358	3,396
	Futures positions											
11	Treasury bills			-8,934	-5,460	-9,985[r]	-6,067	-9,202[r]	-6,195	-5,682	-5,637	-5,879
12	Treasury coupons	n.a.	n.a.	-2,733	2,905	-3,791[r]	-2,045	-2,994[r]	-2,416	2,080	-1,837	-2,036
13	Federal agency securities			522	-403	-579	73	-430	-126	48	235	389
	Forward positions											
14	U.S. government securities			-603	-590	-704[r]	-760	-811	-962	-1,170	-516	-330
15	Federal agency securities			-451	-1,064	1,130	-1,452	-1,331	-1,469	-1,469	-1,397	-1,514
		Financing[2]										
	Reverse repurchase agreements[3]											
16	Overnight and continuing			14,568	26,924	28,801	25,655	24,683	22,613	22,451	26,839	31,687
17	Term agreements			32,048	46,509	45,253	39,795	40,329	41,260	38,921	39,216	39,250
	Repurchase agreements[4]	n.a.	n.a.									
18	Overnight and continuing			35,919	53,246	58,415	42,038	53,964	51,466	52,052	52,710	57,117
19	Term agreements			29,449	43,140	40,142	35,525	37,640	37,934	34,490	34,663	32,898

For notes see opposite page.

1.45 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1978	1979	1980	1981	1982				
				Dec.	Jan	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**[1]	**137,063**	**163,290**	**193,229**	**227,210**	**226,418**	**226,539**	**228,749**	**232,274**	**234,593**
2 Federal agencies	23,488	24,715	28,606	31,806	31,053	30,806	31,408	31,613	31,551
3 Defense Department[2]	968	738	610	484	470	460	454	447	434
4 Export-Import Bank[3,4]	8,711	9,191	11,250	13,339	13,135	12,861	13,421	13,475	13,416
5 Federal Housing Administration[5]	588	537	477	413	406	397	382	376	363
6 Government National Mortgage Association participation certificates[6]	3,141	2,979	2,817	2,715	2,191	2,165	2,165	2,165	2,165
7 Postal Service[7]	2,364	1,837	1,770	1,538	1,538	1,538	1,538	1,538	1,471
8 Tennessee Valley Authority	7,460	8,997	11,190	13,115	13,115	13,187	13,250	13,410	13,500
9 United States Railway Association[7]	356	436	492	202	198	198	198	202	202
10 Federally sponsored agencies[1]	113,575	138,575	164,623	195,404	195,365	195,733	197,341	200,661	203,042
11 Federal Home Loan Banks	27,563	33,330	41,258	58,090	57,387	57,743	58,839	59,937	60,772
12 Federal Home Loan Mortgage Corporation	2,262	2,771	2,536	2,604	2,604	2,604	2,500	2,500	2,500
13 Federal National Mortgage Association	41,080	48,486	55,185	58,749	58,860	59,018	59,270	60,478	61,996
14 Federal Land Banks	20,360	16,006	12,365	9,717	8,717	8,717	8,717	8,217	8,217
15 Federal Intermediate Credit Banks	11,469	2,676	1,821	1,388	1,388	1,388	1,388	926	926
16 Banks for Cooperatives	4,843	584	584	220	220	220	220	220	220
17 Farm Credit Banks[1]	5,081	33,216	48,153	60,034	61,187	61,041	61,405	63,381	63,409
18 Student Loan Marketing Association[8]	915	1,505	2,720	4,600	5,000	5,000	5,000	5,000	5,000
19 Other	2	1	1	2	2	2	2	2	2
MEMO:									
20 **Federal Financing Bank debt**[1,9]	**51,298**	**67,383**	**87,460**	**110,698**	**111,965**	**112,367**	**113,567**	**114,961**	**117,475**
Lending to federal and federally sponsored agencies									
21 Export-Import Bank[4]	6,898	8,353	10,654	12,741	12,741	12,741	13,305	13,305	13,305
22 Postal Service[7]	2,114	1,587	1,520	1,288	1,288	1,288	1,288	1,288	1,221
23 Student Loan Marketing Association[8]	915	1,505	2,720	4,600	5,000	5,000	5,000	5,000	5,000
24 Tennessee Valley Authority	5,635	7,272	9,465	11,390	11,435	11,462	11,525	11,685	11,775
25 United States Railway Association[7]	356	436	492	202	198	198	198	202	202
Other Lending[10]									
26 Farmers Home Administration	23,825	32,050	39,431	48,821	49,026	49,081	48,681	49,356	51,056
27 Rural Electrification Administration	4,604	6,484	9,196	13,516	13,836	13,989	14,452	14,716	15,046
28 Other	6,951	9,696	13,982	18,140	18,441	18,608	19,118	19,409	19,870

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.
2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
7. Off-budget.
8. Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

NOTES TO TABLE 1.44

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities to resell (reverse RPs). Before 1981, data for immediate positions include forward positions.
2. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.
3. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, i.e., matched agreements.
4. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are shown net and are on a commitment basis. Data for financing are based on Wednesday figures, in terms of actual money borrowed or lent.

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1979	1980	1981	1981			1982				
				Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.r	Apr.	May
1 **All issues, new and refunding**[1]	**43,365**	**48,367**	**47,732**	**4,097**	**5,355**	**4,744**	**3,875**	**3,720**	**5,653**	**6,668**	**5,569**
Type of issue											
2 General obligation	12,109	14,100	12,394	748	1,315	749	1,038	1,054	1,733	2,210	1,498
3 U.S. government loans[2]	53	38	34	2	3	1	2	0	9	10	10
4 Revenue	31,256	34,267	35,338	3,349	4,040	3,995	2,837	2,666	3,920	4,480	4,071
5 U.S. government loans[2]	67	57	55	5	2	3	4	6	5	32	38
Type of issuer											
6 State	4,314	5,304	5,288	439	518	315	514	234	433	1,061	601
7 Special district and statutory authority	23,434	26,972	27,499	2,467	3,439	3,308	2,138	2,187	2,992	3,880	2,959
8 Municipalities, counties, townships, school districts	15,617	16,090	14,945	1,191	1,398	1,120	1,226	1,299	2,228	1,749	2,009
9 **Issues for new capital, total**	**41,505**	**46,736**	**46,530**	**4,009**	**5,318**	**4,683**	**3,718**	**3,663**	**4,790**	**6,668**	**5,438**
Use of proceeds											
10 Education	5,130	4,572	4,547	203	576	561	236	266	405	460	483
11 Transportation	2,441	2,621	3,447	499	286	355	144	207	362	282	292
12 Utilities and conservation	8,594	8,149	10,037	700	757	955	1,189	1,284	746	1,329	1,354
13 Social welfare	15,968	19,958	12,729	953	1,873	1,813	892	837	1,773	2,337	1,992
14 Industrial aid	3,836	3,974	7,651	1,015	676	523	467	501	636	667	342
15 Other purposes	5,536	7,462	8,119	639	1,150	476	790	584	868	1,593	975

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.

1.47 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1979	1980	1981	1981			1982				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **All issues**[1]	**51,533**	**73,694**	**69,283**	**4,368**	**8,518**	**5,908**	**2,954**	**3,294**	**6,436**	**4,384**	**6,120**
2 **Bonds**	**40,208**	**53,206**	**44,643**	**2,845**	**6,724**	**3,893**	**1,278**	**1,879**	**4,512**	**2,352**	**3,980**
Type of offering											
3 Public	25,814	41,587	37,653	2,582	6,560	3,576	614	1,464	3,540	2,100	3,788
4 Private placement	14,394	11,619	6,989	263	164	317	664	415	972	252	192
Industry group											
5 Manufacturing	9,678	15,409	12,325	21	2,054	954	283	262	708	445	593
6 Commercial and miscellaneous	3,948	6,693	5,229	617	949	850	230	59	691	124	466
7 Transportation	3,119	3,329	2,054	51	130	82	43	3	224	16	65
8 Public utility	8,153	9,557	8,963	1,008	802	582	493	345	1,568	846	977
9 Communication	4,219	6,683	4,280	83	326	106	8	364	84	4	315
10 Real estate and financial	11,094	11,534	11,793	1,065	2,463	1,319	221	845	1,236	917	1,563
11 **Stocks**	**11,325**	**20,489**	**24,642**	**1,523**	**1,794**	**2,015**	**1,676**	**1,415**	**1,924**	**2,032**	**2,140**
Type											
12 Preferred	3,574	3,631	1,796	141	59	80	199	185	199	147	813
13 Common	7,751	16,858	22,846	1,382	1,735	1,935	1,477	1,230	1,725	1,885	1,327
Industry group											
14 Manufacturing	1,679	4,839	4,838	193	407	258	129	67	394	102	156
15 Commercial and miscellaneous	2,623	5,245	7,436	449	564	456	723	426	653	787	543
16 Transportation	255	549	735	23	15	23	25	73	27	15	35
17 Public utility	5,171	6,230	5,486	438	405	604	449	743	547	731	401
18 Communication	303	567	1,778	7	85	95	58	2	3	3	30
19 Real estate and financial	1,293	3,059	4,371	412	318	580	292	104	301	394	975

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1980	1981	1981 Nov.	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May^r	1982 June
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	15,266	20,596	2,140	3,032	2,049	2,049	3,325	2,754	2,345	3,062
2 Redemptions of own shares[3]	12,012	15,866	1,125	1,769	1,475	1,456	2,056	2,293	1,854	2,036
3 Net sales	3,254	4,730	604	371	1,557	593	1,269	461	491	1,026
4 Assets[4]	58,400	55,207	57,408	55,207	54,347	52,695	53,001	56,026	54,889	54,146
5 Cash position[5]	5,321	5,277	6,269	5,277	5,424	5,540	5,752	6,083	5,992	6,298
6 Other	53,079	49,930	51,139	49,930	48,923	47,155	47,249	49,943	48,896	47,848

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.49 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1979^r	1980^r	1981^r	1980 Q3^r	1980 Q4^r	1981 Q1	1981 Q2	1981 Q3	1981 Q4	1982 Q1^r
1 Corporate profits with inventory valuation and capital consumption adjustment	194.8	181.6	190.6	177.8	181.2	200.3	185.1	193.1	183.9	157.1
2 Profits before tax	252.7	242.4	232.1	238.1	245.9	253.1	225.4	233.3	216.5	171.6
3 Profits tax liability	87.6	84.6	81.2	82.2	87.8	91.5	79.2	82.4	71.6	55.8
4 Profits after tax	165.1	157.8	150.9	155.9	158.1	161.6	146.2	150.8	144.9	115.9
5 Dividends	52.7	58.1	65.1	58.7	59.6	61.5	64.0	66.8	68.1	68.8
6 Undistributed profits	112.4	99.7	85.8	97.3	98.5	100.1	82.2	84.1	76.9	47.0
7 Inventory valuation	−43.1	−43.0	−24.6	−41.1	−45.5	−35.5	−22.8	−23.0	−17.1	−4.4
8 Capital consumption adjustment	−14.8	−17.8	−16.8	−19.3	−19.2	−17.3	−17.5	17.1	−15.5	−10.1

SOURCE. *Survey of Current Business* (U.S. Department of Commerce).

1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978	1979	1980	1981			
						Q4	Q1	Q2	Q3	Q4
1 **Current assets**	**759.0**	**826.8**	**902.1**	**1,030.0**	**1,200.9**	**1,281.6**	**1,321.2**	**1,317.4**	**1,349.2**	**1,361.4**
2 Cash	82.1	88.2	95.8	104 5	116.1	121.0	120.5	118.5	118.3	124.5
3 U.S. government securities	19.0	23.4	17.6	16 3	15.6	17.3	17.0	17.7	16.0	15.8
4 Notes and accounts receivable	272.1	292.8	324.7	383 8	456.8	491.2	507.3	507.4	519.7	512.3
5 Inventories	315.9	342.4	374.8	426 9	501.7	525.4	542.8	540.0	557.2	
6 Other	69.9	80.1	89.2	98 5	110.8	126.7	133.6	133.7	138.1	
7 **Current liabilities**	**451.6**	**494.7**	**549.4**	**665.5**	**809.1**	**877.2**	**910.9**	**908.1**	**951.1**	**962.3**
8 Notes and accounts payable	264.2	281.9	313.2	373.7	456.3	498.3	504.0	500.8	529.1	541.3
9 Other	187.4	212.8	236.2	291 7	352.8	378.9	406.9	407.2	422.0	421.0
10 **Net working capital**	**307.4**	**332.2**	**352.7**	**364.6**	**391.8**	**404.4**	**410.3**	**409.3**	**398.1**	**399.1**
11 MEMO: Current ratio [1]	1.681	1.672	1.642	1.548	1.484	1.461	1.450	1.451	1.419	1,415

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1980	1981	1982	1981			1982			
				Q2[1]	Q3	Q4	Q1	Q2[1]	Q3[1]	Q4[1]
1 **Total nonfarm business**	**295.63**	**321.49**	**328.60**	**316.73**	**328.25**	**327.83**	**327.72**	**323.75**	**328.04**	**334.78**
Manufacturing										
2 Durable goods industries	58.91	61.84	61.17	63.10	62.58	60.78	60.84	60.67	61.44	61.82
3 Nondurable goods industries	56.90	64.95	66.12	62.40	67.53	66.14	67.48	65.02	67.11	65.19
Nonmanufacturing										
4 Mining	13.51	16.86	17.24	16.80	17.55	16.81	17.60	16.33	16.71	18.29
Transportation										
5 Railroad	4.25	4.24	4.66	4.38	4.18	4.18	4.56	4.61	4.92	4.55
6 Air	4.01	3.81	3.84	3.29	3.34	4.82	3.20	3.39	4.12	4.66
7 Other	3.82	4.00	4.07	4.04	4.09	4.12	4.23	4.00	3.93	4.13
Public utilities										
8 Electric	28.12	29.74	31.30	29.32	30.54	31.14	30.95	31.90	30.65	31.67
9 Gas and other	7.32	8.65	8.25	8.53	9.01	8.60	9.17	8.13	7.60	8.38
10 Trade and services	81.79	86.33	88.79	85.88	87.55	88.33	87.80	87.62	88.07	91.16
11 Communication and other[2]	36.99	41.06	43.15	39.02	41.89	42.92	41.89	42.08	43.48	44.94

1. Anticipated by business.
2. "Other" consists of construction; social services and membership organizations; and forestry, fisheries, and agricultural services.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

1.52 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1976	1977	1978	1979	1980	1981				1982
						Q1	Q2	Q3	Q4	Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	38.6	44.0	52.6	65.7	73.6	76.1	79.0	84.5	85.5	85.1
2 Business	44.7	55.2	63.3	70.3	72.3	72.7	78.2	76.9	80.6	80.9
3 Total	83.4	99.2	116.0	136.0	145.9	148.7	157.2	161.3	166.1	166.0
4 LESS: Reserves for unearned income and losses	10.5	12.7	15.6	20.0	23.3	24.3	25.7	27.7	28.9	29.1
5 Accounts receivable, net	72.9	86.5	100.4	116.0	122.6	124.5	131.4	133.6	137.2	136.9
6 Cash and bank deposits	2.6	2.6	3.5							
7 Securities	1.1	.9	1.3	24.9[1]	27.5	30.8	31.6	34.5	34.2	35.0
8 All other	12.6	14.3	17.3							
9 **Total assets**	**89.2**	**104.3**	**122.4**	**140.9**	**150.1**	**155.3**	**163.0**	**168.1**	**171.4**	**171.9**
LIABILITIES										
10 Bank loans	6.3	5.9	6.5	8.5	13.2	13.1	14.4	14.7	15.4	15.4
11 Commercial paper	23.7	29.6	34.5	43.3	43.4	44.2	49.0	51.2	51.2	46.2
Debt										
12 Short-term, n.e.c.	5.4	6.2	8.1	8.2	7.5	8.2	8.5	11.9	9.6	9.0
13 Long-term, n.e.c.	32.3	36.0	43.6	46.7	52.4	51.6	52.6	50.7	54.8	59.0
14 Other	8.1	11.5	12.6	14.2	14.3	17.3	17.0	17.1	17.8	19.0
15 Capital, surplus, and undivided profits	13.4	15.1	17.2	19.9	19.4	20.9	21.5	22.4	22.8	23.3
16 **Total liabilities and capital**	**89.2**	**104.3**	**122.4**	**140.9**	**150.1**	**155.3**	**163.0**	**168.1**	**171.4**	**171.9**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

1.53 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding May 31, 1982[1]	Changes in accounts receivable			Extensions			Repayments		
		1982			1982			1982		
		Mar.	Apr.	May	Mar.	Apr.	May	Mar.	Apr.	May
1 **Total**	**80,914**	**-418**	**120**	**50**	**18,148**	**19,110**	**20,033**	**18,566**	**18,990**	**19,983**
2 Retail automotive (commercial vehicles)	12,065	34	100	362	962	935	1,235	928	835	873
3 Wholesale automotive	12,246	-634	11	-199	3,916	5,759	5,269	4,550	5,748	5,468
4 Retail paper on business, industrial, and farm equipment	27,625	384	-231	-74	1,538	1,181	1,503	9,634	9,174	1,577
5 Loans on commercial accounts receivable and factored commercial accounts receivable	9,225	140	260	171	9,774	9,434	10,151	9,634	9,174	9,980
6 All other business credit	19,753	-342	-20	-210	1,958	1,801	1,875	2,300	1,821	2,085

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1979	1980	1981	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	74.4	83.4	90.4	88.7	102.6	97.3	90.0	95.7	86.4r	89.4
2 Amount of loan (thousands of dollars)	53.3	59.2	65.3	64.4	71.3	71.1	65.4	70.4	64.8r	66.2
3 Loan/price ratio (percent)	73.9	73.2	74.8	75.3	73.5	76.5	75.7	77.2	77.4r	7.0
4 Maturity (years)	28.5	28.2	27.7	27.7	27.4	28.1	27.4	28.6	25.9r	27.4
5 Fees and charges (percent of loan amount)[2]	1.66	2.09	2.67	2.87	2.55	3.01	2.90	3.28	3.16r	3.00
6 Contract rate (percent per annum)	10.48	12.25	14.16	15.23	14.66	14.44	14.93	15.13	15.11r	14.74
Yield (percent per annum)										
7 FHLBB series[3]	10.77	12.65	14.74	15.87	15.25	15.12	15.67	15.84	15.89r	15.40
8 HUD series[4]	11.15	13.95	16.52	17.00	17.30	17.20	16.80	16.65	16.50	16.75
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	10.92r	13.44r	16.29	16.43	17.38	17.10	16.41	16.31	16.19	16.73
10 GNMA securities[6]	10.22	12.55	15.29	15.51	16.19	16.21	15.54	15.40	15.30	15.84
FNMA auctions[7]										
11 Government-underwritten loans	11.17	14.11	16.70	16.92	17.80	18.00	17.29	0.0	16.27	16.22
12 Conventional loans	11.77	14.43	16.64	16.95	17.33	17.91	17.09	16.66	16.33	16.73
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	48,050	55,104	61,412	61,412	61,721	62,112	62,544	63,132	63,951	65,008
14 FHA/VA-insured	33,673	37,365	39,977	39,977	39,937	39,926	39,893	39,834	39,808r	39,829
15 Conventional	14,377	17,725	21,435	21,435	21,784	22,185	22,654	23,298	24,143	25,179
Mortgage transactions (during period)										
16 Purchases	10,812	8,099	6,112	655	430	519	604	755	1,006	1,223
17 Sales	0	0	2	0	0	0	0	0	0	0
Mortgage commitments[8]										
18 Contracted (during period)	10,179	8,083	9,331	1,272	813	1,202	1,881	2,482	1,550r	1,583
19 Outstanding (end of period)	6,409	3,278	3,717	3,717	3,536	3,857	4,990	6,586	7,016r	7,206
Auction of 4-month commitments to buy										
Government-underwritten loans										
20 Offered	8,860.4	8,605.4	2,487.2	59.2	41.5	41.7	45.7	7.0	35.7	33.1
21 Accepted	3,920.9	4,002.0	1,478.0	27.0	30.8	23.4	29.6	0.0	7.4	7.4
Conventional loans										
22 Offered	4,495.3	3,639.2	2,524.7	84.4	31.7	28.6	65.0	29.5	37.8	59.0
23 Accepted	2,343.6	1,748.5	1,392.3	48.0	11.5	13.6	32.3	22.0	23.0	33.1
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
24 Total	4,035	5,067	5,255	5,255	5,240	5,342	5,320	5,274	5,279	5,295
25 FHA/VA	1,102	1,033	990	990	987	984	981	979	976	973
26 Conventional	2,933	4,034	4,265	4,265	4,253	4,358	4,339	4,295	4,303	4,322
Mortgage transactions (during period)										
27 Purchases	5,717	3,723	3,789	1,140	1,628	1,228	1,479	2,143	1,214	1,581
28 Sales	4,544	2,527	3,531	1,158	1,629	1,115	1,564	2,177	1,194	1,562
Mortgage commitments[10]										
29 Contracted (during period)	5,542	3,859	6,974	203	3,280	565	2,523	2,824	2,692	3,166
30 Outstanding (end of period)	797	447	3,518	3,518	5,033	4,336	5,461	6,041	7,420	8,970

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, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.
8. 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.
9. Includes participation as well as whole loans.
10. Includes conventional and government-underwritten loans.

