JULY 1978

FEDERAL RESERVE BULLETIN

The Recent Behavior of Inflation

Working Capital of Nonfinancial Corporations

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should be 3 to 8 and 4 to 9 per cent, respectively. It was understood that in assessing the behavior of these aggregates the Manager should continue to give approximately equal weight to the behavior of *M*-1 and *M*-2.

In the judgment of the Committee such growth rates were likely to be associated with a weekly-average Federal funds rate slightly above the current level of 7¼ to 7⅜ per cent. The members agreed that if growth rates of the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 7¼ to 7¾ per cent.

The Recent Behavior of Inflation

Lawrence E. DeMilner of the Wages, Prices, and Productivity Section, Division of Research and Statistics, prepared this article.

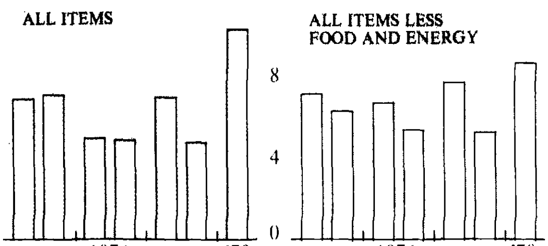
The rate of inflation accelerated substantially in the first half of 1978. This step-up was led by large increases in prices for food, particularly meats. But a number of other factors contributed to upward pressure on prices. Most prominent among these inflationary forces were a drop in the exchange rate of the dollar, a considerable increase in labor costs, and severe weather. Some of the factors, like the weather, are temporary. All, however, contribute to the momentum of underlying inflation by triggering larger wage increases and subsequently higher production costs. When several of these influences converge in time as they did in early 1978, the effect on inflation is particularly severe and difficult to remedy.

This year's rapid price acceleration—to an annual rate of more than 10 per cent—is in large part a consequence of an increase in food prices of nearly 20 per cent, a pattern that parallels a similar burst of price increases in the first half of 1977. At that time the consumer price index reached a rate of increase of nearly 9 per cent, led by increases in food prices of 13 per cent. Also in the first half of 1977 energy prices advanced at double-digit rates as a result of the severely cold winter and a price increase for crude oil by the Organization of Petroleum Exporting Countries (OPEC). In the second half of 1977 prices in both categories slowed to a rate of increase of only 3 per cent, holding down the over-all rise of consumer prices to a pace of less than 5 per cent.

Recent price behavior takes on a somewhat different appearance if food and energy items are excluded—one way of indicating an underlying rate of inflation. Except for food and energy, consumer prices rose at a generally stable rate, averaging 6 to 6½ per cent, during 1976 and 1977. Although these prices have tended to rise somewhat faster in the first half of the year than in the second half, so far during 1978 they have risen at a rate of more than 8½ per cent—faster than in any comparable period since the beginning of the recent recovery. Contributing to this acceleration of the underlying inflation rate have been higher mortgage costs and automobile prices, and a more rapid increase in rent. In addition, producers are being confronted with higher long-run costs as a result

Consumer price index

6 month percentage change



Changes are from December to June and June to December. 1978 H1 is change from December to May at an annual rate. Seasonally adjusted annual rates, Dept. of Labor data.

Consumer prices

Percentage change, seasonally adjusted annual rates

Period	All items	Food	Energy items[1]	All items less food and energy
12 months ending—				
1975—Dec.	7.0	6.5	11.6	6.7
1976—Dec.	4.8	.6	6.9	6.1
1977—Dec.	6.8	3.0	7.2	6.4
6 months ending—				
1976—June	4.9	.1	4.7	6.7
Dec.	4.8	.9	9.2	5.4
1977—June	8.9	13.4	11.4	7.7
Dec.	4.7	3.0	3.1	5.2
1978—May[2]	10.2	18.6	7.4	8.6

[1] Includes gas and electricity, gasoline, fuel oil, coal, and bottled gas, not seasonally adjusted.

[2] Change from December to May at an annual rate.

NOTE. Dept. of Labor data.

of legislated increases in payroll taxes to finance social security and unemployment insurance benefits and a substantial increase in the minimum wage that became effective at the beginning of the year.

MAJOR INFLUENCES ON PRICE BEHAVIOR

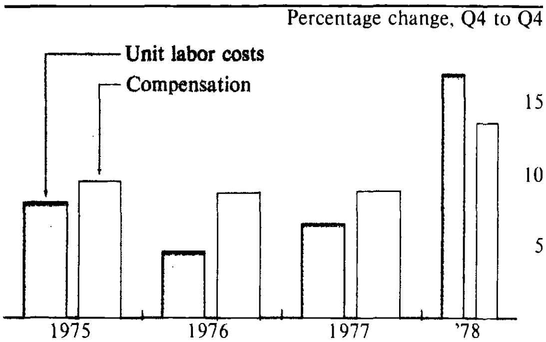
Changes in the price level from one year to the next are in general influenced most directly by labor costs - wages and additional employer costs for payroll taxes and fringe benefits -- other input costs, and the growth of productivity. In addition, major, but often temporary, impacts on the rate of inflation have been created by unexpected events such as the weather and by certain Government policies.

If labor costs had followed their typical cyclical pattern, significant progress against inflation would have been expected since in the past increases in wage rates appeared to have been moderated by the existence of high unemployment. In addition, economic recovery usually has been accompanied by strong cyclical gains in productivity, which have dampened the effect of rising compensation.

Actual improvement in slowing the current inflation, however, has been meager. Price increases did moderate significantly from the double-digit rates of 1973 and 1974—in part because of a substantial slowing of price rises for energy and food from the virtually unprecedented pace of those earlier years. Nevertheless, headway against inflation has stopped well short of that of other cyclical recoveries in the postwar period, due in large part to the persistently high rate of increase of unit labor costs. In the nonfarm business sector the rate of increase in these costs was about 5¾ per cent in both 1976 and 1977, well above the postwar average of 3½ per cent.

Success in curbing the rapid rise in unit labor costs that feeds inflation has been difficult to achieve because of the momentum of past inflation and the reciprocal relationship between wages and prices. Many workers apparently have been able to match the rises in prices with

Labor costs–Nonfarm business

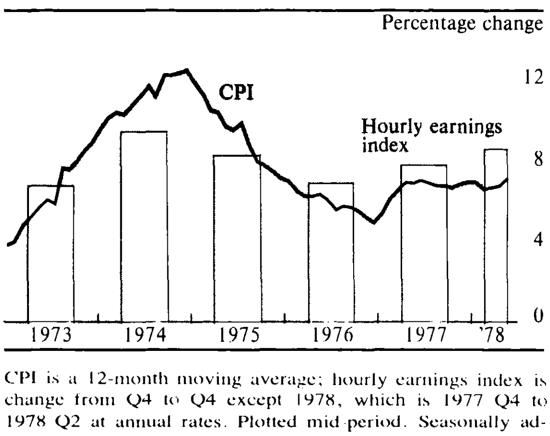


Data for 1978 is change from 1977 Q4 to 1978 Q1 at an annual rate, seasonally adjusted, from Dept. of Labor.

adjustments in their wage rates either through some type of cost-of-living escalator or by large catch-up wage increases when contracts are renegotiated. The sensitivity of wages to high rates of past inflation has meant substantial wage increases during recent years despite historically high rates of unemployment. For example, average hourly earnings rose 6¾ per cent in 1976 when the unemployment rate was 7¾ per cent. The following year, with joblessness at a still-high 7 per cent, the wage increase accelerated to 7¾ per cent.

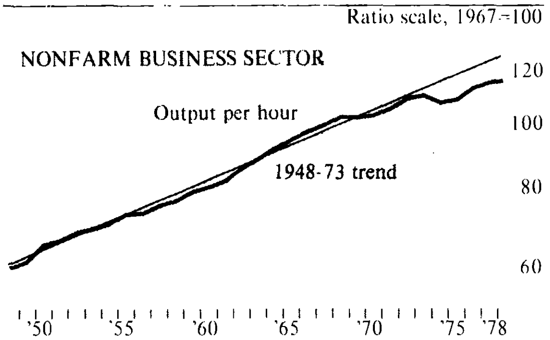
In addition, wage rates for a portion of the labor force have been increased through mandated changes in the minimum wage law. This increase, when combined with recent legislation boosting payroll taxes, has led to growth in

Wages and consumer prices



CPI is a 12-month moving average; hourly earnings index is change from Q4 to Q4 except 1978, which is 1977 Q4 to 1978 Q2 at annual rates. Plotted mid-period. Seasonally adjusted, Dept. of Labor data.

Productivity



Seasonally adjusted, Dept. of Labor data.

employee compensation in recent years that is greatly in excess of productivity gains. As an illustration, in the first quarter of 1978 compensation per hour in the nonfarm business sector registered a rise from the previous quarter of more than 13 per cent at an annual rate; the minimum wage and payroll taxes are each estimated to have contributed 2 percentage points to that first-quarter increase.

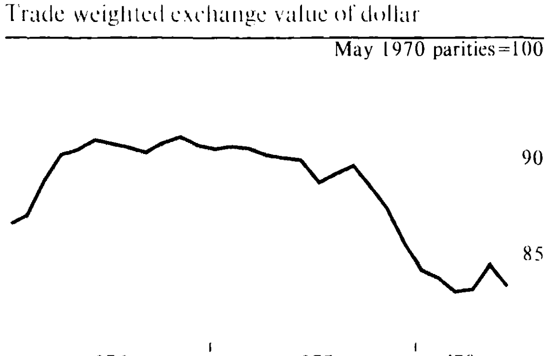
The slowing of productivity gains over the past few years has contributed to the persistent rise in unit labor costs. The behavior of productivity followed the normal cyclical pattern of rapid increases during the first 2 years of the recent recovery, with an annual rate of increase of 4.2 per cent; since then the growth rate has eased substantially to about 1 per cent. Given the very large decline in productivity associated with the last recession, this recent slowing has prevented the economy from regaining the trend level that preceded the last recession. Among the explanations that have been advanced for this development are the impact of the higher relative price of energy and the impact of the inflation rate on the after-tax profitability of investment.

Government policies affecting prices go beyond the recent adjustment in the minimum wage and higher payroll taxes. Farm policy and energy price regulation are two other major areas of involvement. For example, grain reserve programs, acreage set-asides, and sugar and dairy price supports all have adversely affected consumer food prices in recent years. In addition, recent fluctuations in energy prices have reflected not only legislation that regulates the rate of change of domestic crude oil prices and the ceiling for gasoline prices but also actions by the Federal Energy Regulatory Commission that determine the rates that can be charged for natural gas sold across State lines. Numerous Government actions outside these areas also affect production costs and selling prices. Reference prices for steel imports and the wide range of environmental and safety regulations are just a few examples.

Prices in recent years have also been profoundly influenced by a number of unexpected shocks that have caused abrupt price movements. The unusually cold winter of 1977, for example, spurred the demand for heating oil, much of which had to be imported at higher prices. That same cold weather reduced spring vegetable and citrus crops, sending prices of such produce soaring; a few months later, however, these price deviations were largely reversed. Again, in the spring of 1978, excessive rainfall in California ruined the lettuce crop and caused large advances in those prices.

Another unpredictable influence on prices has been the price for crude oil in world markets, where the United States obtains more than two-fifths of its supply. This price has been effectively under the control of OPEC. Also, a widespread impact on prices of internationally traded goods is now being felt as a result of the unexpectedly large depreciation of the foreign exchange value of the dollar.

Trade weighted exchange value of dollar



Index of weighted-average exchange value of U.S. dollar against currencies of other G 10 countries plus Switzerland. Weights are 1972 global trade of each of the 10 countries.

Even though these shocks may be temporary—followed by stability at a new price level or reversed after a while—their effects can continue for some time. The process of wage adjustment tends to translate at least part of these price changes into higher labor costs, which then can set off another round of price changes.

A SURVEY OF RECENT PRICE DEVELOPMENTS

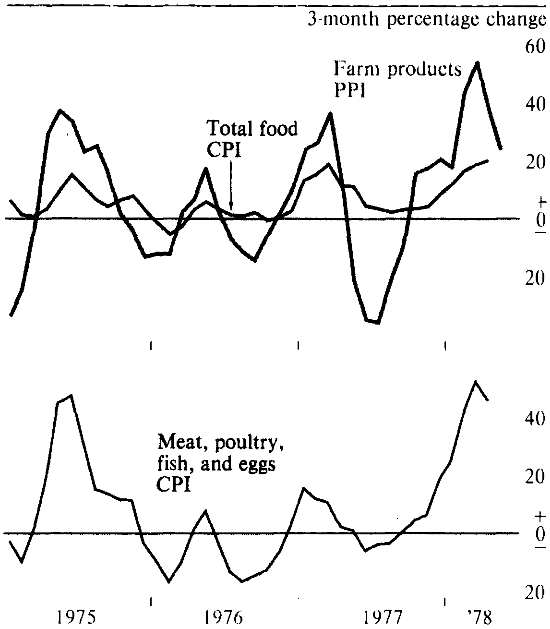
FOOD PRICES

The food sector is a good illustration of how unanticipated shocks, Government policy, and rising labor costs can interact to push up prices. Prices for farm products are quite sensitive to supply disturbances and have fluctuated widely over the past few years. But even when prices of food at the farm level have been falling, retail prices have often kept rising because of increasing costs of marketing and processing. Moreover, in the past 2 years a number of Government agricultural policies have significantly affected the behavior of food prices, following several years during which price support levels were below market-clearing prices.

In 1976 over-all consumer prices for food rose only slightly, as a substantial expansion of production kept pace with a large rise in per capita food consumption. The favorable harvest in 1975 reduced animal feed prices and stimulated meat production. This greater production lowered meat prices so much that ranchers experienced a profit squeeze and further accelerated slaughter rates in 1976. Widespread droughts also contributed to a sell-off of cattle herds. As a result meat prices fell throughout most of 1976, and at the end of the year they were down more than 10 per cent from a year earlier. Partially offsetting the effect on consumer prices of this bountiful meat supply was a 10 per cent increase in prices for fish. In addition, over-all food prices were boosted by a rise in coffee prices, which jumped 50 per cent as a result of the severe freeze in Brazil in 1975.

Although food prices at the farm level declined 4 per cent during 1976, the impact on prices at the grocery store was largely offset by a widening of the spread between farm and retail prices. The increases in processing and distribution costs that caused this widening were in large part due to higher labor costs. In addition, prices of restaurant food posted a 6 per cent increase for the year under pressure from rising labor and other costs.

Food prices



Plotted on middle month. Seasonally adjusted annual rates. Dept. of Labor data.

In the first half of 1977 food price developments became less favorable for consumers. Along with further increases for coffee and fish, meat prices turned up as beef production began to contract cyclically and pork supplies were adversely affected by the severely cold winter. Even more drastic impacts from the weather were observed in the output of fruits and vegetables, whose prices rose at an annual rate of 43 per cent between January and April.

In the second half of 1977, production of the weather-affected items bounced back, and prices declined significantly during the summer for fresh fruits and vegetables. Pork prices also turned down in the second half, and egg prices trended lower. As a result, double-digit increases in food prices in the first half gave way to a 3 per cent annual rate over the remainder of 1977.

In 1977 Government policies again became a significant factor determining the behavior of food prices. With prices at the farm level dropping and farm costs rising, legislators sought to head off potential financial difficulties for farmers by raising price supports for a number of farm products. The Food and Agriculture Act of 1977 lifted floor prices for wheat and feed grains. Administration actions—such as acreage retirement programs—added further support to grain prices. The 1977 act also provided for sugar prices to be supported at levels well above world prices, and it authorized continuing periodic adjustments in price supports for dairy products. Strong pressure on the Congress and the administration for still further upward adjustments in farm prices continued into 1978.

While Government actions were supporting higher prices for some farm products, in late 1977 and the first half of 1978 prices for other food items were rising because of market forces and further exogenous supply shocks. Tightening supplies and strong consumer demand lifted meat prices, and by the second quarter of 1978 beef prices were rising at a record pace. Another harsh winter disrupted supplies of farm products, and in California widespread flooding damaged vegetable crops. In addition, an increase in the minimum wage in January spurred the upward drift in labor costs, in particular in the restaurant industry where wages historically have been relatively low. About the only good news for consumers in the first half of 1978 was a decline in coffee prices, as Brazilian production recovered from the 1975 freeze.

ENERGY PRICES

In recent years the price of crude oil has had a considerable impact not only on energy prices but also indirectly on the over-all inflation rate. Movements in oil prices have reflected the more aggressive pricing strategy by OPEC since 1973 and changes in the Federal regulations affecting petroleum product prices. Like the pattern of food prices, the behavior of petroleum product prices served to hold down the over-all inflation rate during 1976 but to aggravate it during most of 1977.

In the beginning of 1976, the Federal Government removed the $2 import fee on crude petroleum imports and required a sharp rollback in the price of "newly discovered" domestic crude oil. These actions caused retail gasoline prices to decline substantially for the first 4 months of the year. However, a series of factors reversed these declines by the end of summer. Gradual deregulation of crude oil prices under the Energy Policy and Conservation Act and a declining share of low-priced "old" crude oil raised refiners' costs. Also, rising demand apparently led to somewhat higher profit margins at refiners. As a result, gasoline prices at the end of 1976 were 2½ per cent above those a year earlier. These same factors plus the cost of imported petroleum products also dominated the behavior of fuel oil prices during most of 1976.

Another OPEC price hike marked the beginning of 1977, although it was mitigated by the two-tier price situation for imported crude oil, which prevailed until midyear. The initial impact also was limited by large stocks that had been built up in anticipation of the price increase. In addition, by late spring of 1977 refiners, responding to the extraordinary demand for heating oil during the cold weather, had accumulated sizable stocks of gasoline as a byproduct. These large supplies were responsible for holding average gasoline prices nearly level from the spring until late fall. Fuel oil prices, on the other hand, soared because of the demand induced by the cold weather, rising at

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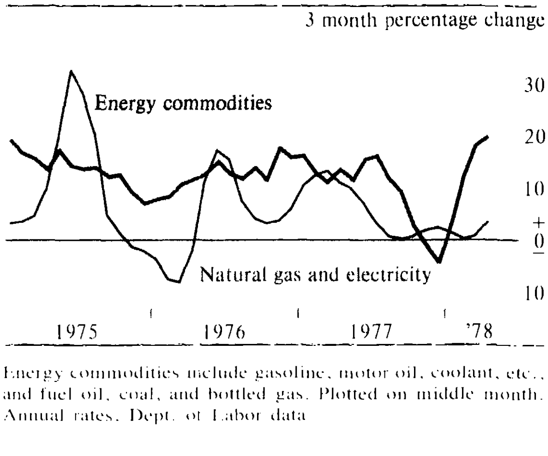
Retail energy prices



Energy commodities include gasoline, motor oil, coolant, etc., and fuel oil, coal, and bottled gas. Plotted on middle month. Annual rates. Dept. of Labor data an annual rate of 20 to 25 per cent from late 1976 to the spring of 1977. Although the rate of increase subsided steadily thereafter and prices stabilized by the end of 1977, the increase in fuel oil prices during the year amounted to more than 10 per cent.

Natural gas rates, meanwhile, advanced at a rapid pace throughout 1976. Strong demands kept unregulated intrastate prices rising, and a new rate structure approved by the Federal Power Commission permitted large price increases for newly discovered gas. Since then, the increase in natural gas prices has abated only occasionally from double-digit rates as expiring interstate gas contracts have been renegotiated at higher rates and as supply from old wells has been replaced by flows from newly discovered sources.

One of the consequences of the severe cold of the winter of 1977 was the exhaustion of stored natural gas reserves in several Midwestern States and restrictions on the use of available natural gas supplies to essential businesses and services. Although gas rates rose because of the cost of emergency gas purchases from higher-priced intrastate sources, interstate pipelines began to experience a slackening of demand as an aftermath of the gas shortage. The extensive supply curtailments as well as the energy program proposed by the administration, which would penalize industrial gas usage, may have speeded conversions to substitute fuels. Because of the high fixed costs involved in the transmission of natural gas, however, this shift has only aggravated the problem of rising unit gas prices, which are passed on to consumers under provisions of State regulatory commissions. Nevertheless, natural gas remains, on a BTU basis, comparatively quite inexpensive. If current efforts toward deregulation are successful, it can be expected that natural gas rates will seek price parity with alternative fuels.

Price of finished goods, selected nonfood items

Percentage change, seasonally adjusted annual rates

Item	6 months ending—						
	1975		1976		1977		1978
	June	Dec.	June	Dec.	June	Dec.	June[1]
Producer price index:							
Consumer durable goods	4.8	5.7	3.6	4.1	6.9	6.3	12.4
Consumer price index:							
Durable goods	9.4	5.6	6.5	5.7	6.3	3.3	8.6
New cars	5.9	8.2	3.8	5.3	5.6	8.8	7.3
Used cars	6.0	10.8	24.4	14.5	7.2	−13.9	14.1
Producer price index:							
Consumer nondurable goods less food	5.1	9.9	3.3	7.3	9.1	3.7	5.1
Consumer price index:							
Nondurable goods less food	4.8	5.4	3.5	5.3	5.8	4.3	4.1
Apparel commodities	.4	2.7	4.1	4.2	4.6	2.7	3.5

[1] CPI changes from December to May at an annual rate.

NOTE.—Dept. of Labor data.

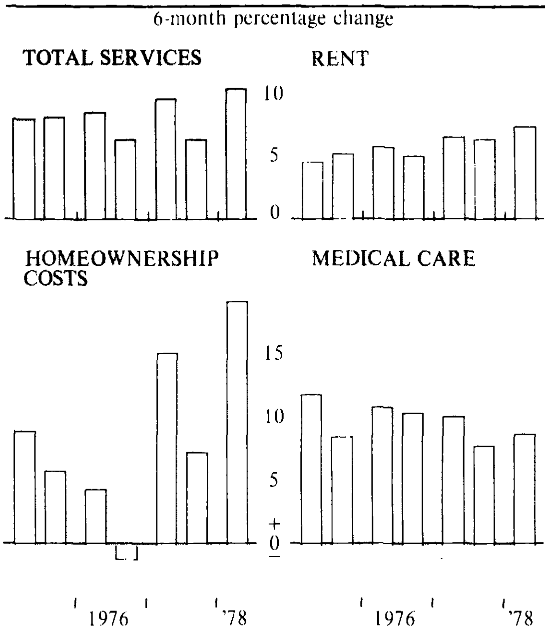
CONSUMER ITEMS

Prices of durable goods during the past 2 years, in general, have risen no faster than the over-all inflation rate. This, in part, reflects the greater capital intensity and the somewhat more rapid growth in productivity in this sector than elsewhere in the economy. Durable goods prices, however, are somewhat sensitive to materials costs; for example, higher steel costs have an impact on automobile and appliance prices and lumber and insulation costs affect prices of new houses.

While the rise in the prices of new domestic cars has averaged about 6 per cent for the last two model years, the decline in the foreign exchange value of the dollar since late 1977 has resulted in substantial price increases for imported Japanese and German cars. The diminished competitive pressure from imports seems in part to have been responsible for another wave of price increases for domestic cars in late spring of this year. Used-car prices have shown pronounced fluctuations in recent years, rising more than 20 per cent between the spring of 1976 and the spring of 1977. This run-up was followed by a precipitous reversal over the remainder of 1977. After sharp increases in the first 2 months of 1978, these prices appear to have moderated. Among other durable goods, furniture and home appliances have until this spring shown only moderate price increases. Recent acceleration probably reflects, in part, reduced import competition for some items such as televisions and other electrical appliances.

Nondurable goods, other than food and energy items, have posted moderate rates of price increase for the last 2 years. One reason for this moderation has been the relatively slow rate of increase of apparel prices—just over 4 per

Service prices



6 month changes ending June and December except 1978 is change from Dec. 1977 to May 1978 at an annual rate. Homeownership costs are home financing, taxes, and insurance. Seasonally adjusted annual rates. Dept. of Labor data.

cent in 1976 and only 3½ per cent in 1977. Apparel prices have been influenced by a drop in cotton prices last year as well as by strong competition from imported textiles and clothing. Nevertheless, during several months in the spring of this year larger-than-average price increases were posted for these items.

Price increases for services, which account for more than two-fifths of consumer expenditures, have persisted at advanced rates during the past 2 years. Service prices rose, on average, about 7½ per cent during 1976 and 1977, led by a 10 per cent rate of increase in the costs of medical services. Recently, however, there have been indications that rises in medical costs may be slowing; quarterly changes since mid-1977 have dipped below a 9 per cent annual rate. At the same time, legislation for the containment of hospital costs remains under study in the Congress.

Another important item of consumer service expenditure is residential rent. In spite of rocketing house prices, rapidly rising utility costs, and an historically low vacancy rate, the rate of increase in rent was one of the most moderate—by recent standards—among services, registering 5½ per cent during 1976 and 6½ per cent over 1977. Because of the length of contracts and leases, rental rates in general seem to adjust to other price changes in the economy with a lag. In addition to the noticeable acceleration from 1976 to 1977, rental increases appear to be quickening so far in 1978, to an annual rate of more than 7 per cent.

Home financing, property taxes, and insurance—service costs of owning a home—moved up sharply to a double-digit rate in 1977 from a more moderate pace in 1976. Moreover, there has been further acceleration in 1978, principally because of rising mortgage costs.

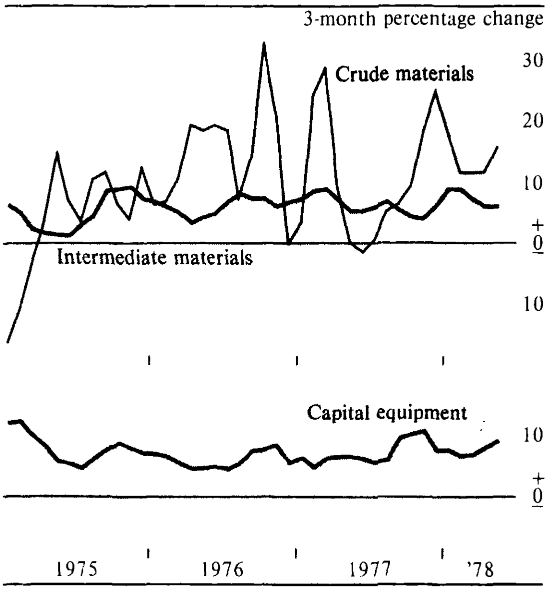
Producer Prices

Producer prices outside the food sector have not, in general, contributed significantly to the advancing inflation rate. Higher producer prices in most cases have reflected rising labor costs; and in only a few relatively isolated cases have material shortages been a factor in higher costs. In fact, measures of capacity utilization in manufacturing and materials that would signal such bottlenecks have been, over the past 2 years, not only well below previous peaks but also, in most cases, short of historical averages.

Producer prices of consumer finished goods other than food rose only about 5 per cent during 1976. After accelerating to an annual rate of increase of more than 8 per cent in the first half of 1977, when fuel prices were advancing rapidly, these prices slowed in the second half of the year, registering a rise of about 6 per cent for all of 1977. Rates of increase in 1978 appear to have returned to a range around 5 per cent, although in April and May unusually large increases in jewelry prices pushed up the over-all rate.

Capital equipment prices maintained a relatively steady rate of rise until the fall of last year. Price increases for these kinds of investment goods averaged 6½ per cent during 1976. During most of 1977, prices rose somewhat more slowly, but in the fall a number of large increases for trucks, autos, and various types of machinery pushed the annual rate for the last 3 months of the year to almost 11 per cent.

Producer price changes by stage of processing



Excludes food. Plotted on middle month. Seasonally adjusted annual rates, Dept. of Labor data.

These increases have since decelerated to an annual rate of around 7 to 8 per cent during the first half of 1978.

Prices of nonfood intermediate materials have advanced at about the same rate over recent years as have prices for finished goods other than food. They rose about 6½ per cent during both 1976 and 1977, owing to generally abundant supplies and weak demand worldwide for a number of major materials. In the first half of 1978 they accelerated significantly, led by large increases for steel and wood products and other construction materials such as cement.

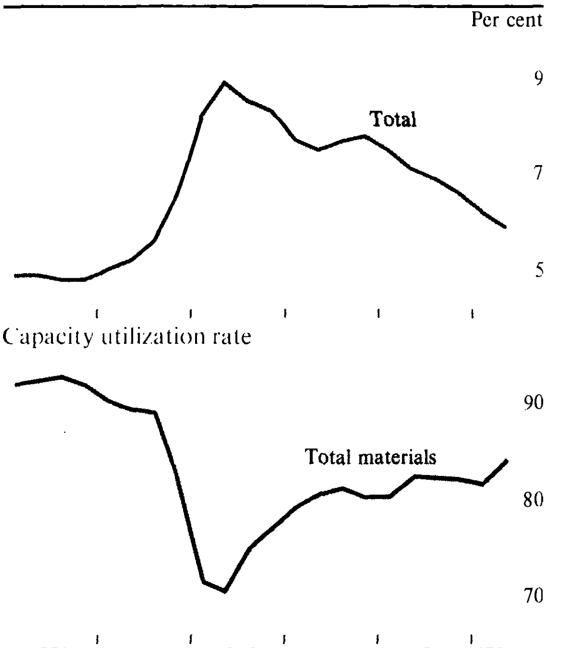
The most volatile prices among producer goods are those for crude nonfood materials. They rose more than 15 per cent in 1976, sometimes more than 4 per cent in a single month. Crude fuels, raw cotton, and scrap metals registered some of the largest price jumps. During 1977 prices of crude nonfood materials declined during about half the months of the year, although they still posted an over-all increase of nearly 7 per cent. Large declines occurred primarily for raw cotton and for iron and steel scrap. These were more than offset, however, by other increases—especially for crude fuels, nonferrous scrap, tobacco, and wastepaper. So far in 1978, these prices have been advancing at double-digit rates, in part because of substantial increases in the price of coal, cotton, and scrap metals.

UNIT LABOR COSTS AND PROFITS

Typically, during the mature phase of a cyclical expansion unit labor costs rise, price increases do not keep pace, and profit margins narrow. In the past this pattern has unfolded as capacity utilization rose to levels at which firms found it necessary to call marginal and less efficient capital into use and as scarcity of skilled labor led to a bidding up of wages.

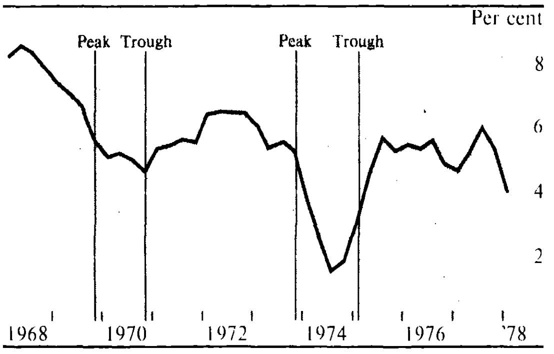
The recent cyclical experience does not appear to conform well to this pattern. Productivity growth has slowed in the past year, although this slowing has occurred in a setting of considerable labor and capital slack, at least until recently. At the same time compensation has been growing at a very rapid rate, putting considerable upward pressure on labor costs.

Unemployment rate



Unemployment rate from Dept. of Labor; capacity utilization from F.R.

Profit share
Nonfinancial corporate gross domestic product



Profit share includes inventory valuation adjustment and capital consumption adjustment. Dept. of Commerce data.

But the downward adjustment to profit margins that normally is expected in the face of such a cost squeeze has been smaller than is typical. These rising costs are, in large part, the result of inflation-induced wage increases and legislated payroll taxes that are general throughout the economy—instead of the more typical cyclical tightening of individual labor markets that leads to additional overtime and the hiring of marginally qualified workers. As a result, firms appear to have a greater tendency to pass these costs on in higher prices. At the same time, while profits have not regained the share of output they held in the 1960's, they have recovered sharply from the recession and have maintained a fairly level share during the past 2 years. Exceptions are the two quarters in which activity was disrupted by the last two severe winters. These temporary dips in the profit share, however, also coincided with the imposition of higher minimum wages and payroll taxes.

OUTLOOK

The pressure of rising labor costs on prices is likely to remain substantial in the coming year. Because of the prevalence of formal and informal cost-of-living adjustments, the recent acceleration of inflation probably will be reflected in higher pay for some time. Although collective bargaining activity is relatively light this year, deferred increments in existing contracts and pay adjustments for salaried workers can be expected to contribute to a continuation of the recent trend in compensation.

The collective bargaining calendar is quite heavy in 1979—about 3½ million workers will be negotiating new agreements compared with less than 2 million in 1978—and negotiations in key sectors could set a precedent for workers in related industries. Because prices have risen at a more rapid rate recently, wage increases for the first year of new contracts are likely to be substantially higher than current wage growth. In addition to the impact of this year's inflation on next year's pay adjustments, legislated increases in the minimum wage and payroll taxes scheduled to go into effect in January 1979 will produce a bulge in first-quarter growth in compensation similar to the effect witnessed this year.

The outlook for consumer food prices is also not optimistic. The current phase of the cattle production cycle suggests that beef output will probably keep contracting at least through 1979. Meat prices, therefore, are likely to continue trending upward, although some relief may come from increased output of pork and poultry. Furthermore, price supports for many key farm products would make it impossible for even unusually abundant harvests to contribute significantly to lower food costs.

The near-term supply of petroleum appears favorable; the addition of oil flows from the Alaskan North Slope and the North Sea, as well as high rates of drilling activity worldwide, makes a crude oil shortage over the next few years unlikely. The outlook for energy prices in the longer run, however, is less favorable, reflecting the effective control of world market prices of crude oil by OPEC and the possible deregulation of below-market prices of domestic energy sources. In addition, the proposed Crude Oil Equalization Tax is estimated by many to add at least 0.3 percentage point each year for the next 3 years to the rate of increase of prices measured by the GNP (gross national product) price index. Any deregulation of natural gas prices, although it would take place more gradually, also would be likely to have a heavy impact on prices.

An additional concern in the inflation outlook is the possibility that in mid-1978 the economy may be approaching supply constraints. Measured rates of capacity utilization are still far below the 1973 peaks, but they may be understating the effective constraint; the new relative price of energy, along with environmental and safety regulations, may have rendered some of the Nation's capital stock relatively inefficient if not obsolete. Moreover, the unemployment rate has now reached about 5¾ per cent. While rather high in historical terms, that rate conveys a tighter labor supply today than it did in earlier periods because of demographic shifts in the composition of the labor force toward groups such as youth and women, who typically experience higher average rates of unemployment.

Because of ratchet mechanisms in our economic institutions such as price floors, progress against inflation is necessarily slow. Over the longer term, more stable price behavior is likely to require a combination of disciplined restraint in monetary and fiscal policy, improved productivity growth, and more attention to the inflationary implications of Government actions. □

Staff Economic Studies

The research 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, and other staff members prepare papers related to such subjects. In some instances the Federal Reserve System finances similar studies by members of the academic profession.

From time to time the results of studies that are of general interest to the economics profession and to others are summarized—or they may be printed in full—in this section of 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 in mimeographed form. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Economic Studies" that enumerates the papers prepared on these studies for which copies are currently available in mimeographed form.*

STUDY SUMMARIES

THE BEHAVIOR OF MEMBER BANK REQUIRED RESERVE RATIOS AND THE EFFECTS OF BOARD ACTION, 1968-77

THOMAS D. SIMPSON Staff, Board of Governors
Prepared as a staff study in late 1977

The ratio of required reserves to deposits at member banks rose from 9.2 per cent in early 1968 to 9.7 per cent in 1970 and then declined to a level of 6.4 per cent by early 1977. The decline during the 1970's has reflected actions by the Board of Governors of the Federal Reserve System to alter the level and structure of reserve requirements and also a change in the composition of deposits.

This paper attempts to separate the influence of Board action from the influence of changing deposit composition by using a model based on the principles underlying a Paasche index. In the model, deposit composition is held constant at 1977 levels and several sets of actual historical required reserve ratios are applied to the 1977 deposit composition, thereby yielding hypothetical reserve ratios for various dates in the past. A comparison of hypothetical changes in required reserve ratios with actual changes over the same time period provides an estimate of the contribution of Board action to the decline in the ratios in the 1970's.

Empirical results imply that half of the decline in the ratios for member banks during the 1970's has resulted from Board action, principally the 1972 decision that fundamentally altered the reserve requirement structure on demand deposits and, to a lesser degree, several changes affecting required reserves on time deposits beginning in December 1974. The most important factor affecting deposit composition was a sharp drop in the share of demand deposits—those deposits subject to the highest required reserve ratios—and a commensurate rise in the share of time deposits. An examination of the changes in reserve requirements over the 1970's by size of bank indicates that although over-all declines were greatest for large member banks, action by the Board has resulted in a larger relative decline in reserve ratios of small member banks.

FOOTHOLD ACQUISITIONS AND BANK MARKET STRUCTURE

STEPHEN A. RHOADES AND PAUL SCHWEITZER—Staff, Board of Governors
Prepared as a staff study in early 1978

Whether foothold acquisitions by bank holding companies—acquisitions of banks with less than $10 million in deposits—have a systematic effect on the structure of the banking markets in which they occur was the subject of a recent study.[1] That study used cross-section analysis covering 58 metropolitan markets that had experienced foothold acquisitions and 54 metropolitan markets that had not, for the period 1966–72. Results of the multiple-regression tests did not show a statistically significant relationship between foothold acquisitions and changes in market concentration. However, a more recent case study found evidence of deconcentration in the two secondary Colorado banking markets in which First National Bancorporation of Colorado entered through foothold acquisition between 1971 and 1973, in contrast to the three markets where the same organization entered on a larger scale.[2]

The current study uses insights gained from the Colorado case study to refine and extend the model from the earlier cross-section study. Specifically, it includes new variables to account for the stage of holding company development, large acquisitions, mergers, *de novo* entry, new banks, and market size. In addition, since foothold acquisitions are by definition small, significant structural changes may not materialize in the short run. The time required for the competitive interaction may in fact be especially lengthy in metropolitan markets where indirect competition is the rule and geographical product differentiation is more significant than in smaller urban markets. Therefore, this study extends the analysis of structural change through 1976, whereas the original study ended with 1972.

Results of the analysis show no systematic relationship between foothold acquisitions and changes in bank market structure. Similar results were obtained for the variables for large acquisitions and mergers. These somewhat surprising findings suggest that the type of acquisition—that is, horizontal or market extension—and the size definitions of foothold acquisitions may be significant in explaining changes in bank market structure.

[1] Stephen A. Rhoades, "The Impact of Foothold Acquisitions on Bank Market Structure," *Antitrust Bulletin* (Spring 1977).

[2] Paul Schweitzer and Joshua Greene, "Greeley in Perspective," *Staff Economic Studies*, No. 91 (Board of Governors of the Federal Reserve System, 1977).

Working Capital of Nonfinancial Corporations

The quarterly tabulations on corporate working capital that had been published by the Securities and Exchange Commission (SEC) as "Nonfinancial Corporations: Current Assets and Liabilities" were discontinued as of the third quarter of 1977. To replace this series the Federal Trade Commission (FTC) and the Board of Governors have jointly developed a new tabulation of working capital of nonfinancial corporations that is somewhat different in coverage and in use of benchmark data.