1.55 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

	Type of holder, and type of property	1979	1980	1981	1981			1982	
					Q2	Q3	Q4	Q1	Q2
1	**All holders**	**1,326,371r**	**1,446,223r**	**1,545,508r**	**1,499,324r**	**1,525,768r**	**1,545,508r**	**1,562,110r**	**1,580,087**
2	1- to 4-family	879,689r	961,416r	1,021,663r	993,862r	1,010,697r	1,021,663r	1,031,391r	1,042,881
3	Multifamily	128,433r	137,134r	141,457r	139,388r	140,376r	141,457r	142,592r	144,080
4	Commercial	235,572	255,655	280,585r	268,562	274,666r	280,585r	284,098r	287,217
5	Farm	82,677	92,018	101,803r	97,512	100,029r	101,803r	104,029r	105,909
6	Major financial institutions	938,567	997,168	1,044,019	1,023,793	1,036,880	1,044,019	1,045,045r	1,045,098
7	Commercial banks[1]	245,187	263,030	286,626	273,225	281,126	286,626	291,426	295,126
8	1- to 4-family	149,460	160,326	172,549	164,873	169,378	172,549	175,326	177,508
9	Multifamily	11,180	12,924	14,905	13,800	14,478	14,905	15,126	15,205
10	Commercial	75,957	81,081	90,717	86,091	88,836	90,717	92,499	93,923
11	Farm	8,590	8,699	8,455	8,461	8,434	8,455	8,475	8,490
12	Mutual savings banks	98,908	99,865	99,997r	99,993	99,994	99,997r	97,464r	95,914
13	1- to 4-family	66,140	67,489	68,187r	68,035	68,116	68,187r	66,383r	65,318
14	Multifamily	16,557	16,058	15,960r	15,909	15,939	15,960r	15,448r	15,102
15	Commercial	16,162	16,278	15,810r	15,999	15,909	15,810r	15,594r	15,446
16	Farm	49	40	40	50	30	40r	39r	48
17	Savings and loan associations	475,688	503,192	518,350	515,256	518,778	518,350	515,896	512,399
18	1- to 4-family	394,345	419,763	432,978	430,702	433,750	432,978	430,928	427,907
19	Multifamily	37,579	38,142	37,684	38,077	37,975	37,684	37,506	36,851
20	Commercial	43,764	45,287	47,688	46,477	47,053	47,688	47,462	47,641
21	Life insurance companies	118,784	131,081	139,046	135,319	136,982	139,046	140,259	141,659
22	1- to 4-family	16,193	17,943	17,382	17,646	17,512	17,382	17,281	17,483
23	Multifamily	19,274	19,514	19,486	19,603	19,592	19,486	19,419	19,668
24	Commercial	71,137	80,666	89,089	85,038	86,742	89,089	90,555	91,498
25	Farm	12,180	12,958	13,089	13,032	13,136	13,089	13,004	13,010
26	Federal and related agencies	97,084	114,300	126,112	119,124	121,772	126,112	128,721	132,981
27	Government National Mortgage Association	3,852	4,642	4,765	4,972	4,382	4,765	4,438	4,668
28	1- to 4-family	763	704	693	698	696	693	689	685
29	Multifamily	3,089	3,938	4,072	4,274	3,686	4,072	3,749	3,983
30	Farmers Home Administration	1,274	3,492	2,235	2,662	1,562	2,235	2,469	2,780
31	1- to 4-family	417	916	914	1,151	500	914	715	815
32	Multifamily	71	610	473	464	242	473	615	665
33	Commercial	174	411	506	357	325	506	499	510
34	Farm	612	1,555	342	690	495	342	640	790
35	Federal Housing and Veterans Administration	5,555	5,640	5,999	5,895	6,005	5,999	6,003	5,960
36	1- to 4-family	1,955	2,051	2,289	2,172	2,240	2,289	2,266	2,210
37	Multifamily	3,600	3,589	3,710	3,723	3,765	3,710	3,737	3,750
38	Federal National Mortgage Association	51,091	57,327	61,412	57,657	59,682	61,412	62,544	65,008
39	1- to 4-family	45,488	51,775	55,986	52,181	54,227	55,986	57,142	59,631
40	Multifamily	5,603	5,552	5,426	5,476	5,455	5,426	5,402	5,377
41	Federal Land Banks	31,277	38,131	46,446	42,681	44,708	46,446	47,947	49,270
42	1- to 4-family	1,552	2,099	2,788	2,401	2,605	2,788	2,874	2,954
43	Farm	29,725	36,032	43,658	40,280	42,103	43,658	45,073	46,316
44	Federal Home Loan Mortgage Corporation	4,035	5,068	5,255	5,257	5,433	5,255	5,320	5,295
45	1- to 4-family	3,059	3,873	4,018	4,025	4,166	4,018	4,075	4,042
46	Multifamily	976	1,195	1,237	1,232	1,267	1,237	1,245	1,253
47	Mortgage pools or trusts[2]	118,664r	142,258	162,990	152,308	158,140	162,990r	172,292r	182,091
48	Government National Mortgage Association	75,787r	93,874	105,790	100,558	103,750	105,790r	108,592r	111,459
49	1- to 4-family	73,853r	91,602	103,007	98,057	101,068	103,007r	105,701r	108,487
50	Multifamily	1,934r	2,272	2,783	2,501	2,682	2,783r	2,891r	2,972
51	Federal Home Loan Mortgage Corporation	15,180	16,854	19,843	17,565	17,936	19,843	23,959	28,693
52	1- to 4-family	12,149	13,471	15,888	14,115	14,401	15,888	18,995	22,637
53	Multifamily	3,031	3,383	3,955	3,450	3,535	3,955	4,964	6,056
54	Federal National Mortgage Association[3]	n.a.	n.a.	717	n.a.	n.a.	717	2,786	4,556
55	1- to 4-family	n.a.	n.a.	717	n.a.	n.a.	717	2,786	4,556
56	Farmers Home Administration	27,697	31,530	36,640	34,185	36,454	36,640	36,955	37,383
57	1- to 4-family	14,884	16,683	18,378	17,165	18,407	18,378	18,740	18,890
58	Multifamily	2,163	2,612	3,426	3,097	3,488	3,426	3,447	3,472
59	Commercial	4,328	5,271	6,161	5,750	6,040	6,161	6,351	6,371
60	Farm	6,322	6,964	8,675	8,173	8,519	8,675	8,417	8,650
61	Individual and others[4]	172,056r	192,497r	212,387r	204,099r	208,976r	212,387r	216,052r	219,917
62	1- to 4-family	99,431r	112,721r	125,889r	120,641r	123,631r	125,889r	127,490r	129,758
63	Multifamily	23,376r	27,345r	28,340r	27,782r	28,272r	28,340r	29,043r	29,726
64	Commercial	24,050	26,661	30,614	28,850	29,761	30,614	31,138	31,828
65	Farm	25,199	25,770	27,544	26,826	27,312	27,544	28,381	28,605

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. The program was 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.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.56 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1979	1980	1981	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June
	Amounts outstanding (end of period)								
1 **Total**	**312,024**	**313,472**	**333,375**	**330,135**	**327,435**	**327,131**	**328,363**	**329,338**	**331,851**
By major holder									
2 Commercial banks	154,177	147,013	149,300	148,162	146,922	146,454	146,616	146,147	146,775
3 Finance companies	68,318	76,756	89,818	88,925	89,009	89,591	90,674	91,958	93,009
4 Credit unions	46,517	44,041	45,954	45,907	45,586	45,632	45,450	45,472	45,882
5 Retailers[2]	28,119	28,448	29,551	28,179	27,013	26,530	26,537	26,536	26,645
6 Savings and loans	8,424	9,911	11,598	11,668	11,738	11,926	12,081	12,202	12,312
7 Gasoline companies	3,729	4,468	4,403	4,541	4,433	4,229	4,227	4,218	4,398
8 Mutual savings banks	382,740	2,835	2,751	2,753	2,734	2,769	2,778	2,805	2,830
By major type of credit									
9 Automobile	116,362	116,838	126,431	125,525	125,294	125,559	126,201	127,220	128,415
10 Commercial banks	67,367	61,536	59,181	58,849	58,604	58,510	58,458	58,099	58,140
11 Indirect paper	38,338	35,233	35,097	35,029	34,920	34,888	34,920	34,791	34,903
12 Direct loans	29,029	26,303	24,084	23,820	23,684	23,622	23,538	23,308	23,237
13 Credit unions	22,244	21,060	21,975	21,953	21,799	21,821	21,733	21,744	21,940
14 Finance companies	26,751	34,242	45,275	44,723	44,891	45,228	46,010	47,377	48,335
15 Revolving	56,937	58,352	63,049	61,433	59,514	58,491	58,641	58,647	59,302
16 Commercial banks	29,862	29,765	33,110	32,643	31,923	31,532	31,638	31,619	31,974
17 Retailers	23,346	24,119	25,536	24,249	23,158	22,730	22,776	22,810	22,930
18 Gasoline companies	3,729	4,468	4,403	4,541	4,433	4,229	4,227	4,218	4,398
19 Mobile home	16,838	17,322	18,486	18,397	18,343	18,363	18,402	18,479	18,543
20 Commercial banks	10,647	10,371	10,300	10,206	10,111	10,037	9,974	9,960	9,924
21 Finance companies	3,390	3,745	4,494	4,481	4,506	4,548	4,608	4,666	4,731
22 Savings and loans	2,307	2,737	3,203	3,222	3,241	3,293	3,336	3,369	3,400
23 Credit unions	494	469	489	488	485	486	484	484	488
24 Other	121,887	120,960	125,409	124,780	124,284	124,718	125,119	124,992	125,591
25 Commercial banks	46,301	45,341	46,709	46,464	46,284	46,375	46,546	46,469	46,737
26 Finance companies	38,177	38,769	40,049	39,721	39,612	39,815	40,056	39,915	39,943
27 Credit unions	23,779	22,512	23,490	23,466	23,302	23,326	23,233	23,244	23,454
28 Retailers	4,773	4,329	4,015	3,930	3,855	3,800	3,761	3,726	3,715
29 Savings and loans	6,117	7,174	8,395	8,446	8,497	8,633	8,745	8,833	8,912
30 Mutual savings banks	2,740	2,835	2,751	2,753	2,734	2,769	2,778	2,805	2,830
	Net change (during period)[3]								
31 **Total**	**38,381**	**1,448**	**19,894**	**443**	**75**	**990**	**1,175**	**1,399**	**1,349**
By major holder									
32 Commercial banks	18,161	-7,163	2,284	10	-171	166	96	-13	-100
33 Finance companies	14,020	8,438	13,062	-597	307	673	544	1,126	874
34 Credit unions	2,185	-2,475	1,913	689	-135	-122	132	-39	38
35 Retailers[2]	2,132	329	1,103	27	-124	171	181	68	304
36 Savings and loans	1,327	1,485	1,682	172	173	251	205	221	187
37 Gasoline companies	509	739	-65	39	36	-150	-6	-20	38
38 Mutual savings banks	47	95	-85	103	-11	1	23	56	8
By major type of credit									
39 Automobile	14,715	477	9,595	-121	-56	-28	233	959	655
40 Commercial banks	6,857	-5,830	-2,355	103	-180	-248	-159	-305	-240
41 Indirect paper	4,488	-3,104	-136	232	-141	-130	2	-52	-52
42 Direct loans	2,369	-2,726	-2,219	-129	-39	-118	-161	-253	-188
43 Credit unions	1,044	-1,184	914	345	-59	-55	54	-34	28
44 Finance companies	6,814	7,491	11,033	-569	183	275	338	1,298	867
45 Revolving	8,628	1,415	4,697	-196	-155	307	499	537	507
46 Commercial banks	5,521	-97	3,345	-276	-65	296	285	436	219
47 Retailers	2,598	773	1,417	41	-126	161	220	121	250
48 Gasoline companies	509	739	-65	39	36	-150	-6	-20	38
49 Mobile home	1,603	483	1,161	-26	-44	15	51	70	67
50 Commercial banks	1,102	-276	-74	-74	-110	-82	-48	-41	-58
51 Finance companies	238	355	749	6	56	52	53	44	64
52 Savings and loans	240	430	466	30	14	47	43	67	60
53 Credit unions	23	-25	20	12	-4	-2	3	0	1
54 Other	13,435	-927	4,441	786	330	696	392	-167	120
55 Commercial banks	4,681	-960	1,368	257	184	200	18	-103	-21
56 Finance companies	6,968	592	1,280	-34	68	346	153	-216	-57
57 Credit unions	1,118	-1,266	975	332	-72	-65	75	-5	9
58 Retailers	-466	-444	-314	-14	2	10	-39	-53	54
59 Savings and loans	1,087	1,056	1,217	142	159	204	162	154	127
60 Mutual savings banks	47	95	-85	103	-11	1	23	56	8

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

3. Net change equals extensions minus liquidations (repayments, charge-offs and other credit); figures for all months are seasonally adjusted.

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 $71.3 billion at the end of 1979, $74.8 billion at the end of 1980, and $80.2 billion at the end of 1981.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1979	1980	1981	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.	1982 May	1982 June
	Extensions								
1 **Total**	**324,777**	**306,076**	**336,341**	**26,888**	**27,150**	**27,462**	**28,648**	**29,197**	**29,737**
By major holder									
2 Commercial banks	154,733	134,960	146,186	11,775	12,431	12,519	12,790	12,765	13,460
3 Finance companies	61,518	60,801	66,344	4,433	4,857	5,002	5,343	6,135	5,700
4 Credit unions	34,926	29,594	35,444	3,326	2,695	2,631	3,010	2,902	2,887
5 Retailers[1]	47,676	49,942	53,430	4,385	4,254	4,536	4,618	4,449	4,762
6 Savings and loans	5,901	6,621	8,142	716	754	788	823	841	785
7 Gasoline companies	18,005	22,253	24,902	2,000	2,007	1,835	1,915	1,880	1,969
8 Mutual savings banks	2,018	1,905	1,893	253	152	151	185	225	174
By major type of credit									
9 Automobile	93,901	83,454	94,404	7,474	7,283	7,183	7,871	8,429	8,182
10 Commercial banks	53,554	41,109	42,792	3,696	3,415	3,393	3,499	3,317	3,404
11 Indirect paper	29,623	22,558	24,941	2,293	1,875	1,875	2,079	1,954	2,036
12 Direct loans	23,931	18,551	17,851	1,403	1,540	1,518	1,420	1,363	1,368
13 Credit unions	17,397	15,294	18,084	1,702	1,363	1,420	1,542	1,483	1,497
14 Finance companies	22,950	27,051	33,527	2,076	2,505	2,370	2,830	3,629	3,281
15 Revolving	120,174	128,068	140,135	11,070	11,730	12,143	12,416	12,528	13,361
16 Commercial banks	61,048	61,593	67,370	5,135	5,928	6,235	6,309	6,604	7,141
17 Retailers	41,121	44,222	47,863	3,935	3,795	4,073	4,192	4,044	4,251
18 Gasoline companies	18,005	22,253	24,902	2,000	2,007	1,835	1,915	1,880	1,969
19 Mobile home	6,471	5,093	6,028	434	364	411	544	478	459
20 Commercial banks	4,542	2,937	3,106	188	136	156	253	201	180
21 Finance companies	797	898	1,313	99	117	120	122	114	129
22 Savings and loans	948	1,146	1,432	122	102	126	151	151	137
23 Credit unions	184	113	176	25	9	9	18	12	13
24 Other	104,231	89,461	95,774	7,910	7,773	7,725	7,853	7,762	7,735
25 Commercial banks	35,589	29,321	32,918	2,756	2,952	2,735	2,729	2,643	2,735
26 Finance companies	37,771	32,852	31,504	2,258	2,235	2,512	2,391	2,392	2,290
27 Credit unions	17,345	14,187	17,182	1,599	1,323	1,202	1,450	1,407	1,377
28 Retailers	6,555	5,720	5,567	450	459	463	426	405	511
29 Savings and loans	4,953	5,476	6,710	594	652	662	672	690	648
30 Mutual savings banks	2,018	1,905	1,893	253	152	151	185	225	174
	Liquidations								
31 **Total**	**286,396**	**304,628**	**316,447**	**26,445**	**27,075**	**26,472**	**27,509**	**27,798**	**28,388**
By major holder									
32 Commercial banks	136,572	142,123	143,902	11,765	12,602	12,353	12,694	12,778	13,560
33 Finance companies	47,498	52,363	53,282	5,030	4,550	4,329	4,799	5,009	4,826
34 Credit unions	32,741	32,069	33,531	2,637	2,830	2,753	2,878	2,941	2,849
35 Retailers[1]	45,544	49,613	52,327	4,358	4,378	4,365	4,437	4,381	4,458
36 Savings and loans	4,574	5,136	6,640	544	581	537	618	620	598
37 Gasoline companies	17,496	21,514	24,967	1,961	1,971	1,985	1,921	1,900	1,931
38 Mutual savings banks	1,971	1,810	1,978	150	163	150	162	169	166
By major type of credit									
39 Automobile	79,186	82,977	84,809	7,595	7,339	7,211	7,638	7,470	7,527
40 Commercial banks	46,697	46,939	45,147	3,593	3,595	3,641	3,658	3,622	3,644
41 Indirect paper	25,135	25,662	25,077	2,061	2,016	2,005	2,077	2,006	2,088
42 Direct loans	21,562	21,277	20,070	1,532	1,579	1,636	1,581	1,616	1,556
43 Credit unions	16,353	16,478	17,169	1,357	1,422	1,475	1,488	1,517	1,469
44 Finance companies	16,136	19,560	22,494	2,645	2,322	2,095	2,492	2,331	2,414
45 Revolving	111,546	126,653	135,438	11,266	11,885	11,836	11,917	11,991	12,854
46 Commercial banks	55,527	61,690	64,025	5,411	5,993	5,939	6,024	6,168	6,922
47 Retailers	38,523	43,449	46,446	3,894	3,921	3,912	3,972	3,923	4,001
48 Gasoline companies	17,496	21,514	24,967	1,961	1,971	1,985	1,921	1,900	1,931
49 Mobile home	4,868	4,610	4,867	460	408	396	493	408	392
50 Commercial banks	3,440	3,213	3,180	262	246	238	301	242	238
51 Finance companies	559	543	564	93	61	68	69	70	65
52 Savings and loans	708	716	966	92	88	79	108	84	77
53 Credit unions	161	138	156	13	13	11	15	12	12
54 Other	90,796	90,388	91,333	7,124	7,443	7,029	7,461	7,929	7,615
55 Commercial banks	30,908	30,281	31,550	2,499	2,768	2,535	2,711	2,746	2,756
56 Finance companies	30,803	32,260	30,224	2,292	2,167	2,166	2,238	2,608	2,347
57 Credit unions	16,227	15,453	16,207	1,267	1,395	1,267	1,375	1,412	1,368
58 Retailers	7,021	6,164	5,881	464	457	453	465	458	457
59 Savings and loans	3,866	4,420	5,493	452	493	458	510	536	521
60 Mutual savings banks	1,971	1,810	1,978	150	163	150	162	169	166

1. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1976	1977	1978	1979	1980	1981	1979 H1	1979 H2	1980 H1	1980 H2	1981 H1	1981 H2
						Nonfinancial sectors						
1 **Total funds raised**	**273.6**	**336.6**	**395.6**	**387.0**	**371.9**	**376.0**	**385.0**	**389.0**	**339.0**	**404.9**	**418.4**	**333.6**
2 Excluding equities	262.8	333.5	396.3	394.0	357.0	387.4	394.7	393.3	330.1	383.8	416.9	358.0
By sector and instrument												
3 U.S. government	69.0	56.8	53.7	37.4	79.2	87.4	30.0	44.7	66.5	91.9	86.1	88.6
4 Treasury securities	69.1	57.6	55.1	38.8	79.8	87.8	32.3	45.2	67.2	92.4	86.7	89.0
5 Agency issues and mortgages	−.1	−.9	−1.4	−1.4	−.6	−.5	−2.3	−.5	−6	−.6	−.5	−.4
6 All other nonfinancial sectors	204.6	279 9	342.0	349.6	292.7	288.6	355.0	344.3	272.5	313.0	332.3	244.9
7 Corporate equities	10.8	3.1	−.6	−7.1	15.0	−11.5	−9.8	−4.3	8.9	21.0	1.5	−24.5
8 Debt instruments	193.8	276.7	342.6	356.7	277.8	300.1	364.7	348.6	263.6	292.0	330.7	269.4
9 Private domestic nonfinancial sectors	185.0	266.0	308.7	328.6	263.4	264.1	341.0	316.1	241.3	285.6	297.1	231.2
10 Corporate equities	10.5	2.7	−.1	−7.8	12.9	−11.5	−9.6	−6.1	6.9	18.8	.9	−23.8
11 Debt instruments	174.5	263.2	308.8	336.4	250.6	275.6	350.6	322.2	234.4	266.2	296.2	255.0
12 Debt capital instruments	123.7	172.2	193.7	200.1	179.4	147.8	203.0	197.2	177.0	181.9	171.1	124.5
13 State and local obligations	15.7	21.9	26.1	21.8	26.9	25.8	20.9	22.7	21.6	32.1	28.8	22.8
14 Corporate bonds	22.8	21.0	20.1	21.2	30.4	20.2	21.7	20.7	35.3	25.6	22.8	17.6
Mortgages												
15 Home mortgages	64.0	96.3	108.5	113.7	81.7	62.2	117.6	109.8	76.5	87.0	77.3	47.2
16 Multifamily residential	3.9	7.4	9.4	7.8	8.5	4.6	8.0	7.6	8.2	8.8	5.0	4.2
17 Commercial	11.6	18.5	22.1	24.4	22.4	25.3	23.4	25.4	24.8	19.9	28.4	22.1
18 Farm	5.7	7.1	7.5	11.3	9.5	9.8	11.6	11.0	10.6	8.4	8 9	10.7
19 Other debt instruments	50.7	91.0	115.1	136.3	71.1	127.8	147.6	125.0	57.4	84.9	125.1	130.4
20 Consumer credit	25.4	40.2	47 6	46.3	2.3	25.3	50.9	41.6	−5.1	9.7	29.5	21.1
21 Bank loans n.e.c.	4.4	26.7	37.1	49.2	37 3	50.1	55.5	42.8	13.5	61.2	42.0	58.3
22 Open market paper	4.0	2.9	5.2	11.1	6.6	19.2	8.0	14.2	24.8	−11.6	16.0	22.3
23 Other	16.9	21.3	25.1	29.7	24.9	33.2	33.1	26.4	24.1	25.6	37.6	28.7
24 By borrowing sector	185.0	266 0	308.7	328 6	263.4	264.1	341.0	316.1	241.3	285.6	297.1	231.2
25 State and local governments	15.2	17.3	20.9	18.4	25.3	23.1	17.9	18.9	19.7	30.9	26.2	20.0
26 Households	89.6	139.1	164.3	170.6	101.7	103.6	179.1	162.1	94.2	109.1	124.3	82.8
27 Farm	10.2	12 3	15.0	20.8	14.5	16.4	21.2	20.4	17.9	11.1	22.7	10.0
28 Nonfarm noncorporate	5.7	12.7	15.3	14.0	15.8	13.8	13.5	14.5	11.0	20.6	16.1	11.6
29 Corporate	64.3	84.6	93.2	104.8	106.1	107.3	109.3	100.2	98.4	113.8	107.8	106.7
30 Foreign	19.6	13.9	33.2	21.0	29.3	24.4	14.0	28.1	31.2	27.4	35.1	13.8
31 Corporate equities	.3	.4	−.5	.8	2.1	*	−.2	1.7	1.9	2.2	.6	−.7
32 Debt instruments	19.3	13.5	33.8	20.3	27.2	24.5	14.1	26.4	29.2	25.2	34.5	14.4
33 Bonds	8.6	5.1	4 2	3.9	.8	5.6	2.8	4.9	2.0	−.4	3.3	7.8
34 Bank loans n.e.c.	5.6	3.1	19.1	2.3	11.5	.8	2.1	2.4	6.1	17.0	5.7	−4.1
35 Open market paper	1.9	2 4	6.6	11.2	10.1	13.9	6.1	16.3	15.7	4.5	20.6	7.1
36 U.S. government loans	3.3	3.0	3.9	3.0	4.7	4.2	3.1	2.8	5.4	4.0	4.9	3.6
						Financial sectors						
37 **Total funds raised**	**23.4**	**51.4**	**76.8**	**84.3**	**66.7**	**88.6**	**87.8**	**80.8**	**59.8**	**73.5**	**92.6**	**84.6**
By instrument												
38 U.S. government related	15.1	21.9	36.7	48.2	43.0	44.4	43.7	52.8	44.7	41.3	40.6	48.2
39 Sponsored credit agency securities	3.3	7.0	23.1	24.3	24.4	30.1	21.2	27.3	25.1	23.7	24.0	36.1
40 Mortgage pool securities	12.2	16.1	13.6	24.0	18.6	14.3	22.5	25.5	19.6	17.6	16.5	12.1
41 Loans from U.S. government	−.4	−1.2	0	0	0	0	0	0	0	0	0	0
42 Private financial sectors	8 2	29.5	40.1	36.0	23.7	44.2	44.1	28.0	15.2	32.2	52.0	36.4
43 Corporate equities	−.2	2.6	1.8	2.5	6.2	8.3	3.6	1.4	7.1	5.2	9.7	7.0
44 Debt instruments	8.4	26.9	38.3	33.6	17.5	35.9	40.6	26.6	8.1	27.0	42.3	29.4
45 Corporate bonds	9.8	10.1	7 5	7.8	7.1	−.8	8.2	7.5	10.1	4.2	−2.0	.3
46 Mortgages	2.1	3.1	.9	−1.2	−.9	−2.9	.3	−2.6	−5.8	4.0	−2.9	−2.9
47 Bank loans n.e.c.	−3.7	−.3	2.8	−.4	−.5	2.5	−1.4	.6	*	−.9	4.6	.3
48 Open market paper and RPs	2.2	9.6	14.6	18.2	4.6	20.9	25.4	10.9	−.8	10.1	24.6	17.3
49 Loans from Federal Home Loan Banks	−2.0	4.3	12.5	9.2	7.1	16.2	8.2	10.1	4.6	9.6	18.0	14.5
By sector												
50 Sponsored credit agencies	2.9	5.8	23.1	24.3	24.4	30.1	21.2	27.3	25.1	23.7	24.0	36.1
51 Mortgage pools	12.2	16.1	13.6	24.0	18.6	14.3	22.5	25.5	19.6	17.6	16.5	12.1
52 Private financial sectors	8.2	29.5	40.1	36.0	23.7	44.2	44.1	28.0	15.2	32.2	52.0	36.4
53 Commercial banks	2.3	1.1	1.3	1.6	.5	.4	1.3	1.8	.8	.3	.2	.5
54 Bank affiliates	5.4	2.0	7.2	6.5	6.9	8.3	8.0	4.9	5.8	8.0	6.9	9.7
55 Savings and loan associations	.1	9.9	14.3	11.4	6.9	13.1	11.1	11.7	−1.4	15.2	17.2	8.9
56 Other insurance companies	.9	1.4	.8	.9	.9	.9	.9	.9	.9	.9	.9	.9
57 Finance companies	4.3	16.9	18.1	16.8	5.8	14.4	22.7	10.9	5.2	6.3	18.3	10.6
58 REITs	−2.2	−2.3	−1.1	−.4	−1.7	−.7	−.6	−.2	−1.4	−2.0	−.8	−.5
59 Open-end investment companies	−2.4	.4	−.5	−.6	4.4	7.8	.7	−1.9	5.3	3.4	9.3	6.3
						All sectors						
60 **Total funds raised, by instrument**	**297.0**	**388.0**	**472.5**	**471.3**	**438.6**	**464.6**	**472.8**	**469.7**	**398.8**	**478.4**	**511.0**	**418.2**
61 Investment company shares	−2.4	.4	−.5	−.6	4.4	7.8	.7	−1.9	5.3	3.4	9.3	6.3
62 Other corporate equities	13.1	5.3	1.7	−4.0	16.8	−11.0	−6.9	−1.0	10.7	22.8	1.9	−23.8
63 Debt instruments	286.4	382.3	471.3	475.8	417.5	467.7	479.0	472.6	382.9	452.1	499.8	435.6
64 U.S. government securities	84.6	79.9	90.5	85.7	122.3	131.9	73.8	97.6	111.3	133.2	126.8	136.9
65 State and local obligations	15.7	21.9	26.1	21.8	26.9	25.8	20.9	22.7	21.6	32.1	28.8	22.8
66 Corporate and foreign bonds	41.2	36.1	31.8	32.8	38.4	24.9	32.6	33.0	47.4	29.5	24.1	25.7
67 Mortgages	87.2	132.3	148.3	155.9	121.1	98.8	160.6	151.1	114.2	128.0	116.6	81.1
68 Consumer credit	25.4	40.2	47.6	46.3	2.3	25.3	50.9	41.6	−5.1	9.7	29.5	21.1
69 Bank loans n.e.c.	6.2	29.5	59.0	51.0	48.4	53.4	56.2	45.8	19.6	77.2	52.3	54.5
70 Open market paper and RPs	8.1	15.0	26.4	40.5	21.4	54.0	39.5	41.5	39.7	3.1	61.3	46.7
71 Other loans	17.8	27.4	41.5	41.9	36.7	53.7	44.4	39.3	34.1	39.3	60.5	46.8

1.59 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates

Transaction category, or sector	1976	1977	1978	1979	1980	1981	1979		1980		1981	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to nonfinancial sectors**	**262.8**	**333.5**	**396.3**	**394.0**	**357.0**	**387.4**	**394.7**	**393.3**	**330.1**	**383.8**	**416.9**	**358.0**
By public agencies and foreign												
2 Total net advances	49.8	79.2	101.9	74.0	92.1	91.2	49.6	98.5	102.9	81.3	103.6	78.8
3 U.S. government securities	23.1	34.9	36.1	-6.2	15.6	17.2	-27.1	14.7	23.2	8.0	24.3	10.1
4 Residential mortgages	12.3	20.0	25.7	36.7	31.1	22.7	35.7	37.8	33.3	28.9	20.8	24.6
5 FHLB advances to savings and loans	-2.0	4.3	12.5	9.2	7.1	16.2	8.2	10.1	4.6	9.6	18.0	14.5
6 Other loans and securities	16.4	20.1	27.6	34.3	38.2	35.0	32.8	35.8	41.7	34.8	40.5	29.6
Total advanced, by sector												
7 U.S. government	7.9	10.0	17.1	19.0	23.7	24.1	19.8	18.3	25.4	22.1	27.7	20.5
8 Sponsored credit agencies	16.8	22.4	39.9	53.4	43.8	45.3	47.8	58.9	42.4	45.2	42.2	48.3
9 Monetary authorities	9.8	7.1	7.0	7.7	4.5	9.2	-.9	16.2	12.1	-3.1	-7.3	25.6
10 Foreign	15.2	39.6	38.0	-6.1	20.0	12.6	-17.2	5.1	23.0	17.0	40.9	-15.7
11 Agency borrowing not included in line 1	15.1	21.9	36.7	48.2	43.0	44.4	43.7	52.8	44.7	41.3	40.6	48.2
Private domestic funds advanced												
12 Total net advances	228.1	276.2	331.0	368.2	307.9	340.6	388.9	347.6	271.9	343.8	353.8	327.5
13 U.S. government securities	61.5	45.1	54.3	91.9	106.7	114.7	101.0	82.9	88.1	125.3	102.6	126.8
14 State and local obligations	15.7	21.9	26.1	21.8	26.9	25.8	20.9	22.7	21.6	32.1	28.8	22.8
15 Corporate and foreign bonds	30.5	22.2	22.4	24.0	26.2	21.0	24.0	24.0	32.5	19.9	19.6	22.5
16 Residential mortgages	55.5	83.7	92.1	84.6	59.1	44.0	89.8	79.5	51.2	66.9	61.4	26.6
17 Other mortgages and loans	62.9	107.7	148.6	155.1	96.2	151.4	161.4	148.7	83.1	109.3	159.5	143.2
18 LESS: Federal Home Loan Bank advances	-2.0	4.3	12.5	9.2	7.1	16.2	8.2	10.1	4.6	9.6	18.0	14.5
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	191.4	260.9	302.4	292.5	270.3	302.5	316.9	268.0	246.1	294.4	318.9	286.2
20 Commercial banking	59.6	87.6	128.7	121.1	99.7	99.8	130.3	112.0	58.5	140.9	101.6	98.0
21 Savings institutions	70.5	82.0	73.5	55.9	58.4	24.1	59.6	52.2	35.5	81.3	38.4	9.8
22 Insurance and pension funds	49.7	67.8	75.0	66.4	79.8	81.9	72.3	60.5	89.2	70.3	79.3	84.5
23 Other finance	11.6	23.4	25.2	49.0	32.4	96.7	54.8	43.3	62.8	1.9	99.5	93.9
24 Sources of funds	191.4	260.9	302.4	292.5	270.3	302.5	316.9	268.0	246.1	294.4	318.9	286.2
25 Private domestic deposits	124.4	138.9	140.8	143.2	171.1	204.8	135.1	151.2	158.7	183.6	203.6	206.1
26 Credit market borrowing	8.4	26.9	38.3	33.6	17.5	35.9	40.6	26.6	8.1	27.0	42.3	29.4
27 Other sources	58.5	95.1	123.2	115.7	81.6	61.8	141.2	90.3	79.4	83.8	73.0	50.7
28 Foreign funds	-4.7	1.2	6.3	25.6	-22.3	-10.4	45.6	5.6	-22.8	-21.9	-6.5	-14.4
29 Treasury balances	.1	4.3	6.8	.4	-2.6	-1.1	5.0	-4.2	-2.3	-2.8	10.8	-13.0
30 Insurance and pension reserves	34.3	50.1	62.2	47.8	64.1	71.4	52.3	43.4	70.0	58.1	62.7	80.1
31 Other, net	29.0	39.5	48.0	41.9	42.4	2.0	38.4	45.4	34.5	50.4	6.0	1.9
Private domestic nonfinancial investors												
32 Direct lending in credit markets	45.1	42.2	67.0	109.3	55.1	74.0	112.5	106.1	33.9	76.4	77.3	70.7
33 U.S. government securities	16.4	24.1	35.6	62.8	32.6	44.8	71.0	54.5	19.3	45.8	37.1	52.4
34 State and local obligations	3.3	-.8	1.4	1.4	3.1	15.5	2.6	.2	-1.8	7.9	20.6	10.5
35 Corporate and foreign bonds	11.8	3.8	-2.9	10.3	3.6	-10.4	4.6	16.0	4.8	2.3	10.2	-10.6
36 Commercial paper	1.9	9.6	16.5	11.4	-3.8	4.3	11.4	11.4	-4.5	3.1	4.9	3.8
37 Other	11.7	13.2	16.4	23.5	19.7	19.7	22.9	24.0	16.0	23.3	24.8	14.6
38 Deposits and currency	133.4	148.5	152.1	152.6	182.3	213.7	149.3	155.9	167.6	197.1	209.5	217.9
39 Currency	7.3	8.3	9.3	7.9	10.3	9.5	9.0	6.9	8.5	12.1	4.7	14.3
40 Checkable deposits	10.4	17.2	16.3	19.2	4.2	16.9	16.6	21.9	-1.5	9.9	28.9	4.9
41 Small time and savings accounts	123.7	93.5	63.5	61.7	80.9	40.7	66.5	56.9	66.7	95.2	14.6	66.8
42 Money market fund shares	*	.2	6.9	34.4	29.2	107.5	30.2	38.6	61.9	-3.4	104.1	110.8
43 Large time deposits	-12.0	25.8	46.6	21.2	50.3	36.8	3.3	39.1	26.3	74.2	48.3	25.3
44 Security RPs	2.3	2.2	7.5	6.6	6.5	3.0	18.5	-5.3	5.3	7.8	7.7	-1.7
45 Foreign deposits	1.7	1.3	2.0	1.5	.9	-.6	5.2	-2.3	.4	1.3	1.2	-2.5
46 **Total of credit market instruments, deposits and currency**	**178.5**	**190.7**	**219.1**	**261.9**	**237.5**	**287.7**	**261.8**	**262.0**	**201.5**	**273.4**	**286.8**	**288.6**
47 Public support rate (in percent)	19.0	23.7	25.7	18.8	25.8	23.5	12.6	25.0	31.2	21.2	24.9	22.0
48 Private financial intermediation (in percent)	83.9	94.4	91.3	79.4	87.8	88.8	81.5	77.1	90.5	85.6	90.1	87.4
49 Total foreign funds	10.5	40.8	44.3	19.5	-2.3	2.2	28.4	10.7	.2	-4.8	34.5	-30.1
MEMO: Corporate equities not included above												
50 **Total net issues**	**10.6**	**5.7**	**1.2**	**-4.6**	**21.1**	**-3.1**	**-6.2**	**-2.9**	**16.0**	**26.3**	**11.2**	**-17.5**
51 Mutual fund shares	-2.4	.4	-.5	-.6	4.4	7.8	.7	-1.9	5.3	3.4	9.3	6.3
52 Other equities	13.1	5.3	1.7	-4.0	16.8	-11.0	-6.9	-1.0	10.7	22.8	1.9	-23.8
53 Acquisitions by financial institutions	12.5	7.4	4.5	10.6	17.7	22.4	7.1	14.0	10.5	24.9	26.4	18.4
54 Other net purchases	-1.9	-1.6	-3.4	-15.1	3.4	-25.5	-13.4	-16.9	5.5	1.4	-15.2	-35.9

NOTES BY LINE NUMBER.
1. Line 2 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, and 38 less lines 39 and 45.
17. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33-37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
39. Mainly an offset to line 9.
46. Lines 32 plus 38, or line 12 less line 27 plus 39 and 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1979	1980	1981	1981		1982						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[p]	July[e]
1 **Industrial production**[1]	**152.5**	**147.0**	**151.0**	**146.3**	**143.4**	**140.7**	**142.9**	**141.7**	**140.2**	**139.2**	**138.2**	**138.1**
Market groupings												
2 Products, total	150.0	146.7	150.6	147.5	146.2	142.9	144.6	143.7	142.9	142.2	141.1	141.0
3 Final, total	147.2	145.3	149.5	147.2	146.3	142.8	144.1	143.3	142.6	142.3	141.1	140.9
4 Consumer goods	150.8	145.4	147.9	144.0	142.0	139.6	141.8	141.5	142.1	143.5	143.7	144.5
5 Equipment	142.2	145.2	151.8	151.5	152.1	147.2	147.3	145.9	143.4	140.6	137.6	136.0
6 Intermediate	160.5	151.9	154.4	148.7	145.9	143.4	146.3	145.2	143.7	142.2	140.8	141.1
7 Materials	156.4	147.6	151.6	144.6	139.0	137.2	140.4	138.5	136.2	134.6	133.7	133.7
Industry groupings												
8 Manufacturing	153.6	146.7	150.4	145.0	142.0	138.5	140.9	140.1	138.7	137.8	137.1	137.1
Capacity utilization (percent)[1,2]												
9 Manufacturing	85.7	79.1	78.5	74.8	73.1	71.1	72.2	71.6	70.8	70.2	69.7	69.5
10 Industrial materials industries	87.4	80.0	79.9	75.5	72.4	71.4	72.9	71.8	70.5	69.5	68.9	68.8
11 Construction contracts (1977 = 100)[3]	121.0	106.0	107.0	92.0	112.0	115.0	97.0	105.0	88.0	94.0	118.0	n.a.
12 Nonagricultural employment, total[4]	136.5	137.6	139.1	138.3	137.7	137.5	137.5	137.2	136.9	137.0	136.6	136.5
13 Goods-producing, total	113.5	110.3	110.2	108.0	106.9	105.9	105.7	104.9	104.2	104.1	102.9	102.4
14 Manufacturing, total	108.2	104.4	104.2	102.3	101.2	100.4	100.0	99.3	98.6	98.3	97.3	96.9
15 Manufacturing, production-worker	105.3	99.4	98.5	95.9	94.3	93.2	92.9	92.1	91.2	90.9	89.9	89.6
16 Service-producing	149.1	152.6	155.0	154.9	154.7	154.8	154.9	155.0	154.8	155.1	155.0	155.2
17 Personal income, total	308.5	342.9	381.6	396.7	396.4	396.7	399.0	399.8	402.3	405.2	406.6	n.a.
18 Wages and salary disbursements	289.8	317.6	349.9	359.3	358.4	359.6	362.2	361.3	362.2	365.2	365.7	n.a.
19 Manufacturing	249.0	264.3	288.1	290.4	286.9	286.1	289.0	286.4	286.3	287.8	288.2	n.a.
20 Disposable personal income[5]	300.1	332.9	370.3	384.2	383.8	385.0	386.5	387.7	391.8	392.6	393.8	n.a.
21 Retail sales[6]	281.6	303.8	330.6	333.3	334.1	326.0	334.9	333.5	337.4	347.1	335.8	339.0
Prices[7]												
22 Consumer	217.4	246.8	272.4	280.7	281.5	282.5	283.4	283.1	284.3	287.1	290.6	n.a.
23 Producer finished goods	217.7	247.0	269.8	274.7	275.4	277.4	277.4	276.9	276.9	277.7	279.9	n.a.

1. The industrial production and capacity utilization series have been revised back to January 1979.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1981		1982		1981		1982		1981		1982	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**152.5**	**145.0**	**139.8**	**137.9**	**192.4**	**193.9**	**195.2**	**196.4**	**79.3**	**74.8**	**71.6**	**70.2**
2 Primary processing	155.8	143.5	137.1	132.1	196.3	197.5	198.6	199.5	79.4	72.7	69.1	66.3
3 Advanced processing	150.7	145.8	141.6	140.9	190.4	192.0	193.5	194.9	79.2	75.9	73.2	72.3
4 **Materials**	**154.3**	**144.0**	**138.7**	**134.8**	**190.3**	**191.5**	**192.6**	**193.7**	**81.1**	**75.2**	**72.0**	**69.6**
5 Durable goods	152.8	140.2	130.9	127.1	194.2	195.3	196.4	197.3	78.7	71.8	66.7	64.4
6 Metal materials	114.2	99.5	90.9	76.7	141.9	142.1	142.3	142.4	80.5	70.1	63.9	53.9
7 Nondurable goods	175.8	164.5	161.0	157.6	211.2	213.1	214.6	216.1	83.3	77.2	75.0	73.0
8 Textile, paper, and chemical	182.8	169.4	164.5	160.9	221.7	223.9	225.6	227.3	82.5	75.7	72.9	70.8
9 Textile	115.5	106.8	101.3	102.7	141.0	141.6	142.1	142.4	81.8	75.4	71.3	72.1
10 Paper	152.2	147.0	146.1	142.1	161.9	162.8	163.8	164.6	94.1	90.3	89.2	86.3
11 Chemical	224.9	206.2	200.0	194.3	281.0	284.4	287.3	289.6	80.0	72.5	69.6	67.1
12 Energy materials	131.6	127.9	129.8	125.5	155.0	155.8	156.5	157.0	84.9	82.1	82.9	79.9

2.11 Continued

Series	Previous cycle[1]		Latest cycle[2]		1981			1982						
	High	Low	High	Low	July	Nov.	Dec	Jan.	Feb.	Mar.	Apr.ʳ	Mayʳ	Juneʳ	July
	Capacity utilization rate (percent)													
13 Manufacturing	88.0	69.0	87.2	74.9	79 8	74.8	73.1	71.1	72.2	71.6	70.8	70.2	69.7	69.5
14 Primary processing	93.8	68.2	90.1	71.0	80.1	72.7	69.6	68.5	70.0	68.6	67.2	66.0	65 7	65.6
15 Advanced processing	85.5	69 4	86.2	77 2	79 8	75.8	75.0	72.8	73.6	73.2	72.6	72.5	71.8	71.6
16 Materials	92.6	69.4	88.8	73.8	81.9	75.5	72.4	71.4	72.9	71.8	70.5	69.5	68.9	68.8
17 Durable goods	91.5	63.6	88.4	68.2	79 3	72.2	68.5	66.2	67.4	66.4	65.0	64.2	63.9	63.5
18 Metal materials	98.3	68.6	96.0	59.6	79.5	70.8	65.5	65.8	64.7	61.1	56.2	53 5	51.9	
19 Nondurable goods	94.5	67.2	91.6	77 5	83.9	77 3	74 1	73.2	76.5	75.3	74.4	72.8	71.7	71.6
20 Textile, paper, and chemical	95.1	65.3	92.2	75.3	83.2	75.9	72.2	70.7	74.4	73.7	72.5	70.8	69.1	68.9
21 Textile	92 6	57.9	90.6	80 9	82.0	75.5	72.0	68 6	71.9	73.5	73.4	72.3	70.6	n.a.
22 Paper	99.4	72.4	97.7	89.3	92.9	92.3	86.5	87.6	90.7	89 4	87 4	86 0	85.5	n.a.
23 Chemical	95.5	64.2	91.3	70 7	81.2	72.4	69.0	67 4	71 3	70.2	69.0	67.1	65.2	n.a.
24 Energy materials	94.6	84.8	88.3	82.7	86.2	82.2	81 6	83.7	83.2	81.8	80.2	80 1	79.5	80.1

1. Monthly high 1973; monthly low 1975.

2. Preliminary; monthly highs December 1978 through January 1980; monthly lows July 1980 through October 1980.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1979	1980	1981	1982						
				Jan.	Feb.	Mar	Apr.	Mayʳ	Juneʳ	July
HOUSEHOLD SURVEY DATA										
1 **Noninstitutional population[1]**	**166,951**	**169,847**	**172,272**	**173,494**	**173,657**	**173,842**	**174,019**	**174,201**	**174,363**	**174,544**
2 Labor force (including Armed Forces)[1]	107,050	109,042	110,812	111,038	111,333	111,521	111,823	112,841	112,364	112,702
3 Civilian labor force	104,962	106,940	108,670	108,879	109,165	109,346	109,648	110,666	110,191	110,522
Employment										
4 Nonagricultural industries[2]	95,477	95,938	97,030	96,170	96,217	96,144	96,032	96,629	96,406	96,272
5 Agriculture	3,347	3,364	3,368	3,411	3,373	3,349	3,309	3,488	3,357	3,460
Unemployment										
6 Number	6,137	7,637	8,273	9,298	9,575	9,854	10,307	10,549	10,427	10,790
7 Rate (percent of civilian labor force)	5.8	7.1	7.6	8.5	8.8	9.0	9.4	9.5	9.5	9.8
8 Not in labor force	59,901	60,805	61,460	62,456	62,324	62,321	62,196	61,360	61,999	61,842
ESTABLISHMENT SURVEY DATA										
9 **Nonagricultural payroll employment[3]**	**89,823**	**90,564**	**91,548**	**90,460**	**90,459**	**90,304**	**90,083**	**90,166**	**89,860**	**89,843**
10 Manufacturing	21,040	20,300	20,264	19,517	19,454	19,319	19,169	19,115	18,929	18,839
11 Mining	958	1,020	1,104	1,201	1,203	1,197	1,182	1,152	1,121	1,107
12 Contract construction	4,463	4,399	4,307	3,966	3,974	3,934	3,938	3,988	3,942	3,932
13 Transportation and public utilities	5,136	5,143	5,152	5,125	5,115	5,100	5,094	5,101	5,081	5,058
14 Trade	20,192	20,386	20,736	20,630	20,670	20,655	20,584	20,652	20,602	20,629
15 Finance	4,975	5,168	5,330	5,326	5,326	5,336	5,335	5,342	5,356	5,362
16 Service	17,112	17,901	18,598	18,831	18,867	18,904	18,929	18,963	19,012	19,066
17 Government	15,947	16,249	16,056	15,864	15,850	15,859	15,852	15,853	15,817	15,850