The series compiled by the SEC was benchmarked on tax-return balance sheets published each year by the Internal Revenue Service (IRS) in *Statistics of Income* (SOI). Because of the 3-year lag in the SOI publication, the usual practice was to publish each year a revision for the three most recent years based on the latest SOI data. However, the last benchmark that had been used in SEC publications was 1971, and Table 1 presents a revision of the series originally published by the SEC for 1972, 1973, and 1974 based on SOI totals for those years. This table thus provides a continuous benchmarked series of the SEC form of data that begins at the end of 1961. The fourth quarter of 1974 is the link point between the old and new tabulations.

Table 2 presents the new estimates for 10 industry groups and their total. It begins with the end of 1974, which is the first period for which all of the data required for the new compilation are available.

The most important data source for the new series is the FTC's *Quarterly Financial Report for Manufacturing, Mining, and Trade Corporations* (QFR), which has several advantages over the SOI-based data. First, it is based on a probability sampling procedure in which corporations are stratified by asset size and sampled at various rates. The primary sampling frame comes each year from IRS, and the results are more current and consistent than those based on SOI benchmarks with a 3-year lag. Second, the basis for consolidation used in QFR is more appropriate than SOI for use in U.S. national aggregates. Foreign branches and subsidiaries and finance subsidiaries are excluded from the consolidation, and subsidiaries in publicly regulated industries are also outside the consolidation to a large degree. The data are thus consistent with national totals of business operations such as profits and capital expenditures that omit foreign operations, and coverage is consistent with use of other data sources for finance and regulated industries.

A third advantage of QFR is that the types of current assets and liabilities are reported in considerable detail and provide substantial information on liquidity management and on debt structure. As now structured, QFR is available from the end of 1973 for manufacturers and from the end of 1974 for trade and mining. For consistency, therefore, the new tabulation begins with the fourth quarter of 1974. (An earlier form of QFR for 1947–73 was less detailed and was for broader consolidations within firms that included foreign affiliates.)

For industries subject to Federal regulation, the new series is benchmarked directly on annual tabulations of electric and gas utilities, telephone companies, railroads, and airlines prepared by the regulatory agencies. Quarterly information for these industries is derived from FTC mail surveys of working-capital positions for major companies in electric, gas, and telephone industries, and from regulatory reports for railroads and airlines.

For the remainder of the nonfinancial cor-

NOTE—Inquiries about these new data should be directed to Eugenie Mallinson at the Board of Governors or Paul Zarrett at the FTC.

1. Current assets and liabilities of nonfinancial corporations

SEC form benchmarked through 1974

Billions of dollars except for ratios

Period	Cash	U.S. Govt. securities	Receivables	Inventories	Other current assets	Total current assets	Notes and accounts payable	Other current liabilities	Total current liabilities	Net working capital	Liquidity ratio[1]	Current ratio[2]
1971—Q4...	53.3	11.0	221.1	200.4	43.8	529.6	220.5	105.5	326.0	203.6	.332	1.625
1972—Q1...	53.4	10.6	226.1	206.8	47.8	544.7	230.4	104.0	334.4	210.3	.334	1.629
Q2...	54.1	9.1	231.9	212.8	51.0	559.0	243.0	99.0	342.0	217.0	.334	1.634
Q3...	55.8	7.9	239.6	220.1	52.6	575.9	258.8	96.1	354.9	221.0	.328	1.623
Q4...	59.0	10.6	248.2	225.7	55.8	599.3	282.9	92.7	375.6	223.7	.334	1.595
1973—Q1...	60.3	11.8	256.2	234.8	58.8	621.9	288.8	99.1	387.9	234.0	.337	1.603
Q2...	61.9	10.9	269.3	243.8	60.5	646.3	305.9	101.2	407.1	239.2	.327	1.587
Q3...	62.7	10.8	282.0	253.4	62.1	671.0	321.1	106.0	427.1	243.9	.316	1.571
Q4...	66.3	12.8	288.5	263.9	66.4	697.8	340.3	110.7	450.9	246.9	.323	1.548
1974—Q1...	64.8	13.5	300.1	277.3	69.9	725.6	353.4	117.2	470.6	255.0	.315	1.542
Q2...	65.3	11.7	316.7	290.3	67.2	751.1	375.6	119.6	495.3	255.8	.291	1.516
Q3...	67.6	12.0	325.0	305.7	70.5	780.9	394.6	126.5	521.1	259.8	.288	1.499
Q4...	71.1	12.3	322.1	313.6	71.7	790.7	402.3	128.1	530.4	260.3	.292	1.491

1 (Cash + U.S. Govt. securities + Other current assets)/(Total current liabilities)
2 (Total current assets)/(Total current liabilities)

porate universe, no current totals exist in accessible form, and in the tabulation this group appears as "other." Statistically this group is the weakest component of the totals: first, it can be based only on SOI benchmarks, of which only 1974 was available for this article; and second, there are no quarterly indicators for any substantial part of the group. In the tables, this group is extrapolated forward on the basis of historical relationships to the other industries included.

Totals for the new series will be maintained in the statistical section of the BULLETIN, and industry detail will be available on request.

SOURCES OF DATA BY INDUSTRY

Manufacturing, mining, and trade. Current assets and liabilities are taken directly from the balance sheets in the FTC's *Quarterly Financial Report for Manufacturing, Mining, and Trade Corporations,* which is published about 3 months after the end of the latest quarter covered. Each issue of the QFR describes the sampling procedure and consolidation rules for the tabulations and lists the sources of discontinuity in the data. The sampling rate is 1:1 for firms of more than $10 million in total assets; smaller corporations are selected randomly from national frames.

Electric utilities. The *Statistics of Privately Owned Electric Utilities in the United States,* published by the U.S. Department of Energy, Energy Information Administration, provides annual benchmarks for electric and combination electric and gas public utilities, the most recent data are for year end 1976. The regulated companies covered in the tabulations represent nearly 100 per cent of the industry. Quarterly movements in working capital are based on sample data collected formerly by the SEC and now by the FTC.

Gas utilities. Annual benchmarks, which are derived from the American Gas Association's *Gas Facts,* represent the position of the pipeline, distribution, and integrated company segments of natural gas public utilities. The most recent available data for this compilation are for year-end 1976. *Gas Facts* presents no detail on working capital components, however, and detail on current assets and liabilities at year end is therefore based on data of interstate pipelines compiled by the Energy Information Administration of the U.S. Department of Energy in *Statistics of Interstate Natural Gas Pipeline Companies.* Quarterly data are estimated from the FTC quarterly sample survey.

Railroads. Benchmark data are for regulated rail carriers reporting in the Interstate Commerce Commission's *Transport Statistics in the United States.* 1975 is the most recent year available. The railroads represented are Class I and Class II line haul railroads and Class I and Class II switching and terminal companies. The ICC also provides quarterly data for major carriers, and these data are used as indicators for quarterly movements in the industry totals. Conrail and Amtrak are included.

Airlines. The source of both benchmark and quarterly data is the Civil Aeronautics Board's *Air Carrier Financial Statistics.* The data, which are available through June 1977 in published form, reflect the position of approximately 40 certificated route air carriers.

Telephone and telegraph communications. This industry is defined as the Bell System (exclusive of Western Electric), the independent telephone companies, Western Union Corporation, and Communications Satellite Corporation (Comsat). Benchmark data for the Bell System and Comsat are published in the Federal Communication Commission's *Statistics of Commercial Common Carriers;* data for year end 1976 are the latest available. The United States Independent Telephone Association provides benchmark totals for the nearly 800 independent telephone companies, in *Statistics of the Independent Telephone Industry;* the most recent statistics are for year-end 1976. Published reports, such as stockholder reports and SEC filings, furnish the data for Western Union. Quarterly movement for the industry is based on information from quarterly sample surveys provided to FTC by the major telephone corporations.

2. Current assets and liabilities of nonfinancial corporations, by industry

Billions of dollars except for ratios

Period	Cash	U.S. Govt. securities	Receivables	Inventories	Other current assets	Total current assets	Payables	Other current liabilities	Total current liabilities	Net working capital	Liquidity ratio[1]	Current ratio[2]
						Total nonfinancial corporations						
1974—Q4	73.0	11.3	265.5	318.9	65.9	734.6	272.3	179.5	451.8	282.8	.332	1.626
1975—Q1	69.2	12.1	255.5	316.3	63.0	716.1	253.8	179.1	432.9	283.2	.333	1.654
Q2	74.4	12.6	259.7	309.6	66.1	722.4	251.0	176.1	427.1	295.3	.358	1.691
Q3	75.7	14.6	271.1	313.6	68.0	743.0	257.3	183.8	441.1	301.9	.359	1.684
Q4	80.0	19.6	272.1	314.7	69.9	756.3	261.2	185.7	446.9	309.5	.379	1.693
1976—Q1	78.4	22.2	281.6	324.0	73.2	779.4	260.0	199.7	459.7	319.7	.378	1.696
Q2	80.7	23.4	290.2	333.7	73.6	801.7	269.5	200.8	470.3	331.4	.378	1.705
Q3	79.5	24.1	297.9	342.2	73.6	817.4	271.2	212.8	484.0	333.4	.366	1.689
Q4	86.8	26.0	292.4	341.4	76.4	823.1	273.2	214.2	487.5	335.6	.388	1.688
1977—Q1	80.9	26.9	304.5	352.4	78.3	843.2	280.6	222.9	503.4	339.8	.370	1.675
Q2	83.2	22.3	313.2	359.3	79.2	857.3	287.4	223.1	510.5	346.9	.362	1.679
Q3	83.6	21.7	327.1	367.9	81.2	881.7	298.2	231.7	530.2	351.6	.352	1.663
Q4	94.4	20.8	326.2	375.4	84.3	901.2	307.1	236.8	543.9	357.3	.367	1.657
1978—Q1	......	......	......	......	......	......	......	......	......	......	......	......
						Manufacturing						
1974—Q4	28.1	7.2	129.0	179.7	31.3	375.4	99.6	93.1	192.7	182.7	.346	1.948
1975—Q1	26.4	7.5	123.3	179.2	30.1	366.5	91.9	93.2	185.1	181.4	.345	1.980
Q2	27.7	8.1	126.5	174.5	31.7	368.5	89.7	91.2	180.9	187.6	.373	2.037
Q3	28.8	9.2	133.7	172.2	32.5	376.4	91.4	93.8	185.2	191.2	.381	2.032
Q4	31.3	13.8	128.2	174.0	33.5	380.8	94.6	93.5	188.1	192.7	.418	2.025
1976—Q1	31.4	15.5	135.1	175.7	35.6	393.3	91.3	102.9	194.2	199.1	.425	2.025
Q2	32.8	16.3	141.1	178.0	35.0	403.2	94.5	103.6	198.1	205.1	.425	2.035
Q3	32.2	15.8	145.9	182.1	36.4	412.4	95.5	109.1	204.6	207.8	.412	2.016
Q4	35.6	17.3	139.0	187.0	38.4	417.4	98.9	108.7	207.6	209.8	.440	2.011
1977—Q1	32.9	17.2	148.0	189.4	40.0	427.4	100.0	114.6	214.5	212.9	.420	1.992
Q2	34.2	13.6	153.6	193.1	39.7	434.2	103.1	113.4	216.5	217.7	.404	2.006
Q3	33.3	12.9	160.6	196.3	41.1	444.1	106.0	118.3	224.3	219.8	.389	1.980
Q4	40.4	12.3	157.3	200.9	42.5	453.4	111.1	120.6	231.7	221.6	.411	1.956
1978—Q1	37.4	11.6	165.3	206.6	44.1	465.0	113.4	127.5	240.9	224.1	.387	1.930
						Retail trade						
1974—Q4	10.0	.4	26.4	57.9	7.3	102.0	32.0	26.8	58.8	43.1	.300	1.733
1975—Q1	10.2	.4	23.9	55.7	6.3	96.4	29.8	24.6	54.4	42.1	.310	1.774
Q2	11.0	.4	24.4	55.2	6.9	97.8	30.4	24.9	55.3	42.5	.330	1.770
Q3	11.2	.6	24.2	60.6	6.7	103.2	32.6	26.1	58.7	44.5	.314	1.758
Q4	12.6	.6	26.9	59.0	7.5	106.5	31.2	27.0	58.3	48.3	.354	1.829
1976—Q1	11.2	.6	25.6	63.3	6.7	107.4	34.4	26.4	60.8	46.7	.304	1.768
Q2	11.2	.6	25.7	66.1	7.5	111.1	36.7	26.2	62.9	48.3	.308	1.768
Q3	11.6	.6	26.7	70.9	7.1	116.9	41.4	26.7	68.2	48.7	.283	1.715
Q4	12.7	.6	27.8	63.7	7.5	112.1	36.7	27.5	64.2	48.0	.322	1.747
1977—Q1	11.5	.5	26.2	69.4	7.2	114.9	40.0	27.1	67.1	47.7	.287	1.711
Q2	12.1	.5	26.7	70.7	7.5	117.5	40.6	28.6	69.2	48.3	.290	1.698
Q3	12.5	.5	27.8	75.1	7.6	123.5	43.8	29.8	73.6	49.9	.279	1.679
Q4	13.3	.7	30.2	73.7	7.9	125.8	40.7	30.5	71.2	54.6	.308	1.767
1978—Q1	......	......	......	......	......	......	......	......	......	......	......	......
						Wholesale trade						
1974—Q4	12.6	.6	46.9	52.3	7.3	119.7	58.0	16.8	74.8	44.9	.274	1.601
1975—Q1	11.3	.5	46.5	52.4	7.3	117.9	56.1	16.7	72.8	45.1	.261	1.619
Q2	13.2	.5	46.7	50.8	7.7	118.9	56.6	15.8	72.4	46.5	.295	1.642
Q3	12.8	.5	48.8	51.0	8.5	121.5	58.1	17.0	75.1	46.5	.290	1.619
Q4	12.1	.5	49.8	51.2	8.3	121.9	58.2	17.3	75.4	46.5	.276	1.616
1976—Q1	11.6	.5	52.1	53.9	8.8	126.9	60.1	16.8	77.0	49.9	.271	1.649
Q2	11.6	.5	53.4	57.1	8.5	131.1	63.2	17.3	80.4	50.7	.257	1.630
Q3	11.1	.7	53.4	55.8	7.9	128.8	60.5	18.2	78.7	50.2	.249	1.637
Q4	11.7	.6	53.0	57.8	8.1	131.2	62.5	19.0	81.4	49.8	.250	1.611
1977—Q1	10.8	.4	53.0	58.9	7.5	130.6	63.0	17.8	80.8	49.8	.232	1.617
Q2	11.0	.4	55.5	59.5	7.7	134.2	65.1	18.7	83.8	50.3	.229	1.601
Q3	11.8	.4	57.8	58.2	7.6	135.8	64.8	18.8	83.6	52.2	.237	1.625
Q4	11.2	.5	56.0	62.3	8.0	137.9	65.9	19.8	85.8	52.1	.229	1.608
1978—Q1	10.4	.4	57.0	64.6	8.1	140.6	68.4	20.2	88.7	51.9	.214	1.586

For notes see p. 537.

TABLE 2—Continued

Period	Cash	U.S. Govt. securities	Receiv-ables	Inven-tories	Other current assets	Total current assets	Pay-ables	Other current liabilities	Total current liabilities	Net working capital	Liquidity ratio[1]	Current ratio[2]
						Mining						
1974—Q4	1.9	.4	2.7	1.1	1.1	7.2	2.5	2.1	4.6	2.6	.738	1.570
1975—Q1	1.8	.5	2.6	1.2	1.1	7.1	2.5	2.4	4.9	2.3	.696	1.466
Q2	1.7	.5	2.9	1.2	1.0	7.3	2.8	1.9	4.7	2.7	.686	1.571
Q3	1.9	.6	3.1	1.4	1.1	8 0	3.0	2.2	5.2	2.8	.679	1.538
Q4	2.5	.7	4.0	1.6	1.2	10.0	3.5	3.0	6.5	3.5	.682	1.530
1976—Q1	2.4	.7	3.9	1.7	1.2	9.8	3.7	2.8	6.5	3.3	.647	1.505
Q2	2.3	.7	3.8	1.8	1.2	9.8	3.2	2.6	5.8	4.0	.715	1.683
Q3	2.1	.6	4.1	1.8	1.2	9.8	3.4	3.4	6.7	3.1	.574	1.455
Q4	2.3	.5	3.9	1.8	1.2	9.7	2.7	2.9	5.6	4.1	.716	1.737
1977—Q1	2.2	.5	4.2	2.0	1.2	10.0	3.0	3.2	6.3	3.8	.616	1.605
Q2	2.3	.5	4.4	2.0	1.3	10.5	3.2	3.2	6.4	4.2	.644	1.652
Q3	2.4	.4	5.1	2.4	1.5	11.9	4.4	3.3	7.7	4.2	.565	1.550
Q4	2.7	.4	5.4	2.4	1.5	12.4	4.4	3.8	8.2	4.3	.571	1.523
1978—Q1	2.9	.6	4.9	2.5	1.5	12.3	4.1	3.9	8.1	4.2	.612	1.525
						Electric public utilities						
1974—Q4	1.3	.2	4.7	4.3	1.3	11.9	10.1	5.1	15.2	−3.4	.183	.779
1975—Q1	1.3	.3	4.8	4.2	1.3	11.8	8.6	5.4	13.9	−2.1	.206	.850
Q2	1.4	.3	4.6	4.7	1.4	12.5	8.7	5.5	14.2	−1.7	.226	.882
Q3	1.3	1.0	4.8	4.6	1.5	13.1	7.4	6.4	13.8	−.7	.274	.949
Q4	1.3	.6	5.4	4.9	1.5	13.5	7.8	5.8	13.7	−.1	.243	.991
1976—Q1	1.5	.5	5.4	4.7	2.0	14.1	6.8	6.7	13.5	.6	.296	1.045
Q2	1.4	.3	5.5	5.4	2.0	14.6	8.3	6.1	14.4	.2	.257	1.015
Q3	1.3	1.0	5.6	5.1	1.8	14.7	6.9	6.9	13.8	.9	.290	1.069
Q4	1.3	.8	6.5	5.3	1.7	15.6	8.0	6.1	14.1	1.5	.268	1.108
1977—Q1	1.5	1.1	7.7	5.8	2.3	18.4	8.0	7.7	15.7	2.7	.314	1.173
Q2	1.3	.6	7.1	6.3	2.1	17.5	8.5	6.5	15.0	2.5	.268	1. 64
Q3	1.2	.5	7.6	7.0	2.0	18.4	8.4	7.4	15.8	2.6	.238	1.166
Q4	1.5	.3	7.7	7.2	2.4	19.0	10.0	6.7	16.7	2.3	.248	1.139
1978—Q1	1.6	.3	8.2	6.2	2.6	18.8	9.5	7.1	16.6	2.2	.270	1.133
						Gas public utilities						
1974—Q4	.6	.1	2.6	1.1	.9	5.2	4.7	2.0	6.8	−1.5	.238	.772
1975—Q1	.6	.5	2.7	.9	.9	5.6	4.2	2.6	6.8	−1.2	.291	.824
Q2	.5	.3	2.4	1.1	1.1	5.4	3.7	2.4	6.1	−.7	.318	.880
Q3	.5	.0	2.5	1.4	1.1	5.6	4.3	2.2	6.5	−.9	.256	.858
Q4	.5	.2	3.3	1.4	1.4	6.7	5.2	2.2	7.4	−.7	.281	.906
1976—Q1	.6	.5	3.7	1.3	1.2	7.3	4.4	3.1	7.5	−.2	.314	.978
Q2	.6	.1	3.2	1.5	1.3	6.7	3.9	2.5	6.4	.3	.315	1.047
Q3	.5	.3	3.4	1.9	1.6	7.5	5.1	2.4	7.5	.0	.308	1.005
Q4	.6	.3	4.7	1.7	1.7	9.0	5.4	2.9	8.3	.6	.308	1.078
1977—Q1	.8	.4	5.6	1.7	2.1	10.6	5.2	3.8	9.0	1.7	.368	1.184
Q2	.5	.4	4.1	1.9	2.5	9.4	4.8	3.0	7.8	1.6	.433	1.202
Q3	.3	.3	3.9	2.5	2.3	9.3	5.5	2.9	8.4	.9	.348	1.102
Q4	.4	.3	5.6	2.4	2.7	11.3	7.4	3.2	10.6	.8	.323	1.071
1978—Q1	.7	.5	6.6	1.9	2.7	12.5	6.2	4.8	11.0	1.5	.366	1.136
						Telephone and telegraph communication						
1974—Q4	1.3	.1	3.9	.8	.5	6.5	6.4	3.3	9.7	−3.3	.187	.665
1975—Q1	1.3	.2	3.8	.8	.7	6.8	5.9	3.4	9.4	−2.6	.233	.724
Q2	1.4	.1	4.0	.8	.7	7.0	5.5	3.3	8.8	−1.8	.253	.791
Q3	1.6	.1	4.1	.8	.5	7.1	5.6	3.5	9.0	−1.9	.245	.789
Q4	1.3	.1	4.3	.7	.4	6.8	5.3	3.6	8.9	−2.0	.200	.772
1976—Q1	1.3	.2	4.1	.8	.9	7.3	5.1	3.9	9.0	−1.7	.269	.812
Q2	1.4	.4	4.4	.8	1.3	8.3	5.1	3.6	8.7	−.5	.351	.947
Q3	1.2	.4	4.6	.9	1.1	8.1	4.4	4.0	8.4	−.3	.317	.969
Q4	1.1	.1	4.8	.8	.9	7.8	5.4	4.2	9.6	−1.8	.227	.811
1977—Q1	.9	.3	4.6	.9	.8	7.5	5.9	3.7	9.6	−2.1	.201	.778
Q2	.9	.2	5.0	1.0	.8	7.8	5.8	3.5	9.3	−1.5	.199	.840
Q3	1.0	.1	5.1	1.0	1.0	8.2	6.3	3.5	9.9	−1.6	.213	.835
Q4	1.1	.1	5.5	1.0	.7	8.4	7.0	3.5	10.5	−2.1	.182	.797
1978—Q1	.9	.1	5.4	.9	.8	8.1	6.8	4.7	11.5	−3.4	.156	.704

For notes see p. 537.

TABLE 2—Continued

Period	Cash	U.S. Govt. securities	Receivables	Inventories	Other current assets	Total current assets	Payables	Other current liabilities	Total current liabilities	Net working capital	Liquidity ratio[1]	Current ratio[2]
						Railroad transportation						
1974—Q4	.2	1.2	2.5	1.0	.2	5.0	3.1	1.8	4.9	.1	.317	1.018
1975—Q1	.2	.9	2.5	1.1	.1	4.8	3.0	1.7	4.8	.0	.258	.999
Q2	.2	.9	2.5	1.1	.1	4.8	3.0	1.8	4.8	.0	.257	1.009
Q3	.2	1.1	2.4	1.1	.2	5.0	3.2	1.9	5.2	-.2	.283	.966
Q4	.2	1.1	2.5	1.1	.2	5.1	3.1	1.8	4.9	.2	.304	1.031
1976—Q1	.2	1.2	2.5	1.1	.2	5.3	3.2	1.9	5.1	.1	.319	1.027
Q2	.3	1.4	2.5	1.2	.2	5.5	3.3	2.0	5.3	.2	.345	1.039
Q3	.3	1.5	2.5	1.2	.2	5.6	3.4	2.3	5.6	.0	.347	1.000
Q4	.3	1.7	2.6	1.2	.2	6.0	3.4	2.1	5.6	.4	.394	1.075
1977—Q1	.3	1.8	2.8	1.3	.2	6.5	3.7	2.3	6.0	.5	.393	1.096
Q2	.3	1.9	2.9	1.4	.2	6.8	3.8	2.4	6.2	.6	.392	1.099
Q3	.3	2.1	3.1	1.5	.2	7.4	4.2	2.6	6.8	.7	.394	1.098
Q4	.3	1.8	3.3	1.4	.2	7.1	3.9	2.4	6.3	.9	.371	1.137
1978—Q1	.3	1.5	3.5	1.6	.2	7.2	4.3	2.4	6.7	.5	.302	1.070
						Airline transportation						
1974—Q4	.4	.1	1.9	.6	.7	3.7	1.9	1.5	3.4	.3	.362	1.093
1975—Q1	.4	.2	1.9	.6	.6	3.6	2.0	1.4	3.5	.2	.345	1.058
Q2	.4	.2	2.0	.6	.6	3.8	2.0	1.5	3.4	.3	.351	1.098
Q3	.4	.3	2.0	.6	.7	3.9	2.0	1.4	3.4	.5	.390	1.146
Q4	.4	.4	2.0	.6	.5	3.9	2.1	1.4	3.5	.4	.368	1.119
1976—Q1	.3	.3	2.0	.6	.6	3.9	1.8	1.9	3.7	.3	.358	1.069
Q2	.3	.3	2.2	.6	.9	4.4	1.7	2.3	4.0	.4	.397	1.103
Q3	.3	.4	2.2	.6	1.0	4.5	1.5	2.3	3.9	.6	.425	1.153
Q4	.4	.4	2.2	.7	1.0	4.5	1.5	2.3	3.9	.7	.451	1.181
1977—Q1	.3	.4	2.3	.7	1.0	4.6	1.6	2.5	4.1	.5	.409	1.123
Q2	.3	.4	2.4	.7	1.1	4.9	1.7	2.8	4.4	.5	.408	1.108
Q3	.3	.4	2.5	.7	1.2	5.1	1.7	2.8	4.5	.6	.422	1.121
Q4	.3	.5	2.5	.7	1.2	5.2	1.8	2.8	4.6	.6	.425	1.122
1978—Q1	.2	.5	2.6	.7	1.3	5.2	1.8	3.0	4.9	.4	.403	1.079
						Other						
1974—Q4	16.7	1.0	44.8	20.2	15.3	98.0	53.9	27.0	80.8	17.2	.409	1.212
1975—Q1	15.9	1.1	43.5	20.4	14.6	95.5	49.7	27.8	77.5	18.0	.408	1.233
Q2	16.8	1.1	43.7	19.7	15.0	96.4	48.5	28.0	76.5	19.9	.431	1.260
Q3	17.0	1.3	45.5	20.1	15.3	99.1	49.7	29.3	79.0	20.1	.424	1.254
Q4	17.9	1.6	45.6	20.2	15.5	100.9	50.2	29.9	80.1	20.8	.437	1.260
1976—Q1	17.9	2.2	47.2	20.8	16.0	104.0	49.2	33.2	82.4	21.6	.438	1.262
Q2	18.8	2.6	48.4	21.3	15.8	107.0	49.6	34.6	84.3	22.7	.442	1.269
Q3	19.0	3.1	49.6	21.8	15.5	109.0	49.2	37.6	86.7	22.3	.434	1.258
Q4	21.0	3.8	48.0	21.4	15.7	109.8	48.8	38.5	87.3	22.5	.463	1.258
1977—Q1	19.7	4.2	50.2	22.3	16.1	112.6	50.1	40.2	90.3	22.2	.444	1.246
Q2	20.4	3.8	51.4	22.7	16.3	114.5	50.8	41.0	91.8	22.8	.441	1.248
Q3	20.5	4.0	53.5	23.2	16.7	117.9	53.2	42.3	95.5	22.4	.431	1.234
Q4	23.1	4.1	52.7	23.5	17.2	120.6	54.9	43.4	98.3	22.3	.451	1.227
1978—Q1	...	...	...	...	...	...	...	...	...	...	...	...

[1] (Cash + U.S. Govt. securities + Other current assets)/(Total current liabilities)
[2] (Total current assets)/(Total current liabilities)

Statements to Congress

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions of the Committee on Banking, Housing and Urban Affairs, U.S. Senate, June 21, 1978.

I am pleased to appear before this committee today to present the views of the Board of Governors of the Federal Reserve System on H.R. 10899, the International Banking Act of 1978.

Before commenting on the specific provisions of the bill as enacted by the House of Representatives, I should like to review some of the reasons why the Board has for several years supported legislation that would provide a Federal presence in the regulation and supervision of the operations of foreign banks in the United States. These reasons lie in the growth in number and size of foreign bank operations, and their ever-increasing importance to the structure of the banking system and to the functioning of money and credit markets. The latter has obvious implications for the conduct of monetary policy.

The Federal Reserve has welcomed the entry and activities of responsible foreign banks in this country. Some of them are longtime residents here; others are relative newcomers to international banking and to the American market. They have contributed to a more competitive environment in our banking markets and to the more efficient functioning of our money and credit markets. The banking and financial services available to the American consumer and businessman have been enlarged by their presence. In addition, they have behaved responsibly and have given little cause for supervisory concern. The Board's support for Federal legislation to regulate foreign banks has never been intended to curb their ability to operate in this country. Rather, it has been motivated by the desire to provide a secure framework, at the Federal level, in which foreign banks might operate here and which would be fair and equitable to all participants in our banking markets.

I said that one of the reasons why the Federal Reserve has sought legislation in this area has been the growth in the number, size, and importance of foreign bank operations in this country. Let me review briefly some of the dimensions of that growth.

When the Board was developing its legislative proposals at the end of 1973, there were about 60 foreign banks operating banking offices in the United States with combined assets of about $37 billion. Growth of these operations had been swift in the preceding years, and, as the Board stated at the time, that trend was clearly bound to continue. Those expectations have been more than fulfilled. As of April 1978, 122 foreign banks operated banking facilities in the United States with total assets of $90 billion.

Appended to this statement are a series of charts illustrating the growth of the U.S. operations of foreign banks.[1] Since the figures for total assets exaggerate the dimensions of foreign bank activity because of intercompany and clearing transactions, the charts also present data on "standard banking assets," which omit these items. By either measure, as the charts indicate, growth of foreign bank activity is not abating. Additional foreign banks continue to enter the United States, and foreign banks with existing facilities here are continuing to expand their activities.

One sector of foreign bank operations underlines their success in penetrating U.S. banking

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

markets. I refer to their commercial lending. The expansion of foreign banks in this segment of the credit market is shown in Chart 4. As of April, U.S. offices of foreign banks had more than $26 billion in commercial and industrial loans. This amount equals about one-fifth of similar loans by large banks that report weekly to the Federal Reserve. In New York, the proportion of commercial and industrial loans accounted for by foreign banks was twice as large. Other aspects of current operations are contained in the attached statistical appendix.

In sum, foreign banks in this country can no longer be characterized as specialized institutions on the periphery of our banking system engaged principally in the financing of foreign trade. Those days are long since past. On the contrary, what we have today is a diverse array of institutions operating on a very large scale in a wide range of markets for banking services in this country. At the wholesale level, the foreign banks are competing directly and successfully for the business of multinational corporations. Foreign banks are important participants in U.S. money markets and are also major traders in the U.S. foreign exchange market. And at the retail level, foreign banks are becoming increasingly important, notably in California. In this connection, it is worth remembering that of the 122 foreign banks operating here, 45 have worldwide assets of more than $10 billion, and all but a handful have worldwide assets of more than $1 billion. These institutions are thus to be compared with the largest of our domestic banking organizations.

It is incongruous that institutions such as these can operate on such a scale in this country without being subject to Federal regulation of their entry and activities and without being subject to the rules of the central bank. These institutions are really not a part of our dual banking system. As the dual banking system has evolved in this country, there is some degree of Federal supervision over virtually every bank in the United States. And in practice, the largest banks are member banks of the Federal Reserve System. The Federal Reserve believes that the correction of the anomalous position of foreign banks is overdue.

The Federal Reserve's legislative recommendations on foreign banks have consistently been grounded on the principle of national treatment or nondiscrimination. That principle has a long and respected history in the affairs of this Nation. It provides for fair and equitable treatment for all. Currently, by contrast, foreign banks have certain advantages over our indigenous institutions. The Federal Reserve continues to believe that the foreign banking community should be incorporated into the U.S. banking system on an equal footing with domestic banks.

Now I would like to turn to the specific provisions of H.R. 10899. The Board welcomes the achievement of the House of Representatives in passing this act and believes that it represents considerable progress toward the goal of appropriate legislation in this area. At the same time, the Board believes that the bill is deficient in several respects when viewed against the standard of national treatment. Also, improvements can be made in a number of provisions as they are now drafted. We have already furnished the committee with detailed suggestions for changes in the bill. I shall not go over them here. Rather, in the remainder of my remarks, I would like to focus on two key sections of the bill: Section 5, dealing with interstate banking, and Section 7, dealing with the Federal Reserve's authority.

Interstate banking has been and is a controversial topic. Opinions differ widely about the wisdom of the existing national policy that bars banks from operating full-scale offices across State lines. It is not surprising, therefore, that Section 5 of the International Banking Act has proven the most controversial. What has been surprising was that, in enacting H.R. 10899, the House of Representatives chose to perpetuate the present situation in which foreign banks, but not domestic banks, can operate banking offices on a multistate basis.

As of this April, there were 63 foreign banks operating banking facilities in more than one State. Thirty-one of these institutions were operating in three or more States, through agencies, branches, and subsidiaries. There can be no doubt that these multistate facilities give foreign banks a considerable advantage over their domestic competitors. Under the House-passed bill, these multistate operations are certain to grow further. Additional States have passed legislation to allow branches or agencies of foreign banks to begin operations, and the foreign banks will take advantage of those opportunities sooner or later.

Another oddity of the present structure is that a domestic banking institution, by changing to foreign ownership, can become part of a banking organization with multistate facilities. This possibility is highlighted by the recent announcements by three foreign banks of proposed acquisitions of large domestic banking institutions. The three foreign banks involved already have multistate facilities.

The national policy of barring interstate banking, as embodied in the McFadden Act, needs review. Banking has changed. The structure of the economy and its financial needs have also changed since the McFadden Act was passed more than 50 years ago. Pending completion of that review, however, it is inconsistent with the principle of national treatment and unfair to domestic banks to allow foreign banks to continue to expand offices across State lines.

The Board therefore believes that Section 5 of H.R. 10899 should be amended in two respects: first, to provide that the McFadden Act shall apply to Federal branches and agencies; second, to impose on State branches the same geographical restrictions that State laws impose on domestic State banks. Put in this way, the provision would allow foreign banks operating State branches to benefit from any reciprocal arrangements that the States might enter into with regard to interstate banking.

The Board fully appreciates the States' interests in promoting their foreign commerce and foreign investment within their borders. As part of this effort, a number of States have amended their banking laws in recent years to allow foreign banks to operate agencies. These agencies are generally empowered to provide international banking services but not to compete in local deposit banking.

The International Banking Act, as the Board envisages it, would not interfere with the availability of these kinds of facilities in the States. The legislation has always contained a provision to allow foreign ownership of Edge corporations. As members of the subcommittee are aware, Edge corporations were authorized by the Congress as a means of enlarging the international banking facilities available throughout the country without impinging on purely domestic lending or deposit business. Besides allowing foreign banks to own Edge corporations, the Board would go further and permit them to operate agencies on a multistate basis so long as their business was confined to international operations such as those to which Edge corporations are limited. This seems to the Board to be a reasonable compromise between the interests of the States and the national interest.

The compromise just mentioned is the approach that is preferred by the Board. Nonetheless, some States contend that this is too restrictive: that foreign banks will not establish limited agencies in their States and that consequently they will be deprived of international financial services. Accordingly, these States do not wish any restrictions on the activities of agencies other than those in State laws. One of their arguments is that even without restrictions, the activities of agencies will be basically of an international character. The Board does not agree with these arguments and believes that the position advocated is inconsistent with the principle of national treatment. However, the Board would not oppose the legislation if this position on State agencies were followed.

Section 7 of the bill is deficient, in the Board's judgment, in two respects: the coverage on reserve requirements and the supervisory authority of the Federal Reserve.

As enacted by the House, the bill gives the Federal Reserve authority to impose reserve requirements on the deposits and similar liabilities of branches, agencies, and commercial lending companies of foreign banks. Omitted from that authority is the ability to impose reserve requirements on the deposits of their subsidiary banks. This omission evidently stems from the mistaken belief that these subsidiary banks are comparable to the domestically owned State-chartered banks that have the option of being members of the Federal Reserve System.

I stated earlier that one of the features of the dual banking system, as it in fact operates in this country, is that all the large banks are directly subject to the rules of the central bank.

The foreign banks operating in the United States are very large banks, whether measured by their global activities or by the totality of their activities in this country. The operations of their subsidiary banks are now an important segment of those activities, collectively and individually. Total assets of these subsidiaries are about $19 billion while individual subsidiaries range up to $2 billion in size.

Foreign banks operate their agencies, branches, and subsidiaries in this country as an integrated organization. There is little logic, therefore, in subjecting agencies and branches to reserve requirements but exempting subsidiary banks. The latter account for about one-fifth of total foreign bank activity in the United States. In the case of one of the largest foreign bank operations here, nearly half of its activities are conducted through subsidiaries. Foreign bank interest in U.S. subsidiary banks is at a high level. That interest will be encouraged if reserve requirements can be avoided simply by shifting business to a subsidiary.

The other aspect of Section 7 that deserves amendment concerns the Federal Reserve's supervisory authority. As the section now reads, that authority is not commensurate with the responsibilities assigned to the Federal Reserve. The emphasis is on purely State supervision of foreign bank operations, although the Federal Deposit Insurance Corporation would have examining authority under the provisions of Section 6. The Federal Reserve would have no direct examining authority.

The need for a direct Federal presence in the examination of foreign bank operations is patent. These institutions are operating in several States, and the banking authorities of individual States are not and cannot be equipped to judge the soundness of their operations on a nationwide basis. Furthermore, these are worldwide institutions and their supervision entails dealing with the parent institution overseas and its political and regulatory authorities.

The Board believes that the Federal Reserve should be given the primary examination authority at the Federal level to meet this need. The Federal Reserve possesses the international banking expertise required to fill this role as a result of its regulatory responsibilities for the international operations of member banks, and it already has close working relations with foreign central banks. Moreover, the act gives the Federal Reserve authority to lend to foreign banks maintaining reserves. In extending credit to domestic member banks, the Federal Reserve relies on the examination process for information on the condition of the borrowing institution and in policing the use of the discount window. Further, the act gives the Federal Reserve authority and responsibility to employ cease-and-desist orders dealing with unsafe and unsound banking practices in U.S. offices of foreign banks. Detection and analysis of those practices come out of the examination process.

Finally, under the act, the Board of Governors is required within 2 years to submit legislative recommendations for additional requirements to be made applicable to foreign banks. Informed recommendations will require the kind of firsthand knowledge of the operations of these offices that is obtained through the examination process. For these reasons the Board urges that Section 7 be amended to give the Federal Reserve adequate supervisory authority over foreign bank operations.

This suggestion, it should be noted, parallels the situation of State member banks. In that case, the Federal Reserve has the primary examining authority at the Federal level with the Federal Deposit Insurance Corporation having residual examining authority. The States have their examining authority as well.

Mr. Chairman, today I have emphasized again the Board's belief that legislation is needed to regulate foreign banks in this country and that the basis for that legislation should be national treatment. Developments since the discussion of the role of foreign banks in this country was initiated have confirmed the growing importance of foreign bank activity in our economy and our financial markets. The issues have been explored and debated at length. The main outlines of the legislative provisions have been determined. In the Board's judgment, this is the year in which action should be taken.