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1981 average	1981						1982						
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]	July[e]
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**151.0**	**153.9**	**153.6**	**151.6**	**149.1**	**146.3**	**143.4**	**140.7**	**142.9**	**141.7**	**140.2**	**139.2**	**138.2**	**138.1**
2 Products	60.71	150.6	153.0	152.6	151.0	149.4	147.5	146.2	142.9	144.6	143.7	142.9	142.2	141.1	141.0
3 Final products	47.82	149.5	152.1	151.5	150.0	148.9	147.2	146.3	142.8	144.1	143.3	142.6	142.3	141.1	140.9
4 Consumer goods	27.68	147.9	150.7	149 6	147.8	146.5	144.0	142.0	139.6	141.8	141.5	142.1	143.5	143.7	144.5
5 Equipment	20.14	151.8	154.1	154.0	152.9	152.1	151.5	152.1	147.2	147.3	145.9	143.4	140.6	137.6	136.0
6 Intermediate products	12.89	154.4	156.2	156.8	154.6	151.4	148.7	145.9	143.4	146.3	145.2	143.7	142.2	140.8	141.1
7 Materials	39.29	151.6	155.3	155.2	152.5	148 5	144.6	139.0	137.2	140.4	138.5	136.2	134.6	133.7	133.7
Consumer goods															
8 Durable consumer goods	7.89	140.5	146.5	142.5	140.4	136.3	129.7	123.2	120 1	125.9	128.1	130.7	133.3	136.1	138.4
9 Automotive products	2.83	137.9	147.6	137.6	139.1	132.8	121.7	119.2	109.2	117.5	125.0	129.9	139.0	143.5	150.5
10 Autos and utility vehicles	2.03	111.2	123.0	107 8	110.0	101.7	88.9	87.5	71.6	82.0	93.6	100.5	111.8	117.1	127.2
11 Autos	1.90	103.4	118.1	104 0	103.3	92.5	81.1	78.1	61.3	70.5	79.8	87.2	96.1	101.9	114.6
12 Auto parts and allied goods	80	205.6	210.0	213.1	212.9	211.8	205.0	199.7	204.4	207.8	204.5	204.6	208.0	210.4	209.6
13 Home goods	5.06	142.0	145.8	145.3	141.1	138.2	134.1	125.4	126.3	130.6	129.9	131.1	130.1	131.9	131.6
14 Appliances, A/C, and TV	1.40	119.6	123.6	126.8	119.0	116 7	107.7	85.7	100.6	103.5	97.0	102.7	100.5	106.8	103.6
15 Appliances and TV	1.33	121.2	124.8	128.9	121.4	118.7	108.7	86.6	101.6	104.1	97.4	103.1	101.5	109.0	...
16 Carpeting and furniture	1.07	158.0	163.2	160.1	158.6	152.6	146.9	144.4	137.9	147.8	151.3	151.8	147.1	148.4	...
17 Miscellaneous home goods	2.59	147.4	150.7	149.2	145.8	143.9	143.2	139.1	135.4	138.1	138.9	138.0	139.1	138.7	139.5
18 Nondurable consumer goods	19.79	150.9	152.3	152.5	150.8	150.5	149.7	149.5	147.4	148.1	146.8	146.6	147.5	146.7	147.0
19 Clothing	4.29	119.8	122.8	121.9	119.3	117.8	116.1	113.8	106.0	...	158.1	...	...	...	...
20 Consumer staples	15.50	159.5	160.5	161.0	159.5	159.6	159.0	159.4	158.9	159.2	149.6	158.3	158.6	157.7	157 7
21 Consumer foods and tobacco	8.33	150.3	150.5	150.6	149.5	150.7	150.4	150.9	150.0	151.1	168.0	148.1	149.3	...	...
22 Nonfood staples	7.17	170.0	172.2	173.0	171.1	169.9	169.1	169.3	169.1	168.7	217.8	170.0	169.5	168.5	169.5
23 Consumer chemical products	2.63	223.1	226.8	227.7	227.5	223.0	220.3	220.1	220.1	218.2	127.8	218.3	216 9	215.4	...
24 Consumer paper products	1.92	127.9	127.6	128.9	127.7	126.9	125.7	127.2	127.0	130.2	147.6	128.7	126.4	125.2	...
25 Consumer energy products	2.62	147.7	150.0	150.4	146.4	148.2	149.4	149.1	148.9	147 2	170.4	151 9	153 6	153.1	...
26 Residential utilities	1.45	166.3	172.6	169.7	162.8	166.2	167 4	167.5	172.3	171.6	169.0	174.5	173 7	...	...
Equipment															
27 Business	12.63	181.1	184.8	184.8	182.7	180.5	179.0	179.0	172.2	171.6	151.2	164.9	160.2	155.2	152.0
28 Industrial	6.77	166.4	169 4	170.2	168.9	166.9	165.1	164.0	158.1	155.9	256.9	145.9	139.6	133.9	129.2
29 Building and mining	1.44	286.2	290.3	293.0	293.6	295.6	293.8	294.6	289.0	274.9	116.3	242.2	225.7	208.8	196.3
30 Manufacturing	3.85	127.9	130.8	130.8	129.3	125.7	123.6	122.0	116 9	116.8	139.0	114.0	110.6	107.6	104.4
31 Power	1.47	149.7	151.6	152.7	150.4	148.4	147.1	145.5	137.4	141.1	189.5	134.8	131.2	129.2	128.0
32 Commercial transit, farm	5.86	198.0	202.5	200.9	198.5	196.2	195.0	196.3	188.5	189.9	257.8	186.9	184.0	179 7	178.4
33 Commercial	3.26	258.7	263.7	264.3	264.2	259.8	260.6	262.9	256.1	256.4	110.5	253.1	247.4	241.9	238.8
34 Transit	1.93	125.4	128.4	124.6	121.0	120.6	116.6	117.5	109.0	110.4	84 9	110 9	110.9	108.6	109.6
35 Farm	67	112.0	118.0	111 8	102.1	104.6	101.7	98 9	88.4	95.1	107.0	83.5	86.1	82.3	...
36 Defense and space	7.51	102.7	102 6	102.8	103.0	104.5	105.3	107.0	105.2	106.5	125.6	107.2	107.7	108.1	109.0
Intermediate products															
37 Construction supplies	6.42	141.9	144.3	144.0	139.7	135.2	130.1	127.0	124.2	127.5	164.6	123.6	121.5	120.9	121.2
38 Business supplies	6.47	166.7	168.0	169.5	169.4	167 5	167.1	164.6	162.4	165.1	184.5	163.7	162.7	160.6	...
39 Commercial energy products	1.14	176.4	180.0	176.6	174.2	174.3	177.0	177.3	181.7	184.1	130.7	183.5	180.8	179.1	...
Materials															
40 Durable goods materials	20.35	149.1	153.6	154.3	150.4	145.6	141.0	134.0	129.7	132.4	130.7	128.1	126.7	126.4	125.7
41 Durable consumer parts	4.58	114.5	123.2	121 8	114.5	107.6	102.8	92.9	86.9	92.2	94.1	94.7	99.0	102.6	102.9
42 Equipment parts	5.44	191.2	193.8	194.7	192.7	190.3	188.7	183.3	177.2	180.1	177 5	173 9	169.8	168.3	167.1
43 Durable materials n.e.c.	10.34	142.3	145.9	147.4	144.1	138.9	132.9	126.1	123.6	125.1	122 2	118.8	116.2	114.8	113.9
44 Basic metal materials	5.57	112.0	114.5	117.4	113.1	106.5	101.6	94.8	94.5	94.3	88.6	82.3	78.8	77.0	...
45 Nondurable goods materials	10.47	174.6	176.5	175.4	175.5	170.6	164.7	158.3	156.8	164.2	162.0	160.3	157.3	155.2	155.4
46 Textile, paper, and chemical materials	7.62	181.4	183.5	182.4	182.5	176.4	169.9	161.9	159.1	167.9	166.6	164.4	160.9	157.5	157.4
47 Textile materials	1.85	113.0	115.5	116 0	114.9	111.6	106.9	102.0	97.3	102.2	104.5	104.5	103.0	100.6	...
48 Paper materials	1.62	150.6	150.0	151 5	155.1	149.6	150.2	141.2	143.2	148.5	146.7	143.5	141.6	141 1	...
49 Chemical materials	4.15	224.0	227.1	224.1	223.4	215.9	205.8	196.8	193.0	204.9	202.2	199.3	194.4	189.3	...
50 Containers, nondurable	1.70	169.3	171.7	169.4	170.9	166.7	163.5	161.9	162.4	166.7	161.3	159.8	156.2	158.6	...
51 Nondurable materials n.e.c.	1.14	137.4	136.6	137.8	136.2	137.1	131.9	128.6	132.4	136.0	132.4	134.2	134.8	134.9	...
52 Energy materials	8.48	129.0	133.3	132.6	128.9	128.3	128.1	127 4	130.9	130.3	128.2	125.8	125.7	125.0	126.0
53 Primary energy	4.65	115.0	120.3	120.9	117.4	116.4	115.6	115.9	119.2	119.5	119.2	117.3	117.5	115.5	...
54 Converted fuel materials	3.82	145.9	149.2	146.9	142.9	142.8	143.4	141.4	145.1	143.4	139.1	136.1	135.7	136.6	...
Supplementary groups															
55 Home goods and clothing	9.35	131 8	135.2	134 5	131.1	128.8	125.9	120.1	117.0	120.1	118.9	118 9	119.6	120.6	120 7
56 Energy, total	12.23	137.4	141.2	140.5	136.8	136.9	137.2	136.7	139.5	138.9	137.6	136.7	136.8	136.1	137.6
57 Products	3.76	156.4	159.1	158.4	154.8	156.1	157.8	157.7	158.8	158.4	158.8	161.5	161.8	161.0	...
58 Materials	8.48	129.0	133.3	132.6	128.9	128.3	128.1	127.4	130.9	130.3	128.2	125.8	125.7	125.0	126.0

2.13 Continued

Grouping	SIC code	1967 pro-portion	1981 avg.[r]	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr.[r]	1982 May	1982 June[p]	1982 July[e]
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	12.05	155.0	159.1	158.2	155.8	156.1	155.4	154.7	157.4	155.6	153.1	151.6	149.3	145.7	144.7
2 Mining	......	6.36	142.2	146.5	146.0	145.0	145.3	143.3	142.6	144.5	142.4	138.1	134.1	129.7	125.1	121.9
3 Utilities	.....	5.69	169.1	173.1	171.9	167.8	168.1	168.9	168.2	171.8	170.4	170.0	171.0	171.1	168.7	170.2
4 Electric	.....	3.88	190.9	196.2	194.2	188.3	189.4	190.9	190.2	195.2	192.5	191.7	193.1	193.4	190.0	192.3
5 Manufacturing	......	87.95	150.4	153.2	153.2	151.1	148.0	145.0	142.0	138.5	140.9	140.1	138.7	137.8	137.1	137.1
6 Nondurable	......	35.97	164.8	167.1	167.3	165.9	162.8	160.3	157.4	155.1	157.8	157.3	156.1	154.9	154.2	154.2
7 Durable	.	51.98	140.5	143.6	143.4	140.9	137.8	134.4	131.3	127.1	129.3	128.2	126.7	126.0	125.3	125.2
Mining																
8 Metal	10	.51	123.1	123.6	124.1	121.5	119.8	115.4	110.9	121.3	120.8	109.9	108.8	90.6	71.4	..
9 Coal	11.12	.69	141.3	170.0	167.4	161.9	166.9	160.8	145.5	147.9	156.0	155.6	146.2	149.2	144.4	142.0
10 Oil and gas extraction	13	4.40	146.8	147.7	148.2	148.8	148.9	148.4	150.5	151.5	146.6	141.4	137.7	133.4	129.4	127.0
11 Stone and earth minerals	14	.75	129.4	133.3	128.2	123.4	122.0	116.7	115.7	115.8	120.5	121.6	119.6	117.3	118.7	...
Nondurable manufactures																
12 Foods	20	8.75	152.1	151.6	151.9	150.7	151.4	153.0	152.8	151.1	151.7	150.8	149.7	150.0	......	......
13 Tobacco products	21	.67	122.2	121.3	123.8	122.4	124.3	119.6	112.6	112.7	126.7	126.7	116.1	117.2	..	..
14 Textile mill products	22	2.68	135.7	139.4	140.7	136.3	132.5	126.1	122.8	120.0	125.8	126.0	126.3	124.4	123.4	.....
15 Apparel products	23	3.31	120.4	122.6	122.6	122.5	117.8	113.8	114.1	105.7	......	......	......	......	......	......
16 Paper and products	26	3.21	155.0	154.9	156.7	158.6	153.3	152.6	146.6	148.3	151.5	150.6	149.8	146.5	144.6	143.9
17 Printing and publishing	27	4.72	144.2	144.4	146.1	145.9	145.6	143.4	145.3	145.6	146.4	145.9	144.2	143.3	141.0	140.5
18 Chemicals and products	28	7.74	215.6	221.5	219.2	216.3	208.8	204.6	199.8	196.7	201.3	200.3	198.6	194.0	192.2	..
19 Petroleum products	29	1.79	129.7	128.7	130.4	129.1	128.3	128.0	128.3	123.3	119.5	121.3	120.8	121.8	125.9	128.1
20 Rubber and plastic products	30	2.24	274.0	285.3	286.7	282.2	276.0	264.1	247.3	244.7	251.8	253.4	255.1	255.1	257.5	......
21 Leather and products	31	.86	69.3	70.1	69.6	69.7	71.2	70.8	65.6	63.1	64.0	61.2	60.6	61.2	60.4	..
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	81.1	80.6	81.8	82.3	82.5	84.3	85.5	84.1	83.8	83.8	85.2	86.3	86.4	86.8
23 Lumber and products	24	1.64	119.1	122.9	119.1	113.2	109.6	104.7	104.8	99.2	104.9	103.5	106.2	111.0	111.5	......
24 Furniture and fixtures	25	1.37	157.2	164.9	163.3	159.9	157.2	153.7	149.4	144.3	148.4	150.2	151.8	151.2	150.0	...
25 Clay, glass, stone products	32	2.74	147.9	148.7	148.2	147.3	143.4	135.9	131.5	128.5	135.0	131.5	127.0	124.4	125.8	......
26 Primary metals	33	6.57	107.9	109.4	113.1	108.6	102.3	96.6	89.6	89.7	88.5	83.0	76.4	74.6	72.7	73.1
27 Iron and steel	331.2	4.21	99.8	99.7	105.1	99.2	92.2	87.2	79.2	79.6	78.5	73.0	65.1	62.4	58.3	......
28 Fabricated metal products	34	5.93	136.4	140.1	140.0	136.8	133.8	130.2	126.1	120.7	121.4	121.1	119.1	116.0	114.8	114.9
29 Nonelectrical machinery	35	9.15	171.2	176.7	176.4	173.9	169.7	167.9	167.4	160.9	160.0	157.3	153.7	150.2	145.9	142.1
30 Electrical machinery	36	8.05	178.4	180.9	182.6	180.0	179.6	175.7	170.7	168.2	172.9	172.6	172.2	170.5	171.3	171.4
31 Transportation equipment	37	9.27	116.1	119.8	115.4	114.2	110.6	106.1	103.7	96.6	102.0	104.4	105.9	110.0	111.7	114.0
32 Motor vehicles and parts	371	4.50	122.3	130.5	123.1	120.4	113.8	105.5	100.4	90.4	98.6	105.6	110.7	119.8	124.3	128.2
33 Aerospace and miscellaneous transportation equipment	372.9	4.77	110.2	109.7	108.2	108.5	107.5	106.8	106.8	102.4	105.3	103.2	101.3	100.9	99.8	100.6
34 Instruments	38	2.11	170.3	172.1	172.3	169.7	168.6	167.1	166.8	162.2	164.5	163.0	162.8	163.5	164.1	163.3
35 Miscellaneous manufactures	39	1.51	154.7	159.4	158.6	154.2	151.5	151.7	147.9	144.9	144.5	145.3	144.6	143.6	140.8	142.0
				Gross value (billions of 1972 dollars, annual rates)												
MAJOR MARKET																
36 Products, total	......	**507.4**[1]	**612.3**	**621.4**	**616.5**	**611.5**	**605.0**	**597.6**	**592.8**	**577.4**	**588.1**	**586.8**	**582.1**	**585.1**	**580.4**	**584.2**
37 Final	....	390.9[1]	474.1	481.9	476.4	473.0	470.1	465.2	462.3	448.8	457.1	456.6	453.5	457.7	454.0	457.2
38 Consumer goods	..	277.5[1]	318.0	324.0	319.3	317.7	314.3	310.5	307.2	298.9	306.3	306.9	306.7	311.5	311.1	315.8
39 Equipment	.	113.4[1]	156.1	157.9	157.1	155.3	155.8	154.7	155.1	149.9	150.8	149.7	146.8	146.2	142.9	141.5
40 Intermediate	..	116.6[1]	138.2	139.5	140.1	138.4	134.9	132.4	130.5	128.7	131.1	130.2	128.6	127.3	126.4	127.0

1. 1972 dollar value.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System, Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1979	1980	1981	1981 Oct.	1981 Nov.	1981 Dec	1982 Jan.	1982 Feb.	1982 Mar.	1982 Apr	1982 May	1982 June
	Private residential real estate activity (thousands of units)											
NEW UNITS												
1 Permits authorized	1,552	1,191	986	738	743	797	803	792	851	879	944[r]	948
2 1-family	981	710	564	400	413	454	450	436	460	450	488[r]	519
3 2-or-more-family	571	481	421	338	330	343	353	356	391	429	456[r]	429
4 Started	1,745	1,292	1,084	854	860	882	885	945	931	882[r]	1,075[r]	911
5 1-family	1,194	852	705	507	554	550	592	568	621	566	631[r]	607
6 2-or-more-family	551	440	379	347	306	332	293	377	310	316	444[r]	304
7 Under construction, end of period[1]	1,140	896	682	731	705	689	684	688	682	674[r]	669	n.a.
8 1-family	639	515	382	410	397	391	394	400	399	394	385	n.a.
9 2-or-more-family	501	382	301	321	309	298	291	288	283	281	284	n.a.
10 Completed	1,855	1,502	1,266	1,265	1,067	1,114	1,063	920	926[r]	962[r]	1,107	n.a.
11 1-family	1,286	957	818	725	673	676	640	545	585[r]	594	651	n.a
12 2-or-more-family	569	545	447	540	394	438	423	375	341[r]	368	456	n.a.
13 Mobile homes shipped	277	222	241	208	207	206	211	251	252	255	246	n.a.
Merchant builder activity in 1-family units												
14 Number sold	709	545	436	359	388	456	399	376	380[r]	341[r]	399[r]	343
15 Number for sale, end of period[1]	402	342	278	291	282	272	275	274	269	264	259[r]	255
Price (thousands of dollars)[2]												
Median												
16 Units sold	62.8	64.7	68.8	69.6	71.2	68.4	66.2	65.7	67.2[r]	70.4[r]	69.4[r]	72.6
Average												
17 Units sold	71.9	76.4	83.1	82.5	85.3	82.8	78.0	80.7	83.7[r]	85.7[r]	86.5[r]	88.1
EXISTING UNITS (1-family)												
18 Number sold	3,701	2,881	2,350	1,930	1,900	1,940	1,860	1,950	1,990	1,910	1,900[r]	1950
Price of units sold (thousands of dollars)[2]												
19 Median	55.5	62.1	66.1	66.0	65.9	66.6	66.4	66.9	67.0	67.1	67.8[r]	69.4
20 Average	64.0	72.7	78.0	76.6	77.5	78.6	79.8	78.8	79.1	79.4	80.6[r]	82.3
	Value of new construction[3] (millions of dollars)											
CONSTRUCTION												
21 Total put in place	**230,412**	**230,748**	**238,198**	**230,820**	**230,010**	**228,755**	**225,086**	**222,615**	**224,583**	**226,172**[r]	**227,708**[r]	**230,653**
22 Private	181,622[r]	175,701[r]	185,221[r]	180,003	178,127[r]	176,562	175,493	173,026	173,605	175,318[r]	179,217[r]	182,822
23 Residential	99,028	87,261	86,566	78,222	76,167	75,829	73,737	69,161	70,040	72,406[r]	75,573[r]	74,786
24 Nonresidential, total	82,594	88,440[r]	98,655[r]	101,781	101,960[r]	100,733	101,756	103,865	103,565	102,912	103,644[r]	108,036
Buildings												
25 Industrial	14,953	13,839	17,031	18,548	18,356	16,622	17,113	17,211	16,641	15,882	17,118[r]	19,473
26 Commercial	24,919	29,940	34,243	34,606	35,667	36,382	36,161	36,841	38,362	38,437	36,818[r]	38,366
27 Other	7,427	8,654	9,543	9,713	9,419	9,223	9,558	10,002	9,880	9,897	10,427[r]	10,612
28 Public utilities and other	35,295[r]	36,007[r]	37,838[r]	38,914[r]	38,518[r]	38,506	38,924	39,811	38,682	38,696	39,281[r]	39,585
29 Public	48,790[r]	55,047[r]	52,977[r]	50,817	51,883[r]	52,193	49,593	49,589	50,978	50,854[r]	48,491[r]	47,831
30 Military	1,648[r]	1,880	1,966[r]	1,913	1,935	1,955	2,092	1,459	2,317	1,895	2,102	1,906
31 Highway	11,997	13,808[r]	13,304	11,863	12,798	12,732	11,479	12,422	13,307	12,113	11,655[r]	12,004
32 Conservation and development	4,586[r]	5,089[r]	5,225	5,239	4,906	4,884	5,232	5,301	5,056	5,180	4,911[r]	4,775
33 Other	30,559[r]	34,270[r]	32,482[r]	31,802	32,244[r]	32,622	30,790	30,407	30,298[r]	31,666[r]	29,823[r]	29,146

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	12 months to		3 months (at annual rate) to				1 month to					Index level June 1982 (1967 = 100)[1]
	1981 June	1982 June	1981		1982		1982					
			Sept.	Dec.	Mar.	June	Feb.	Mar.	Apr.	May	June	
CONSUMER PRICES[2]												
1 **All items**	**9.6**	**7.1**	**12.8**	**5.4**	**1.0**	**9.3**	**.2**	**−.3**	**.2**	**1.0**	**1.0**	**290.6**
2 Commodities	8.8	4.7	8.5	3.6	−.8	7.8	.2	.5	−.3	.9	1.3	265.1
3 Food	8.6	5.2	7.7	1.7	3.9	7.3	.6	−.4	.3	.8	.6	287.8
4 Commodities less food	8.9	4.5	9.0	4.3	−2.6	7.9	.0	.5	−.5	.9	1.5	251.9
5 Durable	8.6	7.3	10.8	1.2	3.5	14.1	.4	.2	.6	1.4	1.3	243.2
6 Nondurable	9.2	1.2	4.6	3.8	−4.9	1.9	.8	−.7	−2.2	.7	2.0	261.2
7 Services	10.7	10.3	19.2	7.8	3.5	11.3	.4	.0	.9	.9	.8	334.9
8 Rent	8.2	7.6	10.2	9.0	5.9	5.6	.4	.5	.2	.8	.4	222.6
9 Services less rent	11.0	10.7	20.4	7.6	3.3	11.9	.4	.0	1.0	1.0	.9	356.5
Other groupings												
10 All items less food	9.8	7.5	13.9	6.2	.9	9.7	.2	−.2	.2	1.0	1.2	289.7
11 All items less food and energy	9.4	8.5	15.0	5.6	3.0	10.6	.4	.0	.8	.9	.9	277.3
12 Homeownership	9.4	9.2	21.5	.3	−2.4	19.8	.4	−.9	1.3	1.8	1.4	382.8
PRODUCER PRICES												
13 Finished goods	10.5	3.5	3.4	5.5	.3	4.7	.2	−.3	.1	.0	1.0	279.9
14 Consumer	10.3	2.8	2.8	4.5	−.1	4.3	.1	−.5	.0	−.1	1.1	280.0
15 Foods	8.9	3.8	1.6	3.9	6.0	11.7	.5	−.2	1.6	.7	.5	263.4
16 Excluding foods	10.7	2.5	3.2	7.8	2.2	1.3	−.3	.6	−.7	−.4	1.4	284.6
17 Capital equipment	10.9	6.0	5.7	9.7	2.1	6.5	.4	.4	.4	.4	.8	279.6
18 Intermediate materials[3]	10.6	1.2	5.2	2.7	−1.4	1.8	−.3	−.2	−.8	.0	.3	314.8
Crude materials												
19 Nonfood	26.7	−4.0	1.1	6.0	−18.1	8.7	2.0	−2.0	−.2	1.7	.6	467.9
20 Food	8.8	1.7	18.2	−25.5	23.3	24.3	.7	.2	3.5	2.7	−.6	259.8