The Federal Reserve has suggested a number of amendments to the legislation. In this statement I have focused on the two main areas in which we believe changes should be made.

These changes would be consistent with the principle of national treatment and would provide for adequate supervision of foreign bank activities in the United States. With the amendments that we have suggested, the Board believes that the International Banking Act would equitably resolve the problems that have been raised and would meet the public need. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, June 27, 1978.

I appreciate the opportunity to present the views of the Board of Governors of the Federal Reserve System on the direct borrowing authority of the U.S. Treasury. As the committee is aware, this authority permits the Federal Reserve to purchase obligations of the United States directly from the Treasury in amounts up to $5 billion.

The purpose of the direct borrowing authority is to aid the Treasury in the management of its cash and debt positions. The authority provides assurance that the Treasury can meet its obligations without delay in the event of temporary need. This supplemental source of funding can be of particular value if there are large unforeseen drains on the Treasury's cash position—as when the timing of Federal receipts and expenditures is more erratic than expected—or in the event of a national emergency.

Since the establishment by the Congress of the direct borrowing authority in 1942, it has been needed on 44 occasions—and only once since 1975. In every instance, the volume of funds borrowed was well under the maximum permitted by law and was outstanding only a short time. In most cases, the amount borrowed was below $1 billion, and in the great majority, the indebtedness was terminated in less than 10 days. The largest single borrowing amounted to $2½ billion; and the longest duration was 28 days. Thus, the record indicates that the Treasury has utilized this borrowing authority infrequently, in limited amounts, and for very brief periods.

The principal need for the authority, historically, has arisen on the occasion of sharp declines in the Treasury's cash balance just prior to quarterly tax payment dates. Instead of going to the financial markets for funds that would be needed only temporarily, the Treasury borrowed directly from the Federal Reserve and repaid this indebtedness immediately upon receipt of the tax revenues. In recent years, however, the frequency of direct borrowing for this purpose has been reduced significantly with the introduction of short-dated cash-management bills.

The direct purchase authority has always been exercised at the initiative of the Treasury. Due to the close operational relationship between the Federal Reserve and the Treasury, a direct borrowing transaction can be accomplished quickly, even on the day it is requested. Thus, temporary accommodation of the Treasury can be achieved when needed without delay.

The terms and conditions of direct Federal Reserve purchases of Treasury obligations are established by the Federal Open Market Committee (FOMC). At present, the interest rate paid by the Treasury on such obligations is ¼ of 1 per cent below the discount rate at the Federal Reserve Bank of New York. In addition, the Federal Reserve is fully aware of its responsibility to ensure that the authority for direct purchases is used prudently. Thus, the FOMC's authorization for direct purchases has consistently limited the System's holdings to amounts well below the statutory maximum. At present, that limit is $2 billion. A request for greater accommodation would be subject to review by the FOMC before being honored.

There are other safeguards and limitations on the Treasury's direct borrowing authority, beyond the FOMC's monitoring of this activity. All direct borrowing is reported promptly in the

Treasury's daily financial statement and in the weekly statements of condition of the Federal Reserve Banks, all of which are available to the public. Use of the authority is also reported by the Federal Reserve in its *Annual Report* to the Congress. Also, direct borrowing is subject to the Federal debt ceiling imposed by the Congress.

In recent years, the Treasury's need to offset cash drains just before tax payment dates has been met principally by means of cash-management bills. These debt instruments can be issued with maturities of very short duration and are sold in the market in relatively large amounts on short notice. And since the cash drains experienced in recent years generally have been within the ranges expected, the Treasury has had less need to fall back on its direct borrowing authority before tax payment dates.

Nonetheless, other circumstances may require the Treasury to resort to direct borrowing to meet its debt-management and cash disbursal obligations in an orderly and timely manner. Such an episode occurred last fall when the Treasury borrowed $2½ billion directly from the Federal Reserve to bolster its cash position in contemplation of the expiration of the temporary ceiling on the public debt. It should be emphasized that this borrowing was not undertaken to circumvent restrictions imposed by the Congress on Treasury indebtedness but was an interim measure to assure timely discharge of the Treasury's obligations until the Congress took action on a new temporary debt ceiling.

In conclusion, the Board believes that the direct purchase authority has been effective in enabling the Treasury to meet unexpectedly large cash drains and to achieve its debt-management objectives. The assurance that the Treasury would have the option of obtaining immediate—though limited—funds outside the financial markets in times of unanticipated and temporary need is a desirable safeguard. It is analogous to the ability of member banks to turn to the Federal Reserve as a temporary source of funds through the discount window, or to the arrangement for funding temporary credit needs that the Congress has mandated for various Federal agencies with the Treasury. For these reasons the Board continues to support strongly the extension of the direct purchase authority. □

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee of the U.S. Congress, June 29, 1978.

Mr. Chairman, I appreciate this opportunity to participate on behalf of the Board of Governors of the Federal Reserve System in the Joint Economic Committee's midyear review of the economy. These sessions provide an excellent opportunity to assess economic conditions and policies.

Economic activity exhibits healthy growth. The economy has continued to expand at a satisfactory though uneven rate over the first half of this year. Industrial production, construction, and retail sales were temporarily depressed early in the year by unusually severe weather and the long coal strike, as shown in Chart 1.[1] But these were transitory effects—and business activity recovered vigorously in the spring. For the first 6 months of the year, real annual growth in the gross national product appears likely to average around 4 per cent—close to the pace during the latter half of 1977. Thus, despite the considerable volatility in key areas of the economy, the underlying momentum of the expansion appears to have been well maintained.

The strength of aggregate demand has stimulated a substantial further improvement in the job market. Employment gains have been exceptionally strong. More than 2 million nonfarm jobs were created over the last 6 months, which

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

lowered the unemployment rate by more than ½ of 1 percentage point to just over 6 per cent of the labor force. The jobless rate for heads of households fell ½ of 1 percentage point to 3.7 per cent. The proportion of the working-age population with jobs has moved up to 58.6 per cent, a new record high. The sustained strength of demand for workers suggests that businessmen remain optimistic and are prepared to increase production and other activities further.

And growth prospects remain favorable. Growth of economic activity recently has slowed, as was expected, from the unusually rapid pace of the spring. A moderate rate of economic growth appears to be a reasonable prospect for the balance of the year. Both consumer outlays and business spending should provide support for further expansion of activity. Consumers' demand for new cars has been particularly strong, and the current rate of sales is the highest in this expansion. The advanced sales pace may, in part, represent purchasing in anticipation of further price rises. But surveys indicate that consumer confidence remains generally high, although there has been some recent moderation, and if growth of income is sustained, the prospects for further gains in consumer spending appear good.

Business outlays for both inventories and fixed capital goods have contributed significantly to the recent pace of activity. A larger rate of inventory accumulation was to be expected, in light of the burst of final sales late last year and the damping effect of adverse weather on production during the winter. Inventories in most sectors appear quite low relative to sales, and continued growth of inventory investment—albeit at a more moderate rate—should be evident over the next few quarters. Business investment in plant and equipment, after lagging early in the economic upswing, has increased at a reasonably good pace over the past 2 years. While recent surveys have shown little propensity for business to scale up capital spending plans, these and other indicators of prospective capital outlays suggest further moderate growth in the year ahead.

Our foreign trade position should also lend moderate support to the economic expansion. Some pick-up in growth abroad and our improved competitive position should help to boost exports. However, U.S. demand for imports—both oil and other products—is likely to remain quite high.

Among other sectors of demand, State and local governments have maintained conservative spending policies for some time, and it is likely that the reverberations of the passage of Proposition 13 in California may be evident in an even more cautious pattern of outlays in the period ahead.

Residential construction activity is expected to begin to taper off later this year in response to tighter mortgage market conditions. However, housing starts were still above a 2 million annual rate in May, virtually assuring brisk construction activity over the next few months.

But the price situation has worsened. Thus in some respects the immediate outlook appears generally favorable. But in one critical regard the economic situation has deteriorated. The recent intensification of inflation raises profound questions in regard to the longer run. The rate of price increase has accelerated sharply both at the consumer and the producer level. A major factor was the effect on food prices of a decline in meat production. But other prices rose at an accelerated rate as well. Excluding food and energy, retail prices have risen at an annual rate of more than 8 per cent so far this year, up from a 6½ per cent rate of increase in 1977. Actions of the Government have also played a significant role in the recent worsening of inflation. Service prices have risen strongly, influenced importantly by the rise in the minimum wage on January 1. Moreover, increases in social security and unemployment insurance taxes have added to labor costs on a broad scale, while costly regulatory actions continue to put upward pressures on costs.

There is some hope that the exceptional rate of increase in food prices will moderate as the year progresses, but there is much less likelihood of any easing of underlying inflationary forces. The recent acceleration in consumer prices will add to the pressure for substantial wage boosts, and resulting higher labor costs will largely be transmitted through to prices.

Monetary policy has responded to emerging developments. The faster pace of price increases in recent months along with the sizable expansion of economic activity has been reflected clearly in financial market developments. Demands for both money and credit have exhibited appreciable strength. The Federal Reserve, for its part, has moved carefully in the direction of greater restraint in order to ensure that excessive money and credit supplies do not add to powerful inflationary forces evident in our economy.

The firming of monetary policy was undertaken also in response to the clear tendency for monetary expansion to exceed the growth ranges that had been established. Transaction demands for cash balances have been especially sizable, and the narrow money stock (*M*-1) has grown at an annual rate of nearly 8 per cent thus far this year, somewhat faster than the upper end of the Federal Reserve's long-run ranges.

In the presence of strong credit demands, the worsening of inflation, and the Federal Reserve's efforts to contain excessive monetary expansion, market interest rates have risen significantly further. Most short-term rates have risen by ¾ to 1 percentage point since the beginning of the year, and long-term bond yields have followed much the same pattern. The rise of market interest rates has been accompanied by slower growth of savings and small-denomination time accounts at banks and thrift institutions. As a result, growth rates of broader monetary aggregates—*M*-2 and *M*-3—have remained within the Federal Reserve's long-run ranges.

A good deal of the rise in interest rates this year can be attributed to the acceleration of inflation. For lenders, rising prices of goods and services result in an erosion in the purchasing power of loan principal. Consequently, when greater inflation is expected, a rise in nominal interest rates is necessary to offset such losses and maintain the incentive to extend credit. For borrowers, higher interest rates are less of an obstacle to incurring debt under conditions of accelerating inflation. Greater cost savings can be enjoyed by buying now rather than later, while tangible assets purchased appreciate more rapidly in value. Borrowers, moreover, can expect to support greater debt-service burdens via faster nominal earnings growth due to accelerated rises in prices, wages, and salaries.

The importance of such an anticipatory process is being demonstrated very clearly right now in the mortgage market. Evidently mortgage borrowers, while expecting their nominal incomes to continue to rise significantly, believe prices of homes also will escalate rapidly. Despite stiffer lending terms and higher interest rates on mortgages, home sales have continued high, and the demand for mortgage credit has remained very strong. Faced with reduced deposit inflows, thrift institutions have drawn down their liquidity and sharply increased their borrowing in order to accommodate these credit demands.

The Federal regulatory agencies have taken action recently to improve the competitiveness of deposits subject to regulatory ceilings by authorizing two new savings instruments—variable-ceiling, 6-month certificates with interest rates tied to the discount yield on newly issued Treasury bills, and 8-year certificates carrying ceiling rates of 7¾ and 8 per cent for banks and thrifts, respectively. It is still too early to quantify the contribution of the new accounts, but early reports indicate considerable promotional activity on the part of depositary institutions and interest on the part of savers.

Consumer and business credit demands strong. Consumer borrowing through mortgage credit has been a principal influence in the sustained high level of total credit demands. Consumers have also taken on record amounts of new instalment debt to finance purchases of durable goods, especially cars. The rapid rise of household borrowing is a matter of concern. High debt is apt to constrain spending later on and always carries the risk of financial difficulties for those who have borrowed heavily. Thus far, however, households generally appear to be handling their increased indebtedness well. While the ratio of consumer and mortgage loan repayments to disposable income is very high by historical standards, delinquency rates have only recently edged upward, and they remain well below recession peaks.

Business demands for credit have expanded sharply of late, owing partly to the growth of capital spending and the pronounced upturn in inventories. In addition, internal cash flows slowed early in the year as bad weather cut into sales, and costs were pushed up by hikes in Government payroll taxes and in the minimum wage. Bank business loans rose at about a 20 per cent annual rate over the first 5 months, with the largest rises in March, April, and May. With credit demands strong, banks have borrowed heavily in money markets through the issuance of large certificates of deposit and nondeposit liabilities.

Total Government borrowing large as well. Government credit demands also have been large, as State and local units recently issued a particularly heavy volume of advance refunding obligations to take advantage of invested sinking fund provisions prior to a mid-May ruling by the Internal Revenue Service (IRS) restricting securities with such provisions. Furthermore, Federal agencies have borrowed more to finance support activities in mortgage markets. Treasury borrowing—following heavy demands early this year—has moderated in recent months with the seasonal inflow of tax receipts.

Inflation poses threat to the economy. The recent acceleration of inflation has serious implications for continued economic growth. Unless inflation is brought under control, business and consumer confidence will be undermined, distortions and imbalances in the economy will develop, and ultimately recession will be the result. In this regard, the administration's decision to request a delay in—and reduction of the size of—the proposed tax cut, as well as to hold down Federal spending, and to try to develop voluntary price and wage restraint, is encouraging.

These recent steps do not constitute, by themselves, an adequate long-term attack on the inflationary practices and policies that have given the economy its inflationary bias. Inflation is now the Nation's most serious economic problem. Because high rates of inflation erode economic values and raise uncertainties about the future, they continuously undermine the incentives for saving and investment. Without adequate investment in new, more efficient technology, growth of productivity tends to slow—lending further momentum to cost-based inflationary pressures. It is for this reason—because deep-seated inflation retards long-run growth and is a clear threat to sustained high employment—that inflation must be characterized as our highest priority economic problem.

Need to focus on management of supply. As this committee has heard in recent weeks in its first series of hearings on economic change, a major impetus to inflation lies in problems on the supply side of the Nation's economy. Among these problems are:

- Inadequate growth of the capital stock;
- Inadequate training, experience, and mobility among many of the unemployed;
- Inadequate price competition in some product and labor markets; and
- Counterproductive, and frequently inefficient, Government regulation of private enterprise.

Individually these supply-side issues have been obvious for many years, but during the past 3 or 4 years there has begun to be a general recognition that they must be addressed collectively and aggressively if we hope to achieve our national economic objectives. Reorientation of the Nation's economic policy to emphasize supply management will take time and careful consideration of many alternatives. However, some aspects of the necessary reorientation already command general agreement. Perhaps the key element is to give renewed primacy to technological advance and productivity growth. Surely, the sorry productivity performance over the last decade has been a significant factor in the sustained inflation of the 1970's, and it clearly has played a role in weakening our international competitiveness.

Larger gains in productivity needed. Improving productivity growth involves working on three key elements: labor, energy, and capital. Potential labor contributions to the restoration of faster productivity growth are many and varied. The Government has a role to play in enhancing labor productivity: it should focus its various labor market and welfare programs on skill training to the maximum practicable extent and should carefully re-examine the cost and price implications of various labor market regulatory programs, and minimum-wage policies.

The energy problem has two main elements: a need for research to find new sources of energy, and a need for appropriate incentives to encourage use of existing energy-efficient technologies. In this area, agreement on a national energy policy is long overdue, and the conference committee should intensify its efforts to reach a compromise on the administration's proposals.

The capital problem is even more complex. In recent years, the stock of capital actually has declined relative to the labor force, and this is undoubtedly one important factor in the slower growth of productivity.

Capital stock now inadequate. Capital accumulation is the chief engine of long-range growth of labor productivity and rising living standards. Yet, for an extended period, the Nation's tax policies have not provided adequate incentives to invest in new capital. In particular, depreciation guidelines do not approach actual replacement costs in periods of rapid inflation. I believe a near-term, partial answer is to introduce a more liberal variant of accelerated depreciation. Over time, careful reconsideration of all taxes on business is essential.

Because we have been neglecting capital accumulation and because the existing capital stock must also be adjusted to accommodate the reality of more expensive energy, a larger share of GNP must be devoted to capital investment. It will not be enough simply to reach the 10½ to 11 per cent range that has been characteristic of past periods of prosperity and low unemployment. The Nation should set an ambitious objective for capital investment of, say, 12 per cent of GNP for an extended period to enable us to make up for past deficiencies and to narrow the gap between our performance and that of other strong, industrialized countries.

Resources must be freed for private-sector use. Fundamental to achieving this aim is an expansion in the savings available for investment from outside the business sector. To this end, Government must have a smaller role in the economy and budget deficits need to be eliminated over time, taking into account the ups and downs in the economy. The private sector can take up the slack if, over 5 or 7 years, the Federal Government curtails the growth of its expenditures until their ratio to GNP, which is now more than 22 per cent, is reduced to the 20 per cent range. This interim goal for Federal expenditures clearly is attainable with a good measure of fiscal discipline coupled with reduced public demands for Government services.

As spending is brought under control, Government will move from its position as a substantial net borrower of funds in credit markets. Such a change would moderate demand pressures on credit markets as well as relieve some of the pressures on prices that arise from passing on high and rising taxes. Resources will be more readily available to meet needs in the private sector. Easier credit market conditions, less inflation, and greater availability of resources should help ensure adequate residential construction activity to meet the Nation's housing needs—needs that are now prey to a boom-and-bust syndrome that profits no one.

Structural reforms required as well. Another essential element of a long-term strategy aimed at a high-growth, low-inflation economy is extensive reform of Federal regulatory activities. A critical look at price-regulating Government programs should be undertaken; a painstaking examination of all existing and proposed regulatory activities in the environmental and health and safety areas is also necessary. In this connection, the President's recent Executive order to improve the regulatory process is encouraging. The Federal Reserve is a participant in this process and has initiated an over-all review of its own regulations.

Another important element that requires immediate attention, and which should be an important part of a long-term strategy for the U.S. economy, is a reduction of our foreign trade deficit. A sound national energy policy that reduces our dependence on oil imports is certainly one ingredient. In addition, we must raise the consciousness of businessmen to the sales potential and profits that export markets can provide. The Government can help by continuing with other governments to resist protectionist pressures and by simplifying, and where possible eliminating, those regulations that hinder our export trade. In my view, our ultimate objective should be to expand the share of exports in our national product to 10 per cent or so, in line with the secular rise in the share of imports.

I am convinced that the policy reorientation outlined above, by directly attacking inflation-causing conditions at their root, should lessen the burden on monetary policy and result in a better balance between fiscal and monetary policy, and thereby improve the prospects for lower interest rates. An economic program of this type would start the Nation on the road to becoming a model economy—an economy with a sound dollar, price stability, and sustained full employment. Our Nation has met bigger challenges, and, with a sense of commitment on the part of policy-makers and citizens, I am confident that we will meet this challenge as well. □

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, July 13, 1978.

Mr. Chairman and members of the committee, I appreciate this opportunity to meet with you to convey the views of the Board of Governors of the Federal Reserve System on the state of the economy as well as on economic policy issues facing the Nation.[1]

The economy is now in its fourth year of expansion, and unemployment has been substantially reduced. However, the Nation is beset by an unacceptably high and recently accelerating inflation, and budget deficits continue large for this stage of the expansion. It is essential that longer-term policies be structured to confront these problems, while supporting continued growth.

Pace of growth maintained recently. Economic growth, though uneven so far this year, has been on the whole satisfactory. As you know, the severe weather and the coal strike temporarily halted over-all expansion during the winter. However, with the subsequent surge in activity, growth of real GNP in the first half appears to have averaged about a 4½ per cent annual rate, close to the average pace over the first 3 years of the present expansion.

The vigor of employment growth is one important measure of the underlying momentum of the economy and indicates that business has confidence in the sustainability of the expansion. The addition of 2¼ million jobs so far this year has pushed the unemployment rate substantially lower and supported brisk growth of personal income. Almost all groups of workers have benefited from improved job opportunities, though the unemployment rate remains unacceptably high for minorities and youth.

And the near-term outlook appears favorable. Not surprisingly, recent data indicate some slowing from the extremely rapid growth of over-all activity during the spring rebound. Even so, the fundamental determinants of final demand suggest that economic expansion will be reasonably well maintained in the near term.

In particular, consumer demand remains strong. Auto sales continue at extremely high rates following the turnaround that began in March. Some of the surge in purchases of durable goods appears to have represented buying in anticipation of further price rises. Gains in retail sales outside the automotive area have moderated somewhat recently, but this was to be expected following the extremely rapid sales pace of February and March. With surveys indicating a continued high level of consumer confidence, sustained moderate growth in in-

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

come should support further expansion of consumer outlays over the near term.

The business sector also should continue to be a source of support to activity. Inventory policies have been conservative over the past several years, and businesses have in general thus avoided the imbalances that interrupted previous expansions. Various investment surveys, as well as data on equipment orders and construction contracts, suggest moderate increases in capital spending over the balance of this year.

In contrast, it appears that residential construction will cease to be the source of support that it has been in this expansion. While housing activity currently remains at a high level, mortgage markets have tightened considerably, and residential construction probably will begin to slacken in coming months. And growth in State and local government outlays is likely to remain modest. These jurisdictions have pursued relatively conservative spending practices and this reluctance to accelerate spending seems unlikely to change, especially in light of tax relief mandated by Proposition 13 in California and the possibility of similar actions elsewhere. But our net export position, which has deteriorated over the past 2 years, should improve somewhat over the next year. Imports are likely to rise at a slower pace. At the same time, exports should pick up if activity abroad increases as expected and as the changes in exchange rates that have occurred over recent months improve the competitive position of U.S. goods.

Inflation continues as our basic problem. On balance, the evidence suggests further moderate growth of aggregate demand over the near term, sustaining one of the most durable expansions of the postwar period. But the longer-term outlook is clouded by the price situation. During the first 3 years of the expansion, inflation rates were very high by historical standards, and there has now been a further acceleration of price increases. So far this year consumer prices have risen at an annual rate of 10.2 per cent, as compared with 6.8 per cent in 1977. A key element in the price surge this year has been the adverse developments in the food sector, as meat production has been constrained by an ongoing reduction in the Nation's cattle herds. However, recently prices outside the food area have also moved up sharply. Retail prices of nonfood commodities and services rose at an 8 per cent annual rate during the first 5 months of the year—up appreciably from the 6½ per cent rate in 1977.

We can expect some relief later this year from a slowing of food price increases. But with the economy moving into a period of heavy collective bargaining, the intensified inflation is likely to be reflected in larger wage adjustments and a more rapid increase in labor costs. These costs also will be boosted early next year by additional mandated increases in social security taxes and in the minimum wage. The continued interplay of wage and price rises, coupled with the legislated cost increases, makes it difficult to anticipate much relief from underlying inflationary pressures over the next year.

Rising inflation and rising interest rates are two sides of the same coin. In the last year or so, private and governmental credit demands have risen, putting upward pressure on interest rates. At the same time, the recent and expected inflation also has been an extremely important factor underlying the increase in interest rates, contributing to money and credit demands and conditioning the stance of monetary policy. Obviously, inflation increases the volume of credit necessary to finance any level of economic activity. Individuals have to borrow more to acquire houses, cars, and other durable goods. In the business sector, the rise in the dollar volume of spending on inventories and fixed capital, a significant portion of which represents rising prices, has outstripped internal funds generation, producing a marked increase in borrowing this year.

In addition to the direct effect of rising prices on credit demands, the prevalent expectation that the rate of inflation will remain extremely high—if not accelerate—has also increased the demand for goods requiring financing. As noted earlier, the recent extremely strong pace of automobile sales appears to have reflected consumer attempts to beat expected price rises. Home sales may have been similarly buoyed by the perception that waiting can only result in having to pay higher prices later. Such purchases have contributed to record instalment debt financing and to substantial additions to mortgage debt. The volume of borrowing also has been strengthened by owners of existing homes who have withdrawn part of their rising equity in the housing stock, partly to finance major expenditures and to otherwise maintain living standards in an inflationary environment.

To help service their growing debt burden borrowers appear to be counting on the general rise in nominal incomes that accompanies most inflation. This attitude, in fact, has been a major ingredient in the upward pressures on interest rates. Borrowers are willing to pay higher interest rates because they expect that their future debt burdens will be eased by rising nominal incomes; meanwhile lenders seek higher interest rates in order to protect their real position.

Current borrowing levels imply future risks. Moreover, such borrowing has contributed to worrisome distortions in the financial positions of consumers and businesses. For example, the ratio of consumer and mortgage loan repayments to disposable income is now at a near-record level. Thus far, households have apparently been able to service this debt with little problem. Recently, however, delinquency rates have edged higher, although they remain well below previous peaks. Nonetheless, the level of household indebtedness is of concern since it may constrain future spending and could give rise to more widespread financial difficulties—especially if the rate of income growth were to slow.

In the business sector, the pattern of financing has similarly begun to cause some concern. An increasing share of business credit requirements recently has been met through short-term borrowing, especially at banks, and businesses have slowed their accumulation of liquid assets. As a result of these changes in the composition of business assets and liabilities, corporate liquidity has deteriorated recently, although balance sheets remain in considerably stronger condition than they were in 1974.

Response of monetary policy. While one would expect strong credit demands as a normal counterpart of a healthy and growing economy, a significant—and I am afraid expanding—share of recent credit growth is both the direct and the indirect result of inflation. Moreover, mounting inflationary expectations raise the specter of possible speculative excesses, leading to a short-run explosion of credit and output and subsequently to recession. The Federal Reserve's firming of monetary policy has been designed to minimize the possibility of such an outcome.

In the presence of strong credit demands, the worsening of inflation, and the Federal Reserve's efforts to contain excessive monetary expansion, market interest rates have risen significantly further. Most short-term rates have increased by 1 to 1½ percentage points since the beginning of the year and long-term bond yields have followed much the same pattern. The rise of market interest rates has been accompanied by slower growth of savings and small-denomination time accounts at banks and thrift institutions. As a result, growth rates of broader monetary aggregates—*M*-2 and *M*-3—have remained within the Federal Reserve's long-run ranges.

The slower rate of growth of savings and small-denomination time deposits has threatened to retard housing activity. Therefore, in an environment of rising interest rates, the Federal regulatory agencies have recently taken action to increase the competitiveness of bank and thrift deposits subject to regulatory ceilings in order to maintain the flow of credit to housing. Two new savings instruments were authorized effective June 1—a variable-ceiling, 6-month certificate, with weekly ceiling rates tied to yields on newly issued Treasury bills, and an 8-year certificate carrying ceiling rates of 7¾ and 8 per cent for banks and thrift institutions, respectively. The limited available evidence suggests that these new instruments, especially the defensive 6-month certificates, are playing a significant role in helping to sustain net deposit inflows to thrift institutions, even as market interest rates have risen further.

Continued high deficits a major problem. The persistence of large Federal budget deficits at this advanced stage of our economic expansion is a disturbing problem. Businesses and households have had to compete for funds in credit markets with the public sector, whose borrowing this year has continued at a high level.

During the last recession, large deficits were both a consequence of and a reasonable policy response to the underutilization of our productive resources. The Federal Government cut taxes and increased the size of public employment and other spending programs. Continued large Federal deficits were justified well into the recovery period, since the expansive impact of Federal fiscal policy was offset in part by sizable budget surpluses by States and localities, together with an increasing foreign sector deficit, both of which drained purchasing power away from the private sector of the economy. Developments this year, however, suggest that the Federal Government should be moving with deliberate speed to rein in compensatory policies. The level of private sector activity has risen markedly over the past several years, and there now appears to be much less usable slack in the economy. Moreover, the over-all surplus of States and localities appears likely—in the wake of Proposition 13 in California and related developments—to be swinging back toward balance.

We must reduce growth of Federal expenditures. Positive steps are thus in order to lessen the Government's competition with the private sector for resources. The Federal Government has a constructive role to play in moderating the ups and downs in economic activity. In the present circumstances, a damper on further expansion of Federal expenditures would help to assure a continuation of sustained long-term economic growth.

In my view, the task of reducing the Federal share of GNP should begin now. A careful, systematic review must be undertaken to reduce or eliminate those Federal programs that are ineffective or that have outlived their usefulness. We also need to recognize the limits on Government resources when considering alternative spending proposals.

I believe that we should strive to reduce the Federal Government's share of GNP from more than 22 per cent at present to 20 per cent or so over a period of 5 to 7 years. Such a reduction would not fully return the Government proportion of GNP to that of the early 1960's.

As spending is brought under tighter control, Government will become less prominent as a borrower in credit markets. A lower Government profile will facilitate the flow of credit to the housing sector, where it is becoming scarce, and to the business sector, where it can be put to use in rebuilding our currently inadequate stock of fixed capital.

Measures needed to encourage investment. Moreover, private capital investment should be encouraged directly by offering incentives to businesses to expand their stock of plant and equipment. Capital accumulation is the chief engine of long-range growth of labor productivity and rising living standards. Yet for an extended period, the Nation's tax policies have not provided adequate incentives for business investment. In particular, depreciation guidelines and the resulting deductions have not approached actual replacement costs in periods of inflation. Present depreciation-tax laws should be liberalized. For example, businessmen could be permitted to use a shorter write-off period for machinery, equipment, and structures. Careful consideration also should be given to present laws that tax corporate profits twice — first at the firm and then at the stockholder level.

Given the neglect of investment that has eroded the Nation's capital stock, as well as the need to accommodate to the reality of scarcer and more expensive energy, a larger share of GNP must be devoted to capital investment. It will not be enough simply to reach the investment proportion of 10½ to 11 per cent that has been characteristic of past periods of prosperity and low unemployment. In my opinion, the Nation must set an ambitious goal of, say, 12 per cent of GNP for an extended period—a level that would support increased growth and productivity.

Structural reforms are also necessary. Establishment of a high-growth, low-inflation economy would be facilitated by extensive reform of costly governmental regulations. Regulatory activities in the health, safety, and environmental protection areas may not always achieve the desired outcome at minimum costs, and they need to be reviewed with that thought in mind.

Similarly, market- and price-regulation programs should be carefully re-examined to ensure that their benefits outweigh their costs. In this connection, the President's recent Executive order to improve the regulatory process is most encouraging, and it deserves the fullest possible support and cooperation.

In the same vein, it is important that we carefully consider alternatives for those programs that tend to limit competition and raise prices. Notable examples are import controls, price supports, and the Davis-Bacon and Walsh-Healy Acts. In addition, it seems appropriate to consider deferring the increase in the minimum wage that is scheduled for January 1, 1979, given its implications for costs and for youth employment opportunities.

To conclude, it is my belief that a reduction of budget deficits and restructuring of taxes to help investment, along with prudent monetary management by the Federal Reserve, should, over time, lead to an economy that enjoys sustained growth, price stability, and a sound dollar. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 14, 1978.

I am pleased to have the opportunity to present to this committee the views of the Board of Governors of the Federal Reserve System on H.R. 12621 and H.R. 13148. The Board appreciates your timely consideration of these two amendments that we have proposed to the Federal Reserve Act.

Let me begin with H.R. 12621, a proposal to expand the class of collateral eligible to secure Federal Reserve notes. As this committee is aware, the currency of the United States consists almost entirely of Federal Reserve notes, which are liabilities of the Federal Reserve Banks. By law, these notes must be collateralized dollar for dollar by assets of the Federal Reserve, and only those assets specified in Section 16 of the Federal Reserve Act are eligible as collateral. At present, the list of eligible assets is restricted to gold certificates and Special Drawing Rights (SDR) certificates, direct obligations of the United States, bankers acceptances and other paper eligible for discount, and certain loans to member banks. H.R. 12621 would add the obligations of Federal agencies to the class of assets eligible to secure Federal Reserve notes.

A brief review of the attached balance sheet of the Federal Reserve Banks may help to illustrate the increasing need for the expansion of eligible assets.[1] The major liabilities are member bank reserve balances, the deposits of the Treasury, and Federal Reserve notes. By far the largest and fastest growing item is the liability for currency outstanding, which represented 72 per cent of total liabilities and capital of the Federal Reserve Banks at the end of 1977, compared with about 59 per cent of the total 10 years ago. This increase means that the proportion of assets pledged to secure Federal Reserve notes has also been growing significantly since total assets must by definition equal liabilities and capital accounts.

Among the items on the asset side of the Federal Reserve's balance sheet are gold certificates, SDR certificates, U.S. Government and Federal agency securities, bankers acceptances, loans to member banks, and other miscellaneous assets. The largest single entry is, of course, the System's holdings of U.S. Government securities, which represented about 74 per cent of total assets at the end of 1977.

[1] The attachment to this statement is available on request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Virtually all of the increase in the assets of the Federal Reserve over the past decade is accounted for by net acquisitions of U.S. Government and agency issues. In recent years we have been able to conduct limited open market operations in the growing secondary market for agency issues so that our holdings of such obligations—which under existing law are not eligible to secure Federal Reserve notes—now total about $8.5 billion, compared with only $38 million a decade ago. The net result is that, over the decade, while Federal Reserve notes outstanding have increased at an 8½ per cent annual rate on average, eligible collateral has grown only at a 6¾ per cent annual rate.

In the past few years, moreover, growth in the currency needs of the economy appears to have accelerated to an annual rate of about 10 per cent on average. Experience has shown that the economy's currency requirements tend to be a fairly stable proportion of GNP. Thus, if nominal GNP—which reflects inflation as well as real growth—continues to rise at its recent rate of 10 to 11 per cent per year, and if eligible assets grow at the 7 per cent rate of recent years, it can be projected that the Federal Reserve's stock of eligible collateral will be completely pledged in 3 to 4 years, other things being equal.

A shortage of collateral is thus a very real possibility. Indeed, over the past 1½ years, the excess of eligible assets above collateral requirements has declined sharply. Excess Reserve note collateral averaged more than $20 billion at year-end for the years 1970–76. It averaged only $11 billion in the first half of this year. And with the introduction of the new note option to the Treasury's tax and loan account program at depositary institutions expected this fall, excess Federal Reserve note collateral is likely to decline considerably further. This will result from a reduction in the System's portfolio of Government securities associated with the transfer of Treasury balances from the Reserve Banks to commercial banks and other depositary institutions. If agency issues were to be made eligible to secure Federal Reserve notes, the more ample excess collateral "cushion" would permit greater operating flexibility during this transition.

It should be emphasized that the Federal Reserve holds assets far in excess of its notes outstanding. However, with a diminished level of excess eligible collateral, some technical operating difficulties can arise. For example, since each Reserve Bank must individually secure its notes outstanding, the recent sharp decline in excess collateral has meant that, on occasion, a Reserve Bank runs short of eligible assets. In such an event, that Bank has had to borrow Government securities from another Reserve Bank in order to meet collateral requirements. The System's operational flexibility would be enhanced by the passing of H.R. 12621, as the proposed expansion of collateral assets would likely eliminate the need for these loans between Reserve Banks.

On occasion, also, excess collateral can be reduced sharply by the need to offset sudden and unexpected increases in Federal Reserve float. Such an episode occurred this past January when harsh winter weather conditions interrupted the transport of checks through the clearing process. As a result, float rose by about $10 billion above its average level in a matter of just a few days. In such a situation, open market operations are automatically undertaken to offset the reserve effect of the increase in float. With the excess collateral cushion shrinking, there is growing danger that such smoothing operations might have to be constrained at times in order to avoid a corresponding reduction of assets eligible to secure Federal Reserve notes.

If the authorization to secure Federal Reserve notes with agency obligations is not enacted, we will have no alternative other than to take measures necessary to ensure compliance with the law. The inventory of currency at Federal Reserve Banks may have to be cut back, thereby reducing flexibility to meet unanticipated increases in the public's demand for cash. A developing shortage of eligible collateral could well force the System to cease purchases of Federal agency issues for the Open Market Account and to replace agency securities with other assets eligible as collateral. Since the volume of agency obligations has been increasing rapidly of late, it would not seem desirable, as a matter of public policy, to substantially curtail the Federal Reserve's participation in this active and growing secondary market. And in the extreme case, if all eligible collateral were to be pledged, the System would find itself unable to issue additional currency in response to the public's need since the issuance of notes without collateral is unlawful.

The Board urges that H.R. 12621 receive the prompt attention of the Congress in order to avoid the unnecessary potential difficulties related to the issuance of currency that I have outlined. Passage of this bill also will remove the inconsistencies in treatment that now exist in the Federal Reserve Act so that all securities eligible for open market operations would also be eligible to secure Federal Reserve notes. Moreover, it would correct the current anomalous situation whereby loans to member banks that are secured by agency obligations are eligible collateral for Federal Reserve notes, but direct System holdings of the agency securities are not.

Let me turn now to H.R. 13148, a bill to expand the number of Class C directors of Federal Reserve Banks from three to six.

Each of the twelve regional Federal Reserve Banks has a board consisting of nine directors who are to be chosen without discrimination on the basis of race, creed, color, sex or national origin. The three Class A directors are elected by, and must by law be "representative of," the member banks of the District. The three Class B directors, who represent the public, are also elected by member banks with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers. Class C directors are appointed by the Board of Governors to represent the public and are chosen with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers. All Reserve Bank directors are elected for 3-year terms.

By statute, Class C directors must have been residents of their Federal Reserve district for 2 years, and cannot be officers, directors, employees, or stockholders in any bank. Beyond these statutory guidelines, the Board of Governors typically seeks other attributes in candidates for Class C directors. Each of the Bank boards needs members with experience in managing an organization, since directors must oversee the operations of their respective Reserve Banks.

Other important responsibilities include voting on changes in the discount rate, reviewing loans and discounts to member banks in their respective districts, and providing important, timely, and valuable intelligence about economic conditions in their regions of the country. The Board believes it highly desirable to select directors who will contribute to the fulfillment of these responsibilities.

The chairman of the board of each Reserve Bank, as well as the deputy chairman who serves in the chairman's absence, must be designated by the Board of Governors from among the Class C directors. Thus, at present, most or all of the Class C directors must assume—or have the potential for assuming—one of these roles. Under these circumstances, it is of particular importance that Class C directors bring to the Federal Reserve a record of managerial capacity that is essential to the effective supervision of an operation as large and complex as a Federal Reserve Bank.

The Board is keenly aware of the additional criteria for selection of Class C directors specified by the Federal Reserve Reform Act of 1977. We fully support the intent of the Congress to broaden the representation of interests on Reserve Bank boards. But in practice, we have come to recognize that it is difficult to provide representation of a wide diversity of interests among only three Class C directors.

Moreover, since the directors serve staggered terms, only one Class C vacancy occurs each year at each Reserve Bank. And because the complexity of the Bank's business has given special value to on-the-job experience, Board-appointed directors are typically reappointed to a second 3-year term. Thus, throughout the System only about six new Class C directors are chosen in any given year. The Board's commitment to broader representation can be achieved only very gradually with such a limited number of new appointments. Of course, the Class B director appointments also may well include persons of diverse backgrounds and interests, but their selection is a process over which the Board of Governors has no direct control.