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1979	1980	1981	1981				1982	
				Q1	Q2	Q3	Q4	Q1	Q2
GROSS NATIONAL PRODUCT									
1 **Total**	**2,417.8**	**2,633.1**	**2,937.7**	**2,864.9**	**2,901.8**	**2,980.9**	**3,003.2**	**2,995.5**	**3,047.4**
By source									
2 Personal consumption expenditures	1,507.2	1,667.2	1,843.2	1,799.9	1,819.4	1,868.8	1,884.5	1,919.4	1,950.8
3 Durable goods	213.4	214.3	234.6	236.9	230.4	241.2	229.6	237.9	242.6
4 Nondurable goods	600.0	670.4	734.5	720.6	729.6	741.3	746.5	749.1	756.5
5 Services	693.7	782.5	874.1	842.4	859.4	886.3	908.3	932.4	951.6
6 Gross private domestic investment	423.0	402.4	471.5	455.7	475.5	486.0	468.9	414.8	429.1
7 Fixed investment	408.8	412.4	451.1	443.5	450.9	454.2	455.7	450.4	448.8
8 Nonresidential	290.2	309.2	346.1	330.0	341.3	353.0	360.2	357.0	354.0
9 Structures	98.3	110.5	129.7	119.6	127.0	132.7	139.6	141.4	143.2
10 Producers' durable equipment	191.9	198.6	216.4	210.4	214.3	220.2	220.6	215.6	210.8
11 Residential structures	118.6	103.2	105.0	113.6	109.5	101.2	95.5	93.4	94.7
12 Nonfarm	114.0	98.3	99.7	109.1	104.7	95.6	89.4	87.9	88.7
13 *Change in business inventories*	14.3	-10.0	20.5	12.2	24.6	31.8	13.2	-35.6	-19.7
14 Nonfarm	8.6	-5.7	15.0	10.0	19.3	24.6	6.0	-36.0	19.2
15 Net exports of goods and services	13.2	25.2	26.1	31.2	23.7	25.9	23.5	31.3	35.6
16 Exports	281.4	339.2	367.3	365.4	368.9	367.2	367.9	359.9	360.9
17 Imports	268.1	314.0	341.3	334.2	345.1	341.3	344.4	328.6	325.3
18 Government purchases of goods and services	474.4	538.4	596.9	578.1	583.2	600.2	626.3	630.1	631.9
19 Federal	168.3	197.2	229.0	217.0	218.2	230.0	250.5	249.7	244.1
20 State and local	306.0	341.2	368.0	361.1	365.0	370.1	375.7	380.4	387.8
By major type of product									
21 Final sales, total	2,403.5	2,643.1	2,917.3	2,852.7	2,877.2	2,949.1	2,989.9	3,031.1	3,067.0
22 Goods	1,065.6	1,141.9	1,289.2	1,265.3	1,276.0	1,317.0	1,298.5	1,269.4	1,290.1
23 *Durable*	464.8	477.3	528.1	522.0	538.2	547.3	504.9	482.4	506.7
24 Nondurable	600.8	664.6	761.1	743.3	737.8	769.7	793.6	787.0	783.4
25 Services	1,089.7	1,225.6	1,364.3	1,313.5	1,340.2	1,382.1	1,421.5	1,444.4	1,471.9
26 Structures	262.5	265.7	284.2	286.1	285.6	281.9	283.3	281.7	285.3
27 Change in business inventories	14.3	-10.0	20.5	12.2	24.6	31.8	13.2	35.6	-19.7
28 Durable goods	10.5	-5.2	8.7	2.2	18.5	19.8	-5.6	-30.9	-6.3
29 Nondurable goods	3.8	-4.8	11.8	10.0	6.1	12.0	18.9	4.8	-13.4
30 MEMO: **Total GNP in 1972 dollars**	**1,479.4**	**1,474.0**	**1,502.6**	**1,507.8**	**1,502.2**	**1,510.4**	**1,490.1**	**1,470.7**	**1,476.8**
NATIONAL INCOME									
31 **Total**	**1,966.7**	**2,117.1**	**2,352.5**	**2,293.7**	**2,324.4**	**2,387.3**	**2,404.5**	**2,396.9**	**n.a.**
32 Compensation of employees	1,458.1	1,598.6	1,767.6	1,718.0	1,750.0	1,789.1	1,813.4	1,830.8	1,849.9
33 Wages and salaries	1,237.4	1,356.1	1,494.0	1,452.8	1,479.4	1,512.6	1,531.1	1,541.5	1,555.9
34 Government and government enterprises	236.2	260.2	283.1	276.2	279.8	284.0	292.3	296.3	300.1
35 Other	1,001.4	1,095.9	1,210.9	1,176.5	1,199.6	1,228.6	1,238.8	1,245.2	1,255.8
36 Supplement to wages and salaries	220.7	242.5	273.6	265.2	270.6	276.5	282.3	289.3	294.1
37 Employer contributions for social insurance	105.8	115.3	133.2	129.9	132.1	134.3	136.5	140.2	141.6
38 Other labor income	114.9	127.3	140.4	135.3	138.4	142.2	145.8	149.1	152.5
39 Proprietors' income[1]	132.1	116.3	124.7	123.4	123.8	127.5	124.1	116.4	115.3
40 Business and professional[1]	100.2	96.9	100.7	101.8	101.2	100.4	99.5	98.6	100.0
41 Farm[1]	31.9	19.4	24.0	21.6	22.5	27.1	24.6	17.8	15.3
42 Rental income of persons[2]	27.9	32.9	33.9	34.4	34.0	33.6	33.6	33.9	34.2
43 Corporate profits[1]	194.8	181.6	190.6	200.3	185.1	193.1	183.9	157.1	n.a.
44 Profits before tax[3]	252.7	242.5	232.1	253.1	225.4	233.3	216.5	171.6	n.a.
45 Inventory valuation adjustment	43.1	-43.0	-24.6	-35.5	-22.8	-23.0	-17.1	-4.4	-6.3
46 Capital consumption adjustment	-14.8	17.8	-16.8	-17.3	-17.5	-17.1	-15.5	-10.1	5.9
47 Net interest	153.8	187.7	235.7	217.6	231.6	244.0	249.5	258.7	267.3

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.49.

SOURCE. *Survey of Current Business* (Department of Commerce).

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2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1979	1980	1981	1981				1982	
				Q1	Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING									
1 **Total personal income**	**1,943.8**	**2,160.2**	**2,404.1**	**2,330.0**	**2,380.6**	**2,458.2**	**2,494.6**	**2,510.5**	**2,549.5**
2 Wage and salary disbursements	1,237.6	1,356.1	1,493.9	1,452.8	1,479.4	1,512.3	1,531.2	1,541.6	1,555.9
3 Commodity-producing industries	438.4	468.0	510.8	499.2	507.2	519.3	517.7	514.3	513.2
4 Manufacturing	333.9	354.4	386.4	377.0	386.9	392.9	388 7	385.1	385.5
5 Distributive industries	303.4	330.5	361.4	352.1	358.7	366.5	368.3	371.4	375.7
6 Service industries	259.7	297.5	338.6	325 2	333.7	342.8	352.8	359.5	366.9
7 Government and government enterprises	236.2	260.2	283.1	276.2	279.8	283.8	292.4	296.5	300.1
8 Other labor income	114.9	127.3	140.4	135.3	138.4	142.2	145.8	149.1	152.5
9 Proprietors' income[1]	132.1	116.3	124.7	123.4	123.8	127.5	124.1	116.4	115.3
10 Business and professional[1]	100.2	96.9	100 7	101.8	101.2	100.4	99.5	98.6	100.0
11 Farm[1]	31.9	19.4	24.0	21.6	22.5	27.1	24.6	17.8	15.3
12 Rental income of persons[2]	27.9	32.9	33 9	34.4	34.0	33.6	33.6	33 9	34.2
13 Dividends	50.8	55.9	62 5	59.2	61.5	64.1	65.2	65.8	66.1
14 Personal interest income	209.6	256.3	308.5	304.7	320.6	339.6	351.0	359.7	371.8
15 Transfer payments	250.3	297.2	336.3	322.8	327.0	344.8	350.7	354 6	365.0
16 Old-age survivors, disability, and health insurance benefits	131.8	154.2	182.0	171.0	173.7	190 6	192.8	194.7	197.1
17 LESS: Personal contributions for social insurance	81.1	88.7	104.9	102.5	104.1	106 1	107.0	110.6	111 3
18 EQUALS: Personal income	1,943.8	2,160.2	2,404 1	2,330.0	2,380 6	2,458.2	2,494.6	2,510.5	2,549.5
19 LESS: Personal tax and nontax payments	301.0	336.3	386.7	371 2	384.2	398.1	393 2	393.4	397.5
20 EQUALS: Disposable personal income	1,650.2	1,824.1	2,029.2	1,958.7	1,996.5	2,060.0	2,101 4	2,117.1	2,151.9
21 LESS: Personal outlays	1,553.5	1,717.9	1,898.9	1,852.8	1,874.5	1,925.7	1,942.7	1,977.9	2,009.9
22 EQUALS: Personal saving	96.7	106.2	130.2	105.9	122.0	134.4	158.6	139.1	142.0
MEMO:									
Per capita (1972 dollars)									
23 Gross national product	6,572	6,474	6,536	6,583	6,544	6,563	6,458	6,360	6,373
24 Personal consumption expenditures	4,120	4,087	4,122	4,152	4,115	4,134	4,088	4,104	4,127
25 Disposable personal income	4,512	4,472	4,538	4,519	4,516	4,557	4,559	4,527	4,553
26 Saving rate (percent)	5 9	5.8	6.4	5 4	6.1	6.5	7 5	6.6	6.6
GROSS SAVING									
27 **Gross saving**	**422.8**	**406.3**	**477.5**	**461.4**	**482.4**	**490.0**	**476.3**	**428.8**	**n.a.**
28 Gross private saving	407.3	438.3	504.7	468.7	488.9	513.4	547.7	520.3	n.a.
29 Personal saving	96 7	106.2	130.2	105.9	122.0	134.4	158.6	139.1	142.0
30 Undistributed corporate profits[1]	54.5	38.9	44.4	47.3	42.0	43 9	44.3	32.5	n.a.
31 Corporate inventory valuation adjustment	43.1	−43.0	24.6	35.5	−22.8	−23.0	17.1	−4.4	−6.3
Capital consumption allowances									
32 Corporate	157.5	181.2	206.2	196.2	202.9	209.7	216.0	218.9	223.3
33 Noncorporate	98.6	112.0	123.9	119.2	122.1	125.5	128.7	129.8	131.4
34 Wage accruals less disbursements	.0	.0	0	.0	0	.0	.0	.0	.0
35 Government surplus, or deficit (−), national income and product accounts	14.3	33.2	−28.2	8.3	7.6	−24.5	72.5	−91.6	n.a
36 Federal	−16 1	−61 4	60.0	−39.7	−40.5	−58.0	101.7	−119.3	n a.
37 State and local	30.4	28.2	31.7	31.3	32.9	33.5	29.1	27.7	n.a.
38 Capital grants received by the United States, net	1.1	1.2	1.1	1.1	1.1	1.1	1.1	.0	.0
39 **Gross investment**	**421.2**	**410.1**	**475.6**	**466.5**	**477.8**	**489.1**	**469.0**	**421.3**	**441.6**
40 Gross private domestic	423.0	402.4	471.5	455.7	475.5	486.0	468.9	414.8	429.1
41 Net foreign	1.8	7.8	4.1	10.8	2.3	3.1	0.1	6.5	12.5
42 **Statistical discrepancy**	**−1.5**	**3.9**	**−1.9**	**5.1**	**−4.6**	**−0.8**	**−7.2**	**−7.5**	**−7.5**

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	1979	1980	1981	1981 Q1	1981 Q2	1981 Q3	1981 Q4	1982 Q1p
1 Balance on current account	-466	1,520	4,471	3,245	1,399	751	-927	1,180
2 Not seasonally adjusted	...	...	...	3,037	1,975	-1,834	1,293	844
3 Merchandise trade balance[2]	-27,346	-25,338	-27,889	-4,312	-6,547	-7,845	-9,185	-6,059
4 Merchandise exports	184,473	224,237	236,254	60,683	60,284	57,694	57,593	55,610
5 Merchandise imports	211,819	-249,575	-264,143	-64,995	-66,831	-65,539	-66,778	-61,669
6 Military transactions, net	-2,035	-2,472	-1,541	-487	-587	61	-528	213
7 Investment income, net[3]	31,215	29,910	33,037	8,123	8,201	8,183	8,529	6,980
8 Other service transactions, net	3,262	6,203	7,472	1,343	1,842	2,160	2,127	2,036
9 Remittances, pensions, and other transfers	-2,011	-2,101	-2,104	-462	-524	-558	-562	-525
10 U.S. government grants (excluding military)	-3,549	-4,681	-4,504	-960	-986	-1,250	-1,308	-1,465
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-3,743	-5,126	-5,137	-1,375	-1,518	-1,257	-987	-909
12 Change in U.S. official reserve assets (increase, -)	-1,133	-8,155	-5,175	-4,529	-905	-4	262	-1,089
13 Gold	-65	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-1,136	-16	-1,823	1,441	-23	-225	-134	-400
15 Reserve position in International Monetary Fund	-189	-1,667	-2,491	-707	-780	-647	-358	-547
16 Foreign currencies	257	-6,472	-861	-2,381	-102	868	754	-142
17 Change in U.S. private assets abroad (increase, -)[3]	-59,469	-72,746	-98,982	-16,892	-19,143	-15,996	-46,952	-36,225
18 Bank-reported claims	-26,213	-46,838	-84,531	-11,634	-14,998	-15,254	-42,645	-34,685
19 Nonbank-reported claims	-3,307	-3,146	-331	-3,148	2,470	855	-508	n.a.
20 U.S. purchase of foreign securities, net	-4,726	-3,524	-5,429	-458	-1,511	-618	-2,843	-408
21 U.S. direct investments abroad, net[3]	-25,222	-19,238	-8,691	-1,652	-5,104	-979	-956	-1,132
22 Change in foreign official assets in the United States (increase, +)	-13,697	15,442	4,785	5,361	-2,860	-5,835	8,119	-3,173
23 U.S. Treasury securities	-22,435	9,708	4,983	7,242	-2,063	-4,635	4,439	-1,347
24 Other U.S. government obligations	463	2,187	1,289	454	536	545	-246	-296
25 Other U.S. government liabilities[4]	-73	561	-69	-55	48	-337	275	-305
26 Other U.S. liabilities reported by U.S. banks	7,213	-159	-4,083	-3,109	-2,028	-2,382	3,436	-1,441
27 Other foreign official assets[5]	1,135	3,145	2,665	829	647	974	215	216
28 Change in foreign private assets in the United States (increase, +)[3]	52,157	39,042	73,136	3,109	16,324	22,715	30,988	29,001
29 U.S. bank-reported liabilities	32,607	10,743	41,262	-3,793	7,663	16,916	20,476	25,477
30 U.S. nonbank-reported liabilities	1,362	6,530	532	147	-162	1,006	-457	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	4,960	2,645	2,932	1,390	750	-446	1,238	1,124
32 Foreign purchases of other U.S. securities, net	1,351	5,457	7,109	2,419	3,533	761	396	1,363
33 Foreign direct investments in the United States, net[3]	11,877	13,666	21,301	2,946	4,540	4,478	93,316	10,317
34 Allocation of SDRs	1,139	1,152	1,093	1,093	0	0	0	0
35 Discrepancy	25,212	28,870	25,809	9,988	6,703	-374	9,497	11,214
36 Owing to seasonal adjustments	...	...	...	-829	503	-2,144	2,474	-875
37 Statistical discrepancy in recorded data before seasonal adjustment	25,212	28,870	25,809	10,817	6,200	1,770	7,023	12,089
MEMO: Changes in official assets								
38 U.S. official reserve assets (increase, -)	-1,133	-8,155	-5,175	-4,529	-905	-4	262	-1,089
39 Foreign official assets in the United States (increase, +)	-13,624	14,881	4,854	5,416	-2,908	-5,498	7,844	-2,868
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	5,543	12,769	13,314	5,364	2,786	2,935	2,230	4,940
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	465	631	602	192	214	132	64	93

1. Seasonal factors are no longer calculated for lines 12 through 41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1979	1980	1981	1981	1982					
				Dec	Jan.	Feb.	Mar.	Apr	May	June
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	181,860	220,626	233,677	18,885	18,737	18,704	18,602	17,843	18,218	18,822
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	209,458	244,871	261,305	19,746	22,829	19,090	20,349	17,387	20,558	21,310
3 **Trade balance**	**−27,598**	**−24,245**	**−27,628**	**−861**	**−4,092**	**−387**	**−1,747**	**456**	**−2,340**	**−2,488**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data on a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. 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" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1979	1980	1981	1982						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 **Total**[1]	**18,956**	**26,756**	**30,075**	**30,098**	**30,060**	**29,944**	**31,552**	**30,915**	**30,671**	**31,227**
2 Gold stock, including Exchange Stabilization Fund[1]	11,172	11,160	11,151	11,151	11,150	11,150	11,149	11,149	11,149	11,149
3 Special drawing rights[2,3]	2,724	2,610	4,095	4,176	4,359	4,306	4,294	4,521	4,461	4,591
4 Reserve position in International Monetary Fund[2]	1,253	2,852	5,055	5,237	5,275	5,367	6,022	6,099	6,062	6,386
5 Foreign currencies[4,5]	3,807	10,134	9,774	9,534	9,276	9,121	10,097	9,146	8,999	9,101

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.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: \$867 million on Jan. 1, 1970; \$717 million on Jan. 1, 1971; \$710 million on Jan. 1, 1972; \$1,139 million on Jan. 1, 1979; \$1,152 million on Jan. 1, 1980; and \$1,093 million on Jan. 1, 1981; plus net transactions in SDRs.
4. Beginning November 1978, valued at current market exchange rates.
5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies, if any.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1979	1980	1981	1982						
				Jan.	Feb.	Mar.	Apr.	May	June	July^p
1 Deposits	429	411	505	333	416	421	966	308	585	982
Assets held in custody										
2 U.S. Treasury securities[1]	95,075	102,417	104,680	104,631	103,557	103,964	102,346	102,112	103,292	106,696
3 Earmarked gold[2]	15,169	14,965	14,804	14,802	14,791	14,798	14,788	14,778	14,777	14,762

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1978[1]	1979	1980	1981		1982				
				Nov.	Dec. r	Jan. r	Feb. r	Mar. r	Apr.	May p
						All foreign countries				
1 **Total, all currencies**	**306,795**	**364,409**	**401,135**	**462,810**	**462,790**	**459,998**	**461,249**	**463,728**	**460,225**	**460,210**
2 Claims on United States	17,340	32,302	28,460	44,562	63,540	69,794	69,539	75,739	77,914	79,523
3 Parent bank	12,811	25,929	20,202	26,540	43,064	49,206	47,996	51,972	54,563	56,069
4 Other	4,529	6,373	8,258	18,022	20,476	20,588	21,543	23,767	23,351	23,454
5 Claims on foreigners	278,135	317,330	354,960	397,825	379,102	370,124	371,644	368,688	362,690	361,000
6 Other branches of parent bank	70,338	79,662	77,019	89,269	87,840	89,010	88,637	86,859	86,226	87,998
7 Banks	103,111	123,420	146,448	161,506r	150,892	145,528	146,317	146,961	142,347	139,390
8 Public borrowers[2]	23,737	26,097	28,033	30,185r	28,197	26,568	26,851	26,307	25,590	24,597
9 Nonbank foreigners	80,949	88,151	103,460	116,865	112,173	109,018	109,839	108,561	108,527	109,015
10 Other assets	11,320	14,777	17,715	20,423	20,148	20,080	20,066	19,301	19,621	19,687
11 **Total payable in U.S. dollars**	**224,940**	**267,713**	**291,798**	**348,953**	**350,571**	**351,125**	**353,001**	**355,541**	**351,349**	**350,285**
12 Claims on United States	16,382	31,171	27,191	43,279	61,939	68,241	67,983	74,220	76,410	77,917
13 Parent bank	12,625	25,632	19,896	26,355	42,518	48,623	47,402	51,383	54,107	55,584
14 Other	3,757	5,539	7,295	16,924	19,421	19,618	20,581	22,837	22,303	22,333
15 Claims on foreigners	203,498	229,120	255,391	293,690	276,965	270,696	272,903	269,557	263,047	260,446
16 Other branches of parent bank	55,408	61,525	58,541	69,938	69,385	71,999	72,094	70,383	69,409	70,357
17 Banks	78,686	96,261	117,342	131,572	122,253	117,148	118,227	117,372	113,673	110,485
18 Public borrowers[2]	19,567	21,629	23,491	25,125r	22,863	21,180	21,483	20,624	20,170	19,221
19 Nonbank foreigners	49,837	49,705	56,017	67,055	62,464	60,369	61,099	61,178	59,795	60,383
20 Other assets	5,060	7,422	9,216	11,984	11,667	12,188	12,115	11,764	11,892	11,922
						United Kingdom				
21 **Total, all currencies**	**106,593**	**130,873**	**144,717**	**161,531**	**157,229**	**157,892**	**162,351**	**161,471**	**159,481**	**161,036**
22 Claims on United States	5,370	11,117	7,509	9,315	11,823	13,935	15,884	16,343	17,676	20,155
23 Parent bank	4,448	9,338	5,275	5,162	7,885	10,264	12,044	12,446	13,750	15,854
24 Other	922	1,779	2,234	4,153	3,938	3,671	3,840	3,897	3,926	4,301
25 Claims on foreigners	98,137	115,123	131,142	145,889	138,888	137,953	140,197	139,292	135,634	134,845
26 Other branches of parent bank	27,830	34,291	34,760	41,476	41,367	41,468	40,935	41,186	39,811	39,621
27 Banks	45,013	51,343	58,741	63,044	56,315	56,164	57,975	56,940	55,545	54,690
28 Public borrowers[2]	4,522	4,919	6,688	7,463	7,490	7,249	7,370	7,541	6,822	6,663
29 Nonbank foreigners	20,772	24,570	30,953	33,906	33,716	33,072	33,917	33,625	33,456	33,871
30 Other assets	3,086	4,633	6,066	6,327	6,518	6,004	6,270	5,836	6,171	6,063
31 **Total payable in U.S. dollars**	**75,860**	**94,287**	**99,699**	**117,454**	**115,188**	**116,870**	**121,432**	**120,432**	**117,914**	**119,586**
32 Claims on United States	5,113	10,746	7,116	8,811	11,246	13,438	15,391	15,842	17,182	19,608
33 Parent bank	4,386	9,297	5,229	5,110	7,721	10,098	11,881	12,293	13,623	15,663
34 Other	727	1,449	1,887	3,701	3,525	3,340	3,510	3,549	3,559	3,945
35 Claims on foreigners	69,416	81,294	89,723	104,741	99,850	99,473	101,861	100,500	96,595	95,926
36 Other branches of parent bank	22,838	28,928	28,268	34,905	35,439	35,875	35,697	36,055	34,240	33,922
37 Banks	31,482	36,760	42,073	46,463	40,703	40,610	42,453	40,732	40,070	39,609
38 Public borrowers[2]	3,317	3,319	4,911	5,500	5,595	5,423	5,467	5,360	4,717	4,507
39 Nonbank foreigners	11,779	12,287	14,471	17,873	18,113	17,565	18,244	18,353	17,568	17,888
40 Other assets	1,331	2,247	2,860	3,902	4,092	3,959	4,180	4,090	4,137	4,052
						Bahamas and Caymans				
41 **Total, all currencies**	**91,735**	**108,977**	**123,837**	**148,557**	**149,051**	**146,585**	**142,853**	**143,795**	**142,941**	**139,836**
42 Claims on United States	9,635	19,124	17,751	29,909	46,343	50,647	49,060	54,019	55,533	54,316
43 Parent bank	6,429	15,196	12,631	17,665	31,440	35,453	32,704	35,311	37,013	36,099
44 Other	3,206	3,928	5,120	12,244	14,903	15,194	16,356	18,708	18,520	18,217
45 Claims on foreigners	79,774	86,718	101,926	113,486	98,205	91,538	89,405	85,465	83,124	81,191
46 Other branches of parent bank	12,904	9,689	13,342	13,972	12,951	14,084	14,384	12,035	12,640	14,248
47 Banks	33,677	43,189	54,861	61,333r	55,299	50,754	48,951	47,867	45,768	43,165
48 Public borrowers[2]	11,514	12,905	12,577	12,745r	10,010	8,713	8,584	7,980	7,847	7,348
49 Nonbank foreigners	21,679	20,935	21,146	25,436	19,945	17,987	17,486	17,583	16,869	16,430
50 Other assets	2,326	3,135	4,160	5,162	4,503	4,400	4,388	4,311	4,284	4,329
51 **Total payable in U.S. dollars**	**85,417**	**102,368**	**117,654**	**142,632**	**143,686**	**141,447**	**137,842**	**138,748**	**137,840**	**134,925**

1. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.