In the interest of promoting broader representation of agriculture, labor, services, consumers, and other groups among Reserve Bank directors, the Board of Governors recommends the passage of H.R. 13148. The increase from three to six Class C directors at each Federal Reserve Bank would provide 36 *immediate* openings for which the Board can consider individuals with a variety of backgrounds and interests. And with the greater number of Class C directors at each Reserve Bank, it will be more feasible to carry out the provisions of the Federal Reserve Act that call for both broader representation among, and selection of the chairman and deputy chairman from, the Class C directors.

In summary, I want to convey the Board's recommendation for prompt passage of these two bills. If enacted, the first of these proposals will enhance greatly the Federal Reserve's flexibility in meeting the collateral requirements for Federal Reserve notes, and the second will be of substantial benefit in helping to broaden promptly the diversity of backgrounds and interests represented on the boards of directors of our regional Federal Reserve Banks. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 16, 1978

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real output of goods and services was growing at a rapid rate in the current quarter, after having declined somewhat in the first quarter when activity was adversely affected by the unusually severe weather and the lengthy strike in coal mining. The rise in the fixed-weighted price index for gross domestic business product—which had stepped up in the first quarter to an annual rate of 6.6 per cent from 5.4 per cent in the fourth quarter of 1977—appeared to be still faster in the current quarter.

Staff projections continued to suggest that output would grow at a moderate pace over the year ahead, although the projected rate of growth was slightly less than that of a month earlier. It was expected that real consumption expenditures and business fixed investment would expand at moderate rates but that residential construction would decline throughout the period. The projections also suggested that the rate of increase in prices over the year ahead would be significantly below the rate in the current quarter but would remain somewhat above that in the first quarter. It was also anticipated, as it had been 4 weeks earlier, that the unemployment rate would decline gradually over the period.

In April the index of industrial production increased about 1 per cent to a level about 2¼ per cent above that in November, before activity was adversely affected by the weather and the coal strike. A significant part of the April increase in the index was attributable to recovery in output of coal and steel from reduced levels, but assemblies of autos rose further to an advanced level, in response to rising sales of domestic models, and production of business equipment continued to expand.

Nonfarm payroll employment continued to rise at a rapid pace in April, even after allowance for the return to work of large numbers of coal miners, and gains again were widespread among industry groups. The unemployment rate declined 0.2 of a percentage point to 6.0 per cent.

Total retail sales expanded substantially further in April to a level 3¾ per cent above the monthly average for the first quarter. Unit sales of new automobiles, already at an advanced rate in March, edged up further in April.

The index of average hourly earnings for private nonfarm production workers rose at an annual rate of about 9½ per cent in April, little changed from the rapid rate of advance during the first quarter. The wholesale price index for all commodities continued its rapid rise in April, reflecting chiefly further large increases in prices of farm products and foods. In March the consumer price index for all urban consumers had continued to advance at a considerably faster pace than in the second half of 1977, owing not only to additional large increases in foods but also to sizable increases in the apparel and housing components.

In foreign exchange markets the trade-weighted value of the dollar rose about 1¾ per cent over the inter-meeting period, recovering to the level that had prevailed at the start of the year. While appreciating against all major currencies except the Canadian dollar, the dollar advanced most against the Swiss franc and the German mark.

The U.S. foreign trade deficit declined considerably in March, but because it had been at a record level in February, the deficit in the first quarter as a whole was greater than the large deficit incurred in the final quarter of 1977. In the first quarter the value of exports recovered from a fourth-quarter level that had been somewhat depressed by the dock strike. However, the value of imports expanded substantially, despite a decline in imports of petroleum.

The rate of expansion in total bank credit accelerated sharply in April, reflecting an unusually large increase in security loans and sizable additions to bank holdings of both U.S. Government and other securities. Business and real estate loans grew at about the same pace as in March. Outstanding commercial paper of nonfinancial businesses rose substantially in April, although by much less than in March. The sum of business loans (net of bankers acceptances) and nonfinancial commercial paper grew at an annual rate of nearly 25 per cent, compared with about 28 per cent in March.

The narrowly defined money supply (*M*-1), which had grown at an annual rate of 5 per cent in the first quarter on a quarterly-average basis, expanded at a rate of 19 per cent in April. The renewed strength in economic activity increased the demand for money, but the high rate of monetary growth in April was also influenced by the public's mobilization of cash for unusually large payments of Federal income taxes not withheld and by relatively slow processing of tax returns. The latest weekly data suggested that growth of *M*-1 would slow substantially in May.

Growth in *M*-2 and *M*-3 also accelerated in April but by much less than growth in *M*-1 because inflows of the interest-bearing deposits included in the broader aggregates remained slow. Thus, *M*-2 and *M*-3 grew in April at annual rates of about 11¼ and 10 per cent, respectively, compared with about 6½ and 7½ per cent in the first quarter.

At its meeting on April 18 the Committee had decided that during the April–May period growth in *M*-1 and *M*-2 within ranges of 4 to 8½ and 5½ to 9½ per cent, respectively, would be appropriate, and it had judged that these growth rates were likely to be associated with a weekly-average Federal funds rate slightly above the level of 6¾ per cent prevailing at that time. The Committee had agreed that if growth rates in the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 6¾ to 7½ per cent. It was also agreed, however, that an increase in the rate above 7¼ per cent would not be sought until the Committee had had an opportunity for further consultation.

In accordance with the Committee's decision, the Manager of the System Open Market Account began immediately after the April meeting to seek bank reserve conditions consistent with a firming of the Federal funds rate to around 7 per cent. As the inter-meeting period progressed, data becoming available suggested that over the April–May period *M*-1 would grow at a rate close to or above the upper limit of the range specified by the Committee and that *M*-2 would grow at a rate in the upper part of the range specified for that aggregate. Therefore, the Manager sought conditions consistent with a Federal funds rate of 7¼ per cent, and the rate rose to about that level in the statement week ending May 3.

In early May estimates indicated that *M*-1 had grown at a very rapid pace in April, and staff projections suggested that for the April May period, growth in *M*-1 would be well above the upper limit of its range and growth in *M*-2 at about its upper limit. On May 5 the Committee voted to direct the Manager, until further instructed, to seek to maintain the weekly-average Federal funds rate at about 7¼ per cent, with any deviations tending to be in the direction of higher rather than lower funds rates. At the time of this meeting the funds rate was in the area of 7¼ to 7⅜ per cent.

The rise in the Federal funds rate was accompanied by upward pressures on interest rates in general. Increases in short-term market rates ranged from about 20 to 45 basis points and those in longer-term rates from about 10 to 35 basis points. In early May commercial banks raised the rate on loans to prime business borrowers from 8 to 8¼ per cent.

On May 11 the Board of Governors announced its approval of actions by directors of all 12 Federal Reserve Banks raising the discount rate from 6½ to 7 per cent. In announcing the approval, the Board stated that the action had been taken in recognition of increases that had already occurred in other short-term interest rates and that it would bring the discount rate into closer alignment with short-term rates generally.

Mortgage lending in April apparently was at about the pace of the first quarter, which was below the peak reached in the fourth quarter of 1977. In March, the latest month for which data were available, mortgage commitments outstanding at savings and loan associations continued to decline, as new commitments remained near the reduced rate in February and takedowns of outstanding commitments picked up. During the inter-meeting period, there was a further rise both in average interest rates on new commitments for conventional home loans at those associations and in yields in the secondary markets for mortgages.

In the Committee's discussion of the economic situation and outlook, the members generally agreed that real output of goods and services was growing rapidly in the current quarter, but they differed on the likely course of activity in succeeding quarters. Many members concurred with the staff's view that output would grow at a moderate pace over the year ahead, but some thought that the pace would be a little faster while others thought that it would be a little slower. A few members observed that the surge in the current quarter could generate forces that would sustain growth at a fairly rapid pace for a while but might then bring on a period of adjustment at some point in 1979. However, another member said he saw no evidence suggesting that such forces were likely to develop.

To some extent differences of opinion concerning developments in the period ahead reflected varying assessments of the likely behavior of consumers. A number of members anticipated relatively strong consumer demand. One observed that the demand for new domestic autos would be sustained at fairly high levels by various new features, including greater fuel efficiency. On the other hand, one member expressed the view that demands by consumers would be weakened in the second half of the year by their accumulation of debt.

It was stressed that consumer spending was particularly difficult to forecast because of uncertainty concerning consumers' responses to inflation. One member observed that, in contrast with other recent episodes of inflation in this country, consumers now appeared to be more inclined to buy in anticipation of price increases. A second member suggested that consumers might respond to the current inflation by expanding credit-financed expenditures for durable goods while economizing on expenditures for nondurable goods and services. Another member believed that inflation at the rates generally expected would have an adverse impact on confidence sooner or later, causing consumers and others to retrench.

Some differences of opinion were expressed concerning other sectors as well. Thus, one member thought that housing activity would be stronger over the year ahead than the staff projections suggested, but another believed that it would be weaker. The view was expressed that business fixed investment currently was gaining strength, but it was also observed that increases in interest rates might dampen such investment in 1979. With respect to business inventories, it was suggested that an excessive build-up could develop in the near future, setting the stage for a subsequent correction.

Committee members were deeply concerned about the recent acceleration of inflation and about prospects for prices. Several expressed the view that the rise was likely to be more rapid than projected by the staff. Thus, it was suggested that the supply-related increase in prices of foods over the remainder of 1978 would exceed the staff projection and that the effect on the over-all price level this year would influence the outcome of labor contract negotiations in 1979. It was also suggested that pressures had begun to develop on labor resources, particularly skilled labor, and on some types of capacity. A few members observed that in these circumstances it would be desirable for growth in real output to diminish in the second half of this year toward a rate that could be sustained for the longer term.

At its meeting in April the Committee had agreed that from the first quarter of 1978 to the first quarter of 1979 average rates of growth in the monetary aggregates within the following ranges appeared to be consistent with broad economic aims: *M*-1, 4 to 6½ per cent; *M*-2, 6½ to 9 per cent; and *M*-3, 7½ to 10 per cent. The associated range for the rate of growth in commercial bank credit was 7½ to 10½ per cent. It had also been agreed that the longer-run ranges, as well as the particular aggregates for which such ranges were specified, would be subject to review and modification at subsequent meetings.

Committee members differed somewhat in their judgments concerning the course of policy for the period immediately ahead, in part because of varying views about the current and prospective economic situation and in part because of differing judgments about the appropriate response to the surge of *M*-1 in April. The differences essentially concerned the degree of any further firming of money market conditions that might be pursued during the next few weeks. No member advocated an easing of money market conditions.

Several reasons were advanced for pursuing a very cautious approach to any further firming at this time, including the fact that transitory influences had contributed to the April surge in *M*-1. It was observed that, despite the surge, the annual rate of growth of *M*-1, and also of *M*-2, over the 3, 6, and 12 months ending in April had been lower than growth over the four quarters of 1977. It was also noted that a significant degree of firming of money market conditions had been achieved since the April meeting of the Committee. Moreover, it was pointed out, the administration's new tax proposals—which had just been announced—were considerably less stimulative than the earlier ones, particularly as they affected the fourth quarter of 1978. It was suggested that further significant monetary firming at this time might risk provoking dislocations in financial markets that would contribute eventually to the onset of a downturn in economic activity. Finally, it was argued, a very cautious approach would give the Committee time to evaluate incoming evidence concerning both the underlying strength of economic activity and the consequences of the firming that had already been achieved.

In support of a somewhat more restrictive posture, it was suggested that the relatively low rate of growth of *M*-1 in the first quarter of 1978 represented an aberration related to the temporary weakening in the pace of economic activity and that, abstracting from that aberration, the trend of monetary expansion had accelerated. Views were expressed to the effect that further significant firming of money market conditions in the coming period in order to moderate growth of the monetary aggregates would have a beneficial effect on public confidence; that partly for that reason, such firming would reduce the chances of a further build-up of inflationary forces, and that it would increase the chances of achieving a rate of growth in real output that could be sustained for the longer term. In this connection, it was suggested that at times in the past when high levels of resource use had been approached, lags in the application of monetary restraint had contributed to bringing on a downturn in economic activity and to increasing the depth and duration of the downturn. The comment was made that if further significant action were not taken in the present circumstances, current monetary policy might be found in retrospect to have been procyclical.

With respect to operating specifications for the period ahead, most members preferred ranges of tolerance for the annual rate of growth in *M*-1 over the May–June period that more or less encompassed the Committee's longer-run range of 4 to 6½ per cent; the preferences centered on 3 to 8 per cent. However, some members preferred to widen the range by reducing the lower limit, on the ground that, given the April surge, growth somewhat slower than 3 per cent could be tolerated for a time and should not form the basis for an easing of money market conditions. One member, believing that the upper limit of the 2-month range should not be above 6½ per cent in view of the April surge, favored a range of 2½ to 6½ per cent. For *M*-2 most members advocated a range of 4 to 9 per cent, but there was some sentiment for ranges of both 5 to 9 and 4 to 8 per cent.

All of the members favored directing operations during the coming inter-meeting period initially toward a Federal funds rate slightly above the current rate, which was in the area of 7¼ to 7⅜ per cent. Views differed somewhat with respect to the degree of leeway for operations during the inter-meeting period in the event that growth in the monetary aggregates appeared to be deviating significantly from the midpoints of the specified ranges. Most members favored a range for the weekly-average Federal funds rate extending from 7¼ to 7¾ per cent, but there was some sentiment for an upper limit of 8 per cent.

At the conclusion of the discussion the Committee decided that the ranges of tolerance for the annual rates of growth in *M*-1 and *M*-2 over the May–June period should be 3 to 8 and 4 to 9 per cent, respectively. It was understood that in assessing the behavior of these aggregates the Manager should continue to give approximately equal weight to the behavior of *M*-1 and *M*-2.

In the judgment of the Committee such growth rates were likely to be associated with a weekly-average Federal funds rate slightly above the current level of 7¼ to 7⅜ per cent. The members agreed that if growth rates of the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 7¼ to 7¾ per cent.

As is customary, it was understood that the Chairman might call upon the Committee to consider the need for supplementary instructions before the next scheduled meeting if significant inconsistencies appeared to be developing among the Committee's various objectives. The members also agreed that in the conduct of day-to-day operations, account should be taken of emerging financial market conditions.

The following domestic policy directive was issued to the Federal Reserve Bank of New York:

> The information reviewed at this meeting suggests that real output of goods and services is growing at a rapid rate in the current quarter,

after having declined somewhat in the first quarter when activity was adversely affected by the unusually severe weather and the lengthy strike in coal mining. In April retail sales, industrial production, and nonfarm payroll employment increased substantially further and the unemployment rate declined from 6.2 to 6.0 per cent. The pace of the rise in wholesale prices remained rapid, reflecting mainly further large increases in farm products and processed foods. The index of average hourly earnings continued to advance at about the fast pace that it had on the average during the first quarter.

The trade-weighted value of the dollar against major foreign currencies has risen over the past 4 weeks to the level prevailing at the beginning of the year. The trade deficit in the first quarter widened substantially from the already large deficit recorded in the final quarter of 1977.

M-1, which had grown moderately in the first quarter, rose sharply in April. Growth in *M*-2 and *M*-3 also stepped up but much less than growth in *M*-1, because inflows of the interest-bearing deposits included in these aggregates remained slow. Market interest rates have increased in recent weeks. On May 11 an increase in Federal Reserve discount rates from 6½ to 7 per cent was announced.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster bank reserve and other financial conditions that will resist inflationary pressures while encouraging continued moderate economic expansion and contributing to a sustainable pattern of international transactions.

At its meeting on April 18, 1978, the Committee agreed that growth of *M*-1, *M*-2, and *M*-3 within ranges of 4 to 6½ per cent, 6½ to 9 per cent, and 7½ to 10 per cent, respectively, from the first quarter of 1978 to the first quarter of 1979 appears to be consistent with these objectives. The associated range for bank credit is 7½ to 10½ per cent. These ranges are subject to reconsideration at any time as conditions warrant.

The Committee seeks to encourage near-term rates of growth in *M*-1 and *M*-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, the ranges of tolerance for the annual growth rates over the May–June period will be 3 to 8 per cent for *M*-1 and 4 to 9 per cent for *M*-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly-average Federal funds rate slightly above the current level. If, giving approximately equal weight to *M*-1 and *M*-2, it appears that growth rates over the 2-month period will deviate significantly from the midpoints of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range of 7¼ to 7¾ per cent. In the conduct of day-to-day operations, account shall be taken of emerging financial market conditions.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

> Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Gardner, Jackson, Partee, Wallich, and Winn. Vote against this action: Mr. Willes.

Mr. Willes dissented from this action because he favored more vigorous measures to reduce the rate of monetary growth, given the acceleration of the rate of inflation and its adverse effect on consumer and business confidence and spending plans. Specifically, he preferred a range of 2½ to 6½ per cent for the annual rate of growth in *M*-1 over the May–June period and an inter-meeting range of 7¼ to 8 per cent for the Federal funds rate.

Subsequent to the meeting, on June 15, revised projections based on newly available data suggested that *M*-1 would grow in the May–June period at an annual rate of about 7½ per cent, near the upper limit of the range of tolerance of 3 to 8 per cent specified in the Committee's directive. *M*-2 also was projected to grow in the 2-month period at a 7½ per cent annual rate, but this was well within the range of 4 to 9 per cent specified for that aggregate.

In general, the strength of the aggregates suggested a need for Committee consultation, looking toward further instruction to the Desk. In view of the proximity of the Committee meeting scheduled for June 20, Chairman Miller recommended that the Desk be instructed to continue aiming for a Federal funds rate of 7½ per cent at this time.

On June 16, 1978, the Committee modified the domestic policy directive adopted at its meeting on May 16, 1978, to instruct the Desk to continue aiming for a weekly-average Federal funds rate of 7½ per cent at this time.

Votes for this action: Messrs. Miller, Baughman, Coldwell, Eastburn, Gardner, Partee, Wallich, Willes, Winn, and Timlen. Votes against this action: None. Absent and not voting: Messrs. Volcker and Jackson. (Mr. Timlen voted as alternate for Mr. Volcker.)

2. Authorization for Foreign Currency Operations

Paragraph 1D of the Committee's authorization for foreign currency operations authorizes the Federal Reserve Bank of New York, for the System Open Market Account, to maintain an over-all open position in all foreign currencies not to exceed $1.0 billion, unless a larger position is expressly authorized by the Committee. On March 21, 1978, the Committee had authorized an open position of $2.25 billion in view of the scale of recent and potential Federal Reserve operations in the foreign exchange markets undertaken pursuant to the Committee's foreign currency directive.

At this meeting the Committee voted to reduce the authorized open position to $2 billion. This action was taken in view of the decrease in the open position that had occurred in recent weeks.

Votes for this action: Messrs. Miller, Volcker, Baughman, Coldwell, Eastburn, Gardner, Jackson, Partee, Wallich, Willes, and Winn. Votes against this action: None.

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Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are released about a month after the meeting and are subsequently published in the BULLETIN.

Law Department

Statutes, regulations, interpretations, and decisions

INTERPRETATION OF REGULATION G

ACCEPTING A PURPOSE STATEMENT THROUGH THE MAIL WITHOUT BENEFIT OF FACE TO FACE INTERVIEW.

The Board has been asked whether the acceptance of a purpose statement submitted through the mail by a lender subject to the provisions of Regulation G will meet the good faith requirement of section 207.1(e). Section 207.1(e) states that in connection with any credit secured by collateral which includes any margin security, a lender must obtain a purpose statement executed by the borrower and accepted by the lender in good faith. Such acceptance requires that the lender be alert to the circumstances surrounding the credit and if further information suggests inquiry, he must investigate and be satisfied that the statement is truthful.

The lender is a subsidiary of a holding company which also has another subsidiary which serves as underwriter and investment advisor to various mutual funds. The sole business of the lender will be to make "non-purpose" consumer loans to shareholders of the mutual funds, such loans to be collateralized by the fund shares. Mutual fund shares are margin securities for purposes of Regulation G. Solicitation and acceptance of these consumer loans will be done principally through the mail and the lender wishes to obtain the required purpose statement by mail rather than by a face-to-face interview. Personal interviews are not practicable for the lender because shareholders of the funds are scattered throughout the country. In order to provide the same safeguards inherent in face-to-face interviews, the lender has developed certain procedures designed to satisfy the good faith acceptance requirement of the regulation.

The purpose statement will be supplemented with several additional questions relevant to the prospective borrower's investment activities such as purchases of any security within the last six months, dollar amount, and obligations to purchase or pay for previous purchases; present plans to purchase securities in the near future, participations in securities purchase plans, list of unpaid debts, and present income level. Some questions have been modified to facilitate understanding but no questions have been deleted. If additional inquiry is indicated by the answers on the form, a loan officer of the lender will interview the borrower by telephone to make sure the loan is "non-purpose." Whenever the loan exceeds the "maximum loan value" of the collateral for a regulated loan, a telephone interview will be done as a matter of course.

Although the Board has expressed no views as to the necessity for face-to-face meetings between borrower and lending officer under Regulation G, an interpretation under Regulation U published in 1965 (12 CFR 221.115) on the subject has usually been considered applicable. That view, however, was expressed before the adoption by the Board of Regulation X (12 CFR 224) in 1971. One of the stated purposes of Regulation X was to prevent the infusion of unregulated credit into the securities markets by borrowers falsely certifying the purpose of a loan. The Board is of the view that the existence of Regulation X, which makes the borrower liable for willful violations of the margin regulations, will allow a lender subject to Regulation G or U to meet the good faith acceptance requirement of sections 207.1(e) and 221.3(a), respectively, without a face-to-face interview if the lender adopts a program, such as the one described above, which requires additional detailed information from the borrower and proper procedures are instituted to verify the truth of the information received. The 1965 interpretation has therefore been withdrawn. Lenders intending to embark on a similar program should discuss proposed plans with their district Federal Reserve Bank. Lenders may have existing or future loans with the prospective customers which could complicate the efforts to determine the true purpose of the loan. In addition, Regulation U differs from Regulation G in many important respects.

Section 220.7(a) of Regulation T, in general, prohibits a broker/dealer from arranging any credit which he himself cannot extend. Therefore, the Board cautions that any prospectus or sales information for the mutual fund shares may not offer the services of the lending company, as any broker/dealer selling the fund shares would thereby be deemed to have "arranged" a loan in violation of Regulation T. In connection with this interpretation the Board of Governors has rescinded a March 24, 1965, interpretation of Regulation U concerning accepting a purpose statement through the mail without benefit of face-to-face interview.

RESERVE BANK DIRECTORS—ACTIONS AND RESPONSIBILITIES

The Board of Governors had adopted a new Part 264a, Reserve Bank Directors—Actions and Responsibilities.

The regulation contains prohibitions against director participation in particular matters, sets forth proposed procedures under which a director may obtain an ad hoc exemption from such prohibitions, and identifies certain financial interests of directors that the Board of Governors has exempted from coverage by the statute as being too remote or too inconsequential to affect the integrity of directors' services.

Part 264a as amended May 31, 1978, reads as follows:

PART 264a—RESERVE BANK DIRECTORS—ACTIONS AND RESPONSIBILITIES

SECTION 264a.1—PURPOSE

Directors of Federal Reserve Banks are charged by law with the responsibility of supervising and controlling the operations of the Reserve Banks, under the general supervision of the Board of Governors, and for assuring that the affairs of the Banks are administered fairly and impartially. The Federal Reserve Act provides that Reserve Bank directors will be selected with due consideration to the interests of various segments of the population and the economy, thus assuring that the Federal Reserve System will receive the benefit of the experienced judgment of individuals from a broad spectrum of the communities that will be affected by actions of the System. For example, the provisions of Section 4 of the Federal Reserve Act, as amended by the Federal Reserve Reform Act of 1977, provide that both class B and C directors shall be chosen to represent the public and with "due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers." Section 4 further provides that class A directors "shall be chosen by and be representative of the stock-holding banks" of the Federal Reserve System. Recognizing that Reserve Bank directors may have, in their private capacities, business, consumer, or other interests to which legitimate attention is to be given; but recognizing also that these same individuals have fiduciary responsibilities as directors of Reserve Banks, this regulation is promulgated for the purpose of assuring preservation of and adherence to the intent of both the Federal Reserve Act and Section 208 of Title 18, United States Code.

SECTION 264a.2—DEFINITIONS

For purposes of this part, the following definitions shall apply:

(a) The term "director," unless otherwise indicated, means a head office or branch director of a Federal Reserve Bank.

(b) The term "Board of Governors" means the Board of Governors of the Federal Reserve System.

(c) The term "board" means the board of directors of a Federal Reserve Bank or branch of a Federal Reserve Bank.

(d) The term "related person" means (1) a partner of a director, (2) any organization in which the director is serving as an officer, director, trustee, partner or employee, or (3) any person or organization with whom the director is negotiating or has any arrangement concerning prospective employment.

(e) The term "participate" means to act through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or as is otherwise within the meaning of the provisions of 18 U.S.C. § 208.

(f) The term "particular matter" means a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest or other subject within the meaning of the provisions of 18 U.S.C. § 208.

(g) The term "discussions" means the consideration of a matter by a board and may include, depending upon the board's statutory authority, votes taken or other decisional action.

SECTION 264a.3 – PROHIBITION AGAINST DIRECTOR PARTICIPATION IN PARTICULAR MATTERS

(a) Pursuant to the provisions of 18 U.S.C. § 208(a), no director may participate personally and substantially in a particular matter in which, to the director's knowledge, the director, the director's spouse or minor child, or related persons have a financial interest unless such action is otherwise permitted by 18 U.S.C. § 208(b) and sections 264a.4 or 264a.5 of this part.

(b) Except as provided by 18 U.S.C. § 208(b) and sections 264a.4 or 264a.5 of this part, no director shall participate in deliberations or decisions of a Reserve Bank board when the question presented is whether the board should approve or ratify an extension of credit, advance, or discount by a Reserve Bank to a bank which is, in the opinion of the President of the Reserve Bank, in a hazardous financial condition, and

(1) where the director has knowledge that he, his spouse, or minor child has a financial interest in the proposed transaction as a result of:

(i) being a borrower or applicant for credit from the borrowing bank, other than consumer credit as defined in Regulation Z (12 CFR 226.2(p));

(ii) maintaining a depositary relationship with the borrowing bank in an amount exceeding that covered by federal deposit insurance;

(iii) owning stock, stock options, bonds, notes or other forms of indebtedness issued by the borrowing bank, or its registered parent holding company, the market value of which exceeds $100,000 or represents more than 1 per cent of the value of that class of stock, stock option, bond, note, or other form of indebtedness issued by the borrowing bank or its registered parent holding company; or

(iv) employment in a policy making position or service as a director with the borrowing bank or the registered parent holding company of the borrowing bank.

(2) where the director has a financial interest in the proposed transaction as a result of:

(i) service by the director as an officer or director of another bank that is known by the director to be located in the same geographic market for local banking services as the borrowing bank and is known by the director to be in direct and substantial competition with the borrowing bank;

(ii) service by the director as an officer or director of another bank that is known by the director:

(A) to have outstanding or to be negotiating an extension of credit from, or to, the borrowing bank, other than federal funds or foreign exchange transactions; or

(B) to maintain a correspondent or depositary relationship with the borrowing bank in an amount exceeding that covered by federal deposit insurance; or

(iii) service by the director as one of the principal officers of any business enterprise that constitutes the director's primary business or professional occupation where such business enterprise is known by the director:

(A) to have outstanding or to be negotiating a direct and substantial extension of credit or line of credit from the borrowing bank;

(B) to maintain a principal depositary relationship with the borrowing bank in an amount exceeding that covered by federal deposit insurance; or

(C) to own stock, stock options, bonds, notes or other forms of indebtedness issued by the borrowing bank, the market value of which exceeds $100,000 or represents more than 1 per cent of the value of that class of stock, stock options, bonds, notes or other form of indebtedness issued.

(3) where the director has knowledge that a partner of the director has a financial interest in the proposed transaction; or

(4) where the director has a financial interest in the proposed transaction as a result of the director's participation in current negotiations or arrangements concerning prospective employment with the borrowing bank.

(c) It is recognized that a Reserve Bank board can, within the spirit and letter of its responsibilities, delegate to appropriate officials of the Reserve Bank authority to act with respect to extensions of credit to individual banks determined to be in hazardous financial condition, thus avoiding both ratification by the board and applicability to the directors of the prohibitions of this section. Such delegation would not preclude continued advice to the board of appropriate information regarding bank conditions in the district so as to enable the board to perform fully its general oversight responsibilities.

SECTION 264a.4—
GRANTING OF AD HOC EXEMPTIONS

(a) The prohibitions of 18 U.S.C. § 208 and section 264a.3 of this part shall not apply if the director first advises the Board of Governors of the nature and circumstances of the particular matter before the board and makes full disclosure of the financial interest involved and receives in advance a written determination made by the Board of Governors, or its designee, pursuant to 18 U.S.C. § 208(b)(1), that the interest is not so substantial as to be deemed likely to affect the integrity of the services which the Federal Reserve System may expect from such director.

(b) Telegraphic communications from the President, First Vice President, Secretary or General Counsel of a Reserve Bank to the Board of Governors on behalf of a director and setting forth the precise nature of both the particular matter before the board and the financial interest involved shall be considered to meet the director's duty of full disclosure set forth in paragraph 264a.4(a). Telegraphic response to the same identified officials of the Reserve Bank by the Board of Governors, or its designee, shall be deemed to meet the requirement of a written determination by the Board of Governors set forth in paragraph 264a.4.

SECTION 264a.5—EXEMPTION OF REMOTE OR INCONSEQUENTIAL FINANCIAL INTERESTS

(a) Pursuant to the provisions of 18 U.S.C. § 208(b)(2), certain actions of directors of Federal Reserve Banks may be exempted from the prohibitions of 18 U.S.C. § 208(a) and section 264a.3 of this part, if by general rule or regulation published in the Federal Register, the financial interest involved has been determined to be too remote or too inconsequential to affect the integrity of directors' services. Financial interests will be viewed as too remote or too inconsequential:

(1) in circumstances in which a director's action on a matter will not directly, substantially, and predictably affect the financial interest; or

(2) in circumstances in which a director's independence of judgment will not be affected by the financial interest.

(b) The Board of Governors has determined that the financial interests of a director, the director's spouse or minor child, or related persons in the following matters are too remote or too inconsequential to affect the integrity of directors' services and, accordingly, the prohibitions of 18 U.S.C. § 208(a) and section 264a.3 of this part shall not apply to a director's participation in such matters:

(1) deliberations concerning or ratification of extensions of credit, advances, or discounts to any bank that has not been determined to be in hazardous financial condition by the President of the Reserve Bank, provided such credit extensions, advances, or discounts are made under appropriate provisions of the Federal Reserve Act, regulations and policies of the Board of Governors and the Federal Reserve Banks, and the established operating procedures at the director's Reserve Bank;

(2) deliberations concerning or affecting any financial institution, to the extent the financial interest in such matters results from:

(i) maintenance at the financial institution of a checking or other deposit account covered by Federal insurance;

(ii) a fiduciary relationship involving the utilization of the financial institution's trust or investment advisory services;

(iii) the receipt from the financial institution of consumer credit, as that term is defined in Regulation Z (12 CFR 226.2(p)); or

(iv) participation in Federal funds or foreign exchange transactions with the financial institution;

(3) deliberations concerning or affecting any financial institution or other enterprise to the extent the financial interest results from ownership of stock, stock options, bonds, notes, or other forms of indebtedness, the market value of which is less than $100,000 and represents less than 1 per cent of the value of that class of stock, stock option, bond, note or other form of indebtedness issued by the financial institution or other enterprise.

(4) deliberations concerning or affecting any financial institution or other enterprise to the extent the financial interest results from holdings in a diversified and widely held mutual fund, investment company, pension or retirement plan that, in turn, may have invested in the financial institution, provided that the director does not contribute to investment decisions of the fund, company, or plan.

(c) Section 264a.3(b) of this part specifically identifies certain financial interests, the existence and knowledge of which will preclude a director from participating in deliberations or decisions of a Reserve Bank board (except through recourse to the procedures set forth in section 264a.4) when the question presented is whether the board should approve or ratify an extension of credit, advance, or discount by a Reserve Bank to a bank which is, in the opinion of the President of the Reserve Bank, in hazardous financial condition. Financial interests identified in section 264a.3(b) are viewed by the Board as offering a clear potential for conflict. The Board has determined that any other financial interest that a director, the director's spouse or minor child, or related persons may have in such extensions of credit, advances, or discounts to banks in hazardous condition are too remote or too inconsequential to affect the integrity of directors' services and, accordingly, the prohibitions of 18 U.S.C. § 208(a) and section 264a.3 of this part shall not apply to a director's participation in such matters. These would include, for example, financial interests that might result from:

(1) a director's ownership of stock of a bank or business, other than a registered parent holding company of the borrowing bank, that may have an interest in the condition of the borrowing bank; or

(2) a director's service as a director or trustee of a business or other organization, other than a bank or the registered parent holding company of the borrowing bank, that may, itself or through a subsidiary, have an interest in the condition of the borrowing bank.

(d) The functions of directors often include their participation in discussions concerning (1) international, national, and regional economic and financial conditions, (2) monetary policy, (3) general conditions, trends or issues with respect to bank credit, (4) establishment of rates to be charged for all advances and discounts by Federal Reserve Banks, subject to review and determination of the Board of Governors pursuant to the Federal Reserve Act, (5) matters intended to have generally uniform application to banks within the Reserve Bank District, and (6) statutes and proposed or pending legislation in which the Federal Reserve System has a legitimate interest. The foregoing matters are not particular matters of the type described in 18 U.S.C. § 208 and, therefore, that statute is not applicable to participation in such matters. However, even if the statute were held to be applicable to participation in such matters, the Board of Governors has determined that the financial interests of a director, the director's spouse or minor child, or related persons in such matters are too remote or too inconsequential to affect the integrity of directors' services and, accordingly, the prohibitions of 18 U.S.C. § 208(a) and section 264a.3 of this part shall not apply to a director's participation in such matters.

(e) Nothing in this section shall preclude a director from refraining, to the extent consistent with responsibilities imposed upon the directors by the Federal Reserve Act, from participation in a particular matter. The Board hereby gives notice of its intention to undertake a continuing review of the experience of Reserve Bank boards under this regulation with a view to assuring preservation of and adherence to the intent of both the Federal Reserve Act and 18 U.S.C. § 208, as amended. In the course of such review, particular attention will be given to the provisions of this section.

INTEREST ON DEPOSITS

The Secretary of the Board, acting under delegated authority, has approved a technical amendment to Regulation Q as the result of the recently adopted amendment creating two new deposit categories. This action will add a reference to these two new deposit categories to the paragraph of Regulation Q that sets forth interest rate limits on deposits of less than $100,000.

Effective June 1, 1978, section 217.7 of Regulation Q is amended to read as follows:

SECTION 217.7—MAXIMUM RATES OF INTEREST PAYABLE BY MEMBER BANKS ON TIME AND SAVINGS DEPOSITS

* * * * *

(b) TIME DEPOSITS OF LESS THAN $100,000.

(1) Except as provided in paragraphs (a), (d), (e), and (f), and subparagraphs (2), (3), and (4) of this paragraph, no member bank shall pay interest on any time deposit at a rate in excess of the applicable rate under the following schedule:

* * * * *

REGULATIONS RELATING TO BRANCHES OF FEDERAL RESERVE BANKS

The Board of Governors of the Federal Reserve System has revised its Regulations Relating to Branches of Federal Reserve Banks to bring the section concerning branch directors into conformity with revisions relating to Reserve Bank directors in the Federal Reserve Reform Act of 1977.

Effective June 21, 1978, section 3 of the Regulations Relating to Branches of Federal Reserve Banks is amended as follows:

SECTION 3—DIRECTORS

* * * * *

(b) Directors shall be selected without discrimination on the basis of race, creed, color, sex, or national origin. The directors appointed by the Federal Reserve Banks shall be persons who meet the personal and occupational qualifications of Class A or B head office directors. The directors appointed by the Board of Governors shall be persons who meet the personal and occupational qualifications of Class C head office directors, except that Board-appointed Branch directors may be stockholders in commercial banks and bank holding companies. No director of a Federal Reserve Bank shall serve as a director of a branch of the bank during his or her service as a director of the Federal Reserve Bank. All directors shall be citizens of the United States and shall reside or have principal occupational interest within the territory served by the branch.

* * * * *

BANK HOLDING COMPANY AND BANK MERGER ORDERS ISSUED BY THE BOARD OF GOVERNORS

ORDERS UNDER SECTION 3 OF BANK HOLDING COMPANY ACT

Chevalier, Inc.,
Postville, Iowa

Order Approving Retention of Additional Shares of Bank

Chevalier, Inc., Postville, Iowa, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to retain 228 shares, representing 9.12 per cent of the outstanding voting shares of Citizens State Bank, Postville, Iowa ("Bank").

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

Applicant is a one-bank holding company by virtue of its ownership of approximately 51.8 per cent of the outstanding voting shares of Bank.[1] Applicant seeks Board approval to retain 228 shares of Bank that were acquired without the Board's prior approval as a result of Applicant's exercise of an option to purchase 203 shares, and its purchase of an additional 25 shares.[2]

Bank, with deposits of $12.8 million, is the 314th largest commercial bank in the State of Iowa and controls approximately one-tenth of 1 per cent of total deposits in commercial banks in the State.[3] Bank is the fourth largest of six banks located in the relevant market, which is approximated by Allamakee County and holds approximately 14.0 per cent of total market deposits. Inasmuch as the proposal involves the retention of shares in a Bank that Applicant controlled at the time the shares were acquired, it appears that retention of such shares would involve neither an expansion of Applicant nor an increase in the banking resources controlled by it. It is the Board's judgment that retention of this stock would not eliminate existing or potential competition or increase the concentration of banking resources in any relevant area.

[1] Applicant became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the Act by virtue of its ownership of more than 25 per cent of the outstanding shares of Bank. Applicant also engages in a general insurance business, and pursuant to the provisions of § 4 of the Act. Applicant has until December 31, 1980, to divest its insurance agency activities or, in the alternative, to apply to the Board for approval to retain such activities.

[2] Applicant contends that it has had the power to vote the shares for which it held the option since it became a bank holding company on December 31, 1970, and that it has acknowledged control of such shares in its Registration Statement filed with the Board in 1971 and subsequent reports filed with the Board. Applicant further contends that since it believed that it controlled the shares subject to the option, it controlled more than a majority of the shares of Bank and pursuant to § 3(a)(B) of the Act it did not have to obtain the Board's prior approval to purchase additional shares. However, inasmuch as Applicant has provided no documentary evidence that it controlled such shares before it exercised the option, it has filed this application for the Board's approval to retain the shares.

[3] All banking data are as of June 30, 1977.

Thus, competitive considerations are consistent with approval of the application.

The financial and managerial resources of Applicant and Bank are regarded as generally satisfactory and their future prospects appear favorable. Accordingly, banking factors are consistent with approval. There is no indication that the convenience and needs of the community to be served are not currently being met, and such considerations appear to be consistent with approval of the application.

On the basis of the record, the application is approved for the reasons summarized above.