2. In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

3.14 Continued

Liability account	1978[1]	1979	1980	1981 Nov	1981 Dec[r]	1982 Jan.[r]	1982 Feb[r]	1982 Mar.[r]	1982 Apr	1982 May[p]
	All foreign countries									
52 **Total, all currencies**	**306,795**	**364,409**	**401,135**	**462,810**	**462,790**	**459,998**	**461,249**	**463,728**	**460,225**	**460,210**
53 To United States	58,012	66,689	91,079	128,084	137,696	144,075	145,371	150,632	152,841	155,961
54 Parent bank	28,654	24,533	39,286	49,385	56,127	56,011	55,328	58,666	56,847	56,096
55 Other banks in United States	12,169	13,968	14,473	16,663	19,343	19,863	22,617	24,413	25,969	27,678
56 Nonbanks	17,189	28,188	37,275	62,036	62,226	68,201	67,426	67,553	70,025	72,187
57 To foreigners	238,912	283,510	295,411	316,232	305,646	296,283	296,253	293,521	287,192	283,162
58 Other branches of parent bank	67,496	77,640	75,773	87,831	86,422	85,680	84,351	85,629	84,184	85,091
59 Banks	97,711	122,922	132,116	132,111	124,896	118,538	118,970	117,070	111,718	107,320
60 Official institutions	31,936	35,668	32,473	24,696	25,997	25,124	24,625	23,039	22,340	22,652
61 Nonbank foreigners	41,769	47,280	55,049	71,594	68,331	66,941	68,307	67,783	68,950	68,099
62 Other liabilities	9,871	14,210	14,690	18,494	19,448	19,640	19,625	19,575	20,192	21,087
63 **Total payable in U.S. dollars**	**230,810**	**273,857**	**303,281**	**360,971**	**364,235**	**364,005**	**366,885**	**369,508**	**366,655**	**367,167**
64 To United States	55,811	64,530	88,157	125,121	134,596	141,063	142,456	147,638	149,737	152,847
65 Parent bank	27,519	23,403	37,528	47,456	54,242	53,933	53,356	56,654	54,786	54,148
66 Other banks in United States	11,915	13,771	14,203	16,564	19,029	19,736	22,406	24,172	25,632	27,263
67 Nonbanks	16,377	27,356	36,426	61,101	61,325	67,394	66,694	66,812	69,319	71,436
68 To foreigners	169,927	201,514	206,883	224,610	217,479	210,960	212,980	210,419	205,207	201,530
69 Other branches of parent bank	53,396	60,551	58,172	69,561	69,181	69,185	68,187	69,545	68,081	68,097
70 Banks	63,000	80,691	87,497	84,789	79,590	74,319	76,132	73,182	69,334	66,621
71 Official institutions	26,404	29,048	24,697	18,911	20,288	19,937	19,322	18,120	17,491	17,892
72 Nonbank foreigners	27,127	31,224	36,517	51,349	48,420	47,519	49,339	49,572	50,301	48,920
73 Other liabilities	5,072	7,813	8,241	11,240	12,160	11,982	11,449	11,451	11,711	12,790
	United Kingdom									
74 **Total, all currencies**	**106,593**	**130,873**	**144,717**	**161,531**	**157,229**	**157,892**	**162,351**	**161,471**	**159,481**	**161,036**
75 To United States	9,730	20,986	21,785	36,316	38,022	40,768	43,358	42,481	41,886	43,882
76 Parent bank	1,887	3,104	4,225	4,045	5,444	6,413	6,765	6,313	8,006	6,694
77 Other banks in United States	4,189	7,693	5,716	6,652	7,502	7,313	8,973	8,607	8,345	8,972
78 Nonbanks	3,654	10,189	11,844	25,619	25,076	27,042	27,620	27,561	25,535	28,216
79 To foreigners	93,202	104,032	117,438	118,401	112,255	110,036	111,417	111,262	109,629	109,199
80 Other branches of parent bank	12,786	12,567	15,384	16,090	16,545	16,270	16,546	17,245	18,358	19,412
81 Banks	39,917	47,620	56,262	56,239	51,336	49,622	49,937	49,616	47,549	46,204
82 Official institutions	20,963	24,202	21,412	15,089	16,517	16,110	15,965	14,608	13,908	14,119
83 Nonbank foreigners	19,536	19,643	24,380	30,983	27,857	28,034	28,969	29,793	29,814	29,464
84 Other liabilities	3,661	5,855	5,494	6,814	6,952	7,088	7,576	7,728	7,966	7,955
85 **Total payable in U.S. dollars**	**77,030**	**95,449**	**103,440**	**122,362**	**120,277**	**121,407**	**127,029**	**126,359**	**124,248**	**126,901**
86 To United States	9,328	20,552	21,080	35,706	37,332	40,276	42,809	41,885	41,198	43,143
87 Parent bank	1,836	3,054	4,078	3,956	5,350	6,296	6,660	6,211	7,907	6,624
88 Other banks in United States	4,101	7,651	5,626	6,611	7,249	7,289	8,884	8,489	8,167	8,755
89 Nonbanks	3,391	9,847	11,376	25,139	24,733	26,691	27,265	27,185	25,124	27,764
90 To foreigners	66,216	72,397	79,636	82,766	79,034	77,463	80,581	80,825	79,444	79,914
91 Other branches of parent bank	9,635	8,446	10,474	11,457	12,048	11,900	12,254	13,130	14,102	14,958
92 Banks	25,287	29,424	35,388	35,141	32,298	30,995	32,249	32,090	30,415	29,965
93 Official institutions	17,091	20,192	17,024	12,133	13,612	13,497	13,418	12,196	11,568	11,829
94 Nonbank foreigners	14,203	14,335	16,750	24,035	21,076	21,071	22,660	23,409	23,359	23,162
95 Other liabilities	1,486	2,500	2,724	3,890	3,911	3,668	3,639	3,649	3,606	3,844
	Bahamas and Caymans									
96 **Total, all currencies**	**91,735**	**108,977**	**123,837**	**148,557**	**149,051**	**146,585**	**142,853**	**143,795**	**142,941**	**139,836**
97 To United States	39,431	37,719	59,666	80,161	85,704	88,968	87,364	91,703	94,032	94,421
98 Parent bank	20,482	15,267	28,181	36,066	39,250	37,777	36,683	39,146	35,806	36,395
99 Other banks in United States	6,073	5,204	7,379	8,971	10,620	11,185	12,176	14,267	15,855	16,834
100 Nonbanks	12,876	17,248	24,106	35,124	35,834	40,006	38,505	38,290	42,371	41,192
101 To foreigners	50,447	68,598	61,218	64,462	60,012	54,558	52,398	49,110	45,907	42,032
102 Other branches of parent bank	16,094	20,875	17,040	23,307	20,641	20,721	19,814	18,614	17,365	15,888
103 Banks	23,104	33,631	29,895	24,712	23,202	18,650	18,252	16,436	14,776	13,457
104 Official institutions	4,208	4,866	4,361	3,381	3,498	3,149	2,505	2,607	2,512	2,448
105 Nonbank foreigners	7,041	9,226	9,922	13,062	12,671	12,038	11,827	11,453	11,254	10,239
106 Other liabilities	1,857	2,660	2,953	3,934	3,335	3,059	3,091	2,982	3,002	3,383
107 **Total payable in U.S. dollars**	**87,014**	**103,460**	**119,657**	**144,034**	**145,227**	**142,793**	**139,247**	**140,115**	**139,461**	**136,504**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1979	1980	1981	1982					
			Dec.r	Jan.r	Feb.r	Mar.r	Apr.	May p	June p
1 **Total**[1]	**149,697**	**164,578**	**169,697**	**167,975**	**166,209**	**166,757**	**165,526**	**166,983**	**168,954**
By type									
2 Liabilities reported by banks in the United States[2]	30,540	30,381	26,567	24,115	24,713	25,051	26,326	27,713	29,041
3 U.S. Treasury bills and certificates[3]	47,666	56,243	52,389	52,306	48,174	47,048	43,850	42,741	43,509
U.S. Treasury bonds and notes									
4 Marketable	37,590	41,455	53,150	53,992	56,333	57,647	58,459	59,933	60,241
5 Nonmarketable[4]	17,387	14,654	11,791	11,791	11,291	11,291	11,050	10,750	10,150
6 U.S. securities other than U.S. Treasury securities[5]	16,514	21,845	25,800	25,771	25,698	25,720	25,841	25,846	26,013
By area									
7 Western Europe[1]	85,633	81,592	65,479	63,058	62,049	60,364	57,393	57,367	58,693
8 Canada	1,898	1,562	2,403	2,369	1,669	1,647	1,721	1,329	1,568
9 Latin America and Caribbean	6,291	5,688	6,954	5,930	6,308	6,562	7,124	7,248	7,662
10 Asia	52,978	70,784	91,790	94,137	93,559	95,247	94,866	95,913	95,484
11 Africa	2,412	4,123	1,829	1,649	1,474	1,337	1,823	1,381	1,437
12 Other countries[6]	485	829	1,242	832	1,150	1,600	2,599	3,745	4,110

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	1978	1979	1980	1981			1982
				June	Sept.	Dec.r	Mar.
1 Banks' own liabilities	2,406	1,918	3,748	3,031	2,878	3,798	4,391
2 Banks' own claims[1]	3,671	2,419	4,206	3,699	4,078	5,220	5,788
3 Deposits	1,795	994	2,507	2,050	2,409	3,398	3,979
4 Other claims	1,876	1,425	1,699	1,649	1,669	1,822	1,810
5 Claims of banks' domestic customers[2]	358	580	962	347	248	971	944

1. Includes claims of banks' domestic customers through March 1978.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

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	1978	1979	1980	1981	1982					
				Dec.[r]	Jan.[r]	Feb.[r]	Mar	Apr.[r]	May[r]	June[p]
1 **All foreigners**	**166,842**	**187,521**	**205,297**	**242,981**	**250,799**	**254,520**	**261,219**	**266,256**	**274,336**	**284,894**
2 Banks' own liabilities	78,661	117,196	124,791	162,755	171,338	179,819	187,559	194,898	203,115	211,624
3 Demand deposits	19,218	23,303	23,462	19,677	18,334	17,808	16,498	18,161	17,514	17,893
4 Time deposits[1]	12,427	13,623	15,076	28,816	31,363	36,555	43,597	48,552	53,404	56,583
5 Other[2]	9,705	16,453	17,583	17,418	16,466	17,235	18,989	18,570	20,221	22,372
6 Own foreign offices[3]	37,311	63,817	68,670	96,844	105,175	108,221	108,475	109,616	111,976	114,776
7 Banks' custody liabilities[4]	88,181	70,325	80,506	80,225	79,460	74,701	73,660	71,358	71,222	73,269
8 U.S. Treasury bills and certificates[5]	68,202	48,573	57,595	55,312	55,131	51,142	50,152	47,353	46,476	48,810
9 Other negotiable and readily transferable instruments[6]	17,472	19,396	20,079	18,944	18,842	18,718	18,901	19,326	20,751	20,455
10 Other	2,507	2,356	2,832	5,970	5,487	4,842	4,607	4,679	3,995	4,004
11 **Nonmonetary international and regional organizations**[7]	**2,607**	**2,356**	**2,344**	**2,721**	**2,148**	**2,091**	**2,045**	**2,043**	**3,034**	**4,004**
12 Banks' own liabilities	906	714	444	638	373	298	445	603	1,267	1,236
13 Demand deposits	330	260	146	262	130	135	209	149	185	300
14 Time deposits[1]	84	151	85	58	86	76	141	286	466	586
15 Other[2]	492	303	212	318	156	87	96	168	616	350
16 Banks' custody liabilities[4]	1,701	1,643	1,900	2,083	1,775	1,792	1,599	1,439	1,767	2,768
17 U.S. Treasury bills and certificates	201	102	254	541	217	277	109	142	253	1,425
18 Other negotiable and readily transferable instruments[6]	1,499	1,538	1,646	1,542	1,558	1,515	1,490	1,297	1,514	1,343
19 Other	1	2	0	0	0	0	0	0	0	0
20 **Official institutions**[8]	**90,742**	**78,206**	**86,624**	**78,957**	**76,422**	**72,886**	**72,099**	**70,176**	**70,454**	**72,551**
21 Banks' own liabilities	12,165	18,292	17,826	16,808	14,643	14,959	15,326	17,112	17,616	19,547
22 Demand deposits	3,390	4,671	3,771	2,612	2,404	2,385	2,277	3,241	2,779	3,383
23 Time deposits[1]	2,560	3,050	3,612	4,146	3,686	4,261	4,866	5,623	5,759	5,439
24 Other[2]	6,215	10,571	10,443	10,050	8,553	8,312	8,183	8,248	9,078	10,725
25 Banks' custody liabilities[4]	78,577	59,914	68,798	62,149	61,778	57,927	56,773	53,064	52,838	53,004
26 U.S. Treasury bills and certificates[5]	67,415	47,666	56,243	52,389	52,306	48,174	47,048	43,850	42,741	43,509
27 Other negotiable and readily transferable instruments[6]	10,992	12,196	12,501	9,712	9,445	9,717	9,685	9,029	10,057	9,461
28 Other	170	52	54	47	27	37	40	185	40	33
29 **Banks**[9]	**57,423**	**88,316**	**96,415**	**135,355**	**145,926**	**151,420**	**157,787**	**161,176**	**165,668**	**171,597**
30 Banks' own liabilities	52,626	83,299	90,456	123,640	134,040	140,669	146,591	148,456	153,107	158,896
31 Unaffiliated foreign banks	15,315	19,482	21,786	26,796	28,865	32,448	38,116	38,840	41,131	44,120
32 Demand deposits	11,257	13,285	14,188	11,614	10,893	10,444	9,267	9,915	10,000	9,356
33 Time deposits[1]	1,429	1,667	1,703	8,654	10,672	13,653	18,653	19,260	21,269	24,110
34 Other[2]	2,629	4,530	5,895	6,528	7,299	8,350	10,195	9,664	9,862	10,654
35 Own foreign offices[3]	37,311	63,817	68,670	96,844	105,175	108,221	108,475	109,616	111,976	114,776
36 Banks' custody liabilities[4]	4,797	5,017	5,959	11,715	11,886	10,751	11,197	12,720	12,562	12,701
37 U.S. Treasury bills and certificates	300	422	623	1,683	1,853	1,876	2,213	2,592	2,698	2,922
38 Other negotiable and readily transferable instruments[6]	2,425	2,415	2,748	4,421	4,858	4,405	4,729	5,968	6,097	6,527
39 Other	2,072	2,179	2,588	5,611	5,176	4,470	4,255	4,160	3,766	3,253
40 **Other foreigners**	**16,070**	**18,642**	**19,914**	**25,947**	**26,303**	**28,124**	**29,288**	**32,861**	**35,180**	**36,742**
41 Banks' own liabilities	12,964	14,891	16,065	21,669	22,282	23,893	25,196	28,727	31,125	31,945
42 Demand deposits	4,242	5,087	5,356	5,189	4,906	4,843	4,745	4,855	4,549	4,855
43 Time deposits	8,353	8,755	9,676	15,958	16,918	18,564	19,936	23,383	25,910	26,447
44 Other[2]	368	1,048	1,033	523	458	485	515	489	666	643
45 Banks' custody liabilities[4]	3,106	3,751	3,849	4,278	4,021	4,231	4,092	4,134	4,055	4,797
46 U.S. Treasury bills and certificates	285	382	474	698	755	815	782	769	784	954
47 Other negotiable and readily transferable instruments[6]	2,557	3,247	3,185	3,268	2,981	3,081	2,997	3,032	3,082	3,125
48 Other	264	123	190	312	284	335	313	334	189	718
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	11,007	10,984	10,745	10,672	10,451	10,916	11,169	11,673	12,652	12,878

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits before April 1978 represent short-term only.
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1978	1979	1980	1981	1982					
				Dec.▲ r	Jan. r	Feb. r	Mar	Apr r	May r	June p
1 **Total**	**166,842**	**187,521**	**205,297**	**242,981**	**250,799**	**254,520**	**261,219**	**266,256**	**274,336**	**284,894**
2 **Foreign countries**	**164,235**	**185,164**	**202,953**	**240,259**	**248,651**	**252,430**	**259,174**	**264,213**	**271,302**	**280,890**
3 Europe	85,172	90,952	90,897	90,942	89,804	91,957	93,541	91,890	97,469	103,216
4 Austria	513	413	523	587	719	647	545	472	454	434
5 Belgium-Luxembourg	2,550	2,375	4,019	4,117	3,954	3,254	3,002	2,898	3,075	2,869
6 Denmark	1,946	1,092	497	333	512	524	514	613	608	1,210
7 Finland	346	398	455	296	157	292	273	229	212	181
8 France	9,214	10,433	12,125	8,486	8,078	8,047	7,792	6,737	6,312	9,233
9 Germany	17,283	12,935	9,973	7,665	6,953	6,668	7,698	6,555	6,954	6,221
10 Greece	826	635	670	463	469	535	472	457	549	512
11 Italy	7,739	7,782	7,572	7,290	7,104	6,497	4,300	3,695	3,420	4,720
12 Netherlands	2,402	2,337	2,441	2,823	2,838	3,027	3,111	2,963	2,719	2,836
13 Norway	1,271	1,267	1,344	1,457	1,245	1,129	1,518	1,666	1,981	1,370
14 Portugal	330	557	374	354	301	275	272	272	276	365
15 Spain	870	1,259	1,500	916	1,024	946	1,136	1,055	1,114	1,191
16 Sweden	3,121	2,005	1,737	1,545	1,274	1,480	1,358	1,373	1,425	1,411
17 Switzerland	18,225	17,954	16,689	18,723	18,872	18,515	19,199	20,339	21,651	22,472
18 Turkey	157	120	242	518	336	216	283	364	204	169
19 United Kingdom	14,272	24,700	22,680	28,288	30,649	34,073	35,146	35,452	39,893	41,149
20 Yugoslavia	254	266	681	375	215	219	223	259	237	314
21 Other Western Europe[1]	3,440	4,070	6,939	6,165	4,765	5,279	6,256	6,106	5,985	5,996
22 U.S.S.R.	82	52	68	49	68	52	44	37	30	44
23 Other Eastern Europe[2]	330	302	370	493	271	284	400	350	371	521
24 Canada	6,969	7,379	10,031	10,250	11,572	11,105	10,780	12,298	10,619	11,451
25 Latin America and Caribbean	31,638	49,686	53,170	84,685	92,474	94,715	98,073	103,809	105,517	108,240
26 Argentina	1,484	1,582	2,132	2,445	2,879	2,897	3,037	2,729	2,203	2,030
27 Bahamas	6,752	15,255	16,381	34,400	43,627	43,675	44,689	45,608	44,819	43,671
28 Bermuda	428	430	670	765	680	865	1,113	1,165	1,350	1,300
29 Brazil	1,125	1,005	1,216	1,568	1,608	1,803	1,352	1,462	1,615	1,838
30 British West Indies	5,974	11,138	12,766	17,794	17,924	18,847	18,844	19,623	19,690	22,304
31 Chile	398	468	460	664	771	815	951	992	1,224	1,124
32 Colombia	1,756	2,617	3,077	2,993	2,861	2,924	2,654	2,639	2,515	2,700
33 Cuba	13	13	6	9	7	10	7	6	6	6
34 Ecuador	322	425	371	434	355	370	513	491	465	559
35 Guatemala[3]	416	414	367	479	485	519	590	569	583	580
36 Jamaica[3]	52	76	97	87	120	100	129	133	104	101
37 Mexico	3,467	4,185	4,547	7,163	6,668	7,246	7,646	8,533	8,992	8,786
38 Netherlands Antilles	308	499	413	3,182	3,145	3,234	3,434	3,474	3,449	3,880
39 Panama	2,967	4,483	4,718	4,847	3,480	3,357	4,190	4,238	4,348	5,400
40 Peru	363	383	403	694	594	531	532	620	753	1,069
41 Uruguay	231	202	254	367	481	479	323	410	561	542
42 Venezuela	3,821	4,192	3,170	4,245	4,557	4,578	5,120	8,061	9,421	9,280
43 Other Latin America and Caribbean	1,760	2,318	2,123	2,548	2,232	2,464	2,948	3,056	3,419	3,070
44 Asia	36,492	33,005	42,420	49,784	50,658	50,409	52,607	50,362	51,071	50,908
China										
45 Mainland	67	49	49	158	183	215	257	331	284	244
46 Taiwan	502	1,393	1,662	2,082	2,227	2,253	2,213	2,291	2,372	2,360
47 Hong Kong	1,256	1,672	2,548	3,950	3,946	4,302	4,195	4,587	4,737	4,842
48 India	790	527	416	385	512	414	435	544	603	540
49 Indonesia	449	504	730	640	1,230	1,241	1,127	837	784	583
50 Israel	688	707	883	592	546	507	449	539	562	605
51 Japan	21,927	8,907	16,281	20,550	20,051	20,778	21,955	19,307	19,008	18,781
52 Korea	795	993	1,528	2,013	2,146	2,162	2,138	2,355	2,191	1,863
53 Philippines	644	795	919	874	757	739	671	691	758	839
54 Thailand	427	277	464	534	369	494	340	517	474	485
55 Middle-East oil-exporting countries[4]	7,534	15,300	14,453	13,154	13,623	13,569	14,799	14,347	14,405	14,268
56 Other Asia	1,414	1,879	2,487	4,852	5,068	3,735	4,028	4,016	4,893	5,497
57 Africa	2,886	3,239	5,187	3,180	3,065	2,814	2,398	3,111	2,629	2,677
58 Egypt	404	475	485	360	571	339	297	411	382	448
59 Morocco	32	33	33	32	36	35	36	52	37	59
60 South Africa	168	184	288	420	252	368	330	308	305	335
61 Zaire	43	110	57	26	33	40	69	41	27	37
62 Oil-exporting countries[5]	1,525	1,635	3,540	1,395	1,207	1,112	627	1,144	846	901
63 Other Africa	715	804	783	946	966	920	1,039	1,156	1,031	896
64 Other countries	1,076	904	1,247	1,419	1,078	1,430	1,775	2,743	3,997	4,398
65 Australia	838	684	950	1,223	853	1,204	1,550	2,542	3,752	4,172
66 All other	239	220	297	196	225	226	225	201	245	226
67 Nonmonetary international and regional organizations	2,607	2,356	2,344	2,721	2,148	2,091	2,045	2,043	3,034	4,004
68 International	1,485	1,238	1,157	1,661	1,072	1,082	1,081	1,269	2,064	2,860
69 Latin American regional	808	806	890	710	712	706	630	450	661	694
70 Other regional[6]	314	313	296	350	364	303	334	323	309	449

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."
▲ 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.