By order of the Board of Governors, effective June 9, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Coldwell, Jackson, and Partee. Absent and not voting: Governor Wallich.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

City Bancshares, Inc.,
Kansas City, Missouri

Order Approving
Formation of a Bank Holding Company

City Bancshares, Inc., Kansas City, Missouri has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 90 per cent or more, less directors' qualifying shares, of the voting shares of City Bank and Trust Company of Kansas City, Kansas City, Missouri ("Bank") (formerly Grand Avenue Bank and Trust Company of Kansas City, Kansas City, Missouri).

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

Applicant is a newly formed corporation organized for the purpose of becoming a bank holding company. Bank has total deposits of $56.1 million, representing 0.3 per cent of total deposits in commercial banks in the State of Missouri.[1] Bank is the 20th largest banking organization in the Kansas City banking market,[2] controlling 1.02 per cent of the deposits therein.

One of Applicant's principals is affiliated with a Missouri multibank holding company and an independent bank located within Bank's market.[3] Upon consummation of this proposal, the share of market deposits held by these three banking firms would total 12.7 per cent and the share of market deposits held by the five largest banking organizations, viewing the three banking firms associated with Applicant's principal as a single organization, would increase from 41.05 to 42.94 per cent. It should also be noted that the relationship between Bank and these two banking firms has existed since 1947, and little competition exists among them. Accordingly, in light of this lengthy relationship and the small increase in market concentration, consummation of the proposal would not have a significantly adverse effect on competition.

The financial and managerial resources and future prospects of Applicant and Bank appear to be satisfactory. Applicant will not incur any debt to acquire Bank and considerations relating to banking factors are consistent with approval of the application.

Although consummation of the proposal would effect no changes in the banking services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval. It has been determined that consummation of the transaction would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Secretary of the Board, acting

[1] All banking data are as of June 30, 1977.

[2] The Kansas City banking market is approximated by the northern half of Cass, all of Clay, Jackson and Platte Counties in Missouri and Johnson and Wyandotte Counties in Kansas.

[3] By Order dated June 20, 1978, the Board approved the application of Overland Park Bancshares, Inc., Overland Park, Kansas, to acquire the independent bank, The Overland Park State Bank and Trust Company, Overland Park, Kansas.

pursuant to delegated authority for the Board of Governors, effective June 22, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Combanks Corporation,
Winter Park, Florida

Order Approving Acquisition of Shares of Bank Holding Company

Combanks Corporation, Winter Park, Florida, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 51.5 per cent of the voting shares of American Bancshares, Inc., North Miami, Florida ("American"),[1] thereby acquiring indirectly voting shares of the following banks in Florida: The Second National Bank of North Miami, North Miami; The Seminole Bank of Tampa, Tampa; The First National Bank of Davie; Davie; Second National Bank of North Miami Beach, North Miami Beach; First National Bank of the Upper Keys, Tavernier; Second National Bank of Clearwater, Clearwater; University City Bank, Gainesville; Executive Bank of Fort Lauderdale, Fort Lauderdale; and Second National Bank of Homestead, Homestead.

Applicant would also acquire indirectly voting shares of American Bancshares Mortgage Company, Inc. ("Mortgage"), and American Bancshares Insurance Agency, Incorporated ("Insurance"), wholly-owned subsidiaries of American, located in North Miami, Florida. Accordingly, Applicant has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)), to engage, through Mortgage, in the activity of making mortgage loans, construction and development loans, and related real estate loans, and through Insurance, in the activity of selling credit life and credit accident and health insurance directly related to extensions of credit by American's banking subsidiaries. Such activities have been determined by regulation to be closely related to banking (12 CFR § 225.4(a)(1) and 9(ii)), respectively, and would be conducted in accordance with that regulation.

Notice of these applications has been given in accordance with §§ 3 and 4 of the Act (42 Fed. Reg. 46,408) and the time for filing comments and views has expired. The Board has considered the applications and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the twenty-sixth largest banking organization in Florida, controls seven banks with aggregate deposits of $152 million, representing 0.5 per cent of the total deposits in commercial banks in the State.[2] American, the twentieth largest banking organization in Florida, controls nine banks, with aggregate deposits of $261 million, representing 1.0 per cent of total deposits in commercial banks in the State. Upon consummation of the proposed transaction, the resulting banking organization would rank as the State's fifteenth largest banking organization and would control 1.5 per cent of the total deposits in commercial banks in Florida. While American would be eliminated as a competitor, the Board believes that consummation of the proposal would not have a significantly adverse effect upon either the banking structure or the concentration of banking resources in Florida.

None of Applicant's bank subsidiaries is located in banking markets where American's bank subsidiaries are situated.[3] Furthermore, the distance separating the closest of Applicant's and American's subsidiary banks is approximately 81 miles. Accordingly, the Board concludes that no significant existing competition would be eliminated upon consummation of the proposal. With respect to potential competition, the Board is of the view that while both Applicant and American are capable of entering each other's markets, the loss of either firm as a potential entrant would not be serious. Given their relative size and the structure of most of the markets in which their subsidiaries are located, the potential competitive impact of either's entry into any market in which the other

[1] Combanks currently owns 4.9 per cent of the outstanding common stock of American. The subject application is for the acquisition of an additional 23.5 per cent of the outstanding common stock; 100,000 shares of American preferred stock convertible into 385,000 shares of American common stock; and permission to exercise up to 600,000 warrants representing 600,000 shares of American common stock at a cost of up to $3.7 million. If all convertibility features and warrants were exercised, Applicant would control 51.5 per cent of the voting shares of American.

[2] All banking data are as of June 30, 1977.

[3] Applicant controls subsidiary banks located in the Orlando banking market. American, on the other hand, controls subsidiary banks in the Greater Miami, North Broward, Tampa, Gainesville, Key Largo and North Pinellas banking markets.

is located is small. In addition neither Applicant nor American has entered a new market since 1973, and therefore, the two firms cannot be considered likely entrants into each other's markets. Accordingly, based upon these and other facts of record, the Board concludes that the competitive effects of the proposal would not be significant.

The financial and managerial resources and future prospects of Applicant and its subsidiaries are regarded as generally satisfactory and consistent with approval. American's financial resources are in need of strengthening, and the subject proposal should alleviate American's immediate need for equity capital. Upon consummation of this proposal, Applicant will inject $2.5 million of capital into American in exchange for 100,000 shares of American preferred stock, and American's financial resources and future prospects should be improved significantly. American's equity would be further augmented by $3.7 million upon Applicant's exercise of all 600,000 warrants. Accordingly, banking factors lend weight toward approval.

In arriving at the above conclusion with respect to the financial resources of Applicant, the Board has relied upon certain commitments made by Applicant regarding its overall financial plan for the future. In particular, the Board is concerned about the high level of debt incurred by Applicant's raising of approximately $25 million by issuing seven year debentures.[1] In order to better ensure that Applicant maintains adequate ability to service its debt and reduce the risk that it has incurred, the Board has relied upon a commitment from Applicant to maintain a separate pool of funds in the amount of $10 million, in high quality liquid and passive investments. Among the conditions placed on Applicant is one permitting a reduction in the pool only when there is a commensurate reduction in Applicant's outstanding indebtedness on its debentures. In addition, Applicant has committed not to incur additional funded indebtedness without Board approval.

While no major changes are contemplated in American's subsidiary banks' services, consummation of the proposal will enable American to continue to provide services to its bank subsidiaries and their customers and communities. Therefore, it is the Board's judgment that considerations relating to convenience and needs of the community to be served are consistent with, and lend some weight toward, approval of the application.

Applicant has also applied for the Board's approval to acquire indirectly shares of Mortgage and Insurance, subsidiaries of American, and thereby engage indirectly in certain lending and insurance agency activities, respectively, permissible under sections 225.4(a)(1) and (9)(ii) of Regulation Y. While Applicant has one nonbank mortgage subsidiary that engages in the same type of activity as Mortgage, Applicant's mortgage subsidiary has neither originated nor services any loans in any relevant market served by American's banking or nonbanking subsidiaries. Mortgage has only one loan outstanding in an area served by Applicant's banking or nonbanking subsidiaries. Accordingly, it does not appear that this acquisition would have any significantly adverse effects upon competition. Moreover, 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 upon the public interest.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the considerations affecting the competitive, banking, and convenience and needs factors under § 3(c) of the Act and the balance of the public interest factors that the Board must consider under § 4(c)(8) of the Act both favor approval of Applicant's applications.

On the basis of the record, the 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, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Atlanta pursuant to delegated authority. The determination concerning Applicant's nonbanking activities is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the Board's authority to require reports by and make examinations of bank holding companies and their subsidiaries, and to require such modification or termination of the activities of a holding com-

[1] The Board was not consulted before the issuance of this debt and does not intend to encourage such future action by others through its approval of this application. The commitments made by Applicant, however, would reduce the risks associated with the level of debt, and the proposed injection of capital into American would substantially strengthen the financial position of that organization.

pany 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 June 2, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Coldwell, Jackson, and Partee. Absent and not voting: Governor Wallich.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Commerce Bancshares, Inc.,
Kansas City, Missouri

Order Approving
Merger of Bank Holding Companies

Commerce Bancshares, Inc., Kansas City, Missouri ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under § 3(a)(5) of the BHC Act (12 U.S.C. § 1842(a)(5)) to merge with Manchester Financial Corporation, St. Louis, Missouri ("MFC"), a bank holding company within the meaning of the BHC Act.

Notice of the application, affording opportunity for interested persons to submit comments and views, was given in accordance with § 3(b) of the Act (42 Fed. Reg. 53999 (1977)). The Board received comments from the Manchester-Tower Grove Community Organization, an affiliate of Missouri Association of Community Organizations for Reform Now ("ACORN"), the Plaza Bank of West Port, St. Louis, Missouri ("Plaza Bank"), and Mr. William H. Kester, a resident of St. Louis, Missouri.

On February 16, 1978, the Board ordered an oral public presentation on whether the proposed transaction would serve the convenience and needs of the St. Louis community. The oral presentation, held in St. Louis on March 9, 1978, before a representative of the Board, produced a substantial record on the convenience and needs issue through statements of some 31 witnesses and through documentary materials. The Board permitted ACORN and Applicant until March 20, 1978, to submit additional materials. The time for filing comments and views has expired, the Board has considered the record, including the comments received, in light of the factors set forth in § 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Applicant, the third largest banking organization in Missouri, controls 32 banks with aggregate deposits of approximately $1.5 billion, representing 7.8 per cent of the total deposits in commercial banks in the State.[1] MFC, the 16th largest banking organization in Missouri, controls three banks with aggregate deposits of approximately $152.4 million, representing 0.8 per cent of the total deposits in commercial banks in the State. In the event of consummation of the proposed merger, Applicant would remain the third largest banking organization in the State with 8.6 per cent of total deposits in commercial banks in Missouri.

Both Applicant and MFC compete in the St. Louis banking market.[2] Based upon deposits derived from that market, Applicant is the fifth largest banking organization in the market. Applicant controls eight subsidiary banks in the market. They hold aggregate deposits of approximately $289.8 million, representing 3.2 per cent of the total deposits in commercial banks in the market. MFC is the eleventh largest banking organization in the market. MFC's three subsidiary banks, all located in the St. Louis banking market, hold aggregate deposits of $152.4 million, representing 1.7 per cent of the total deposits in commercial banks in the market.

The St. Louis banking market contains a large number of banking organizations and is not particularly concentrated. The four largest banking organizations control 40.6 per cent of the deposits in the market. The largest and second largest hold shares of 15.9 per cent and 14.3 per cent, respectively. In the event of consummation of the proposed merger, the combined bank holding company organization would control aggregate deposits of $442.2 million, or 4.9 per cent of the total deposits in commercial banks in the market, and would be the fourth largest banking organization in the market. Upon consummation, MFC's largest subsidiary bank, Manchester Bank of St. Louis ("Bank"), with deposits of $134.1 million, would become Applicant's largest subsidiary bank in the market.

[1] All deposit data are as of June 30, 1977.

[2] The St. Louis banking market is approximated by the St. Louis Rand McNally Metro Area ("RMA"), which includes all of the City of St. Louis and St. Louis County, portions of St. Charles, Franklin, Lincoln, and Jefferson Counties in Missouri, and portions of St. Claire, Monroe, Madison, Jersey, and Macoupin Counties in Illinois.

The Board concludes that the amount of competition that would be eliminated by the merger is not significant in light of the relatively small market shares of Applicant's and MFC's subsidiary banks and the sizable number of competitive alternatives that would remain in the market in the event the merger is consummated.[3]

The Board regards the financial and mangerial resources and future prospects of Applicant, MFC, and their subsidiary banks as generally satisfactory, particularly in view of a commitment by Applicant to increase capital in the National Bank of Affton, a subsidiary of MFC upon consummation of the proposed merger.

Mr. William H. Kester opposed the subject application, asserting that the managerial resources of Applicant are adverse. Mr. Kester apparently lacks standing in this matter, since it does not appear that he would suffer injury in fact as a result of Board approval of the application.[4] Nevertheless, the Board has examined the substance of Mr. Kester's charges. Mr. Kester asserted (1) that the purchase price offered by Applicant to minority shareholders of its subsidiary, Commerce Bank of Mound City, St. Louis, Missouri ("CBMC"), for their shares of CBMC represented "discrimination in price"; (2) that Applicant's offering circular for the CBMC shares failed to specify their book value; and (3) that, after gaining majority control of CBMC in 1974, Applicant reduced CBMC's dividend in an effort to lower the market price of CBMC's outstanding shares.

The Board finds no merit in Mr. Kester's claims regarding Applicant's managerial resources. With respect to an unequal offer to shareholders, the U.S. Court of Appeals for the Tenth Circuit has held that the Board may not deny an application to form a bank holding company solely on the basis of an unequal offer to the majority and the minority shareholders of the bank to be acquired. *Western Bancshares, Inc.* v. *Board of Governors of the Federal Reserve System*, 480 F.2d 749 (1973). While the Board does not view this decision as affecting its authority to consider how business practices of principals of a bank holding company may reflect upon the managerial resources of the proposed bank holding company, the decision suggests that an unequal offer in and of itself does not constitute a sufficient ground for Board denial of an application.

With respect to Mr. Kester's other assertions,[5] the record reflects the following facts. The book value of the CBMC shares was readily computable from the information furnished in Applicant's offering circular. In light of CBMC's market value, the price offered by Applicant for the CBMC shares does not appear unreasonable. Although CBMC's dividend for 1974 was reduced, the ratio of CBMC's dividends to its net income for 1974 was approximately the same as for each of the previous two and the following three years, and the ratio was higher than that for similar sized banks. In these circumstances, the Board finds no impropriety in CBMC's reduction in dividends for 1974.

In its evaluation of every application under Section 3 of the BHC Act, the Board is required to consider the convenience and needs of the community to be served. ACORN contended that the proposed merger at issue here will not serve the convenience and needs of, or produce positive benefits for, the Manchester-Tower Grove neighborhood,[6] in particular its need for home mortgage, home improvement, and small business credit. The Manchester-Tower Grove neighborhood is a predominantly low- to moderate-income area of approximately 64 city blocks immediately surrounding Bank (with a 1970 population of about 7,000).[7] ACORN's protest focused on one seg-

[3] Plaza Bank asserted that the proposed merger would be anit competitive. However, Plaza Bank has provided the Board with neither the facts nor the reasoning upon which its conclusion rests, despite an express invitation by the Board's staff to submit additional materials.

[4] His comments were untimely and not received until after the oral presentation.

[5] Mr. Kester also alleged that Applicant's offering circular reported inaccurately the amount of CBMC's interest and fees on loans and resultant earnings for 1976. The record reflects no basis in fact for this claim and Applicant's independent auditors had previously examined and agreed to the financial statements included in the offering circular.

[6] ACORN initially complained that Applicant planned to merge Bank with Commerce Bank of St. Louis, N.A. ("CBSL") and relocate Bank's offices to CBSL's downtown St. Louis location, depriving the Manchester-Tower Grove area of the only source of commercial banking services in the neighborhood. Applicant has assured ACORN that the main office of the surviving bank will remain at Bank's present location and ACORN has abandoned this aspect of its protest. ACORN has also apparently abandoned its contention that the proposed merger would significantly limit competition among banks serving the area.

[7] As stated earlier, the relevant market for purposes of this application is the St. Louis RMA. This includes the City of St. Louis, St. Louis County, and portions of other surrounding suburban counties. Bank has indicated that its "immediate market area" covers seven postal Zone Improvement Plan ("ZIP") codes within the City of St. Louis that surround Bank, including the area of ZIP code 63110, which encompasses the Manchester-Tower Grove neighborhood. The residential portions of this seven ZIP code area consist primarily of low and moderate income neighborhoods.

ment of the relevant market and on three specific types of loans in that segment. ACORN made no claim that Applicant's and MFC's subsidiaries have not served the convenience and needs of the entire relevant banking market (the St. Louis RMA); nor that they have ignored or have not adequately served the other credit needs of all, or any segment, of the relevant market, *e.g.*, for commercial, personal or installment loans.

ACORN requested that the Board deny the application or condition approval upon detailed written "commitments" and "firm guarantees" by Applicant to improve Bank's record with respect to meeting the need for home mortgage, home improvement and small business credit in the Manchester-Tower Grove neighborhood. ACORN proposed that the written commitments include criteria for determining the credit-worthiness of borrowers and the specific terms for each of these three categories of loans; that Bank establish a "Community Advisory Committee" and appoint a "Community Reinvestment Officer" to assist Bank in assessing and serving the credit needs of the Manchester-Tower Grove neighborhood; and that Bank engage in a program of affirmative marketing of housing-related credit in that neighborhood. ACORN stated that, if Applicant would agree in writing to these. or substantially similar loan policy commitments, ACORN would withdraw its protest to the application.

The Board ordered an oral presentation before its representative to afford Applicant and ACORN an opportunity to present relevant facts and argument on whether the proposed transaction would serve the convenience and needs of the St. Louis community, including and Manchester-Tower Grove neighborhood, and whether the subsidiary banks of Applicant and MFC have been, are, or would be upon consummation of the merger responsive to the credit needs of the community to be served, including the Manchester-Tower Grove neighborhood. Because of ACORN's protest appeared to raise issue with respect to Bank's service to the credit needs of its community and because of the recent enactment of the Community Reinvestment Act of 1977 ("CRA"), 12 U.S.C. § 2901, which emphasizes the role of financial institutions in helping to meet the convenience and needs (including the credit needs) of their local communities, the Board believed an oral presentation appropriate.

At the oral presentation, Applicant presented facts and argument to support its view that the proposed merger would serve the convenience and needs (including the credit needs) of the relevant market and the communities therein. None of ACORN's witnesses testified that he or she had been denied housing-related credit or any other type of consumer credit by Bank. Indeed, ACORN's chairman testified that he could not state that Bank had denied to any of ACORN's 110 members (90 per cent of whom own their own homes) home mortgage or home improvement credit.[8]

The Board has carefully considered the contentions of the parties and the record on the application, including the record developed at the oral presentation. The Board concludes that Applicant's present and proposed subsidiary banks in the St. Louis market are serving and, upon consummation of the proposal, reasonably may be expected to continue to serve the convenience and needs (including the credit needs) of their community, including, in Bank's case, the Manchester-Tower Grove neighborhood and the other low- and moderate-income neighborhoods in Bank's immediate market area. The Board finds that affiliation of Bank with Applicant is likely to result in an expansion of Bank's service to the convenience and needs of the community, including the need of residents in Bank's immediate market area for home mortgage, home improvement, and small business credit. These considerations relating to the convenience and needs of the community to be served lend weight toward approval of the application.

In support of its protest, ACORN relied on the Congressional findings in section 802 of the CRA that the convenience and needs of the community to be served include credit needs and that financial

[8] Subsequent to the oral presentation, ACORN submitted statements from two persons indicating that Commerce Bank of University City ("CBUC"), a subsidiary of Applicant in the St. Louis market, and Bank denied them home mortgage loans on properties located in the City of St. Louis. These denials occurred some six years earlier. ACORN also submitted a statement indicating that Bank had recently declined to extend a $37,000 loan sought by a small real estate management and investment company in Bank's area to refinance a number of existing mortgages and to acquire for rehabilitation additional properties in the area near Bank. The record indicates that Bank declined to extend the requested credit at that time based on Bank's assessment of the credit-worthiness and the financial condition and prospects of the firm - not because of the location of the business or of the properties to be pledged as security for the loan.

In any event, the Board does not believe that accurate assessments of an institution's service to its community can be drawn from such isolated instances of rejected credit applications.

institutions have a continuing obligation to help meet the credit needs of the local communities in which they are chartered.[9] As the Board indicated to the Congress during its consideration of the CRA, the convenience and needs standard in the BHC Act already requires the Board to consider whether the institutions involved are helping to meet the credit needs of their communities, consistent with safe and sound operations.[10] However, the Board has also pointed out that commercial banks are multi-product institutions that offer a wide variety of credit services to their communities and that "bank managements should and do have a range of discretion as to the type of loans they will make and the degree of risk they will assume."[11]

The Board finds nothing in the BHC Act that requires or authorizes the Board to dictate a bank's product mix (which credit or deposit services a bank should emphasize) or to dictate what proportion or amount of an institution's funds must, or even should, be allocated to any particular credit need, borrower or neighborhood or on what specific terms credit should be extended. The law permits each bank to choose how it should fulfill its responsibility to help meet the convenience and needs (including the credit needs) of its community. The Board's responsibility under the BHC Act as well as the CRA is to evaluate the records of the applicant and bank(s) involved and to determine whether the convenience and needs of the community have been and are likely to be served.

With respect to this proposal, the Board has considered not only the convenience and needs of the relevant banking market, but has also considered the record of Bank (MFC's lead bank) in its immediate market area, which is part of the community to be served. The Board regards such consideration as appropriate in this case, particularly in the light of testimony on behalf of Applicant that Bank has served, and Applicant plans that Bank continue to serve this area and because of ACORN's concern with the lending record of Bank in the Manchester-Tower Grove neighborhood, a part of Bank's immediate market area.[12]

While Applicant has stated that the purpose of the proposed acquisition is to enable Applicant, a Kansas City, Missouri-based bank holding company, to utilize Bank's position in the St. Louis area in order to compete more effectively in the St. Louis wholesale banking market,[13] Applicant has projected that the proposed acquisition will also enable Applicant's and MFC's St. Louis subsidiaries, particularly Bank, to serve better the convenience and needs of the entire relevant market, including the City of St. Louis and the Manchester-Tower Grove neighborhood and their residents' housing and other retail credit needs. Applicant's record at its subsidiary banks located in or immediately adjacent to the City of St. Louis[14] (CBUC, CBMC and CBSL) lends credence to Applicant's expectation that Bank's affiliation with Applicant will result in such expanded and strengthened service by Bank to its community. As discussed below, since their acquisition by Applicant and with Applicant's encouragement, CBUC and CBMC have demonstrated positive records of helping to meet the credit needs of their communities, including the needs for home mortgage, home improvement and small business credit in low- and moderate-income neighborhoods in their communities.

While Bank has chosen to emphasize service to the commercial and industrial credit needs of

[9] Section 804 of the CRA, the operative section of that Act, requires (*inter alia*) that the Board (1) assess, in connection with its examination of a financial institution, the institution's record in meeting the credit needs of its entire community, including low- and moderate income neighborhoods, consistent with the safe and sound operation of such institution, and (2) take that record into account in the evaluation of an application for Board approval of an acquisition under section 3 of the BHC Act. Applicant and ACORN agree that this section of the CRA cannot now be given effect and will become effective only upon publication of regulations that the Federal financial regulatory agencies are required to promulgate, by November 6, 1978, to carry out the purposes of the CRA.

[10] *Community Credit Needs: Hearings on S. 406 Before the Senate Committee on Banking, Housing, and Urban Affairs*, 95th Cong., 1st Sess., 15 (1977) (Letter of Arthur F. Burns).

[11] *American Security Corporation*, 62 Federal Reserve BULLETIN 255, 258 (1976); *see also Marine Midland Bank, Inc.* 61 Federal Reserve BULLETIN 890 (1975); *Manchester Financial Corporation*, 63 Federal Reserve BULLETIN 848 (1977).

[12] ACORN's concern over Bank's meeting the credit needs of its community was first brought to the Board's attention in 1977, when ACORN protested MFC's application for approval to acquire Manchester Bank of West County, Maryland Heights, Missouri, a *de novo* bank. 62 Federal Reserve BULLETIN 848 (1977). In that case (decided prior to enactment of the CRA), the Board found that, in the context of Bank's total investment and loan portfolio and the variety of services offered by Bank, there was no probable cause to believe that Bank had failed to serve the convenience and needs of its community.

[13] Applicant's principal banking activities are in the Kansas City, Missouri market. Applicant entered the St. Louis wholesale banking market through establishment in 1972 of CBSL.

[14] The other subsidiary banks of Applicant and MFC in the St. Louis banking market are located in suburban areas. There has been no claim that these banks have failed to serve the convenience and needs of their community.

its community[15] and while an exodus in recent years of business and industry from Bank's immediate geographic service area has resulted in expansion of its service and market areas to include large out-of-city areas, Bank has not ignored the retail credit needs of the individuals in its immediate market area, including their needs for housing-related and small business loans. Bank's record indicates that it rarely turns down applications for housing-related credit[16] and that it has a high concentration of its housing-related loans in neighborhoods contiguous to Bank. At the oral presentation, Bank's senior management stressed that, while Bank is recognized as an industrial and commercial bank, Bank's policy is to serve the credit needs of all segments of its community and to support all individuals in its local community who wish to finance or improve their homes. Bank's management stated that Bank welcomes the opportunity to increase its lending in its immediate market area.

In addition to its direct housing-related lending in its immediate market area, Bank has actively supported the Midtown Neighborhood Housing Corporation ("MNHC"), a nonprofit housing corporation organized by neighborhood residents to receive funds through the Federal Community Development Grant Program for the rehabiliation of housing in a low- and moderate-income neighborhood in the immediate area of Bank. Bank has pledged its willingness to provide home mortgage and home improvement loans to creditworthy borrowers in the area served by MNHC and has extended loans to property owners in the area who have agreed to rehabilitate thier homes. Bank has also participated in, and has financially supported, the Garden Tower East Community Corporation and its affiliated community development groups.

The Board finds no evidence that Bank has in its residential lending excluded any geographic area in the City of St. Louis, including the low- and moderate-income neighborhoods surrounding Bank. Rather, the evidence of record demonstrates that Bank has excluded no area of St. Louis in Bank's housing-related lending program or, as discussed below, any other type of lending activity.

Apart from Bank's positive record in helping to meet the need for housing-related credit in the St. Louis market (including the Manchester-Tower Grove neighborhood), Bank has a favorable record in serving the business and industrial credit needs of both its relevant market and its immediate geographic service area. Bank's management stated that, because of Bank's location in a part of the city with large commercial and industrial areas and because of Bank's predominantly commercial deposit mix, a major thrust of Bank's efforts in serving the convenience and needs of its immediate market area has been toward encouraging the maintenance and revitalization of the economy of the area. The record amply supports this claim. Bank's commercial loans in the 63110 ZIP code area (as of June 15, 1977) exceeded in number and dollar amount Bank's commercial loans in any other ZIP code in Bank's relevant market.

Bank's efforts in helping to maintain and promote the economic health of its immediate neighborhood is further evidenced by Bank's participation in, and sponsorship of, the Manchester-Chouteau Industrial Redevelopment Corporation, a nonprofit corporation established over four years ago to encourage business and industrial development in an area immediately adjacent to Bank and the Manchester-Tower Grove neighborhood.[17]

[15] As of October 1977, 66 per cent of Bank's loan portfolio (by dollar volume) consisted of commercial or industrial loans and approximately 77 per cent of Bank's demand deposits were from commercial customers.

[16] ACORN contended that Bank receives few applications for housing-related credit because Bank has discouraged the filing of such applications and has a reputation for doing so and that there is an unmet demand for mortgate credit in the Manchester-Tower Grove neighborhood. ACORN's contention was based on a study ACORN conducted that indicated that, during a six-month period in 1977, 105 property transactions were recorded in the area, eight of which were financed with mortgage loans.

In the Board's view, ACORN's study does not support its contention. Nothing in the study shows that any of the transferees *needed* or *sought* or *was denied* credit from Bank or any other lender. Nor does the study show the credit-worthiness of any of the transferees or how many of the recorded transfers were in fact legitimate real estate sales. ACORN stated that it had interviewed 23 of the 105 transferees and that "several" of these stated they had had "difficulties" in obtaining loans from banks or savings and loan associations. However, without evidence of the credit-worthiness of these "several" individuals, of what their "difficulties" were, or of the reasons for these "difficulties," ACORN's assumption of an unmet demand for mortgage credit in the area based on these hearsay statements is unwarranted. None of these individuals appeared or submitted any statement or affidavit at the oral presentation or thereafter concerning a denial of credit by any financial institution.

In any event, Applicant is committed to a program to advertise and promote the availability of housing-related credit at Bank.

[17] Bank was one of the ten incorporators of the Redevelopment Corporation and has extended to it a $300,000 line of credit, on an unsecured and interest free basis. In addition, Bank's executive officers devote a significant portion of their time to the Redevelopment Corporation's affairs.

Bank was the first bank in St. Louis to participate in such a redevelopment project. In the last three years, new construction in the area being redeveloped by the Redevelopment Corporation exceeded $6,000,000 in cost, a major portion of which was financed by Bank. The Redevelopment Corporation's efforts have exerted a stabilizing influence upon the economic health of the area in addition to providing employment opportunities for residents of the community.

Bank has also supported the efforts of the City of St. Louis to finance redevelopment projects in the City, to provide businesses in the City with an incentive to remain and expand, and to encourage new business to locate in the City.[18] Bank assisted in the use by the St. Louis Local Development Company ("St Louis L.D.C.") of section 502 of the Small Business Investment Act[19] to provide small business credit in the inner City of St. Louis. Bank made the first loan under the program and participated in five of the twelve loans negotiated by the St. Louis L.D.C., and Bank plans to finance, in the near future, two additional loan projects under this small business program. At the oral presentation, Bank offered statements of a number of small businesses attesting to Bank's support for small business concerns in the geographic areas adjacent to Bank.

Bank's record of active support for the economy of its local community and Bank's promotion and support of community housing development are significant elements in the Board's evaluation of the convenience and needs factor in this case and weigh in favor of approval of the application.

ACORN challenged Bank's record of home mortgage lending in the City of St. Louis (in particular, the Manchester-Tower Grove neighborhood) as poor and compared Bank's record to those of two other commercial banks located in the City of St. Louis, which, during 1976, had made approximately 42 and 47 per cent of their real estate loans in the City. These two banks, whether by choice or circumstance, are retail oriented banks [20] and are located, and extend large amounts of home mortgage credit, in residential neighborhoods. Bank, on the other hand, is located in a part of the City with extensive industrial areas and was organized in 1902 to serve, and has chosen to continue to emphasize service to, the commercial and industrial credit needs of its immediate market area.

ACORN's comparison is thus irrelevant as a measure of Bank's service to the needs of its community and ignores the legitimate diversity between the investment portfolios of commercial banks, a diversity that is often dictated by the wide and competing variety of credit needs and services essential for the economic health of the entire community. There is nothing in the BHC Act that requires every commercial bank to have the same product mix or that requires a bank to expand its lending to one segment of the community at the expense of another or to redirect its lending program to match that of any other bank or financial institution.

In addition to Bank's record of helping to meet the credit needs of its entire community, Applicant has stated its intention to continue and to strengthen Bank's service to the needs of the community (including Bank's lending activity in the low- and moderate income neighborhoods in Bank's immediate market area). Applicant has stated on the record (in a letter to ACORN) that Applicant will implement at Bank a program to advertise and promote residential mortgage and improvement loans through neighborhood newspapers and brochures in customer statements and will make experienced lending officers available to assess the banking needs of the neighborhoods adjacent to Bank and to counsel with and advise prospective borrowers. Applicant has further pledged to meet with representatives of ACORN and other community organizations periodically to review Bank's lending practices. With respect to its lending policy, Applicant stated that:

> [T]he loan policy of Commerce is to encourage all qualified applicants in a bank's service area to apply for home mortgage and home improvement loans. Within the limits of legal restrictions and prudent lending practices, Commerce makes all residential mortgage loans and home improvement loans without regard to race, color,

[18] Apart from underwriting the legal expenses incurred in a lawsuit that permitted the City to issue industrial redevelopment bonds, Bank purchased the entire $1.3 million first offering of such bonds issued by the Planned Industrial Expansion Authority of the City of St. Louis. The proceeds of these bonds were earmarked for commercial redevelopment in the Manchester Tower Grove area.

[19] Section 502 of the Small Business Investment Act authorizes the Small Business Administration, in participation with commercial banks or other financial institutions, to lend funds to State or local development companies for the purpose of assisting in plant acquisition or construction by small business concerns.

[20] One of the two banks has only about 8 per cent of its total credit outstanding to commercial borrowers.

religion, national origin, age, sex or national status. Loans are made available to all prospective borrowers in a bank's service area regardless of the location of the property within that area. We do not confine our lending to certain zip code areas and have no restrictions of this type in our lending policy.

The performance of Applicant's present St. Louis subsidiaries in and adjacent to the City of St. Louis further demonstrates Applicant's commitment to serving the convenience and needs of the communities in which its banks are located.[21] CBMC, located about 5 miles from Bank, serves an area composed almost entirely of low- to moderate-income housing, including large areas with housing described by Bank's officers as being in conditions of "genuine distress." In 1977, after acquisition of 80 per cent of CBMC's shares, Applicant replaced management and instructed new management to decrease CBMC's heavy reliance on automobile loans and to encourage applications for residential real estate and small business credit.[22]

At Applicant's encouragement, CBMC participated in discussions with representatives of various community organizations in its immediate service area affiliated with ACORN and adopted, in February 1977, a Real Estate and Home Improvement Lending Policy that sets forth CBMC's commitment to serve the borrowing as well as deposit needs of its community. The policy commits CBMC to encourage all qualified applicants in its trading area to apply for home mortgage loans (including Federally insured real estate loans) and home improvement loans and to a program to advertise and promote the availability of such loans in its service area. In the policy, CBMC states that it makes loans available to all prospective borrowers regardless of the location or age of the property to be acquired or improved and that it does not "confine its lending to certain zip code areas." CBMC's policy is, in major points, similar to that Applicant has stated it will implement at Bank upon consummation of the merger. The record reflects, and representatives of ACORN groups have acknowledged, that CBMC has acted affirmatively to carry out the commitments in that policy.

Applicant's commitment to serve the convenience and needs of its community is also illustrated by its record at CBUC, which is Applicant's largest subsidiary bank in the relevant market. CBUC is located in University City, which is adjacent to, and one of the older suburbs of, the City of St. Louis. University City has experienced housing deterioration and many of the same urban housing problems that face the City of St. Louis. From its acquisition by Applicant in 1969 through 1977, CBUC increased its residential mortgage lending 577 per cent (from \$1.7 to \$11.4 million) and its home improvement lending 1,322 per cent (from \$159,000 to \$2.3 million). As of December 31, 1977, substantial amounts of CBUC's credit outstanding, including residential mortgage loans, were to residents of University City. An additional amount of CBUC's residential real estate loans and consumer instalment loans were made on properties located in, or to residents of, the City of St. Louis. CBUC has also supported, through lines of credit totaling about \$2.3 million, local mortgage companies that originate residential mortgages (including Federally insured mortgages) in areas of the St. Louis community that include low- and moderate-income neighborhoods.

The record reflects that CBUC has supported redevelopment efforts in its service area, including subsidized housing and rehabilitation projects in University City and the City of St. Louis, and CBUC has an active record in small business lending in its market area and in the student loan program. According to the mayor of University City, it is University City's position that CBUC "has been a good citizen and has exhibited a responsible attitude toward the citizens of our community."

Applicant's other subsidiary bank in the City of St. Louis, CBSL, was organized by Applicant in 1972 to compete in the St. Louis wholesale banking market. Despite its losses and less-than-projected deposit growth, CBSL has continued an extremely active loan program in the relevant market, including in the City of St. Louis. CBSL has adopted (and posted in its lobby) a Pledge of Fair Lending Practices, which commits CBSL not to reject arbitrarily mortgage loans for residential properties in any geographic section of the City because of the age or location of the property nor to vary arbitrarily the loan terms or loan application procedures. CBSL has also pledged to make

[21] Apart from the record of Applicant's subsidiary banks, Applicant's mortgage subsidiary, Commerce Mortgage Company, has been active in financing a number of low- and moderate-income housing projects in the City of St. Louis.

[22] As of June 30, 1977, automobile loans accounted for nearly 75 per cent of CBMC's loan portfolio.

housing loans available in neighborhoods of all income levels in the City, consistent with prudent financial practices. CBSL has supported housing rehabilitation projects in the City of St. Louis, and CBSL's management has met regularly with the Community Development Agency in the City to locate additional projects for CBSL participation.

The Board is of the view that the record amply demonstrates that Bank and Applicant's subsidiaries in, or immediately adjacent to, the City of St. Louis have been active in helping to meet, and are committed to continuing to help to meet, the credit needs of all segments of their relevant market, including the needs of residents in low- and moderate-income neighborhoods in Bank's immediate geographic market area for home mortgage, home improvement, and small business credit. Bank's record of support of its entire market, coupled with Applicant's commitments and positive record of service to the St. Louis community, demonstrates that consummation of the proposed merger will serve the convenience and needs of the St. Louis banking market (including the credit needs of the low- and moderate-income neighborhoods in the vicinity of Bank). In addition, Applicant proposes to institute service charge-free checking (now available at Applicant's banks) at MFC's subsidiary banks. These beneficial aspects of the proposal weigh in favor of approval of the application and outweigh any adverse effects upon competition that might result from consummation of this proposal. Accordingly, it is the Board's judgment that the proposed acquisition would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above.[23] The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after that date, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

[23] ACORN has requested that the Board require Applicant to supply the loan policy manuals of Bank and CBSL and certain specific data on each of their housing related and small business loans made during the period from January 1975 through December 1977. ACORN has also requested specific data on the small business loans made by Manchester Bank West County in postal ZIP code 63141. In light of the extensive submissions to the record concerning the lending policies and practices of Applicant's and MFC's subsidiary banks and the Board's positive findings in regard to their record in meeting the convenience and needs of the St. Louis community, ACORN's request is hereby denied.

By order of the Board of Governors, effective June 16, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Wallich, Coldwell, and Partee. Absent and not voting: Governor Jackson.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Ewing Agency, Inc.,
Ewing, Nebraska

Order Approving Formation of Bank Holding Company

Ewing Agency, Inc., Ewing, Nebraska, has applied for the Board's approval under Section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 100 per cent of the voting shares (less directors' qualifying shares) of Farmers State Bank ("Bank"), Ewing, Nebraska.

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

Applicant is a nonoperating corporation organized for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of approximately $4.4 million.[1] Upon acquisition of Bank, Applicant would assume Bank's position as the 310th largest banking organization in the State of Nebraska and would control approximately .06 per cent of the total State commercial bank deposits.

Bank is the smallest of six banks located in the relevant banking market and controls 6.8 per cent of total deposits in commercial banks in the market.[2] Applicant's principals are associated with a number of other banks and bank holding companies in Nebraska. Where the principals of an applicant are engaged in establishing a chain of one-bank holding companies, the Board applies multibank holding company standards in assessing both the impact of the proposal on competition among banking institutions and the financial and

[1] Banking data are as of December 31, 1976.