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	1978	1979	1980	1981	1982					
				Dec.▲[r]	Jan.[r]	Feb.[r]	Mar	Apr.[r]	May[r]	June[p]
1 **Total**	**115,545**	**133,943**	**172,592**	**251,029**	**255,822**	**266,483**	**276,924**	**287,562**	**300,193**	**311,859**
2 **Foreign countries**	**115,488**	**133,906**	**172,514**	**250,973**	**255,771**	**266,435**	**276,868**	**287,522**	**300,150**	**311,816**
3 Europe	24,201	28,388	32,108	49,047	51,844	54,695	56,937	59,319	62,177	63,375
4 Austria	140	284	236	121	198	172	130	200	201	140
5 Belgium-Luxembourg	1,200	1,339	1,621	2,843	2,819	3,280	3,778	3,848	3,669	3,732
6 Denmark	254	147	127	188	226	253	285	286	284	322
7 Finland	305	202	460	547	555	573	574	525	638	736
8 France	3,735	3,322	2,958	4,126	4,707	4,951	5,579	5,042	5,508	6,377
9 Germany	845	1,179	948	936	1,080	870	1,123	1,483	1,512	1,758
10 Greece	164	154	256	333	380	321	325	279	262	297
11 Italy	1,523	1,631	3,364	5,240	5,496	5,644	5,333	5,099	5,853	6,035
12 Netherlands	677	514	575	686	763	814	956	750	927	992
13 Norway	299	276	227	384	384	437	447	452	416	428
14 Portugal	171	330	331	529	584	666	724	813	797	938
15 Spain	1,120	1,051	993	2,100	2,166	2,507	2,619	2,499	2,624	3,074
16 Sweden	537	542	783	1,206	1,329	1,504	1,550	1,441	1,692	1,641
17 Switzerland	1,283	1,165	1,446	2,213	1,849	2,001	1,709	1,564	1,557	1,602
18 Turkey	300	149	145	424	464	522	496	487	573	584
19 United Kingdom	10,147	13,795	14,917	23,645	25,136	26,665	27,784	31,081	32,113	31,087
20 Yugoslavia	363	611	853	1,224	1,211	1,243	1,200	1,238	1,202	1,294
21 Other Western Europe[1]	122	175	179	209	220	192	317	282	386	267
22 U.S.S.R.	360	268	281	367	455	262	218	195	251	296
23 Other Eastern Europe[2]	657	1,254	1,410	1,725	1,820	1,817	1,790	1,755	1,711	1,775
24 Canada	5,152	4,143	4,810	9,164	9,600	9,925	10,970	11,805	11,323	12,694
25 Latin America and Caribbean	57,565	67,993	92,992	138,114	143,022	148,003	152,875	158,097	166,781	172,018
26 Argentina	2,281	4,389	5,689	7,522	8,622	8,827	8,928	10,896	10,816	10,890
27 Bahamas	21,555	18,918	29,419	43,437	44,886	45,860	47,586	47,606	48,754	51,455
28 Bermuda	184	496	218	346	481	452	401	575	396	419
29 Brazil	6,251	7,713	10,496	16,918	17,329	17,878	18,723	19,380	20,309	20,998
30 British West Indies	9,694	9,818	15,663	21,913	21,106	22,031	22,975	22,739	25,573	25,698
31 Chile	970	1,441	1,951	3,690	4,157	4,363	4,513	4,590	4,884	5,237
32 Colombia	1,012	1,614	1,752	2,018	2,108	2,067	2,018	2,146	2,265	2,537
33 Cuba	0	4	3	3	7	9	3	137	37	3
34 Ecuador	705	1,025	1,190	1,531	1,703	1,752	1,837	1,879	1,852	2,053
35 Guatemala[3]	94	134	137	124	119	119	106	116	112	124
36 Jamaica[3]	40	47	36	62	177	115	151	130	781	124
37 Mexico	5,479	9,099	12,595	22,407	23,025	24,301	25,174	26,087	28,321	29,311
38 Netherlands Antilles	273	248	821	1,076	953	1,150	873	886	880	1,025
39 Panama	3,098	6,041	4,974	6,780	6,927	7,306	7,509	8,246	8,318	8,422
40 Peru	918	652	890	1,218	1,432	1,433	1,518	1,589	1,672	2,139
41 Uruguay	52	105	137	157	262	240	232	316	346	381
42 Venezuela	3,474	4,657	5,438	7,069	7,237	7,727	8,085	8,560	9,172	9,138
43 Other Latin America and Caribbean	1,485	1,593	1,583	1,844	2,491	2,374	2,245	2,220	2,295	2,064
44 Asia	25,362	30,730	39,078	49,770	46,023	48,211	50,107	52,115	53,140	56,771
China										
45 Mainland	4	35	195	107	85	65	84	98	68	124
46 Taiwan	1,499	1,821	2,469	2,461	2,654	2,215	2,300	2,275	2,114	1,918
47 Hong Kong	1,479	1,804	2,247	4,126	4,092	4,287	5,434	5,344	5,978	6,143
48 India	54	92	142	123	148	188	212	195	185	248
49 Indonesia	143	131	245	346	317	330	356	308	315	239
50 Israel	888	990	1,172	1,562	1,318	1,467	1,241	1,160	1,391	1,825
51 Japan	12,646	16,911	21,361	26,757	24,093	26,081	25,972	27,358	26,755	29,348
52 Korea	2,282	3,793	5,697	7,324	6,540	6,272	6,564	6,953	7,103	7,037
53 Philippines	680	737	989	1,817	1,764	1,989	2,270	2,266	2,459	2,605
54 Thailand	758	933	876	564	527	559	513	565	502	459
55 Middle East oil-exporting countries[4]	3,125	1,548	1,432	1,575	1,624	1,991	2,021	2,411	2,613	2,556
56 Other Asia	1,804	1,934	2,252	3,009	2,860	2,766	3,139	3,182	3,656	4,269
57 Africa	2,221	1,797	2,377	3,503	3,819	4,019	4,203	4,383	4,768	4,853
58 Egypt	107	114	151	238	259	293	327	345	400	416
59 Morocco	82	103	223	284	273	273	294	312	278	334
60 South Africa	860	445	370	1,011	948	1,249	1,426	1,344	1,387	1,467
61 Zaire	164	144	94	112	98	93	89	100	81	84
62 Oil-exporting countries[5]	452	391	805	657	783	593	637	725	839	801
63 Other	556	600	734	1,201	1,458	1,518	1,429	1,557	1,783	1,752
64 Other countries	988	855	1,150	1,376	1,463	1,583	1,777	1,803	1,961	2,105
65 Australia	877	673	859	1,203	1,280	1,385	1,501	1,560	1,655	1,702
66 All other	111	182	290	172	183	198	276	243	306	404
67 Nonmonetary international and regional organizations[6]	56	36	78	56	51	47	57	40	43	43

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 prior to April 1978 include claims of banks' domestic customers on foreigners.

▲ 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.

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	1978	1979	1980	1981	1982					
				Dec.▲ r	Jan. r	Feb. r	Mar.	Apr. r	May r	June p
1 **Total**	**126,787**	**154,030**	**198,698**	**288,282**	...	...	**320,068**	...	...	...
2 Banks' own claims on foreigners	115,545	133,943	172,592	251,029	255,822	266,483	276,924	287,562	300,193	311,859
3 Foreign public borrowers	10,346	15,937	20,882	31,193	33,153	33,460	33,705	35,203	37,543	39,972
4 Own foreign offices[1]	41,605	47,428	65,084	96,639	96,476	98,305	101,710	106,115	107,798	111,837
5 Unaffiliated foreign banks	40,483	40,927	50,168	74,091	76,304	82,946	87,288	90,760	97,195	101,389
6 Deposits	5,428	6,274	8,254	22,689	23,947	26,259	28,709	29,152	33,432	35,115
7 Other	35,054	34,654	41,914	51,403	52,357	56,686	58,579	61,607	63,763	66,274
8 All other foreigners	23,111	29,650	36,459	49,105	49,889	51,772	54,222	55,484	57,658	58,661
9 Claims of banks' domestic customers[2]	11,243	20,088	26,106	37,253	...	...	43,143	...	...	...
10 Deposits	480	955	885	1,378	...	...	1,512	...	...	...
11 Negotiable and readily transferable instruments[3]	5,396	13,100	15,574	25,752	...	...	32,328	...	...	...
12 Outstanding collections and other claims[4]	5,366	6,032	9,648	10,123	...	...	9,303	...	...	...
13 MEMO: Customer liability on acceptances	15,030	18,021	22,714	29,565	...	...	30,273	...	...	...
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	13,668	22,265	24,381	39,556	42,117	43,648	40,800	41,223	43,648	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period before that are outstanding collections only.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ 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	1978	1979	1980	1981			1982
	Dec.	Dec.	Dec.	June r	Sept r	Dec.▲ r	Mar.
1 **Total**	**73,635**	**86,181**	**106,748**	**117,610**	**122,477**	**153,932**	**174,697**
By borrower							
2 Maturity of 1 year or less[1]	58,345	65,152	82,555	92,124	94,957	115,895	132,886
3 Foreign public borrowers	4,633	7,233	9,974	11,752	12,990	15,196	16,579
4 All other foreigners	53,712	57,919	72,581	80,372	81,967	100,699	116,307
5 Maturity of over 1 year[1]	15,289	21,030	24,193	25,486	27,520	38,037	41,811
6 Foreign public borrowers	5,395	8,371	10,152	11,177	12,564	15,648	17,054
7 All other foreigners	9,894	12,659	14,041	14,309	14,956	22,389	24,757
By area							
Maturity of 1 year or less[1]							
8 Europe	15,169	15,235	18,715	21,149	23,015	27,886	34,061
9 Canada	2,670	1,777	2,723	3,314	3,959	4,634	5,628
10 Latin America and Caribbean	20,895	24,928	32,034	33,584	35,590	48,463	58,493
11 Asia	17,545	21,641	26,686	31,509	29,295	31,513	30,595
12 Africa	1,496	1,077	1,757	1,768	2,324	2,457	2,886
13 All other[2]	569	493	640	801	774	943	1,224
Maturity of over 1 year[1]							
14 Europe	3,142	4,160	5,118	6,312	6,424	8,099	8,478
15 Canada	1,426	1,317	1,448	1,317	1,347	1,774	1,863
16 Latin America and Caribbean	8,464	12,814	15,075	15,458	17,478	25,096	27,849
17 Asia	1,407	1,911	1,865	1,679	1,550	1,902	2,214
18 Africa	637	655	507	559	548	899	1,093
19 All other[2]	214	173	179	161	172	267	315

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

▲ 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.

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	1978[2]	1979	1980				1981				1982
			Mar.	June	Sept.	Dec	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**266.2**	**303.9**	**308.5**	**328.8**	**339.3**	**352.0**	**370.6**	**382.5**	**399.4**	**411.3**	**408.5**
2 G-10 countries and Switzerland	124.7	138.4	141.3	154.2	158.8	162.1	167.9	168.2	172.0	173.2	170.3
3 Belgium-Luxembourg	9.0	11.1	10.8	13.1	13.6	13.0	13.5	13.8	14.1	13.2	13.0
4 France	12.2	11.7	12.0	14.1	13.9	14.1	14.5	14.7	16.0	15.2	15.5
5 Germany	11.3	12.2	11.4	12.7	12.9	12.1	13.2	12.1	12.7	12.8	12.4
6 Italy	6.7	6.4	6.2	6.9	7.2	8.2	7.7	8.4	8.6	9.7	8.8
7 Netherlands	4.4	4.8	4.3	4.5	4.4	4.4	4.6	4.1	3.7	4.0	4.0
8 Sweden	2.1	2.4	2.4	2.7	2.8	2.9	3.2	3.1	3.4	3.7	4.1
9 Switzerland	5.3	4.7	4.3	3.3	3.4	5.0	5.1	5.2	5.1	5.4	5.3
10 United Kingdom	47.3	56.4	57.6	64.4	66.7	67.4	68.2	67.0	68.7	69.0	68.5
11 Canada	6.0	6.3	6.9	7.2	7.7	8.4	8.8	10.8	11.7	10.8	11.1
12 Japan	20.6	22.4	25.4	25.5	26.1	26.5	29.1	28.9	28.0	29.3	27.6
13 Other developed countries	19.4	19.9	18.8	20.3	20.6	21.6	23.5	24.8	26.4	28.4	30.4
14 Austria	1.7	2.0	1.7	1.8	1.8	1.9	1.8	2.1	2.2	2.0	2.1
15 Denmark	2.0	2.2	2.1	2.2	2.2	2.3	2.4	2.3	2.5	2.4	2.5
16 Finland	1.2	1.2	1.1	1.3	1.2	1.4	1.4	1.3	1.4	1.7	1.6
17 Greece	2.3	2.4	2.4	2.5	2.6	2.8	2.7	3.0	2.9	2.7	2.8
18 Norway	2.1	2.3	2.4	2.4	2.4	2.6	2.8	2.8	3.0	3.1	3.2
19 Portugal	.6	.7	.6	.6	.7	.6	.6	.8	1.0	1.1	1.2
20 Spain	3.5	3.5	3.5	3.9	4.2	4.4	5.5	5.7	5.8	6.6	7.1
21 Turkey	1.5	1.4	1.4	1.4	1.3	1.5	1.5	1.4	1.5	1.4	1.5
22 Other Western Europe	1.3	1.4	1.4	1.6	1.7	1.7	1.8	1.8	1.9	2.1	2.2
23 South Africa	2.0	1.3	1.1	1.5	1.2	1.1	1.5	1.9	2.5	2.8	3.2
24 Australia	1.4	1.3	1.2	1.2	1.2	1.3	1.4	1.7	1.9	2.5	3.1
25 OPEC countries[3]	22.7	22.9	21.8	20.9	21.4	22.7	21.7	22.2	23.5	24.4	24.5
26 Ecuador	1.6	1.7	1.8	1.8	1.9	2.1	2.0	2.0	2.1	2.2	2.3
27 Venezuela	7.2	8.7	7.9	7.9	8.5	9.1	8.3	8.7	9.2	9.6	9.3
28 Indonesia	2.0	1.9	1.9	1.9	1.9	1.8	2.1	2.1	2.5	2.5	2.7
29 Middle East countries	9.5	8.0	7.8	6.9	6.7	6.9	6.7	6.8	7.1	7.6	8.1
30 African countries	2.5	2.6	2.5	2.5	2.4	2.8	2.6	2.6	2.6	2.5	2.1
31 Non-OPEC developing countries	52.6	63.0	63.7	67.7	73.0	77.4	81.9	84.7	90.0	95.9	94.2
Latin America											
32 Argentina	3.0	5.0	5.5	5.6	7.6	7.9	9.4	8.5	9.2	9.3	9.3
33 Brazil	14.9	15.2	15.0	15.3	15.8	16.2	16.8	17.3	17.6	19.0	18.9
34 Chile	1.6	2.5	2.5	2.7	3.2	3.7	4.0	4.8	5.5	5.8	5.6
35 Colombia	1.4	2.2	2.1	2.2	2.4	2.6	2.4	2.5	2.5	2.6	2.2
36 Mexico	10.8	12.0	12.1	13.6	14.4	15.9	17.0	18.2	20.0	21.5	21.8
37 Peru	1.7	1.5	1.3	1.4	1.5	1.8	1.8	1.7	1.8	2.0	1.8
38 Other Latin America	3.6	3.7	3.6	3.6	3.9	3.9	4.7	3.8	4.2	4.4	4.4
Asia											
China											
39 Mainland	.0	.1	.1	.1	.1	.2	.2	.2	.2	.2	.2
40 Taiwan	2.9	3.4	3.6	3.8	4.1	4.2	4.4	4.6	5.1	5.1	5.1
41 India	.2	.2	.2	.2	.2	.3	.3	.3	.3	.3	.5
42 Israel	1.0	1.3	.9	1.2	1.1	1.5	1.3	1.8	1.5	2.0	1.6
43 Korea (South)	3.9	5.4	6.4	7.1	7.3	7.1	7.7	8.8	8.6	9.4	8.5
44 Malaysia	.6	1.0	.8	1.1	1.1	1.1	1.2	1.4	1.4	1.7	1.7
45 Philippines	2.8	4.2	4.4	4.6	4.8	5.1	4.8	5.1	5.6	6.0	5.8
46 Thailand	1.2	1.5	1.4	1.5	1.5	1.6	1.6	1.5	1.4	1.5	1.3
47 Other Asia	.2	.5	.5	.5	.5	.6	.5	.7	.8	1.0	1.0
Africa											
48 Egypt	.4	.6	.7	.8	.6	.8	.8	.7	1.0	1.1	1.3
49 Morocco	.6	.6	.6	.5	.6	.7	.6	.5	.7	.7	.7
50 Zaire	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
51 Other Africa[4]	1.4	1.7	1.8	1.9	2.1	2.1	2.2	2.1	2.2	2.3	2.3
52 Eastern Europe	6.9	7.3	7.3	7.2	7.3	7.4	7.7	7.7	7.7	7.7	7.1
53 U.S.S.R.	1.3	.7	.6	.5	.5	.4	.4	.5	.4	.6	.4
54 Yugoslavia	1.5	1.8	1.9	2.1	2.1	2.3	2.4	2.5	2.5	2.5	2.3
55 Other	4.1	4.8	4.9	4.5	4.7	4.6	4.8	4.8	4.7	4.7	4.4
56 Offshore banking centers	31.0	40.4	42.6	44.3	44.6	47.0	53.1	59.2	61.7	62.9	64.1
57 Bahamas	10.4	13.7	13.9	13.7	13.2	13.7	15.2	17.9	21.3	18.7	19.5
58 Bermuda	.7	.8	.6	.6	.6	.6	.7	.7	.8	.7	.6
59 Cayman Islands and other British West Indies	7.4	9.4	11.3	9.8	10.1	10.6	11.7	12.6	12.0	12.3	11.5
60 Netherlands Antilles	.8	1.2	.9	1.2	1.3	2.1	2.3	2.4	2.2	3.1	3.2
61 Panama[5]	3.0	4.3	4.9	5.6	5.6	5.4	6.5	6.9	6.7	7.5	6.8
62 Lebanon	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
63 Hong Kong	4.2	6.0	5.7	6.9	7.5	8.1	8.4	10.3	10.3	11.7	13.0
64 Singapore	3.9	4.5	4.7	5.9	5.6	5.9	7.3	8.1	8.0	8.6	9.3
65 Others[6]	.5	.4	.4	.4	.4	.3	.9	.3	.1	.1	.1
66 Miscellaneous and unallocated[7]	9.1	11.7	13.2	14.3	13.7	14.0	14.9	15.7	18.2	18.9	17.9

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). However, see also footnote 2.

2. Beginning with data for June 1978, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

3. In addition to the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

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	1978	1979	1980	1981			
				June	Sept.	Dec.[r]	Mar.[p]
1 **Total**	**14,952**	**17,385**	**21,990**	**21,404**	**22,948**	**21,604**	**20,720**
2 Payable in dollars	11,523	14,310	18,281	18,123	19,853	18,088	18,062
3 Payable in foreign currencies[2]	3,429	3,075	3,709	3,281	3,095	3,515	2,658
By type							
4 Financial liabilities	6,368	7,485	11,153	11,465	12,512	11,325	11,190
5 Payable in dollars	3,853	5,215	8,381	9,099	10,227	8,851	9,320
6 Payable in foreign currencies	2,515	2,270	2,772	2,366	2,285	2,474	1,870
7 Commercial liabilities	8,584	9,900	10,837	9,939	10,436	10,278	9,530
8 Trade payables	4,001	4,585	4,934	4,460	4,351	4,647	3,961
9 Advance receipts and other liabilities	4,583	5,315	5,903	5,479	6,085	5,631	5,569
10 Payable in dollars	7,670	9,095	9,900	9,024	9,626	9,237	8,742
11 Payable in foreign currencies	914	805	936	915	810	1,041	788
By area or country							
Financial liabilities							
12 Europe	3,971	4,658	6,338	5,997	7,494	6,404	7,067
13 Belgium-Luxembourg	293	345	487	532	492	452	496
14 France	173	175	327	367	825	636	822
15 Germany	366	497	582	451	430	491	503
16 Netherlands	391	829	681	763	651	738	730
17 Switzerland	248	170	354	345	465	715	707
18 United Kingdom	2,167	2,463	3,772	3,422	4,478	3,246	3,704
19 Canada	247	532	964	978	977	958	914
20 Latin America and Caribbean	1,357	1,483	3,103	3,592	3,195	3,099	2,744
21 Bahamas	478	375	964	1,272	1,019	1,279	1,095
22 Bermuda	4	81	1	1	0	7	6
23 Brazil	10	18	23	20	20	22	27
24 British West Indies	194	514	1,452	1,534	1,363	1,045	1,016
25 Mexico	102	121	99	98	107	102	67
26 Venezuela	49	72	81	91	90	98	97
27 Asia	784	804	723	869	814	838	450
28 Japan	717	726	644	750	696	673	293
29 Middle East oil-exporting countries[3]	32	31	38	29	30	47	40
30 Africa	5	4	11	5	3	3	2
31 Oil-exporting countries[4]	2	1	1	0	1	0	0
32 All other[5]	5	4	15	24	29	24	12
Commercial liabilities							
33 Europe	3,047	3,701	4,396	3,959	3,955	3,771	3,421
34 Belgium-Luxembourg	97	137	90	72	78	67	50
35 France	321	467	582	558	575	573	504
36 Germany	523	545	679	617	590	545	473
37 Netherlands	246	227	219	225	238	221	232
38 Switzerland	302	310	493	375	563	424	400
39 United Kingdom	824	1,077	1,209	1,011	925	884	824
40 Canada	667	924	876	731	823	870	857
41 Latin America	997	1,323	1,259	1,149	1,087	986	770
42 Bahamas	25	69	8	4	3	2	22
43 Bermuda	97	32	75	72	113	67	71
44 Brazil	74	203	111	54	61	67	83
45 British West Indies	53	21	35	34	11	2	27
46 Mexico	106	257	326	319	345	293	176
47 Venezuela	303	301	319	290	273	276	194
48 Asia	2,927	2,991	3,034	2,803	3,221	3,285	3,214
49 Japan	448	583	802	867	775	1,094	1,081
50 Middle East oil-exporting countries[3]	1,518	1,014	890	837	881	910	816
51 Africa	743	728	817	676	757	703	664
52 Oil-exporting countries[4]	312	384	517	392	355	344	247
53 All other[5]	203	233	456	622	593	664	604