[2] The relevant market is approximated by Holt County.

managerial resources and future prospects of the applicant and the proposed subsidiary bank.[3] In this case, none of the other banking organizations with which Applicant's principals are associated competes in the Holt County banking market. It appears that consummation of the proposal would not have any adverse effects on competition or further any undue concentration of banking resources in any relevant area. Thus, the Board concludes that the effects of the proposal on competition are consistent with approval.

On June 14, 1976, the Board denied an application by Applicant's principals to form a one-bank holding company by acquiring Nebraska State Bank, Ord, Nebraska.[4] The Board's decision in part reflected its judgment that Applicant's principals should direct their managerial resources to the improvement of banks that they already controlled before seeking to establish additional one-bank holding companies. Since that date, Applicant's principals have restructured their ownership interests, and have effected some significant improvements. With respect to banking organizations now controlled by Applicant's principals, their financial and managerial resources and future prospects are considered consistent with approval of this application. The financial and managerial resources of Applicant, which are dependent upon those of Bank, are also considered generally satisfactory, and the future prospects of each appear favorable. These factors are consistent with approval of the application. While Applicant will incur debt in connection with the proposal, it appears that the acquisition debt can be serviced without placing undue strain on the financial resources of Applicant or Bank.

Although consummation of the transaction would effect no changes in the services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval. The Board concludes that consummation of the proposal to form a bank holding company would be consistent with the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Kansas City pursuant to delegated authority.

By order of the Board of Governors, effective June 5, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Coldwell, Jackson, and Partee. Absent and not voting: Governor Wallich.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[3] See the Board's Order of June 14, 1976, denying the application of Nebraska Banco, Inc., Ord, Nebraska, 62 Federal Reserve BULLETIN 638 (1976).

[4] Nebraska Banco, Inc., *supra*, n. 3.

First Formoso, Inc.,
Formoso, Kansas

Order Approving Action to Become a Bank Holding Company

Pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1842(a)(1)), First Formoso, Inc., Formoso, Kansas ("Applicant"), has applied for prior approval to become a bank holding company through the acquisition of 85.33 per cent, less directors' qualifying shares, of the voting shares of The First National Bank of Formoso, Formoso, Kansas ("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 (43 *Federal Register* 12086 (1978)). The time for filing comments and views has expired and the application and all comments received have been considered in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a newly formed corporation organized for the purpose of becoming a bank holding company through the acquisition of Bank, which has deposits of $1.16 million.[1] Upon acquisition of Bank, Applicant would control the 612th largest bank in Kansas, holding .01 per cent of total deposits in commercial banks in the State. Bank is the smallest of 12 banks in the relevant banking market, which is approximated by all of Jewell County, the towns of Courtland and Scandia in Republic County, Kansas, the town of Lebanon in Smith County, Kansas and the town of Superior

[1] All banking data are as of June 30, 1977.

in Nuckolls County, Nebraska. Bank controls 1.69 per cent of the deposits in the relevant market.

If the principals of an applicant are engaged in establishing a chain of one-bank holding companies,[2] the Board has indicated that it is appropriate to analyze such organizations as multibank holding companies and apply more stringent standards than are normally applied to one-bank formations. Several principals of Applicant are also associated with two Nebraska one-bank holding companies and their two subsidiary banks. One of the holding companies, FSB, and its subsidiary, Farmers State Bank of Superior, are located in the same market as Bank. Together, Bank and the bank in Superior control 20.04 per cent of market deposits. However, Bank, the smallest bank in the market, controls less than 2 per cent of market deposits and 10 other banking alternatives remain in the market. Thus, the common ownership of the two banks and approval of the application would not have a significantly adverse effect on competition.

The financial and managerial resources and future prospects of Applicant are entirely dependent upon those of Bank. Applicant projects a 10-year amortization period for its acquisition debt. Applicant's projected schedule for the retirement of acquisition debt appears to provide Applicant with sufficient financial flexibility to meet its annual debt servicing requirement and to maintain an adequate capital position for Bank. The managerial resources of Applicant and Bank are considered satisfactory and the future prospects of each appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of the application.

Although consummation of the proposal would effect no changes in the banking services offered by Bank, considerations relating to convenience and needs of the community to be served are consistent with approval. It has been determined that consummation of the transaction would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be consummated (a) before the thirtieth day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority.

By order of the Secretary of the Board, acting pursuant to delegated authority from the Board of Governors, effective June 2, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[2] See the Board's Order of June 14, 1976, denying the application of Nebraska Banco, Inc., Ord, Nebraska, 62 Federal Reserve BULLETIN 638 (1976).

Glen Rose Bancshares, Inc.,
Glen Rose, Texas

Order Approving
Formation of Bank Holding Company

Glen Rose Bancshares, Inc., Glen Rose, Texas, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 80 per cent or more of the voting shares of The First National Bank in Glen Rose, Glen Rose, Texas ("Bank").

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

Applicant, a nonoperating corporation with no subsidiaries, was formed for the purpose of becoming a bank holding company through the acquisition of Bank. Bank has total deposits of $6.9 million[1] and is the only bank in the relevant banking market.[2] The purpose of the proposed transaction is to facilitate the transfer of the ownership of shares of Bank from individuals to a corporation owned by the same individuals. Principals of Applicant are principals of Andrews Bancshares, Inc., a one-bank holding company controlling Commercial State Bank, Andrews, Texas. Commercial State Bank is located 280 miles from Bank in a separate banking market. In view of the relatively small size of Bank and Commercial State Bank and the distance between them, consummation of the instant proposal will

[1] All deposit data are as of June 30, 1977, and reflect the acquisitions and formations as of April 30, 1978.

[2] The relevant banking market is approximated by Somervell County.

have no adverse effect upon existing or potential competition nor increase the concentration of banking resources in any relevant market. Accordingly, it is concluded that competitive considerations are consistent with approval of the application.

The Board applies multi-bank holding company standards in assessing the financial and managerial resources and future prospects both of an applicant seeking to become a one-bank holding company and of its proposed subsidiary bank, where the principals of the Applicant are engaged in establishing a chain of one-bank holding companies.[3] Commercial State Bank appears to be in satisfactory condition, which suggests that Applicant's principals would conduct the operations of the proposed holding company and of Bank in a satisfactory manner. In addition, Applicant has committed that it will not declare dividends on its common stock unless the debt it will incur to purchase shares of Bank is amortized as projected in the application. Applicant has also committed that, in the event any such dividend is paid, certain capital ratios set forth in the application will be maintained. Applicant proposes to service the debt it will incur as a result of the proposed transaction through dividends from Bank over a 12-year period. Based on Bank's past earnings, it appears that Applicant will be able to meet its annual debt-servicing requirements and maintain Bank's capital position. These commitments and other facts of record cause the considerations relating to banking factors to be consistent with approval of the application.

It does not appear that the convenience and needs of the community to be served are not being met currently. Although there will be no immediate change in the services offered by Bank upon consummation of the proposal, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. It has been determined that consummation of the proposed transaction would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons set forth above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) 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.

By order of the Secretary of the Board, acting pursuant to delegated authority from the Board of Governors, effective June 22, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[3] See the Board's Order of June 14, 1976, denying the application of Nebraska Banco, Inc., Ord, Nebraska (62 *Federal Reserve* BULLETIN 638 (1976)).

Great Southwest Ban Corp, Inc.,
Dodge City, Kansas

Order Approving
Formation of Bank Holding Company,
Acquisition of Leasing Agency, and
Continuation of Insurance Sales Activities

Great Southwest Ban Corp, Inc., Dodge City, Kansas, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)), of formation of a bank holding company by acquiring 81.67 per cent of the voting shares of Bank of the Southwest ("Bank"), Dodge City, Kansas.

Applicant has also applied pursuant to 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)) for permission to acquire 100 per cent of the voting shares of Southwest Agency, Inc. ("Agency"), Dodge City, Kansas, a company engaged in leasing personal property, and to continue to engage in the sale of life and accident and health insurance directly related to extensions of credit and lease transactions of its proposed subsidiaries. Such activities have been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(6) and (9)).

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (43 *Federal Register* 15365). 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)) and the considerations specified in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, a Kansas corporation, was incorporated in March 1975, after its shareholders purchased the majority interest in Bank. Shortly thereafter, Applicant purchased from Bank's former principal shareholder all the stock of two corporations, WesKan Insurance Limited, which engaged in the sale of credit-related insurance on Bank's premises, and First Management, Inc., which owned Bank's premises. Subsequently, Applicant caused both corporations to be liquidated and acquired their assets and assumed their liabilities.[1]

Bank ($13.0 million in deposits) ranks 214th in size among 615 banks in the State and holds .13 per cent of total commercial bank deposits in Kansas.[2] Bank is the third largest of seven banks in the relevant banking market[3] and controls 10.6 per cent of the total deposits in commercial banks in that market. One of Applicant's principals is also affiliated with two other Kansas banks, Hanston State Bank, Hanston, Kansas, and The First National Bank of Hays City, Hays, Kansas, neither of which competes in the relevant banking market. It appears that consummation of the proposal would not have a significant effect on competition in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of the application to acquire Bank.

On February 4, 1977, the Board denied a previous application by Applicant to acquire Bank.[4] While the Board found the managerial resources of Applicant and Bank to be generally satisfactory, it concluded that their financial resources and future prospects were inconsistent with approval. In its Order, the Board noted that Applicant's proposal did not appear to provide Applicant the necessary financial flexibility to service its debt while maintaining adequate capital in Bank.

The financial resources and future prospects of Applicant and Bank have materially improved since the previous application. The injection of $113,000 in equity capital and $250,000 of debentures has improved the capital position of Bank. Further, Bank's earnings since 1972 have improved, and Applicant will have as an additional source of income the dividends from Agency. It now appears that Applicant can retire its outstanding indebtedness while maintaining adequate capital in Bank. On the basis of facts of record, the Board has determined that the financial and managerial resources and future prospects of Applicant and Bank are consistent with approval of this application. Considerations relating to the convenience and needs of the community to be served also are consistent with approval. It is the Board's judgment that consummation of the proposal to form a bank holding company would be in the public interest and that the application should be approved.

In connection with its application to become a bank holding company, Applicant also has applied for approval to acquire 100 per cent of the voting shares of Agency and to engage in the sale of life and accident and health insurance related to extensions of credit and lease transactions of its proposed subsidiaries. Agency leases personal property subject to the conditions of section 225.4(a)(6) of Regulation Y (12 CFR § 225.4(a)(6)), and Applicant now sells life and accident and health insurance in connection with extensions of credit by Bank and the lease transactions of Agency. Applicant proposes to continue to sell such insurance as permitted for bank holding companies by section 225.4(a)(9)(ii) of Regulation Y (12 CFR § 225.4(a)(9)(ii)). It does not appear that the acquisition of Agency or Applicant's sale of insurance would have any significant effect on existing or future competition. On the other hand, approval of the application would assure residents of the area of the convenient source of the services described above, which factor the Board regards as being in the public interest. Furthermore, there is no evidence in the record indicating that consummation of these proposals would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest. 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 must consider under section 4(c)(8) favor approval of Applicant's proposal.

Accordingly, the application is approved for the reasons summarized above. The acquisition of Bank shall not be made before the thirtieth calendar day following the effective date of this Order; and the acquisition of Bank and Agency 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 by the Federal

[1] Applicant's continued ownership of Bank's premises would be permissible under section 4(a)(2)(A) of the Act.

[2] All banking data are as of June 30, 1977.

[3] The relevant market is approximated by Ford County, Kansas.

[4] 63 *Federal Reserve* BULLETIN 274 (1977).

Reserve Bank of Kansas City pursuant to delegated authority. The determination as to Applicant's proposed non-banking activities is subject to the conditions set forth in section 224.4(c) of Regulation Y and the Board's authority to require reports by, and make examination of, holding companies and their subsidiaries and to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective June 13, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Coldwell, Jackson, and Partee. Absent and not voting: Governor Wallich.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Keneo Baneshares, Inc.,
Jayton, Texas

Order Approving Formation of Bank Holding Company

Keneo Baneshares, Inc., Jayton, Texas, has applied for prior approval under Section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1842(a)(1)) and section 225.3(a) of Regulation Y (12 C.F.R. § 225.3(a)) to become a bank holding company by acquiring 80 per cent or more of the voting shares of Kent County State Bank, Jayton, Texas ("Bank").

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

Applicant is a nonoperating corporation organized for the purpose of becoming a bank holding company through the acquisition of Bank. Bank holds deposits of $3.5 million, and is one of the smaller commercial banks in Texas.[1] Bank is the only commercial bank in the Kent County banking market.[2] The subject proposal represents a restructuring of Bank's ownership from individuals to a corporation owned by the same individuals. Principals of Applicant are also principals in Raneo Baneshares, Inc., Spur, Texas, a one-bank holding company that controls Spur Security Bank, Spur, Texas, which is located approximately 23 miles from Bank in a separate banking market. Accordingly, it appears from the facts of record that consummation of the proposal would not result in any adverse effects upon competition in any relevant area. Thus, competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant are dependent upon Bank. Applicant's projected schedule of a 12-year amortization period for its acquisition debt appears to provide Applicant with the necessary financial flexibility to meet its annual debt servicing requirement and to maintain an adequate capital position for Bank, particularly in view of Applicant's commitment to increase capital in Bank upon consummation of the proposal and in light of certain other commitments by Applicant and Applicant's shareholders that have been made a part of this record. The managerial resources of Applicant, Bank and the affiliated bank are considered satisfactory, and the future prospects of each appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of the application.[3]

Although consummation of the proposal would effect no changes in the banking services offered by Bank, considerations relating to the convenience and needs of the community to be served are also consistent with approval. It has been determined that consummation of the transaction would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The

[1] All banking data are as of June 30, 1977, and reflect bank holding company formations and acquisitions approved as of May 31, 1978.

[2] The Kent County banking market is the relevant market and is approximated by Kent County, Texas.

[3] Where principals of an Applicant are engaged in establishing a chain of one bank holding companies, the Board has indicated that it is appropriate to analyze such organizations by the standards normally applied to multi-bank holding companies. See Board's Order dated June 14, 1976, denying the application of Nebraska Banco, Inc., Ord, Nebraska, to become a bank holding company (62 *Federal Reserve* BULLETIN 638 (1976)).

transaction shall not be consummated (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of Dallas, pursuant to delegated authority.

By order of the Secretary of the Board, acting pursuant to delegated authority from the Board of Governors, effective June 29, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Mid-Nebraska Bancshares, Inc.,
Ord, Nebraska

Order Denying
Formation of Bank Holding Company

Mid-Nebraska Bancshares, Inc., Ord, Nebraska, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company acquiring 100 per cent of the voting shares of Nebraska State Bank, Ord, Nebraska ("Bank").

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

Applicant, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank. Applicant's previous application to acquire Bank was denied by the Board by Order dated June 14, 1976.[1] Upon acquisition of Bank pursuant to approval of the present application, Applicant would control the 122nd largest commercial bank in Nebraska, with 0.20 per cent of total commercial bank deposits in the State.[2]

Bank holds deposits of approximately $14.7 million, representing 30.3 per cent of total deposits in commercial banks in the Valley County banking market and is the second largest of five banks in that market.[3] The subject proposal involves a restructuring of Bank's ownership from individuals to a corporation owned by those same individuals. The facts of record indicate that, in addition to the voting shares of Bank, Applicant's principal holds significant voting share interests in North Loup Valley Bank, North Loup, Nebraska ("North Loup Bank"), one of the other four banks located in the Valley County banking market.[4] In addition, Applicant's principal serves as president and director of North Loup Bank. North Loup Bank holds deposits of approximately $6.3 million, representing 13.0 per cent of the total market deposits and ranks as the third largest commercial bank in the relevant market.

Under section 3(c) of the Act, the Board is precluded from approving any proposed acquisition of a bank that, in any part of the country, (1) would result in a monopoly, or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking; or that (2) may substantially lessen competition or tend to create a monopoly or be in restraint of trade, unless the Board finds that such anticompetitive effects are clearly outweighed in the public interest by the proposal meeting the convenience and needs of the community to be served.

As part of its analysis of the competitive effects of a proposal involving the restructuring of a bank's ownership into corporate form, the Board takes into consideration the competitive effects of the transaction whereby common share ownership and/or interlocking director/officer relationships were established between the subject bank

[1] 62 *Federal Reserve* BULLETIN 638 (1976).

[2] All banking data are as of December 31, 1977, unless otherwise noted.

[3] The Valley County banking market, the relevant banking market for the purposes of analyzing the competitive effects of the proposed transaction, is approximated by Valley County, Nebraska, and the town of Scotia, in Greely County, Nebraska. Applicant contends that the relevant banking market is significantly smaller than Valley County, Nebraska. The Federal Reserve Bank of Kansas City and the Board's staff have thoroughly reviewed and analyzed all facts of record relating to the definition of the relevant market. As a result of this review and analysis, the Board concludes that the appropriate market for analyzing the competitive effects of the subject proposal is approximated by the Valley County banking market as described above.

[4] It is noted that Applicant's principal also is associated as principal with five other banks and bank holding companies, all of which are located outside the relevant banking market. It does not appear that there is any meaningful competition between Bank and those five banking organizations.

and one or more banks in the same market.[5] In this case, the Board has considered the competitive effects of the purchase in October 1972 of Bank's shares by Applicant's principal. At that time, Applicant's principal held the above-described interest in North Loup Bank, and served as its President and director. At that time, Bank and North Loup Bank together controlled 39.4 per cent of the deposits in the market, or 26.7 per cent and 12.7 per cent, respectively.[6] The acquisition of Bank by Applicant's principal eliminated significant competition that existed at that time between Bank and North Loup Bank, increased the concentration of banking resources within the Valley County banking market, and eliminated an independent banking competitor in the market. In the Board's judgment, that acquisition had an adverse effect on competition.

In the Board's view, the subject proposal involves the use of the holding company form to further an anticompetitive arrangement. On the basis of all facts of record, including the sizes of the organizations involved, their collective position in the relevant market (together the two banks hold 43.3 per cent of the market's total commercial bank deposits) and the limited number of banking alternatives in the market, the Board concludes that approval of this proposal would have significant adverse competitive effects.[7] Accordingly, under the standards set forth in the Act, the proposal may not be approved unless the anti-competitive effects are clearly outweighed by other public interest considerations reflected in the record.

As the Board has indicated in previous occasions, a holding company should constitute a source of financial and managerial strength to its subsidiary bank(s) and the Board closely examines the condition of Applicant with this consideration in mind.[8] With regard to financial resources, the Board finds that the financial condition of Bank and Applicant are satisfactory and consistent with approval of the application.

With respect to managerial resources, the Board stated in its Order denying Applicant's previous application that in considering an application involving a bank whose principals control another bank or bank holding company, the Board looks beyond the bank that is the subject of the application and analyses the financial and managerial resources of the other bank or bank holding company.[9] The Board notes that Applicant's principal previously held voting stock interests and director/officer positions in several banks and bank holding companies from which he since has disaffiliated himself. The managerial resources of these banks and holding companies were considered to be an adverse factor in the Board's consideration of Applicant's previous application.[10] The Board recognizes that Applicant's principal has reduced his ownership interest and participation in certain of those banks and bank holding companies. The Board recognizes that Bank's managerial resources now appear to be satisfactory. Therefore, having considered the financial and managerial resources of Applicant and Bank and the future prospects of each, the Board concludes that such considerations are consistent with, but lend no weight in favor of approval of the subject application. Since acquisition of Bank in 1972, Applicant's principal has expanded and improved the services offered by Bank. Considerations relating to the convenience and needs of the community to be served, therefore, lend some weight toward approval, but, in the Board's view, do not outweigh the significant adverse competitive effects of the subject proposal.

On the basis of all of the facts of record in this case, it is the Board's judgment that approval of this application would not be in the public interest and that the application should be denied. While denial of this proposal may not immediately alter

[5] See the Board's Order of March 27, 1978, denying the application to become a bank holding company by Midwest Bancorp, Inc., Gardner, Illinois, 64 *Federal Reserve* BULLETIN 317 (1978).

[6] As of June 30, 1972.

[7] The Board made a similar finding in its Order denying Applicant's previous application, 63 *Federal Reserve* BULLETIN 638 (1976). There are no facts in the record that warrant a different conclusion with respect to the present application.

[8] While this proposal involves the restructuring of Bank's ownership into a corporate form, the Bank Holding Company Act requires that the Board, in acting on an application to acquire a bank, inquire into the financial and managerial resources of an applicant. While this proposal involves the transfer of the ownership of Bank from individuals to a corporation owned by the same individuals, the Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of *both* the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

[9] 62 *Federal Reserve* BULLETIN 638 (1976).

[10] *Ibid.*

the anticompetitive relationship existing between Bank and North Loup Bank, denial would preserve the prospect that Bank and North Loup Bank would become independent and competing organizations in the future. On the other hand, approval would serve to sanction the above described significant adverse consequences, strengthen and solidify the anticompetitive relationship between the two banks, and would diminish the likelihood of the market becoming more competitive in the future.

On the basis of all facts of the record, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that consummation of the proposal to form a banking holding company would not be in the public interest and the application should be, and is hereby, denied for the reasons summarized herein.

By order of the Board of Governors, effective June 16, 1978.

Voting for this action: Governors Coldwell, Jackson, and Partee. Voting against this action: Chairman Miller and Governor Gardner. Absent and not voting: Governor Wallich.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Dissenting Statement of
Chairman Miller and Vice Chairman Gardner

We believe that denial of this application is not likely to result in disaffiliation of Applicant's principal with either Bank or North Loup Bank. We also feel that appropriate weight should be given to the efforts of Applicant's principal in reducing his interests in other banking organizations or his improvement of the services offered to the community by Bank.

Applicant's principal, a resident of the Valley County banking market, has been affiliated with North Loup Bank since 1962 and with Bank since 1972. There is nothing in the record to indicate that Applicant's principal intends to terminate his affiliation with Bank. The son of Applicant's principal recently has established residence in the community in order to assist with the management of Bank. Despite his other banking interests, Applicant's principal spends a majority of his time in Bank's offices. These and other facts of record indicate that Applicant's principal intends to continue his involvement with Bank.

This application represents an effort by Applicant's principal to reorganize into corporate form his voting shares of Bank. This corporate restructuring will have no impact on the present competitive arrangement in the relevant banking market but will offer Applicant's principal the opportunity to take advantage of the benefits offered by the bank holding company structure. In the past, Applicant's principal has taken steps to improve Bank's services. For instance, since his purchase of Bank's voting shares in 1972, Bank has increased the rate paid on time money deposits, has offered installment loan services, SBA loans and student loans, has constructed a new bank building and has expanded the banking hours. Further, in response to the Board's comments in denying Applicant's previous application, and in anticipation of the present application, Applicant's principal divested himself of certain other banking interests so as to eliminate factors that might interfere with his management of Bank.

In conclusion, in instances such as this, where adverse competitive effects are not likely to be diminished by Board action and significant contributions to the convenience and needs of the community to be served have been made by Applicant's principal, it would be appropriate for the Board to temper the application of anticompetitive standards with an assessment of the practicalities involved. On this basis and for the reasons described above, we would approve this application.

Republic of Texas Corporation,
Dallas, Texas

Order Approving Acquisition of Bank

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares (less directors' qualifying shares) of the successor by merger to The First National Bank in Mineral Wells, Mineral Wells, Texas ("Bank").[1]

The bank into which Bank is to be merged has no significance except as a means to facilitate the

[1] Upon consummation of this proposal, Applicant will also indirectly own a one-third interest in Brazos Valley Computer Center, Mineral Wells, Texas, a bank service corporation that performs data processing services. Inasmuch as this investment is a permissible investment for a national bank, section 4(c)(5) of the Act would permit Applicant to retain the subject interest without application to the Board.

acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Bank. Applicant presently controls 23.1 per cent of the outstanding voting shares of Bank.

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

Applicant is the fourth largest banking organization in Texas and controls 14 banking subsidiaries with aggregate deposits of approximately $3.4 billion representing 6.3 per cent of total deposits in commercial banks in the State.[2] Bank, with deposits of $34.4 million, is the 199th largest banking organization in the State, and its acquisition by Applicant would increase Applicant's share of commercial bank deposits in Texas by less than one-fourth of one per cent, and would not alter Applicant's ranking in the State.

By Order dated October 25, 1973, the Board approved the application of Applicant to become a bank holding company through the direct acquisition of Republic National Bank of Dallas ("Republic Bank") and the indirect acquisition of 29.9 per cent of the voting shares of Oak Cliff Bank & Trust Company, Dallas, Texas. In addition to its interest in Bank, Republic Bank at the time also owned indirectly between 5 and 24.99 per cent of the shares of twenty other banks. Applicant represented that it would file separate applications for prior approval by the Board for acquisition of additional shares in each of certain of those banks and would divest completely its interest in others. In its Order the Board stated that each such application filed by Applicant would be considered on its own merits in light of the statutory standards set forth in § 3 of the Act.

Bank is the largest of six banking organizations in the relevant banking market and controls approximately 44.0 per cent of total deposits in commercial banks in the market.[3] None of Applicant's subsidiary banks compete in the relevant banking market and Applicant's nearest subsidiary banking office is located approximately 43 miles from Bank. From the record it appears that no significant competition presently exists between Applicant's banking subsidiaries and Bank, and it is unlikely that any significant competition would develop between them in the future. While Applicant could enter the market *de novo*, such entry appears unlikely in view of the fact that the ratio of population to banking offices is well below the Statewide average. Furthermore, the Board notes that Applicant or its predecessor has held 23.1 per cent of the shares of Bank since 1970, and that the nature of this relationship is such that it is unlikely that Applicant would seek to enter the market through an acquisition of a bank other than Bank. Moreover, while Bank is the largest in the relevant banking market, one other bank in the market controls 37.9 per cent of total deposits in commercial banks in the market. Thus, it appears that acquisition of Bank by Applicant would not establish Applicant as the dominant banking organization in the market. Accordingly, consummation of the proposal would not have any significant adverse effect upon existing or potential competition, or increase the concentration of banking resources in the relevant banking market. Therefore, the Board concludes that competitive considerations are consistent with approval.

The financial and managerial resources of Applicant, its subsidiaries, and Bank are regarded as generally satisfactory and their future prospects appear favorable, particularly in light of Applicant's commitment that upon consummation of the proposal, Bank will retain the capital of the interim bank. Thus, considerations relating to banking factors are consistent with approval of the application.

Upon consummation of the transaction Applicant intends to assist Bank in expanding its commercial lending activities. In addition, Applicant has indicated that it will expand Bank's drive-in facilities. Finally, Bank's customers will have convenient access to leasing and mortgage services offered by Applicant's other subsidiaries. Therefore, considerations relating to the convenience and needs of the community to be served lend

[2] All banking data are as of June 30, 1977, and reflect bank holding company acquisitions and formations approved as of April 30, 1978.

[3] The relevant banking market is approximated by Palo Pinto County, Texas.

weight toward approval of the application, and, in the Board's view, outweigh any adverse competitive effects that might result from consummation of this proposal. Accordingly, it is the Board's judgment that the proposed transaction is in the public interest, and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Dallas pursuant to delegated authority.

By order of the Board of Governors, effective June 26, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Wallich, Coldwell, Jackson, and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Overland Park Bancshares, Inc.,
Overland Park, Kansas

Order Approving
Formation of Bank Holding Company

Overland Park Bancshares, Inc., Overland Park, Kansas, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 90 per cent or more, less directors' qualifying shares, of the voting shares of The Overland Park State Bank and Trust Company, Overland Park, Kansas ("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 (43 *Federal Register* 14108 (1978)). The time for filing comments and views has expired and the application and all comments received have been considered in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a non-operating corporation organized for the purpose of becoming a bank holding company through the acquisition of Bank, which holds deposits of approximately $47.9 million.[1] Upon acquisition of Bank, Applicant would control the 29th largest of 615 commercial banks in Kansas with 0.48 per cent of the total State commercial bank deposits.

Bank is located in the Kansas City banking market wherein it ranks as the 25th largest of 134 commercial banks and holds .87 per cent of the total deposits in commercial banks in the market.[2] It is noted that Applicant's principals are also associated with the market's third largest banking organization, which holds 10.8 per cent of the total deposits in the market.

The subject proposal represents a restructuring of Bank's ownership from individuals to a corporation owned by those same individuals. As part of its analysis of the competitive effects of such a proposal, the Board takes into consideration the competitive effects of the transaction(s) whereby common share ownership and/or interlocking director/officer relationships were established between the subject bank and one or more other banks in the same market.[3] In this case, Bank's purchase by principals of Applicant has been examined. At the time of that purchase, the transaction did not have any significant adverse effects on competition in any relevant area. Furthermore, based on the relative size of Bank, the nature of the Kansas City banking market, and the fact that there are 103 other banking organizations in the market with which Applicant's principals are not associated, it appears that consummation of this proposal would not have any significant adverse effects on competition or further any undue concentration of banking resources in any relevant area. Thus, competitive considerations of this proposal are consistent with approval of the application.

Applicant does not propose to incur any debt in connection with the acquisition of Bank. The

[1] All banking data are as of June 30, 1977.

[2] The Kansas City banking market is defined as the northern half of Cass, all of Clay, Jackson, and Platte Counties in Missouri, and Johnson and Wyandotte Counties in Kansas.

[3] See the Board's Order of May 11, 1977, denying the application to become a bank holding company by Mahaska Investment Company, Oskaloosa, Iowa (63 Federal Reserve BULLETIN 579 (1977)), the Board's Order of November 18, 1977, denying the application to become a bank holding company by Citizens Bancorp, Inc., Hartford City, Indiana (63 Federal Reserve BULLETIN 1083 (1977)), and the Board's Order of March 27, 1978, denying the application to become a bank holding company by Midwest Bancorp., Inc., Gardner, Illinois (64 Federal Reserve BULLETIN 317 (1978)).

financial and managerial resources of Applicant and Bank are considered satisfactory, and the future prospects of each appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of the application.

Although consummation of the proposal would effect no changes in the banking services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval. It has been determined that consummation of the transaction would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be consummated (a) before the thirtieth day following the effective date of this Order or (b) 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 Kansas City, pursuant to delegated authority.

By order of the Secretary, acting pursuant to delegated authority from the Board, effective June 20, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

ORDERS UNDER SECTION 4 OF BANK HOLDING COMPANY ACT

Orbanco, Inc.,
Portland, Oregon

Order Approving Acquisition of Union Investment Company

Orbanco, Inc., Portland, Oregon, a bank holding company within the meaning of the Bank Holding Company Act ("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 CFR § 225.4(b)(2)), to acquire Union Investment Company, Birmingham, Michigan ("Union"), a company that engages in the activities of making or acquiring commercial, consumer, and mortgage loans; servicing loans and other extensions of credit; leasing personal property or acting as agent, broker or advisor in the leasing of such property; acting as broker or agent for the sale of credit life and credit accident and health insurance; and acting as a reinsurer for credit life and credit accident and health insurance. Such activities have been determined by the Board to be closely related to banking (12 CFR § 225.4(a)(1), (3), (6), (9)(ii)(a), and (10)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 21034 (1978)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, a one-bank holding company, controls the third largest bank in Oregon, which holds deposits of approximately $470 million, representing 5.9 per cent of total deposits in commercial banks in Oregon.[1] Applicant also controls several nonbanking subsidiaries that engage in the activities of making consumer, commercial and mortgage loans; leasing personal property, primarily equipment leasing; and acting as agent in the sale of credit-related insurance.

Union is primarily a consumer and commercial finance company. Union, with $101.8 million in total net receivables, ranks as the 75th largest finance company in the nation.[2] The company operates six offices located in Birmingham, Michigan; Atlanta, Georgia; Denver, Colorado; Dallas, Texas; Phoenix, Arizona; and Salt Lake City, Utah.

Applicant's subsidiary, Northwest Acceptance Corporation ("Northwest"), with total net receivables of $142 million, engages in the same activities as Union and ranks as the nation's 68th largest finance company. It operates offices located in Portland and Eugene, Oregon; Mercer Island, Washington; Atlanta, Georgia; Dallas and Houston, Texas; Denver, Colorado; and Phoenix, Arizona.

It appears that commercial finance is the only type of business for which both Northwest and Union compete in the same location. Both organizations originate such loans from offices in Atlanta, Denver, Dallas, and Phoenix. However, the relevant geographic market for commercial loans is considered to be at least regional in scope. Thus, relevant geographic markets for purposes of ana-

[1] All data are as of December 31, 1977.

[2] Source: *American Banker*, June 19, 1978. (Ranking is based on total capital funds.)

lyzing the competitive effects of the subject proposal are approximated by the southeast and southwest regions of the nation. Within each of these areas, it appears that the combined market shares of Northwest and Union would not be substantial. In fact, it is estimated that, together, Northwest and Union control less than 1 per cent of total commercial loan receivables in each of the four States where they both have offices. In addition, there are hundreds of commercial lenders in these markets, including some of the largest finance companies and banks in the nation. Based upon all of the facts of record, the Board concludes that Applicant's acquisition of Union would, at most, have a slightly adverse effect on competition within the relevant markets.

In the Board's view, the proposed merger will likely result in operational and managerial improvements in the combined companies. The consolidation of the finance activities of Northwest and Union would permit the combined organization to obtain capital funds at a lower cost. Applicant's present management is considered satisfactory and Applicant should be a source of managerial strength to the combined companies. Over time, this combination may produce a stronger competitive force in the commercial finance industry. In addition, Applicant's acquisition of Union's reinsurance activity will result in lower rates for credit-related insurance offered to customers of Northwest.[3] On the basis of these and other facts of record, the Board concludes that the benefits to the public that would result from Applicant's acquisition of Union are sufficient to outweigh any possible adverse effects on the public interest, including any adverse competitive effects. that might result from the proposed acquisition. Furthermore, there is no evidence of record to indicate that consummation of the proposed acquisition would result in unfair competition, conflicts of interest, unsound banking practices, or other adverse effects.

Union, through subsidiaries, also holds investments in certain real property, an activity the Board has not determined to be permissible for bank holding companies. Applicant has committed to transfer irrevocably the subject real estate to an independent trustee who shall have the duty of divesting the property no later than two years from the effective date of this Order.[4]

Based upon 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) is favorable. Accordingly, the application is approved subject to the condition that upon consummation of this proposal Union transfer irrevocably its real estate holdings to an independent trustee who will divest all such property within two years from the effective date of this Order. This determination is also subject to the conditions set forth in § 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 be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco pursuant to delegated authority.

By order of the Board of Governors, effective June 30, 1978.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Jackson, and Partee. Absent and not voting: Governor Gardner.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[3] Applicant has committed to reduce the rates at which credit life and credit accident and health insurance will be offered.

[4] Union also holds title under a contract of sale to certain improved real estate. The contract of sale is a finance instrument serving much the same purpose as a mortgage. Applicant has also committed to divest the contract within two years.

Republic of Texas Corporation,
Dallas, Texas

Order Approving Retention of Exchange Security & Investment Company and its wholly-owned subsidiary, Exchange National Life Insurance Company

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company ("Act"), has applied for the Board's approval under § 4(c)(8) of the Act

(12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)) to retain all of the voting shares of Exchange Security & Investment Company, Dallas, Texas, ("Company"), and its wholly-owned subsidiary, Exchange National Life Insurance Company, Scottsdale, Arizona ("Exchange Life"). Company does not engage in any activity except holding the stock of Exchange Life. Exchange Life engages in the activity of underwriting, as reinsurer, credit life and credit accident and health insurance directly related to extensions of credit by Applicant's banking subsidiaries.[1] Such activity has been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(10)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 16266 (1978)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant became a bank holding company on May 9, 1974 by acquiring Republic National Bank of Dallas, Dallas, Texas, ("Republic Bank") in a corporate reorganization pursuant to the Board's Order of October 25, 1973, approving Applicant's formation of a bank holding company. Applicant acquired Company and Exchange Life at the same time as it acquired Republic Bank. Pursuant to the provisions of section 4 of the Act, Applicant had until May 9, 1976, or two years from the date it became a bank holding company, to divest its interest in Company and Exchange Life, or in the alternative, to apply to the Board for approval to retain them.[2] By virtue of three one-year extensions granted by the Board, Republic presently has until May 9, 1979 to complete the divestitures required by section 4 of the Act.

Applicant, the fourth largest banking organization in Texas, controls fourteen subsidiary banks with aggregate deposits of approximately $3,397 million, representing 6.34 per cent of the total deposits in commercial banks in the State.[3] Applicant also engages, through nonbank subsidiaries, in consumer finance and other nonbanking activities.

Company and Exchange Life were formed *de novo* by a trusteed affiliate of Republic Bank in 1970, and Exchange Life presently derives substantially all of its credit life and credit accident and health underwriting business from Applicant's subsidiary banks. The Board generally regards the standards under section 4(c)(8) of the Act for retention of shares to be the same as the standards for a proposed acquisition. The Board notes that Applicant's acquisition of Exchange Life in 1974 involved the acquisition of an insurance underwriting business that had been commenced *de novo* by Applicant's lead bank, and that such business was limited to underwriting credit life and credit accident and health insurance for Republic Bank's subsidiaries and nonsubsidiary affiliated banks. Accordingly, the Board concludes that Applicant's acquisition of Company and Exchange Life did not have any adverse effects on either existing or potential competition in any relevant area, and that Applicant's retention of Company and Exchange Life likewise would not have any adverse competitive effects.

Credit life and credit accident and health insurance is generally made available by banks and other lenders and is designed to assure repayment of a loan in the event of death or disability of the borrower. In connection with its addition of

[1] This information derives from Agency's correspondence with the Board concerning its request for this certification, Agency's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

[2] Under the subsection (c) of Section 1101 of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) when distributed by an otherwise qualified bank holding company. However, where such property was acquired by a qualified bank holding company in a transaction in which gain was not recognized under section 368(a)(1)(E) of the Code, then section 1101(b) is applicable. Agency has indicated that the shares of Bank acquired on January 30, 1974, were acquired in a transaction in which gain was not recognized under section 368(a)(1)(E) of the Code. Accordingly, even though such shares were acquired after July 7, 1970, those shares would nevertheless qualify as property eligible for the tax benefits provided in section 1101(b) of the Act, by virtue of section 1101(c), if the shares of Bank were in fact received in a transaction in which gain was not recognized under section 368(a)(1)(E) of the Act. The 411 shares of Bank acquired on June 28, 1976, however, represent property acquired after July 7, 1970, for which none of the exceptions provided in section 1101(c) of the Code appears to be available. Nevertheless, the legislative history of the Bank Holding Company Act of 1956 and the related portions of the Code suggests that these shares may qualify for the tax benefits of section 1101(b) of the Code. S. Rep. No. 1095, 84th Cong., 1st Sess. 17-18, *reprinted in* 1956 U.S. Code Cong. & Ad. News 2482, 2499.

[3] Sections 1103(g) and 1103(h) of the Code require that an election thereunder be made "at such time and in such manner as the Secretary [of the Treasury] or his delegate may by regulations prescribe." As of this date no such regulations have been promulgated.

the underwriting of such insurance to the list of permissible activities for bank holding companies, the Board stated:

> To assure that engaging in the underwriting of credit life and credit accident and health insurance can reasonably be expected to be in the public interest, the Board will only approve applications in which an applicant demonstrates that approval will benefit the consumer or result in other public benefits. Normally, such a showing would be made by a projected reduction in rates or increase in policy benefits due to bank holding company performance of this service. [12 CFR § 225.4(a)(10) n. 7]

Applicant has stated that following approval of this application, Exchange Life will offer at reduced premiums, the several types of credit insurance policies that it underwrites. In particular, Exchange Life will offer credit life insurance and credit accident and health insurance at premium rates ranging from 3.4 per cent to 6.7 per cent below those presently being charged.[1] Applicant has also committed to the Board that it will reduce its rates further in order to maintain these rate reductions if State maximum rates should be reduced. On the basis of these and other facts of record, the Board concludes that the benefits to the public resulting from Applicant's acquisition and retention of Company and Exchange Life outweigh any adverse effects that may have resulted from the affiliation. Moreover, it is the Board's view that approval of Applicant's retention of company can reasonably be expected to produce benefits to the public that would outweigh possible adverse effects. Further, there is no evidence in the record indicating that approval of the application would result in any undue concentration of resources, conflicts of interest, unsound banking practices, or other effects that would be adverse to the public interest.

Based upon the foregoing and other considerations reflected in the record, including a commitment by Applicant to maintain on a continuing basis the public benefits that the Board has found to be reasonably expected to result from this proposal and upon which the approval of this proposal is based, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 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.

By order of the Board of Governors, effective June 26, 1978.

Voting for this action: Chairman Miller and Governors Gardner, Wallich, Coldwell, Jackson, and Partee.

(Signed) GRIFFITH L. GARWOOD,

[SEAL] *Deputy Secretary of the Board.*

[1] As noted above, 411 of the shares of Bank to be distributed by Agency were acquired by it after July 7, 1970, and do not appear to qualify for any of the exceptions to the provision of section 1101(c) of the Code that makes section 1101(b) inapplicable to the distribution of shares acquired after that date.

CERTIFICATIONS PURSUANT TO THE BANK HOLDING COMPANY TAX ACT OF 1976

Evans Insurance Agency, Inc., Billings, Oklahoma

Evans Insurance Agency, Inc., Billings, Oklahoma ("Agency") has requested a prior certification pursuant to section 1101(b) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the 905 shares of The First State Bank in Billings, Billings, Oklahoma ("Bank"), presently held by Agency through the distribution of such shares to the sole shareholder of Agency, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act").

In connection with this request, the following information is deemed relevant for purposes of issuing the requested certification:[1]

1. Agency is a corporation organized under the laws of the State of Oklahoma on May 26, 1967.

2. On May 31, 1967, Agency acquired ownership and control of 247 shares, representing 41

[1] This information is derived from Kyanite's correspondence with the Board concerning its request for this certification, Kyanite's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

per cent of the outstanding voting shares, of Bank. On January 30, 1974, two shares of Bank were issued to Bank's shareholders for each share of Bank then held by such shareholders, thereby increasing the number of Bank shares held by Agency to 494. In order to raise additional capital, Bank issued additional shares on June 28, 1976, 411 of which were acquired by Agency. Thus, Agency presently owns and controls 905 shares, *representing 41 per cent of the outstanding voting* shares of Bank.[2]

3. Agency became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 per cent of the outstanding voting shares of Bank, and it registered as such with the Board on September 1, 1971. Agency would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on such date by virtue of its ownership and control on that date of more than 25 per cent of the outstanding voting shares of Bank.

4. Agency holds property acquired by it on or before July 7, 1970, the disposition of which, but for clause (ii) of section 4(c) of the BHC Act and the proviso of section 4(a)(2) of that Act, would be necessary or appropriate to effectuate section 4 of the BHC Act if Agency were to continue to be a bank holding company beyond December 31, 1980, and which property, but for such clause and such proviso, would be "prohibited property" within the meaning of section 1103(c) of the Code. Sections 1103(g) and 1103(h) of the Code provide that any bank holding company may elect, for purposes of Part VIII of subchapter 0 of chapter 1 of the Code, to have the determination whether property is "prohibited property," or is property eligible to be distributed without recognition of gain under section 1101(b)(1) of the Code, made under the BHC Act as if that Act did not contain clause (ii) of section 4(c) or the proviso of section 4(a)(2). Agency has represented that it will make such an election.[3]

[2] Section 1101(c) of the Code provides that, with certain exceptions, property acquired after July 7, 1970, does not qualify for the tax benefit of section 1101(b) of the Code when distributed by an otherwise qualified bank holding corporation. The 5,064 shares of Bank acquired by Kyanite on March 3, 1978, represent property acquired after July 7, 1970, for which none of the exceptions specified in section 1101(c) of the Code appears to be available.

[3] Sections 1103(g) and 1103(h) of the Code require that an election thereunder be made "at such time and in such manner

On the basis of the foregoing information, it is hereby certified that:

(A) Agency is a qualified bank holding corporation, within the meaning of section 1103(b) of the Code, and satisfies the requirements of that section;

B) the 905 shares of Bank that Agency proposes to distribute to its shareholders are all or part of the property by reason of which Agency controls *(within the meaning of section 2(a) of the BHC* Act) a bank or bank holding company;[4] and

(C) the distribution of the 905 shares of Bank is necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations made to the Board by Agency and upon the facts set forth above. In the event the Board should hereafter determine the facts material to this certification are otherwise than as represented by Agency, or that Agency has failed to disclose to the Board other material facts, it may revoke this certification. This certification is granted upon the condition that Agency make the elections required by sections 1103(g) and 1103(h) of the Code at such time and in such manner as the Secretary of the Treasury or his delegate may by regulation prescribe.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority, (12 CFR § 265.2(b)(3)), effective June 14, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Footnote 3 Continued
as the Secretary [of the Treasury] or his delegate may by regulations prescribe." As of this date no such regulations have been promulgated.

[4] As noted above, the 5,064 shares of Bank to be distributed by Kyanite that were acquired by it after July 7, 1970, do not appear to qualify for any of the exceptions to the provisions of section 1101(c) of the Code, thereby making section 1101(b) of the Code inapplicable to the distribution of those shares.

Kyanite Mining Corporation, Dillwyn, Virginia

Kyanite Mining Corporation, Dillwyn, Virginia ("Kyanite"), has requested a prior certification pursuant to section 1101(b) of the Internal Revenue Code (the "Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the

21,116 shares of The Bank of Phenix, Phenix, Virginia ("Bank"), currently held by Kyanite, through the *pro rata* distribution of such shares to the shareholders of all classes of stock of Kyanite, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"). Kyanite proposes to distribute to its shareholders 0.170628 share of Bank for each share of Kyanite held by such shareholders regardless of the class of stock held. No fractional shares of Bank will be distributed and the number of shares would be rounded to whole shares in such manner that all shares of Bank will be distributed. Kyanite has two classes of shares: 7,500 shares of Class A (voting) stock; and 112,500 shares of Class B (nonvoting stock).

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification:[1]

1. Kyanite is a corporation organized under the laws of the Commonwealth of Virginia on February 23, 1945.

2. On December 21, 1966, Kyanite acquired ownership and control of 16,152 shares of Bank, representing 80.76 per cent of its outstanding voting shares. On July 7, and December 31, 1970, Kyanite owned and controlled 16,052 shares of Bank, representing 80.26 per cent of Bank's outstanding voting shares. On March 3, 1978, Kyanite acquired an additional 5,064 shares of Bank. Thus, Kyanite presently owns and controls 21,116 shares of Bank, representing 84.46 per cent of Bank's total outstanding voting shares.[2]

3. Kyanite became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its control at that time of more than 25 per cent of the outstanding voting shares of Bank, and it registered as such with the Board on July 1, 1971.

4. Kyanite holds property acquired by it on or before July 7, 1970, the disposition of which, but for clause (ii) of section 4(c) of the BHC Act and the proviso of section 4(a)(2) of that Act, would be necessary or appropriate to effectuate section 4 of the BHC Act if Kyanite were to continue to be a bank holding company beyond December 31, 1980, which property, but for section 4(c)(ii) and the proviso of section 4(a)(2), would be "prohibited property" within the meaning of section 1103(c) of the Code. Sections 1103(g) and 1103(h) of the Code provide that any bank holding company may elect, for purposes of Part VIII of subchapter O of Chapter 1 of the Code, to have the determination whether property is "prohibited property," or is property eligible to be distributed without recognition of gain under section 1101(b)(1) of the Code, made under the BHC Act as if that Act did not contain clause (ii) of section 4(c) or the proviso of section 4(a)(2). Kyanite has represented that it will make such an election.[3]

On the basis of the foregoing information, it is hereby certified that:

(A) Kyanite is a qualified bank holding corporation, within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) the 21,116 shares of Bank that Kyanite proposes to distribute to its shareholders are all or part of the property by reason of which Kyanite controls (within the meaning of § 2(a) of the BHC Act) a bank or bank holding company;[1] and

(C) the distribution of such shares is necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations made to the Board by Kyanite and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by Kyanite, or that Kyanite has failed to disclose to the Board other material facts, it may revoke this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority, (12 CFR 265.2(b)(3)), effective June 30, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[1] In addition to underwriting as reinsurer, credit life and credit accident and health insurance directly related to extensions of credit by Applicant's banking subsidiaries, Exchange Life presently underwrites as reinsurer such insurance with respect to extensions of credit by certain nonsubsidiary affiliated banks. However, pursuant to section 4(a)(2) of the Act, Applicant has until May 9, 1979, to cease such impermissible underwriting activities.

[2] Section 4 of the Act provides *inter alia* that a company that becomes a bank holding company may not retain nonbanking activities beyond two years from the date it became a bank holding company, except that the Board may extend that time for one year periods, up to an aggregate of three years.

[3] All banking data are as of June 30, 1977.

[4] Premium rates for policies not exceeding 60 months are regulated by the State, and Applicant proposes to reduce those rates between 3.4 per cent to 4.3 per cent. Premium rates for policies exceeding 60 months are not regulated by the State, and Applicant proposes to reduce the rates on these policies from 4.0 to 6.7 per cent below the rates it now charges.

Lindoe, Inc.,
Pueblo, Colorado

Lindoe, Inc., Pueblo, Colorado ("Lindoe"), has requested a prior certification pursuant to section 1101(c) of the Internal Revenue Code (the "Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976 (the "Tax Act"), that Lindoe's proposed distribution to its shareholders of all of its right, title and interest in the Colonial Motel, Estes Park, Colorado, is necessary or appropriate to effectuate section 4 of the Bank Holding Company Act (12 U.S.C. § 1843 *et. seq.*) ("BHC Act").

In connection with this request, the following information is deemed relevant for purposes of issuing the requested certification: [1]

1. Lindoe is a corporation organized on May 29, 1959 under the laws of the State of Colorado.

2. On May 13, 1965, Lindoe acquired ownership and control of 275⅔ shares, representing approximately 55 per cent of the outstanding voting shares, of The First National Bank of Ordway, Ordway, Colorado ("Bank").

3. Lindoe became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 per cent of the outstanding voting shares of Bank, and it registered as such with the Board on July 12, 1971. Lindoe would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on such date, by virtue of its ownership and control on that date of more than 25 per cent of the voting shares of Bank. Lindoe's presently owns and controls approximately 55 per cent of the outstanding voting shares of Bank.

4. The Colonial Motel is an unincorporated business that was acquired by Lindoe on March 5, 1964, and is operated as a seasonal resort hotel. Lindoe presently holds title to the Colonial Motel, which it acquired on or before July 7, 1970. But for the proviso of section 4(a)(2) of the BHC Act, the disposition by Lindoe of its interest in the Colonial Motel would be necessary or appropriate to effectuate section 4 of the Bank Holding Company Act if Lindoe were to continue to be a bank holding company beyond December 31, 1980, and but for the proviso of section 4(a)(2) of the BHC Act, the Colonial Motel would be "prohibited property" within the meaning of section 1103(c) of the Code. Section 1103(g) of the Code provides that any bank holding company may elect, for purposes of Part VIII of subchapter O of Chapter 1 of the Code, to have the determination of whether property is "prohibited property" or is property eligible to be distributed without recognition of gain under section 1101(b) of the Code, made under the BHC Act as if such Act did not contain the proviso of section 4(a)(2) thereof. Lindoe has represented that it will make such election.[2]

On the basis of the foregoing information it is hereby certified that:

(A) Lindoe is a qualified bank holding corporation, within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) the Colonial Motel is "prohibited property" within the meaning of section 1103(c) of the Code; and

(C) the distribution by Lindoe of all of its right, title and interest in the Colonial is necessary or appropriate to effectuate section 4 of the BHC Act.

This certification is based upon the representations made to the Board by Lindoe and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by Lindoe, or that Lindoe has failed to disclose to the Board other material facts, it may revoke this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 CFR § 265.2(b)(3)), effective June 13, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[1] This information derives from Lindoe's correspondence with the Board concerning its request for this certification, Lindoe's Registration Statement filed with the Board pursuant to the BHC Act and other records of the Board.

[2] Section 1103(g) requires that an election thereunder be made "at such time and in such manner as the Secretary [of the Treasury] or his delegate may by regulations prescribe." As of this date no such regulations have been promulgated.

Schnitzler Corporation,
Froid, Montana

Schnitzler Corporation, Froid, Montana ("Schnitzler") has requested a prior certification pursuant to section 1101(c)(3) of the Internal Revenue Code (the "Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the 1,320 shares of First State Bank of Newcastle, Newcastle, Wyoming ("Bank"), presently held by Schnitzler, through the *pro rata* distribution to Schnitzler's stockholders of the stock of a corporation ("New Corporation"), created and availed of solely for the purpose of receiving Schnitzler's Bank shares, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq*) ("BHC Act"). Schnitzler proposes to exchange the 1,320 shares of Bank that it presently owns for all of the shares of New Corporation. After the exchange, Schnitzler proposes to distribute immediately all of New Corporation's shares *pro rata* to the holders of common stock of Schnitzler.

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification: [1]

1. Schnitzler is a corporation organized under the laws of Montana on December 28, 1925.

2. On March 23, 1964, Schnitzler acquired ownership and control of 1,320 shares, representing 66 per cent of the outstanding voting shares, of Bank.

3. Schnitzler became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 per cent of the outstanding voting shares of Bank, and registered as such with the Board on November 1, 1971. Schnitzler would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on that date by virtue of its ownership and control on that date of more than 25 per cent of the outstanding voting shares of Bank. Schnitzler presently owns and controls 1,320 shares, representing 66 per cent of the outstanding voting shares, of Bank.

4. Schnitzler holds property acquired by it on or before July 7, 1970, the disposition of which, but for clause (ii) of section 4(c) of the BHC Act, and the proviso of section 4(a)(2) of that Act, would be necessary or appropriate to effectuate section 4 of the BHC Act, if Schnitzler were to continue to be a bank holding company beyond December 31, 1980, and which property, but for such clause and such proviso, would be "prohibited property" within the meaning of section 1103(c) of the Code. Sections 1103(g) and 1103(h) of the Code provide that any bank holding company may elect, for purposes of Part VIII of subchapter 0 of Chapter 1 of the Code, to have the determination whether property is "prohibited property," or is property eligible to be distributed without recognition of gain under section 1101(b)(1) of the Code, made under the BHC Act as if that Act did not contain clause (ii) of section 4(c) or the proviso of section 4(a)(2). Schnitzler has represented that it will make such an election.[2]

On the basis of the foregoing information, it is hereby certified that:

(A) Schnitzler is a qualified bank holding corporation within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) the shares of Bank that Schnitzler proposes to exchange for shares of New Corporation are all or part of the property by reason of which Schnitzler controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company; and

(C) exchange of the shares of Bank for the shares of New Corporation and the distribution to the shareholders of Schnitzler of the shares of New Corporation are necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations made to the Board by Schnitzler and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by Schnitzler or that Schnitzler has failed to disclose to the Board other material facts, it may revoke this certification. This certification is granted upon the condition that Schnitzler make the elections required by sections 1103(g) and 1103(h) of the Code at such time and in such manner as the Secretary of the Treasury or his delegate may by regulation prescribe.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated

[1] This information derives from Schnitzler's correspondence with the Board concerning its request for this certification, Schnitzler's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

[2] Sections 1103(g) and 1103(h) of the Code require that an election thereunder be made "at such time and in such manner as the Secretary [of the Treasury] or his delegate may by regulations prescribe." As of this date no such regulations have been promulgated.

authority (12 CFR § 265.2(b)(3)), effective June 30, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

304 Corporation,
Omaha, Nebraska

304 Corporation, Omaha, Nebraska ("304") has requested a final certification pursuant to section 6158(c)(2) of the Internal Revenue Code ("Code"), as amended by section 3(a) of the Bank Holding Company Tax Act of 1976, that it has (before the expiration of the period prohibited property is permitted under the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act") to be held by a bank holding company) disposed of all property the disposition of which is necessary or appropriate to effectuate section 4 of the BHC Act.

In connection with this request, the following information is deemed relevant for purposes of issuing the requested certification: [1]

(1) Effective May 20, 1977, the Board issued a prior certification pursuant to section 6158(a) of the Code with respect to the proposed divestiture of all of the 1,050 issued and outstanding shares of Industrial Loan and Investment Company, Omaha, Nebraska ("Industrial"), a company that engages in the activities of an industrial bank, held by 304 through the sale of such shares to Industrial Investment Company, Omaha, Nebraska ("Investment"). The Board's order certified that:

(A) 304 is a qualified bank holding corporation within the meaning of section 6158(f)(1) and subsection (b) of section 1103 of the Code and satisfies the requirements of that subsection;

(B) Industrial is "prohibited property" within the meaning of section 6158(f)(2) and 1103(c) of the Code;

(C) The sale of Industrial is necessary or appropriate to effectuate section 4 of the BHC Act.

(2) On May 20, 1977, 304 sold 1,050 shares, representing 100 per cent of the outstanding shares, of Industrial to Investment for $610,000 in cash. Of that purchase price, $250,000 was financed through a loan secured by the shares of Industrial from 304's subsidiary bank, Mid City Bank, Inc., Omaha, Nebraska ("Bank"), to Investment. The loan was repaid on May 16, 1978 and there is no other indebtedness owing to 304, or its subsidiary, by Investment, or its subsidiary.

(3) Neither 304 nor its sole subsidiary, Bank, holds any interest in Investment or any subsidiary of Investment, including Industrial.

(4) Neither Investment nor any subsidiary of Investment holds any interest in 304 or Bank.

(5) No officer, director (including honorary or advisory director) or employee with policy making functions of 304 or any subsidiary of 304 holds any such position with Investment or any subsidiary of Investment.

(6) 304 does not hold any other property that must be divested by December 31, 1980.

(7) 304 has represented, through a resolution of its board of directors, that it does not control or exercise a controlling influence over the management or policies of Investment and that it will not hereafter, alone or acting through one or more other persons, directly or indirectly acquire, retain, exercise or attempt to exercise, control or any controlling influence over the management or policies of Investment.[2]

On the basis of the foregoing information, it is hereby certified that 304 has (before the expiration of the period prohibited property is permitted under the BHC Act to be held by a bank holding company) disposed of all of the property the disposition of which is necessary or appropriate to effectuate section 4 of the BHC Act.

This certification is based upon the representations made to the Board by 304 and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than represented by 304, or that 304 has failed to disclose to the Board other material facts, it may revoke this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 CFR 265.2(b)(3)) effective June 13, 1978.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[1] This information derives from 304's correspondence with the Board concerning its request for this certification, 304's Registration Statement filed with the Board pursuant to the BHC Act and other records of the Board.

[2] Because of the facts of this case, including the facts that the indebtedness between Investment and Bank has been eliminated, and there are no interlocking officer, director or employee relationships between 304 and Investment, including their respective subsidiaries, it has been determined that a formal determination pursuant to section 2(g)(3) of the BHC Act is not necessary.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

BY THE BOARD OF GOVERNORS

During June 1978, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*
Central Bancshares of the South, Inc., Birmingham, Alabama	Bank of Springfield, Springfield, Alabama	June 5, 1978
Commerce Companies, Inc. Topeka, Kansas	Commerce Bank and Trust, Topeka, Kansas	June 20, 1978
Community Bancorporation, Clear Lake, Iowa	Community State Bank of Clear Lake, Clear Lake Iowa	June 21, 1978
First Bancgroup- Alabama Inc., Mobile, Alabama	Eastern Shore National Bank, Daphne, Alabama	June 9, 1978
Grady Holding Company, Cairo, Georgia	First National Bank of Grady County, Cairo, Georgia	June 30, 1978
Harrison Bancorporation, Cynthiana, Kentucky	The Harrison Deposit Bank and Trust Company, Cynthiana, Kentucky	June 13, 1978
Mid-America Bancshares, Inc., Kansas City, Missouri	Metro Insurance Agency, Inc., Kansas City, Missouri	June 13, 1978
PDB Investment Corporation, Chicago, Illinois	Plaza Drive-In Bank, Norridge, Illinois	June 30, 1978
Polk County Banco, Inc., Centuria, Wisconsin	Polk County Bank, Centuria, Wisconsin	June 21, 1978
Republic of Texas Corporation, Dallas, Texas	Bexar County National Bank of San Antonio, San Antonio, Texas	June 16, 1978
Stratton Agency, Inc., Stratton, Nebraska	Commercial Bank, Stratton, Nebraska	June 5, 1978

Sections 3 and 4

Applicant	*Bank(s)*	*Non Banking Company or activity*	*Effective date*
Shawnee Bank Shares, Inc., Shawnee, Kansas	Shawnee State Bank, Shawnee, Kansas	C.H. Pflumm and Sons Insurance Agency, Inc., Shawnee, Kansas	June 9, 1978

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

Does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

NCNB Corporation v. *Board of Governors*, filed June 1978, U.S.C.A. for the Fourth Circuit.

NCNB Corporation v. *Board of Governors*, filed June 1978, U.S.C.A. for the Fourth Circuit.

Ellis Banking Corporation v. *Board of Governors*, filed May 1978, U.S.C.A. for the Fifth Circuit.

United States League of Savings Associations v. *Board of Governors*, filed May 1978, U.S.D.C. for the District of Columbia.

Hawkeye Bancorporation v. *Board of Governors*, filed April 1978, U.S.C.A. for the Eighth Circuit.

Dakota Bankshares, Inc. v. *Board of Governors*, filed April 1978, U.S.C.A. for the Eighth Circuit.

Citicorp v. *Board of Governors*, filed March 1978, U.S.C.A. for the Second Circuit.

Security Bancorp and Security National Bank v. *Board of Governors*, filed March 1978, U.S.C.A. for the Ninth Circuit.

Michigan National Corporation v. *Board of Governors*, filed January 1978, U.S.C.A. for the Sixth Circuit.

Wisconsin Bankers Association v. *Board of Governors*, filed January 1978, U.S.C.A. for the District of Columbia.

Vickars-Henry Corp. v. *Board of Governors*, filed December 1977, U.S.C.A. for the Ninth Circuit.

Emch v. *The United States of America, et. al.*, filed November 1977, U.S.D.C. for the Eastern District of Wisconsin.

Corbin v. *Federal Reserve Bank of New York, Board of Governors, et. al.*, filed October 1977, U.S.D.C. for the Southern District of New York.

Central Bank v. *Board of Governors*, filed October 1977, U.S.C.A. for the District of Columbia.

Investment Company Institute v. *Board of Governors*, filed September 1977, U.S.C.A. for the District of Columbia.

Plaza Bank of West Port v. *Board of Governors*, filed September 1977, U.S.C.A. for the Eighth Circuit.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.C.A. for the Ninth Circuit.

Central Wisconsin Bankshares, Inc. v. *Board of Governors*, filed June 1976, U.S.C.A. for the Seventh Circuit.

Memphis Trust Company v. *Board of Governors*, filed February 1976, U.S.D.C. for the Western District of Tennessee.

First Lincolnwood Corporation v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et. al.*, filed November 1975, U.S.D.C. for the Southern District of California.

Florida Association of Insurance Agents, Inc. v. *Board of Governors*, and *National Association of Insurance Agents, Inc.* v. *Board of Governors*, filed August 1975, actions consolidated in U.S.C.A. for the Fifth Circuit.

David R. Merrill, et. al. v. *Federal Open Market Committee of the Federal Reserve System*, filed May 1975, U.S.D.C. for the District of Columbia.

Bankers Trust New York Corporation v. *Board of Governors*, filed May 1973, U.S.C.A. for the Second Circuit.

Announcements

PROPOSED LEGISLATION ON REQUIRED RESERVES

A plan to provide for greater competitive equality among financial institutions and to halt the withdrawal of member banks from the Federal Reserve System by reducing the burden of membership has been sent to the Congress by the Board of Governors.

A key element in the plan is proposed legislation to require all financial institutions to hold reserves with the Federal Reserve on checking or check-like accounts that exceed $5 million at the institution.

Simultaneously, the Board is considering action whereby the Federal Reserve would charge for some of its services and would compensate institutions for reserves that they are required to hold with the Federal Reserve. The Board asked the Congress to pass legislation fixing a limit on payment of such compensation.

The Board sent its program to the House and Senate banking committees on July 7, 1978. In letters transmitting the program to the Congress, Federal Reserve Board Chairman G. William Miller noted the announced intent of committee leaders to proceed promptly with hearings and legislative action.

The Board's program includes the following principal elements:

UNIVERSAL RESERVE REQUIREMENTS

1. A primary proposal for legislation would require all depositary institutions (banks, thrift institutions, credit unions) to maintain reserve balances with the Federal Reserve on transaction accounts in excess of $5 million. The Board has submitted enabling legislation to this end: the Reserve Requirement Act of 1978.

In this legislative proposal, no change would be made in the range of required reserves—7 to 22 per cent—for demand deposits. The legislation, however, would establish a range of 3 to 12 per cent for all other transaction accounts, including negotiable orders of withdrawal (NOW) accounts.

A companion legislative proposal would lower the legal range of required reserves on time and savings deposits at member banks from the present 3 to 10 per cent to a range of ½ of 1 per cent to 10 per cent.

If the Congress approves universal reserve requirements, the Board said it would evaluate the need for charges for Federal Reserve services and payment of interest on required reserve balances, in the light of the effects of such legislation on membership, operations of the payments system, and monetary controls.

OTHER PROVISIONS

2. A two-stage reduction in reserve requirements for member banks.

3. The pricing of Federal Reserve services for all institutions that use them.

4. The payment of interest on reserve balances required to be held with Federal Reserve Banks, also to be accomplished in two stages. The Board has submitted proposed legislation—the Interest on Reserves Act of 1978—that would limit the payment of interest on reserves.

5. Compensation to the Treasury Department to offset any loss of income during a transitional period while the program goes into effect.

In presenting its program the Board said:

> As a result of the inflation of recent years and the increased competition between banks and other depository institutions in providing payment of services, more and more banks have . . . determined that the benefits associated with remaining a member bank do not outweigh the costs. Over the past ten years, 551 banks have withdrawn from membership (and) there is a growing trend among larger banks to become nonmembers. . . . The proportion of total commercial bank deposits held by member banks has been reduced to about 72 per cent.
>
> If corrective action is not taken a continued, probably an accelerated, erosion of membership and deposits subject to regulation by the Federal Reserve can be expected. This threatens to weaken the nation's financial system, as more and more of the nation's payments and credit transactions are handled

outside the safe channels of the Federal Reserve, as fewer and fewer banks have immediate access to Federal Reserve Bank credit facilities, as a national presence in bank supervisory functions becomes increasingly diluted and as implementation of monetary policy becomes more difficult.

Reduction and Simplification of Member Bank Reserve Requirements

The Board's program includes a two-phase reduction and simplification of reserve requirements of member banks that, with few exceptions, would reduce reserve requirements for all member banks with net demand deposits up to $600 million. This would be done according to the following schedule:

Net demand deposits of (millions of dollars)	Reserve requirements of (per cent)
Existing schedule	
0-2	7
2-10	9½
10-100	11¾
100-400	12¾
Over 400	16¼
Phase one	
0-10	7
10-200	9½
200-600	12½
Over 600	16¼
Phase two	
0-200	7
200-600	10
Over 600	16¼

These actions, when complete, would reduce required reserves by about $5 billion. Required reserves would be reduced by approximately $2-¾ billion in the initial adjustment.

There would be no anticipated effect on monetary policy from this action since open market operations would be used to assure a neutral impact on money and interest rates.

Other elements of the Board's plan are closely linked as follows:

Charges for Federal Reserve Services

In the first phase, charges for Federal Reserve services would be made for payments services, such as check clearing. In the second phase, charges would be made for certain other services, including shipment of currency and transfer and settlement of reserve balances, and the purchase, sale, and safekeeping and clearing of securities.

Based on present volume, it is estimated that charges in the first phase would result in revenue to the Federal Reserve of some $225 million annually and about $410 million annually thereafter.

System charges would be competitive for comparable services provided in the private sector. However, the Board would retain flexibility to alter charges or service policies in order to meet its responsibilities to maintain satisfactory, basic levels of services for the Nation as a whole and to encourage innovation.

Access to Federal Reserve Services

When charges are imposed for payments services under the Board's plan, the Federal Reserve would permit all nonmember depositary institutions with third-party-payments powers to deposit intraregional checks or drafts at System regional check processing centers (RCPC's). Payment would be made, as at present, through member bank reserve accounts.

Once the proposed plan of charges has been fully implemented, and the Federal Reserve has evaluated the impact on membership and on the functioning of the payments mechanism, the System expects to provide direct and full access for nonmembers to payments and other operational services.

Payment of Interest on Required Reserve Balances

The amount of compensation paid on balances held at Reserve Banks, after deducting charges collected, would be an amount not more than 7 per cent of the total net earnings of the Federal Reserve Banks.

The phasing-in of payment of interest on required balances would take place as follows:

The first phase would begin when charging for services begins. During this phase, interest would be paid on all required reserve balances at a rate of 2 per cent a year.

In the second phase, when charges for services are broadened, interest would be paid equal to ½ of a percentage point below the average return on the Federal Reserve System's portfolio, for the first $25 million of required reserve balances held at Federal Reserve Banks. Interest payable on required balances in excess of $25 million would be 2 per cent per year.

Based on the present return on the System's portfolio, the interest that would be paid on required balances of up to $25 million would be 6 per cent.

The Board estimated that interest payments to member banks would amount to about $430 million in the first phase and $765 million annually thereafter.

Transfers to the U.S. Treasury

Since 1947 the Federal Reserve has paid most of its net earnings to the U.S. Treasury. Last year this payment amounted to nearly $6 billion. A portion of these earnings is attributable to the non-interest-bearing required reserve balances of member banks held by the Federal Reserve. Nonmember banks do not contribute to Treasury receipts in this way. The program being proposed by the Board would substantially reduce this unequal "tax" on member banks. It would, by the same token, reduce to some extent the net earnings of the Federal Reserve that are paid to the Treasury.

To maintain Treasury revenues during a 3-year transition period, the Board proposes to transfer to the Treasury from the surpluses of the Federal Reserve Banks an amount adequate to offset any net reduction of Treasury revenues.

During the first 3 years after the proposed program is initiated, it is expected that there would be a cumulative net reduction in Treasury revenues on the order of $575 million.

The Board's program is as follows:

PRELIMINARY PROPOSAL: To Promote Competitive Equality Among Member Banks and Other Financial Institutions and to Encourage Membership in the Federal Reserve System

The continuing decline of bank membership in the Federal Reserve System and the increasing competition between banks and other depositary institutions in providing payments services require prompt, responsive measures.

This preliminary proposal is intended as a means of submitting a program for consideration and appropriate action by the Congress.

Background of the Problem

Section 19 of the Federal Reserve Act provides that member banks of the Federal Reserve System be required to maintain reserves against their demand and time deposits in such ratios as shall be determined by the Board within specified legal ranges. In order to satisfy these reserve requirements, member banks are required to maintain reserves in the form of vault cash and balances held in Federal Reserve Banks. Such balances maintained by member banks do not earn any interest at present. By contrast, most banks that are not members of the Federal Reserve System are permitted by State law to hold a substantial part of their required reserves in the form of earning assets, such as U.S. Treasury obligations, or in the form of balances that would be held in any event in the ordinary course of business. Consequently, member banks incur a burden in the form of foregone earnings on their required reserve balances.

As a result of the inflation of recent years and the increased competition between banks and other depositary institutions in providing payments services, more and more banks have become aware of the burden of membership and have determined that the benefits associated with remaining a member bank do not outweigh the costs. Over the past 10 years, 551 banks have withdrawn from membership. Although many of the banks that have left the System are small, there is a growing trend among larger member banks to become nonmembers. Of the 69 banks that left the Federal Reserve in 1977, 15 possessed deposits in excess of $100 million. Because of the decline in membership, the proportion of total commercial bank deposits held by member banks has been reduced by about 72 per cent.

If corrective action is not taken, a continued, probably an accelerated, erosion of membership and of deposits subject to regulation by the Federal Reserve can be expected. This situation threatens to weaken the Nation's financial system, as more and more of the Nation's payments and credit transactions are handled outside the safe channels of the Federal Reserve, as fewer and fewer banks have immediate access to Federal Reserve Bank credit facilities, as a national presence in bank supervisory and regulatory functions becomes increasingly diluted, and as implementation of monetary policy becomes more difficult.

Proposed Legislation for Universal Reserve Requirements

In order to promote fair competition among member banks and other depositary institutions and to stem the decline in deposits subject to reserve requirements of the Federal Reserve, the Board will transmit to the Congress proposed legislation that would require all depositary institutions to maintain reserves against transactions accounts in accordance with requirements set by the Federal Reserve. If uniform, universal reserve requirements on transactions balances become effective, competition among banks and other depositary institutions would be on a more nearly equal basis.

The Board's proposed legislation would make transactions accounts—such as demand deposits and NOW accounts—at all Federally insured depositary institutions subject to reserve requirements set by the Federal Reserve. However, a total of $5 million of transactions accounts at these institutions, whether members or nonmembers of the Federal Reserve, would not be subject to the basic reserve requirements. The proposed legislation also adjusts the existing 3 to 10 per cent statutory range for reserve ratios on time and savings deposits at member banks. A reduction in the range to ½ of 1 to 10 per cent is proposed for time and savings deposits other than transactions accounts to provide needed flexibility that would enable member banks to compete in this area on a more nearly equal basis with other depositary institutions.

The Board simultaneously is considering a program, described below, whereby the Federal Reserve would charge for certain of its services and would pay some compensation for required reserve balances. However, if the Congress enacts a requirement for universal reserves, the Board would need to reconsider whether, and to what extent, its proposed program of service charges and reserve compensation might need to be adjusted in light of the effects of such legislation on Federal Reserve membership, operation of the payments system, and monetary control.

Proposed Federal Reserve Program

In view of the increasingly acute problems associated with the decline in membership in the Federal Reserve System that is attributable to the burden imposed on member banks by competitive inequality, the Board is also considering a program with the following principal elements: (1) restructuring and reduction of demand deposit reserve requirements; (2) charging for services provided by the Federal Reserve; (3) compensating for required reserve balances held at Federal Reserve Banks; and (4) transferring part of Federal Reserve surplus to the Treasury during a transition period to offset any Treasury revenue loss.

The program would provide time for the Congress to consider the issue of payment of interest on required reserve balances. If the Federal Reserve is not able to pay interest on reserves, or otherwise to remove the burden of membership, it would not be feasible to charge for services offered by Federal Reserve Banks. A portion of reserve balances held by member banks with Federal Reserve Banks in effect represents payment for these services under current circumstances. Charging for the services, without compensating banks for the reserves held, would simply increase the burden of membership and exacerbate competitive inequality.

Reserve requirement actions. Under the proposed program, the Board would amend Regulation D (Reserves of Member Banks) to simplify the structure of reserve requirements. The proposal would also redefine a reserve city and impose reserve city reserve requirements on member banks with net demand deposits in excess of $600 million (compared with $400 million now). The structure of reserve requirements would be revised in two phases as follows:

Size class (millions of dollars)	Reserve requirement (per cent)
Present	
0-2	7
2-10	9½
10-100	11¾
100-400	12¾
Over 400	16¼
Proposed first phase	
0-10	7
10-200	9½
200-600	12½
Over 600	16¼
Proposed second phase	
0-200	7
200-600	10
Over 600	16¼

It is anticipated that these actions would have the effect of releasing approximately $5 billion in reserves on an annual basis, with about $2¾ billion released by the initial adjustment.

Charges for Federal Reserve services. The second element in the program relates to charging for services rendered by the Federal Reserve. The Federal Reserve does not now generally charge member banks for services it renders in view of the substantial burden of membership incurred by banks. Member banks "pay" for Federal Reserve services through the maintenance of reserve balances with Reserve Banks. Nonmember banks are now permitted to use a limited number of Federal Reserve services at no charge.

Competitive equity between member banks and nonmember institutions requires that all users of Federal Reserve services be subject to charges established on the same basis. Moreover, such charges might encourage more efficient use of check-clearing facilities and provide incentives for innovations that reduce costs. With explicit pricing, therefore, the opportunities of the private sector to compete with and improve upon Federal Reserve services would be enhanced.

In order to assure continued efficient functioning of the payments mechanism and to avoid major disruption during the transition to a more competitive environment, the Board would follow a conservative and flexible approach in establishing charges for Federal Reserve services. To this end, the System has concluded that its charges should be competitive with those for comparable services (when available) in the private sector. However, the Board would retain flexibility to alter charges or service policies in order to meet its responsibilities to maintain a satisfactory, basic level of service for the Nation as a whole and to encourage innovations.

The Board would use the following general principles as guidelines for establishing a price structure:

1. Each Federal Reserve service category for which charges are to be assessed would usually have separate prices by geographic area, activity, and class of work processed. The price schedule would employ explicit per item charges and be as simple as possible. Prices would be adjusted as the System gained experience with service charges and observed their effects in the markets in which the System operates.

2. The System does not contemplate significant alterations in services provided at the time charges initially are imposed. However, after charges are in place, some offices might find it necessary to revise their operating policies and prices to maintain competitiveness and to enable the System to maintain a basic level of service nationwide.

3. All users in the same pricing zone (typically a Federal Reserve Bank, branch, or office area) would pay the same price for a given service. However, identical services might not be provided in all areas.

More specifically, guidelines established by the Board for the pricing of Federal Reserve check and automated clearinghouse (ACH) services would include the following:

1. Charges for check services would be imposed on depositing institutions.

2. Prices for interoffice items deposited locally might include both a local processing charge and a uniform national charge.

3. Charges for ACH items could either be imposed on ACH associations or directly on financial institutions using the service.

4. Prices for ACH services would be set to encourage the use of such services and to reflect mature volume levels.

It is anticipated that schedules of charges for System services would be announced for public comments and implemented in two phases:

1. First phase: Charges for Federal Reserve payments services, including check processing, check transportation, and ACH services.

2. Second phase: Charges for certain other services, including shipping of coin and currency to member banks, transfer and settlement of reserve balances, and purchase, sale, safekeeping, and clearing of securities.