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.23 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	1978	1979	1980	1981			1982
					June	Sept.	Dec.[r]	Mar.[p]
1	**Total**	**28,001**	**31,341**	**34,597**	**35,341**	**34,348**	**35,737**	**30,059**
2	Payable in dollars	24,998	28,148	31,663	32,424	31,380	32,167	27,452
3	Payable in foreign currencies[2]	3,003	3,193	2,933	2,917	2,968	3,571	2,607
	By type							
4	Financial claims	16,644	18,449	19,924	20,156	19,415	20,859	17,675
5	Deposits	11,201	12,813	14,087	14,530	13,628	14,675	12,638
6	Payable in dollars	10,133	11,897	13,312	13,805	12,902	14,060	12,181
7	Payable in foreign currencies	1,068	916	775	725	726	615	457
8	Other financial claims	5,443	5,637	5,837	5,625	5,787	6,185	5,037
9	Payable in dollars	3,874	3,810	4,154	3,988	4,102	3,744	3,408
10	Payable in foreign currencies	1,569	1,826	1,683	1,638	1,686	2,440	1,629
11	Commercial claims	11,357	12,892	14,673	15,185	14,933	14,878	12,384
12	Trade receivables	10,798	12,188	13,947	14,338	14,047	13,938	11,449
13	Advance payments and other claims	559	704	726	847	886	940	935
14	Payable in dollars	10,991	12,441	14,197	14,631	14,376	14,362	11,864
15	Payable in foreign currencies	366	450	476	554	556	516	520
	By area or country							
	Financial claims							
16	Europe	5,225	6,167	6,116	5,156	4,822	4,566	4,570
17	Belgium-Luxembourg	48	32	195	174	26	43	16
18	France	178	177	337	377	348	325	452
19	Germany	510	409	230	139	320	244	217
20	Netherlands	103	53	51	52	68	50	79
21	Switzerland	98	73	59	116	86	73	39
22	United Kingdom	4,031	5,111	4,968	3,952	3,649	3,493	3,524
23	Canada	4,549	4,987	5,060	6,162	6,013	6,617	4,874
24	Latin America and Caribbean	5,714	6,293	7,768	7,987	7,621	8,575	7,359
25	Bahamas	3,001	2,765	3,448	3,330	3,253	3,902	3,444
26	Bermuda	80	30	135	33	15	18	94
27	Brazil	151	163	96	20	66	30	49
28	British West Indies	1,291	2,011	2,731	3,397	3,195	3,500	2,751
29	Mexico	162	157	208	162	271	299	281
30	Venezuela	157	143	137	143	143	148	130
31	Asia	920	706	710	599	621	882	680
32	Japan	305	199	177	99	109	363	267
33	Middle East oil-exporting countries[3]	18	16	20	19	29	37	36
34	Africa	181	253	238	216	222	168	159
35	Oil-exporting countries[4]	10	49	26	39	41	46	43
36	All other[5]	55	44	32	37	116	51	34
	Commercial claims							
37	Europe	3,983	4,909	5,512	5,470	5,347	5,327	4,342
38	Belgium-Luxembourg	144	202	233	235	220	234	245
39	France	609	727	1,129	784	767	776	696
40	Germany	399	589	591	572	580	554	444
41	Netherlands	267	298	318	308	308	303	227
42	Switzerland	198	272	353	474	404	427	354
43	United Kingdom	824	901	928	1,067	1,032	965	1,057
44	Canada	1,094	859	914	1,016	1,017	967	939
45	Latin America and Caribbean	2,546	2,879	3,765	3,804	3,726	3,464	2,904
46	Bahamas	109	21	21	29	18	12	80
47	Bermuda	215	197	108	192	241	223	212
48	Brazil	628	645	861	824	726	668	417
49	British West Indies	9	16	34	34	13	12	23
50	Mexico	505	708	1,101	1,121	983	1,020	759
51	Venezuela	291	343	410	420	454	422	394
52	Asia	3,108	3,451	3,512	3,785	3,674	3,910	3,151
53	Japan	1,006	1,177	1,045	1,218	1,104	1,244	1,158
54	Middle East oil-exporting countries[3]	713	765	822	934	828	898	757
55	Africa	447	554	653	705	717	750	584
56	Oil-exporting countries[4]	136	133	153	137	154	152	142
57	All other[5]	178	240	318	404	451	459	463

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1980[r]	1981[r]	1982 Jan.-June	1981 Dec	1982 Jan.[r]	Feb.[r]	Mar.	Apr.[r]	May	June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	40,298	40,603	14,319	2,940	2,016	2,524	2,635	2,359	2,621	2,163
2 Foreign sales	34,870	34,835	12,390	2,740	1,748	1,988	2,506	2,101	2,186	1,862
3 Net purchases, or sales (−)	**5,427**	**5,768**	**1,929**	**200**	**268**	**536**	**129**	**258**	**435**	**302**
4 Foreign countries	**5,409**	**5,743**	**1,901**	**199**	**263**	**537**	**120**	**252**	**429**	**299**
5 Europe	3,116	3,606	1,375	176	231	347	166	167	305	157
6 France	492	892	97	5	0	-6	-51	33	48	-25
7 Germany	169	-28	156	-6	15	17	42	29	43	10
8 Netherlands	-328	39	91	-73	3	38	1	9	36	23
9 Switzerland	310	280	-198	75	40	33	-60	66	6	85
10 United Kingdom	2,528	2,209	1,388	171	169	317	223	176	279	224
11 Canada	887	783	-152	8	45	20	118	0	10	2
12 Latin America and Caribbean	148	-30	99	-36	13	31	19	53	22	25
13 Middle East[1]	1,206	1,140	510	24	51	137	84	61	104	73
14 Other Asia	16	284	17	74	40	6	4	40	-21	39
15 Africa	1	7	-4	0	0	1	-3	0	1	-3
16 Other countries	38	46	57	1	1	6	6	12	27	6
17 Nonmonetary international and regional organizations	**18**	**24**	**27**	**0**	**5**	**-1**	**9**	**6**	**6**	**3**
BONDS[2]										
18 Foreign purchases	15,425	17,290	9,123	1,192	946	929	1,619	2,217	1,929	1,483
19 Foreign sales	9,964	12,247	7,025	1,038	778	930	1,481	1,485	1,199	1,153
20 Net purchases, or sales (−)	**5,461**	**5,043**	**2,098**	**153**	**168**	**-1**	**138**	**733**	**730**	**330**
21 Foreign countries	**5,526**	**4,976**	**2,029**	**157**	**154**	**10**	**144**	**674**	**690**	**356**
22 Europe	1,576	1,356	1,818	139	144	16	169	540	704	244
23 France	129	11	129	7	15	14	12	20	46	23
24 Germany	212	848	1,428	52	88	104	225	396	500	115
25 Netherlands	65	70	49	3	2	0	17	14	11	5
26 Switzerland	54	108	148	-3	19	8	15	46	48	12
27 United Kingdom	1,257	181	16	55	3	-102	-102	59	91	67
28 Canada	135	12	162	2	29	15	29	46	23	21
29 Latin America and Caribbean	185	132	98	22	17	-11	26	-8	15	61
30 Middle East[1]	3,499	3,465	-157	62	-89	-63	-41	126	-112	22
31 Other Asia	117	44	128	60	53	52	29	-18	61	9
32 Africa	5	1	-19	0	0	0	-6	-13	0	0
33 Other countries	10	-7	0	2	0	2	-3	1	0	-1
34 Nonmonetary international and regional organizations	**-65**	**66**	**69**	**-4**	**14**	**-11**	**-6**	**59**	**40**	**-26**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	-2,136	-39	114	65[r]	145	38	31	65	-115	79
36 Foreign purchases	7,893	9,261	3,210	700[r]	522	509	692	383	486	618
37 Foreign sales	10,029	9,300	3,097	634[r]	377	471	661	448	601	538
38 Bonds, net purchases, or sales (−)	1,001	5,436	-1,054	-774[r]	-106	-99	-540	-33	461	-737
39 Foreign purchases	17,084	17,540	12,336	1,980	1,222	1,513	2,549	2,254	2,755	2,043
40 Foreign sales	18,086	22,976	13,390	2,754[r]	1,327	1,612	3,089	2,287	2,294	2,780
41 Net purchases, or sales (−), of stocks and bonds	**-3,138**	**-5,475**	**-941**	**-709[r]**	**39**	**-62**	**-509**	**-98**	**346**	**-658**
42 Foreign countries	**-4,014**	**-4,463**	**-820**	**11[r]**	**11**	**-121**	**-525**	**-32**	**127**	**-279**
43 Europe	1,108	-681	-408	127[r]	132	-58	109	-127	-40	-425
44 Canada	-1,948	-3,698	-770	-166	164	-102	-628	120	76	-71
45 Latin America and Caribbean	86	170	668	-2	67	67	96	202	145	91
46 Asia	-1,147	-291	-275	41[r]	-3	-21	-115	209	-53	127
47 Africa	24	-53	-37	6	-15	-1	-5	-17	-1	0
48 Other countries	79	90	2	6[r]	5	-7	17	0	-1	-2
49 Nonmonetary international and regional organizations	**876**	**-1,012**	**-121**	**-720**	**28**	**60**	**16**	**-66**	**219**	**-379**

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	1980	1981	1982 Jan.–June	1981 Dec	1982 Jan.	Feb.	Mar.	Apr.	May	June^p
	Holdings (end of period)[1]									
1 **Estimated total**[2]	**57,549**	**70,201**	....	**70,201**	**71,487**	**73,800**	**75,794**	**77,268**	**77,816**	**78,168**
2 Foreign countries[2]	52,961	64,530	...	64,530	65,850	68,273	70,251	71,925	72,930	72,972
3 Europe[2]	24,468	23,976	.....	23,976	24,373	25,332	26,085	26,393	26,011	25,728
4 Belgium-Luxembourg	77	543	....	543	614	363	539	709	340	152
5 Germany[2]	12,327	11,861	.	11,861	11,898	12,845	13,055	13,231	12,974	13,022
6 Netherlands	1,884	1,955	.	1,955	1,998	2,038	2,052	2,139	2,152	2,176
7 Sweden	595	643	.	643	644	635	697	662	655	652
8 Switzerland[2]	1,485	846		846	904	984	1,025	1,157	1,134	1,039
9 United Kingdom	7,323	6,709	....	6,709	6,800	6,931	7,037	6,737	6,801	6,664
10 Other Western Europe	777	1,419	.	1,419	1,514	1,535	1,680	1,757	1,954	2,023
11 Eastern Europe	0	0	.	0	0	0	0	0	0	0
12 Canada	449	514	.	514	533	499	458	473	506	410
13 Latin America and Caribbean	999	736	...	736	721	728	760	886	928	899
14 Venezuela	292	286	.	286	286	286	286	306	296	253
15 Other Latin America and Caribbean	285	319	....	319	321	337	370	383	427	421
16 Netherlands Antilles	421	131	......	131	113	104	103	196	204	224
17 Asia	26,112	38,671	.....	38,671	39,700	41,310	42,531	43,750	45,060	45,504
18 Japan	9,479	10,780	......	10,780	10,844	11,022	11,203	11,381	11,396	11,137
19 Africa	919	631	....	631	519	400	401	403	405	405
20 All other	14	2	....	2	3	5	17	22	21	26
21 Nonmonetary international and regional organizations	4,588	5,671	..	5,671	5,637	5,527	5,543	5,343	4,886	5,196
22 International	4,548	5,637	....	5,637	5,603	5,493	5,529	5,278	4,822	5,123
23 Latin American regional	36	1	....	1	1	4	4	4	4	4
	Transactions (net purchases, or sales (–) during period)									
24 **Total**[2]	**6,066**	**12,652**	**7,967**	**–169**	**1,286**	**2,313**	**1,994**	**1,474**	**548**	**352**
25 Foreign countries[2]	6,906	11,568	8,442	1,363	1,320	2,423	1,978	1,674	1,005	42
26 Official institutions	3,865	11,694	7,091	787	841	2,343	1,314	812	1,474	308
27 Other foreign[2]	3,040	127	1,349	576	478	80	664	862	–469	–266
28 Nonmonetary international and regional organizations	843	1,085	473	1,194	33	110	16	200	456	310
MEMO: Oil-exporting countries										
29 Middle East[3]	7,672	11,156	5,599	17	1,019	1,373	470	906	907	924
30 Africa[4]	327	289	227	407	112	119	0	2	2	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 July 31, 1982: Per-cent	Rate on July 31, 1982: Month effective	Country	Rate on July 31, 1982: Per-cent	Rate on July 31, 1982: Month effective	Country	Rate on July 31, 1982: Per-cent	Rate on July 31, 1982: Month effective
Argentina	113.84	July 1982	France[1]	14.75	July 1982	Sweden	10.0	Mar. 1982
Austria	6.75	Mar. 1980	Germany, Fed. Rep. of	7.5	May 1980	Switzerland	5.5	Mar. 1982
Belgium	13.5	July 1982	Italy	19.0	Mar. 1981	United Kingdom[2]	......	......
Brazil	49.0	Mar. 1981	Japan	5.5	Dec. 1981	Venezuela	14.0	Aug. 1981
Canada	15.50	July 1982	Netherlands	8.0	Mar. 1982			
Denmark	11.00	Oct. 1980	Norway	9.0	Nov. 1979			

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	1979	1980	1981	1982						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	11.96	14.00	16.79	14.29	15.75	14.90	15.20	14 53	15.45	14.37
2 United Kingdom	13.60	16.59	13.86	15.14	14.47	13.53	13.69	13.31	12.96	12.35
3 Canada	11.91	13.12	18.84	15.01	15.25	15.67	15.74	15 46	16.84	16.23
4 Germany	6.64	9.45	12.05	10.43	10.22	9.84	9.30	9 12	9.22	9.41
5 Switzerland	2.04	5.79	9.15	8.53	8.29	6.37	4.96	3 80	5.39	4.32
6 Netherlands	9.33	10.60	11.52	10.49	10.06	8.90	8.20	8 62	8.75	8.95
7 France	9.44	12.18	15.28	15.07	14.58	15.21	16.36	16.17	15.67	14.64
8 Italy	11.85	17.50	19.98	21.38	21.34	20.63	20.62	20 59	20.51	20.18
9 Belgium	10.48	14.06	15.28	15.09	14.89	14.02	14.95	15.00	15.38	15.22
10 Japan	6.10	11.45	7.58	6.41	6.38	6.43	6.57	6.80	7 14	7.15

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	1979	1980	1981	1982					
				Feb.	Mar.	Apr.	May	June	July
1 Argentina/peso	n.a.	n.a.	n.a.	10256.00	10795.65	11761.36	13942.50	15025.00	19671.43
2 Australia/dollar[1]	111.77	114.00	114.95	108.50	106.03	105.15	105.94	103.23	101.09
3 Austria/schilling	13.387	12.945	15.948	16.587	16.711	16.853	16.274	17.114	17.342
4 Belgium/franc	29.342	29.237	37.194	41.144	44.379	45.292	43.666	46.183	47.029
5 Brazil/cruzeiro	n.a.	n.a.	92.374	137.97	144.07	151.03	159.08	167.70	177.97
6 Canada/dollar	1.1603	1.1693	1.1990	1.2140	1.2205	1.2252	1.2336	1.2756	1.2699
7 Chile/peso	n.a.	n.a.	n.a.	39.100	39.100	39.407	39.537	43.373	47.228
8 China, P.R./yuan	n.a.	n.a.	1.7031	1.8200	1.8429	1.8565	1.8123	1.9014	1.9300
9 Colombia/peso	n.a.	n.a.	n.a.	60.129	60.956	61.057	62.365	63.318	65.539
10 Denmark/krone	5.2622	5.6345	7.1350	7.7950	8.0396	8.1591	7.8444	8.3481	8.5402
11 Finland/markka	3.8886	3.7206	4.3128	4.5058	4.5663	4.6097	4.5045	4.6763	4.7278
12 France/franc	4.2566	4.2250	5.4396	6.0176	6.1428	6.2457	6.0237	6.5785	6.8560
13 Germany/deutsche mark	1.8342	1.8175	2.2631	2.3660	2.3800	2.3970	2.3127	2.4292	2.4662
14 Greece/drachma	n.a.	n.a.	n.a.	60.973	61.769	63.541	62.892	67.795	69.434
15 Hong Kong/dollar	n.a.	n.a	5.5678	5.8857	5.8298	5.8270	5.7549	5.8669	5.9025
16 India/rupee	8.1555	7.8866	8.6807	9.2144	9.2935	9.3923	9.2965	9.4668	9.5633
17 Indonesia/rupiah	n.a.	n.a	n.a.	645.89	649.00	651.14	653.67	654.98	659.18
18 Iran/rial	n.a.	n a.	79.324	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
19 Ireland/pound[1]	204.65	205.77	161.32	148.86	147.25	144.22	149.60	141.92	139.48
20 Israel/shekel	n.a.	n.a.	n.a.	17.488	18.766	20.014	21.184	23.179	25.320
21 Italy/lira	831.10	856 20	1138.60	1263.20	1293.29	1321.60	1283.37	1358.43	1382.26
22 Japan/yen	219.02	226.63	220.63	235.31	241.23	244.11	236.96	251.20	255.03
23 Malaysia/ringgit	2.1721	2.1767	2.3048	2.3662	2.3265	2.3395	2.2907	2.3392	2.3554
24 Mexico/peso	22.816	22.968	24.547	31.736	45.366	46.152	46.903	47.716	48.594
25 Netherlands/guilder	2.0072	1.9875	2.4998	2.5947	2.6186	2.6594	2.5709	2.6848	2.7239
26 New Zealand/dollar[1]	102.23	97.34	86.848	79.325	77.698	76.562	77.025	74.951	73.990
27 Norway/krone	5.0650	4.9381	5.7430	5.9697	6.0255	6.0820	5.9675	6.1869	6.3557
28 Peru/sol	n.a.	n.a.	n.a.	534.47	561.08	591.29	622.87	656.11	693.56
29 Philippines/peso	n.a.	n.a.	7.8113	8.2530	8.3291	8.3565	8.4016	8 4511	8.4802
30 Portugal/escudo	48.953	50.082	61.739	69.067	70.488	72.493	70.610	78.477	84.514
31 Singapore/dollar	n.a.	n.a.	2.1053	2.1095	2.1213	2.1329	2.0886	2.1379	2.1464
32 South Africa/rand/[1]	118.72	128.54	114.77	101.95	97.930	94.880	94.010	89.57	87.20
33 South Korea/won	n.a.	n.a.	n.a.	710.05	714.67	721.03	724.35	738.30	743.06
34 Spain/peseta	67.158	71.758	92.396	100.70	104.53	106.15	102.987	109.215	111.57
35 Sri Lanka/rupee	15.570	16.167	18.967	20.611	20.700	20.575	20.365	20.750	20.895
36 Sweden/krona	4.2892	4.2309	5.0659	5.7579	5.8361	5.9144	5.7888	6 0244	6.1159
37 Switzerland/franc	1.6643	1.6772	1.9674	1.8909	1.8886	1.9624	1.9500	2.0789	2.0960
38 Thailand/baht	n.a.	n.a.	21.731	23.050	23.050	23.025	23.000	23.000	23.000
39 United Kingdom/pound[1]	212.24	232.58	202.43	184.70	180.53	177.20	181.03	175 63	173.54
40 Venezuela/bolivar	n.a.	n.a.	4.2781	4.2960	4.3012	4.3023	4.2991	4.2953	4.2951
MEMO:									
United States/dollar[2]	88.09	87.39	102.94	110.36	112.45	114.07	111.03	116.97	118.91

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 page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	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)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
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.

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List Published Semiannually, with Latest Bulletin Reference

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Index to Statistical Tables

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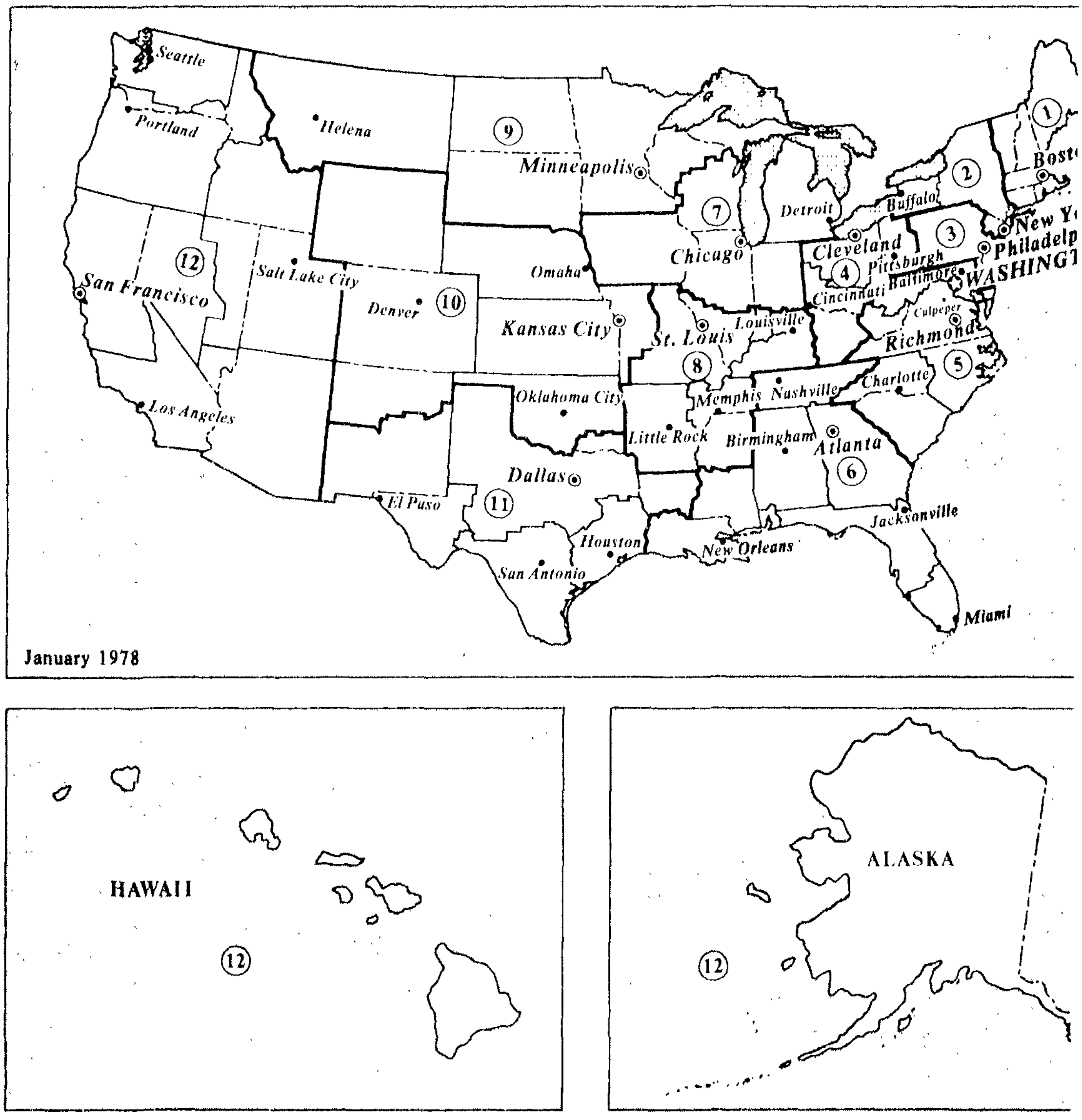
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territorie



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Boundaries of Federal Reserve Branch Territories

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Federal Reserve Branch Cities

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