Based on the present volume of Federal Reserve Bank activity and on the direct and indirect costs incurred by the System, it is estimated that charges imposed for System services would result in revenue to the Federal Reserve of approximately $225 million annually in the first phase and about $410 million annually thereafter. The Federal Reserve does not anticipate imposing charges for governmental-type functions it performs, such as conducting bank examinations and monetary policy and certain activities associated with issuance and destruction of Federal Reserve notes.

Access to Federal Reserve facilities. At present, Federal Reserve Banks maintain virtually no accounts for nonmember depositary institutions. However, nonmember institutions may have access to Federal Reserve-operated ACH's. Nonmember commercial banks may also deposit intraregional checks and drafts at Federal Reserve RCPC's. When charges are imposed for payments services under the proposed program, the Federal Reserve would permit all nonmember depositary institutions with third-party payment powers to deposit intraregional checks and drafts at RCPC's. Nonmembers would pay the same charges as member banks for services rendered by the Federal Reserve and would continue to be required to settle through reserve accounts of member banks.

Once the proposed program has been fully implemented and the Federal Reserve has evaluated the impact of the program on membership and on the functioning of the payments mechanism, the System expects to provide direct and full access for nonmember depositary institutions to payments and other operational services provided by Federal Reserve Banks. Access would be provided on the basis of equality of treatment with respect to balances held by members and nonmembers; balances held by nonmembers would be equivalent to the reserve balances of members, and such funds would receive similar compensation.

Compensation for maintenance of required reserves. The third element in the Federal Reserve's proposed program relates to compensating member banks for the maintenance of required reserve balances with the Federal Reserve. Member banks are at a clear competitive disadvantage because nonmember banks generally may satisfy reserve requirements by holding interest-bearing assets or balances that would be held in the ordinary course of business in any event, and this disadvantage contributes substantially to the erosion of membership. In order to reduce this inequality and to prevent further erosion in membership, the Federal Reserve believes it would be appropriate to compensate member banks by paying interest on required reserve balances. However, in no case would the amount of compensation paid to member banks, after deducting service charges collected, exceed 7 per cent of the net earnings of Reserve Banks (before payment of compensation). The Board will submit to the Congress proposed legislation to formalize this limitation on the payment to banks of interest on required reserve balances.

The Board proposes to phase-in the payment of interest on required reserve balances of member banks concurrent with the imposition of charges for System services in accordance with the following schedule:

1. First phase: Payment of interest on all required reserve balances maintained at Federal Reserve Banks at a rate of 2 per cent per annum.

2. Second phase: Rate of interest payable would be increased to ½ percentage point below the average return on the Federal Reserve System portfolio, valued at book, for the first $25 million of required reserve balances at Federal Reserve Banks. Based on the 1977 return on the Federal Reserve portfolio, the rate of compensation on those balances would be 6 per cent per annum. The rate of interest payable on required balances held at Federal Reserve Banks in excess of $25 million would be 2 per cent per annum.

The Board estimates that interest payments to member banks would amount to about $430 million in the first phase and about $765 million annually thereafter, based on the current level of member bank deposits.

Effect on Treasury revenues. Since 1947 the Federal Reserve has paid almost all of its net earnings to the U.S. Treasury. A portion of these earnings are attributable to the non-interest-earning required reserve balances that member banks hold at Federal Reserve Banks. Nonmember institutions do not hold such balances and thus their reserve holdings are not a source of Treasury revenue. The program being proposed by the Board would substantially reduce this unequal "tax" borne by member banks. At the same time the Board recognizes the budgetary need to maintain Treasury revenues.

The Board estimates that adoption of the proposed program, in the absence of universal reserve requirements, would in itself result in a cumulative net reduction in U.S. Treasury revenues on the order of $575 million over a transition period of, for example, about 3 years, until the program would be fully in place. To eliminate this anticipated loss of revenue during the transition period, the Federal Reserve would transfer an equivalent amount of its surplus to the Treasury. The Federal Reserve's program, therefore, would not result in any net reduction in the level of revenues received by the Treasury during the implementation period.

With the program fully in place, the net cost to the Treasury would be expected to be minimal, if there were any cost at all. Although Treasury revenues would be reduced by about $300 million per year as a consequence of the actions in this program, there would have been, in any case, a substantial decline of Treasury revenues in the absence of the program. At a minimum, if attrition in deposits subject to reserve requirements of the Federal Reserve continued over the next 4 years at the average rate of the recent past, Treasury revenues would be reduced by about $80 million in the fourth year and would increase further thereafter. If the rate of attrition were at the more rapid pace experienced in New England in recent years, the loss in Treasury revenues would be about $200 million by the fourth year. The program could be expected to reduce, if not eliminate, such attrition in deposits. There might even be a gain in Treasury revenues if the program succeeds in increasing membership. The gain in revenues would be more pronounced if the Congress enacted the Board's proposed universal reserve requirement legislation.

RESULT OF THE PROPOSAL

The Board believes that implementation of the program presented in this statement is essential to the continued maintenance of a sound financial system. Implementation of its various elements should result in an environment in which financial institutions can compete on a more equitable basis, should arrest the decline of bank membership in the Federal Reserve System, and should facilitate the implementation of monetary policy.

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System has announced its approval of actions by the directors of nine Federal Reserve Banks increasing the discount rate of those banks from 7 per cent to 7¼ per cent, effective July 3, 1978.

Action was taken in recognition of increases that have occurred recently in other short-term interest rates and to bring the discount rate into closer alignment with short-term rates generally.

The discount rate is the interest rate that member banks are charged when they borrow from their district Federal Reserve Banks.

The new rate was effective at the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco on July 3, at the Reserve Banks of Philadelphia and Kansas City on July 7, and at the Federal Reserve Bank of Atlanta on July 10.

REGULATION O: Amendment

The Board of Governors has amended its Regulation O (Loans to Executive Officers of Member Banks). The amendment makes it clear that an executive officer may not become indebted to a member bank under a bank credit-card, check-credit, or similar plan on terms more favorable than those offered to the general public.

The amendment was effective June 30, 1978.

REGULATION T: Amendment

The Board of Governors has adopted an amendment to its Regulation T (Credit by Brokers and Dealers) that permits any broker or dealer subject to the regulation to make a subordinated capital loan to another broker or dealer. Previously, only those who were members of national securities exchanges could make such loans.

The amendment, effective July 13, 1978, also removes certain existing restrictions on the use of such loans.

F.R. BRANCH REGULATIONS: Revision

The Board of Governors has announced a revision of its Regulations Relating to Branches of Federal Reserve Banks with regard to the qualifications of branch directors.

The revision brings the branch regulations into conformity with provisions of the Federal Reserve Reform Act of 1977 that call for broadened representation in the selection of Reserve Bank directors.

The revised portion (Section 3b) of the branch regulations follows:

> Directors shall be selected without discrimination on the basis of race, creed, color, sex, or national origin. The directors appointed by the Federal Reserve Banks shall be persons who meet the personal and occupational qualifications of Class A or B head office directors. The directors appointed by the Board of Governors shall be persons who meet the personal and occupational qualifications of Class C head office directors, except that Board-appointed branch directors may be stockholders in commercial banks and bank holding companies. No director of a Federal Reserve Bank shall serve as a director of a branch of the bank during his or her service as a director of the Federal Reserve Bank. All directors shall be citizens of the United States and shall reside or have principal occupational interest within the territory served by the branch.

REGULATIONS G AND U: Interpretation

The Board of Governors has withdrawn a 1965 interpretation of its margin regulations that generally required face-to-face interviews for the acceptance of "purpose statements," which are used to determine whether a loan is for the purpose of purchasing securities.

A new interpretation on the subject applicable to Regulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers) and Regulation U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks) permits lenders to accept purpose statements through the mail under certain circumstances.

The Board stated that a lender may satisfy the "good faith" requirement of the margin regulations for acceptance of purpose statements, without face-to-face interviews, if the lender adopts a program that requires detailed information from the borrower and proper procedures to verify the truth of the information received.

The Board stated that lenders intending to embark on such a program should discuss proposed plans with their district Federal Reserve Banks.

PROPOSED ACTIONS

Proposed guidelines for the enforcement of the Equal Credit Opportunity Act, its implementing Regulation B, and the Fair Housing Act were issued for public comment by the five Federal agencies that regulate banks, thrift institutions, and credit unions. Comment should be received by September 1, 1978.

The Federal regulators of banks and savings and loan associations have proposed regulations to implement the Community Reinvestment Act. The agencies requested comment by August 15, 1978.

The Board of Governors has proposed a change in the provisions of its Regulation Y (Bank Holding Companies) concerning publication of notice by bank holding companies of their intention to commence nonbank activities. The Board asked for comment on the proposal by July 31, 1978.

CHANGES IN BOARD STAFF

Richard H. Puckett, Associate Research Division Officer, Division of Research and Statistics, was named Manager, Regulatory Improvement Project, Office of the Secretary, effective July 18, 1978. Mr. Puckett will be responsible for the Systemwide review of all Federal Reserve regulations and related interpretations and rules. He will coordinate staff activities for implementing this review, both at the Board and at the Federal Reserve Banks.

Gordon B. Grimwood, Assistant Director and Program Director for Contingency Planning, in the Office of Staff Director for Management, retired on June 30, 1978.

INTERNATIONAL STATISTICS: Revised Tables

A number of changes have been made in the tables in the International Statistics section of the BULLETIN. These changes correspond to revisions in the Treasury's International Capital Forms for U.S. liabilities to and U.S. claims on foreigners, as reported by banks in the United States, from which certain tables are derived. As a result of the changes in the International Capital Forms, some data are not shown for months or quarters before April 1978. A description of the changes in individual tables, including comparisons with the previous data series, appears below.

In the process of revision, four tables have been deleted, one new table has been added, and some changes in general coverage and format have been made in the remaining tables. The following tables have been deleted: (1) 3.17, "Short-term Liabilities to Foreigners, Supplemental Other Countries"; (2) 3.18, "Long-term Liabilities to Foreigners"; (3) 3.20, "Short-term Claims on Foreigners, by Type of Claim"; and (4) 3.21, "Long-term Claims on Foreigners."

The changes in general coverage and format of the tables include: (1) the breakdown between long-term and short-term when referring to liabilities and claims has been eliminated; (2) items payable in U.S. dollars and items payable in foreign currencies are now given in separate tables; (3) banks' liabilities to and claims on foreigners are broken down into greater detail than was previously available; and (4) when data are disaggregated by area, the designations "Other Latin American republics" and "Other Latin America" have been combined into the single designation "Other Latin America and Caribbean."

Table 3.14, "Selected U.S. Liabilities to Foreign Official Institutions," is a combination of the "official institutions" section of old Table 3.13, "Selected U.S. Liabilities to Foreigners" (lines 3–7) and all of old Table 3.14, "Selected U.S. Liabilities to Foreign Official Institutions." The difference between the "official institutions" portion of old Table 3.13 and part A of Table 3.14 is that Table 3.14 includes foreign official holdings of U.S. corporate stocks (line 6); these data on stocks are based on monthly transactions reports. Part B of Table 3.14, differs from the old Table 3.14 in that (1) it includes foreign official holdings of U.S. corporate stocks; (2) the designation "Latin American republics" has been changed to "Latin America and Caribbean"; and (3) the designation "Other countries" includes only countries in Oceania and Eastern Europe, whereas previously it had also included Western European dependencies in Latin America.

Part A of Table 3.15, "Liabilities to Foreigners, by Holder and Type of Liability," combines the amounts payable in U.S. dollars from old Tables 3.15, "Short-term Liabilities to Foreigners, by Holder and Type of Liability," and 3.18, "Long-term Liabilities to Foreigners." Part A of Table 3.15 breaks down, by item, banks' own liabilities and banks' custody liabilities. Furthermore, banks' own liabilities to banks abroad are separated between liabilities to unaffiliated foreign banks and liabilities to own foreign offices. A memorandum item in part A of Table 3.15 shows the amount of negotiable time certificates of deposit held in custody for foreigners. The only items in Table 3.15 that are comparable to items that appeared in the old tables (data prior to April 1978) are liabilities to all foreigners, broken down by holder, demand deposits, and banks' holdings in custody of U.S. Treasury bills and certificates. Data prior to April 1978 for time deposits cover short-term deposits only.

Part B of Table 3.15, "Liabilities to Foreigners, by Area and Country," combines the amounts payable in U.S. dollars from old Tables 3.16, "Short-term Liabilities to Foreigners, by Country," and 3.18, "Long-term Liabilities to Foreigners."

Table 3.16, "Banks' Own Claims on Foreigners," consists of claims payable in U.S. dollars. Data for the period prior to April 1978 are not comparable to these new data: old Tables 3.19, "Short-term Claims on Foreigners, by Country," and 3.21, "Long-term Claims on Foreigners," had included claims payable both in U.S. dollars and in foreign currencies and consisted of a combined total of banks' own claims on foreigners and banks' domestic customers' claims on foreigners.

Table 3.17, "Bank's Own and Domestic Customers' Claims on Foreigners, by Type of Claim," shows claims payable in U.S. dollars. The data for banks' own claims are given on a monthly basis, but the data for claims of banks' domestic customers are available on a quarterly basis only. Banks' own claims on foreign banks have been separated into banks' claims on own foreign offices and banks' claims on unaffiliated foreign banks. The term "foreign public borrowers" is broader in coverage than the term "foreign official institutions" that was previously used on bank reporting forms for the collection of foreign claims data. In particular, corporations that are majority-owned by foreign central governments are included in the definition of "foreign public borrowers" but are excluded from the definition of "foreign official institutions."

Table 3.18, "Banks' Own Claims on Unaffiliated Foreigners" shows maturity of claims payable in dollars, broken down by borrower and area. This table is completely new. In the old tables showing short- and long-term liabilities to and claims on foreigners, the maturity breakdown referred to original maturities. In Table 3.18, it refers to time remaining to maturity.

Table 3.19, "Liabilities to and Claims on Foreigners, Payable in Foreign Currencies," shows on a quarterly basis banks' own liabilities and a breakdown of claims between banks' own claims and claims of banks' domestic customers. Because this breakdown will not be shown until data for June 1978 are incorporated in the table, claims of banks' domestic customers will be included with banks' own claims until that date. Data on claims exclude foreign currencies held by U.S. monetary authorities.

SYSTEM MEMBERSHIP:
Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period June 16, 1978, through July 15, 1978:

Colorado
Lakewood .... Jefferson Bank & Trust
Florida
South Miami .... Bank of South Florida
Utah
North Logan .... North Park Bank of Commerce
Virginia
Salem .... Salem Bank & Trust

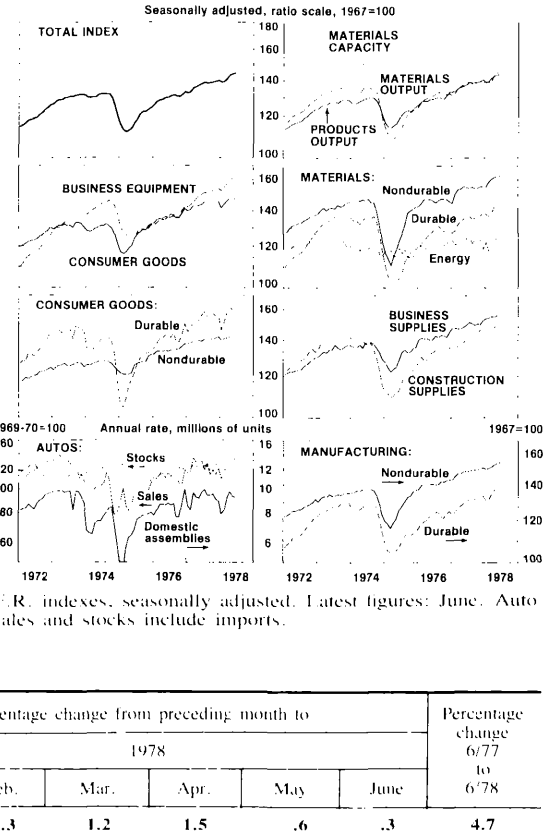
Industrial Production

Released for publication July 14

Industrial production increased an estimated 0.3 per cent in June, with gains about equally distributed between products and materials industries. This increase follows advances in total production of 1.5 and 0.6 per cent in April and May, respectively. The preliminary second-quarter index, strengthened somewhat by upward revisions in April and May levels, was up 12.3 per cent at an annual rate from the first quarter. At 144.3 per cent of the 1967 average, the index for June is 4.7 per cent higher than a year earlier.

Despite a small decline in auto production, output of consumer goods advanced 0.3 per cent in June. Auto assemblies were at a seasonally adjusted annual rate of 9.3 million units, allowing for the earlier-than-usual model changeover. Current schedules call for a rate of assemblies at about this level over the next few months. Production of home goods, such as appliances and nondurable consumer goods, increased somewhat further in June. Output of business equipment rose 0.4 per cent in June and, at 161.4 per cent of the 1967 average, is 7.5 per cent higher than a year earlier. Production of intermediate goods, such as business and construction supplies, also continued to expand.

Output of durable materials advanced 0.6 per cent, mainly due to the continued strength in equipment parts and basic metals. Production of nondurable materials increased only slightly.



F.R. indexes, seasonally adjusted. Latest figures: June. Auto sales and stocks include imports.

Industrial production *	1967 = 100, 1978, May^p	1967 = 100, 1978, June^e	Percentage change from preceding month to, 1978, Jan.	Feb.	Mar.	Apr.	May	June	Percentage change 6/77 to 6/78
Total	**143.8**	**144.3**	**–.6**	**.3**	**1.2**	**1.5**	**.6**	**.3**	**4.7**
Products, total	143.3	143.7	1.3	.8	1.4	.8	.4	.3	4.7
Final products	140.6	141.1	2.0	1.1	1.8	1.2	.0	.4	4.2
Consumer goods	147.1	147.5	2.7	1.4	1.5	1.2	.3	.3	2.6
Durable	159.6	159.9	6.0	3.2	4.2	2.8	1.4	.2	2.6
Nondurable	142.3	142.7	1.3	.6	.4	.4	.3	.3	2.6
Business equipment	160.7	161.4	.9	1.0	2.1	1.3	.8	.4	7.5
Intermediate products	153.2	153.6	.8	.1	.0	.1	1.1	.3	6.2
Construction supplies	150.4	151.0	.6	.4	.5	.2	1.5	.4	7.9
Materials	144.7	145.3	.3	.4	.9	2.5	.9	.4	4.8

*Seasonally adjusted. p Preliminary. e Estimated.

Financial and Business Statistics

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FEDERAL FINANCE

1.10 MONETARY AGGREGATES AND INTEREST RATES

	Item	1977[r] Q2	1977[r] Q3	1977[r] Q4	1978 Q1[r]	1978 Jan.[r]	1978 Feb.[r]	1978 Mar.[r]	1978 Apr.[r]	1978 May
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[12]									
	Member bank reserves									
1	Total	2.9	7.3	6.1	8.5	15.2	10.9	8.6	9.4	10.2
2	Required	3.5	6.8	6.3	8.3	12.7	11.8	7.3	11.1	7.9
3	Nonborrowed	1.8	1.7	3.5	14.5	18.3	13.7	6.2	1.9	11.2
	Concepts of money [1]									
4	*M*-1	8.1	8.1	7.5	5.6	10.3	0.7	3.5	19.0	8.0
5	*M*-2	9.0	9.9	8.2	6.9	9.5	4.7	5.6	11.5	7.8
6	*M*-3	10.2	11.9	10.7	7.7	9.1	5.7	6.5	9.8	7.5
	Time and savings deposits									
	Commercial banks:									
7	Total	8.3	10.3	13.1	13.4	12.8	14.2	11.6	8.3	14.4
8	Other than large CD's	9.7	11.2	8.6	7.9	8.9	8.6	7.0	6.2	7.7
9	Thrift institutions [2]	11.9	15.0	14.4	8.9	8.7	6.9	7.7	7.3	7.0
10	Total loans and investments at commercial banks [3]	12.1	11.1	9.9	9.6	13.6	7.9	6.9	18.5	15.7

	Item	1977 Q3	1977 Q4	1978 Q1	1978 Q2	1978 Feb.	1978 Mar.	1978 Apr.	1978 May	1978 June
	Interest rates (levels, per cent per annum)									
	Short-term rates									
11	Federal funds [4]	5.82	6.51	6.76	7.28	6.78	6.79	6.89	7.36	7.60
12	Federal Reserve discount [5]	5.42	5.93	6.46	6.78	6.50	6.50	6.50	6.84	7.00
13	Treasury bills (3-month market yield) [6]	5.50	6.11	6.39	6.48	6.45	6.29	6.29	6.41	6.73
14	Commercial paper (90- to 119-day) [7]	5.74	6.56	6.76	7.16	6.76	6.75	6.82	7.06	7.59
	Long-term rates									
	Bonds:									
15	U.S. Govt [8]	7.60	7.78	8.19	8.43	8.22	8.21	8.32	8.44	8.53
16	State and local government [9]	5.59	5.57	5.65	6.02	5.62	5.61	5.80	6.03	6.22
17	Aaa utility (new issue) [10]	8.09	8.27	8.70	8.98	8.69	8.71	8.90	8.95	9.09
18	Conventional mortgages [11]	9.00	9.05	9.23	....	9.25	9.30	9.40	9.60	9.75

1 *M*-1 equals currency plus private demand deposits adjusted.

M-2 equals *M*-1 plus bank time and savings deposits other than large negotiable certificates of deposit (CD's).

M-3 equals *M*-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.

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

3 Quarterly changes calculated from figures shown in Table 1.23.

4 Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

5 Rate for the Federal Reserve Bank of New York.

6 Quoted on a bank-discount rate basis.

7 Beginning Nov. 1977, unweighted average of offering rates quoted by five dealers. Previously, most representative rate quoted by these dealers.

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

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

10 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.

11 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.

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

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

	Factors	Monthly averages of daily figures			Weekly averages of daily figures for weeks ending—						
		1978			1978						
		Apr.	May	June[p]	May 17	May 24	May 31	June 7	June 14	June 21[p]	June 28[p]
	SUPPLYING RESERVE FUNDS										
1	**Reserve Bank credit outstanding**	**116,784**	**119,603**	**122,063**	**119,885**	**117,204**	**116,703**	**117,385**	**117,964**	**124,981**	**126,112**
2	*U.S. Govt. securities*[1]	*101,345*	*103,143*	*104,656*	*103,141*	*102,374*	*101,685*	*100,338*	*101,361*	*107,197*	*107,993*
3	Bought outright	100,851	102,431	103,763	101,951	102,374	101,623	100,338	101,361	105,957	106,241
4	Held under repurchase agreement	494	712	893	1,190	....	62	....	....	1,240	1,752
5	*Federal agency securities*	*8,013*	*8,171*	*8,138*	*8,442*	*7,895*	*7,899*	*7,895*	*7,883*	*7,995*	*8,570*
6	Bought outright	7,929	7,907	7,897	7,900	7,895	7,895	7,895	7,883	7,867	7,867
7	Held under repurchase agreement	84	264	241	542	....	4	....	....	128	703
8	Acceptances	137	204	213	411	....	39	....	....	175	460
9	Loans	539	1,227	1,112	866	701	1,399	645	793	1,194	1,716
10	Float	3,997	4,119	5,367	4,366	3,986	3,239	5,974	5,486	5,633	4,784
11	Other Federal Reserve assets	2,753	2,739	2,577	2,658	2,247	2,442	2,533	2,440	2,787	2,589
12	Gold stock	11,718	11,718	11,709	11,718	11,718	11,718	11,718	11,706	11,706	11,706
13	Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
14	Treasury currency outstanding	11,496	11,538	11,577	11,537	11,540	11,553	11,561	11,571	11,576	11,593
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	103,256	104,389	105,658	104,515	104,368	104,818	105,425	105,830	105,668	105,534
16	Treasury cash holdings	391	383	362	382	382	386	366	362	357	370
	Deposits, other than member bank reserves with F.R. Banks:										
17	Treasury	5,001	6,514	7,577	6,589	4,412	3,291	4,525	3,690	9,231	11,663
18	Foreign	345	341	266	283	253	348	305	258	258	238
19	Other[2]	738	639	776	615	603	638	675	870	912	648
20	Other F.R. liabilities and capital	3,741	3,954	4,049	3,882	3,946	4,110	3,773	3,919	4,371	4,071
21	Member bank reserves with F.R. Banks	27,776	27,890	27,911	28,124	27,748	27,635	26,844	27,560	28,716	28,136
		End-of-month figures			Wednesday figures						
		1978			1978						
		Apr.	May	June[p]	May 17	May 24	May 31	June 7	June 14	June 21[p]	June 28[p]
	SUPPLYING RESERVE FUNDS										
22	**Reserve Bank credit outstanding**	**119,782**	**119,193**	**127,103**	**116,577**	**119,649**	**119,193**	**116,801**	**115,246**	**131,149**	**130,777**
23	*U.S. Govt. securities*[1]	*103,500*	*102,826*	*110,146*	*99,319*	*103,535*	*102,826*	*99,404*	*96,705*	*110,851*	*110,508*
24	Bought outright	102,768	102,395	107,859	99,319	103,535	102,395	99,404	96,705	108,069	106,918
25	Held under repurchase agreement	732	431	2,287	....	....	431	....	....	2,782	3,590
26	*Federal agency securities*	*8,064*	*7,921*	*8,526*	*7,895*	*7,895*	*7,921*	*7,895*	*7,867*	*8,526*	*8,943*
27	Bought outright	7,929	7,895	8,168	7,895	7,895	7,895	7,895	7,867	7,867	7,867
28	Held under repurchase agreement	135	26	358	....	....	26	....	....	659	1,067
29	Acceptances	290	274	1,021	....	....	274	....	....	436	720
30	Loans	1,750	1,167	1,428	1,422	764	1,167	551	1,553	2,575	2,648
31	Float	3,017	4,419	3,528	5,805	5,142	4,419	6,438	6,683	6,130	5,411
32	Other Federal Reserve assets	3,161	2,586	2,454	2,136	2,313	2,586	2,513	2,438	2,631	2,547
33	Gold stock	11,718	11,718	11,706	11,718	11,718	11,718	11,718	11,706	11,706	11,706
34	Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
35	Treasury currency outstanding	11,482	11,526	11,594	11,539	11,543	11,526	11,571	11,571	11,578	11,594
	ABSORBING RESERVE FUNDS										
36	Currency in circulation	103,114	105,443	106,285	104,694	104,675	105,443	105,948	106,060	105,793	106,214
37	Treasury cash holdings	376	365	370	386	378	365	362	359	355	370
	Deposits, other than member bank reserves with F.R. Banks:										
38	Treasury	7,177	2,398	11,614	4,505	4,558	2,398	4,989	3,631	14,132	12,173
39	Foreign	481	454	288	232	219	454	281	248	274	209
40	Other[2]	684	660	773	577	619	660	594	675	652	663
41	Other F.R. liabilities and capital	4,080	4,235	4,193	3,805	4,021	4,235	3,728	4,294	3,987	4,167
42	Member bank reserves with F.R. Banks	28,321	30,135	28,130	26,886	29,690	30,135	25,438	24,505	30,490	31,531

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

2 Includes certain deposits of foreign-owned banking institutions voluntarily held with member banks and redeposited in full with Federal Reserve Banks.

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

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

	Reserve classification	Monthly averages of daily figures									
		1976	1977			1978					
		Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
	All member banks										
	Reserves:										
1	At F.R. Banks	26,430	26,933	26,783	27,057	28,129	27,337	27,155	27,776	27,890	27,911
2	Currency and coin	8,548	8,820	8,932	9,351	9,980	9,320	8,992	9,028	9,151	9,345
3	*Total held*[1]	*35,136*	*35,860*	*35,782*	*36,471*	*38,185*	*36,738*	*36,231*	*36,880*	*37,119*	*37,330*
4	Required	34,964	35,521	35,647	36,297	37,880	36,605	35,925	36,816	36,867	37,133
5	Excess[1]	172	339	135	174	305	133	306	64	252	197
	Borrowings at F.R. Banks:[2]										
6	Total	62	1,319	840	558	481	405	344	539	1,227	1,112
7	Seasonal	12	114	83	54	32	52	47	43	93	120
	Large banks in New York City										
8	*Reserves held*	*6,520*	*6,175*	*6,181*	*6,244*	*6,804*	*6,563*	*6,276*	*6,247*	*6,315*	*6,216*
9	Required	6,602	6,120	6,175	6,279	6,775	6,584	6,193	6,320	6,236	6,376
10	Excess	-82	55	6	-35	29	-21	83	-73	79	-160
11	Borrowings[2]	15	133	132	48	77	12	21	61	113	55
	Large banks in Chicago										
12	*Reserves held*	*1,632*	*1,666*	*1,607*	*1,593*	*1,733*	*1,623*	*1,629*	*1,670*	*1,697*	*1,608*
13	Required	1,641	1,656	1,609	1,613	1,684	1,633	1,620	1,686	1,669	1,670
14	Excess	-9	10	-2	-20	49	-10	9	-16	28	-62
15	Borrowings[2]	4	24	23	26	14	....	11	11	19	20
	Other large banks										
16	*Reserves held*	*13,117*	*13,711*	*13,607*	*13,993*	*14,487*	*13,867*	*13,729*	*14,135*	*14,106*	*14,159*
17	Required	13,053	13,598	13,602	13,931	14,504	13,861	13,662	14,077	14,079	14,231
18	Excess	64	113	5	62	-17	6	67	58	27	-72
19	Borrowings[2]	14	681	355	243	164	150	92	249	500	536
	All other banks										
20	*Reserves held*	*13,867*	*14,308*	*14,387*	*14,641*	*15,161*	*14,685*	*14,597*	*14,828*	*15,001*	*14,948*
21	Required	13,668	14,147	14,261	14,474	14,917	14,527	14,450	14,733	*14,883*	*14,856*
22	Excess	199	161	126	167	244	158	147	95	118	92
23	Borrowings[2]	29	481	330	241	226	243	220	218	595	101

	Reserve classification	Weekly averages of daily figures for weeks ending—								
		1978								
		May 3	May 10	May 17	May 24	May 31	June 7	June 14	June 21[p]	June 28[p]
	All member banks									
	Reserves:									
24	At F.R. Banks	28,600	27,589	28,124	27,748	27,635	26,844	27,560	28,716	28,136
25	Currency and coin	9,247	9,515	9,192	8,639	9,215	9,391	9,518	9,035	9,388
26	*Total held*[1]	*37,923*	*37,183*	*37,395*	*36,465*	*36,928*	*36,313*	*37,155*	*37,824*	*37,594*
27	Required	37,608	37,000	37,389	36,218	36,529	36,264	37,042	37,527	37,350
28	Excess[1]	315	183	6	247	399	49	113	297	244
	Borrowings at F.R. Banks:[2]									
29	Total	1,664	1,688	866	701	1,399	645	793	1,194	1,716
30	Seasonal	61	74	93	103	105	111	106	123	135
	Large banks in New York City									
31	*Reserves held*	*6,393*	*6,184*	*6,530*	*6,079*	*6,225*	*6,061*	*6,657*	*6,432*	*6,254*
32	Required	6,370	6,157	6,596	5,972	6,161	6,105	6,653	6,443	6,229
33	Excess	23	27	-66	107	64	-44	4	-11	25
34	Borrowings[2]	301	150	37	....	214	....	54	63	116
	Large banks in Chicago									
35	*Reserves held*	*1,706*	*1,685*	*1,747*	*1,628*	*1,636*	*1,699*	*1,690*	*1,689*	*1,533*
36	Required	1,702	1,656	1,754	1,612	1,638	1,694	1,697	1,686	1,588
37	Excess	4	29	-7	16	-2	5	-7	3	55
38	Borrowings[2]	81	9	....	....	....	....	22	61	2
	Other large banks									
39	*Reserves held*	*14,530*	*14,208*	*14,152*	13,909	*14,097*	*13,808*	*14,087*	*14,456*	*14,250*
40	Required	14,391	14,179	14,201	13,841	13,951	13,837	14,116	14,401	14,437
41	Excess	139	29	-49	68	146	-29	-29	55	-187
42	Borrowings[2]	714	828	327	179	537	247	335	630	905
	All other banks									
43	*Reserves held*	*15,294*	*15,106*	*14,966*	*14,849*	*14,970*	*14,745*	*14,721*	*15,049*	*15,149*
44	Required	15,145	15,008	14,838	14,793	14,779	14,628	14,576	14,997	15,096
45	Excess	149	98	128	56	191	117	145	52	53
46	Borrowings[2]	568	701	502	522	648	398	382	440	693

1 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 merges 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.

2 Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS Money Market Banks

Millions of dollars, except as noted

	Type	1978, week ending— May 3	May 10	May 17	May 24	May 31	June 7	June 14	June 21	June 28
						Total, 46 banks				
	Basic reserve position									
1	Excess reserves[1]	73	153	−17	166	231	49	−73	62	89
	LESS:									
2	Borrowings at F.R. Banks	517	373	255	10	580	3	146	355	339
3	Net interbank Federal funds transactions	15,412	16,842	16,017	15,489	13,660	19,719	18,714	16,395	12,688
	EQUALS: Net surplus, or deficit (−):									
4	Amount	−15,856	−17,062	−16,290	−15,333	−14,009	−19,673	−18,932	−16,688	−12,938
5	*Per cent of average required reserves*	*100.5*	*110.9*	*102.2*	*102.6*	*91.8*	*129.3*	*118.6*	*104.7*	*82.7*
	Interbank Federal funds transactions									
	Gross transactions:									
6	Purchases	23,201	23,772	23,281	22,940	22,915	26,944	25,547	23,710	21,515
7	Sales	7,789	6,931	7,264	7,451	9,256	7,225	6,834	7,316	8,827
8	Two-way transactions[2]	5,900	5,124	5,264	4,914	6,090	5,146	4,599	5,130	5,609
	Net transactions:									
9	Purchases of net buying banks	17,300	18,649	18,018	18,026	16,825	21,799	20,948	18,581	15,906
10	Sales of net selling banks	1,888	1,807	2,001	2,538	3,166	2,080	2,235	2,186	3,218
	Related transactions with U.S. Govt. securities dealers									
11	Loans to dealers[3]	3,047	2,834	3,510	4,064	4,220	5,883	4,885	4,449	3,261
12	Borrowing from dealers[4]	2,776	3,493	3,189	2,881	1,782	1,610	1,701	1,835	2,441
13	Net loans	272	−659	321	1,183	2,438	4,272	3,184	2,613	820
						8 banks in New York City				
	Basic reserve position									
14	Excess reserves[1]	32	72	−29	91	−121	12	−12	7	48
	LESS:									
15	Borrowings at F.R. Banks	258	107	37	....	214	....	54	63	73
16	Net interbank Federal funds transactions	3,415	4,849	4,291	3,693	3,387	6,412	5,008	3,849	2,898
	EQUALS: Net surplus, or deficit (−):									
17	Amount	−3,641	−4,884	−4,357	−3,602	−3,480	−6,400	−5,075	−3,905	−2,922
18	*Per cent of average required reserves*	*62.9*	*87.6*	*72.9*	*67.1*	*62.5*	*116.1*	*84.2*	*67.0*	*51.9*
	Interbank Federal funds transactions									
	Gross transactions:									
19	Purchases	5,010	5,895	5,389	4,826	4,778	7,194	5,818	5,039	4,491
20	Sales	1,595	1,047	1,098	1,133	1,391	781	810	1,190	1,593
21	Two-way transactions[2]	1,556	1,047	1,099	1,133	1,391	781	810	1,190	1,593
	Net transactions:									
22	Purchases of net buying banks	3,454	4,849	4,290	3,693	3,387	6,412	5,008	3,849	2,898
23	Sales of net selling banks	39	....	....	....	....	....	....	....	....
	Related transactions with U.S. Govt. securities dealers									
24	Loans to dealers[3]	1,858	1,548	1,781	2,414	2,421	3,395	2,817	2,863	1,959
25	Borrowing from dealers[4]	1,488	1,699	1,864	2,043	746	746	877	1,051	849
26	Net loans	370	−152	−84	372	1,675	2,650	1,940	1,812	1,111
						38 banks outside New York City				
	Basic reserve position									
27	Excess reserves[1]	41	81	11	74	110	37	−61	55	41
	LESS:									
28	Borrowings at F.R. Banks	259	266	218	10	366	3	92	293	266
29	Net interbank Federal funds transactions	11,997	11,993	11,727	11,796	10,273	13,307	13,705	12,546	9,790
	EQUALS: Net surplus, or deficit (−):									
30	Amount	−12,215	−12,179	−11,933	−11,731	−10,529	−13,273	−13,857	−12,784	−10,016
31	*Per cent of average required reserves*	*122.4*	*124.2*	*119.7*	*122.5*	*108.6*	*136.8*	*139.4*	*126.4*	*100.0*
	Interbank Federal funds transactions									
	Gross transactions:									
32	Purchases	18,191	17,877	17,892	18,114	18,138	19,751	19,729	18,672	17,024
33	Sales	6,194	5,884	6,166	6,319	7,865	6,444	6,024	6,125	7,234
34	Two-way transactions[2]	4,344	4,077	4,165	3,781	4,699	4,364	3,789	3,940	4,015
	Net transactions:									
35	Purchases of net buying banks	13,846	13,800	13,727	14,333	13,438	15,386	15,940	14,732	13,009
36	Sales of net selling banks	1,849	1,807	2,001	2,538	3,166	2,080	2,235	2,186	3,218
	Related transactions with U.S. Govt. securities dealers									
37	Loans to dealers[3]	1,189	1,286	1,729	1,650	1,798	2,488	2,068	1,586	1,302
38	Borrowing from dealers[4]	1,288	1,793	1,325	838	1,036	865	824	784	1,592
39	Net loans	−98	−507	405	811	763	1,623	1,244	801	−290

For notes see end of table.

1.13 Continued

	Type	1978, week ending								
		May 3	May 10	May 17	May 24	May 31	June 7	June 14	June 21	June 28
		5 banks in City of Chicago								
	Basic reserve position									
40	Excess reserves[1]	6	36	17	15	16	8	2	7	15
	LESS:									
41	Borrowings at F.R. Banks	71	...	...	...	...	...	22	61	...
42	Net interbank Federal funds transactions	5,075	5,389	5,479	5,446	5,830	6,872	6,877	5,524	4,563
	EQUALS: Net surplus, or deficit (−):									
43	Amount	−5,140	−5,353	−5,462	−5,431	−5,814	−6,863	−6,901	−5,579	4,549
44	*Per cent of average required reserves*	*323.2*	*346.7*	*332.4*	*360.8*	*379.4*	*432.4*	*434.2*	*353.8*	*307.2*
	Interbank Federal funds transactions									
	Gross transactions:									
45	Purchases	6,238	6,475	6,848	6,550	7,126	7,743	7,817	6,630	5,963
46	Sales	1,163	1,086	1,369	1,104	1,296	872	940	1,105	1,400
47	Two-way transactions[2]	1,163	1,086	1,369	1,103	1,295	872	940	1,106	1,400
	Net transactions:									
48	Purchases of net buying banks	5,076	5,389	5,479	5,446	5,831	6,872	6,877	5,524	4,563
49	Sales of net selling banks	...	...	...	...	...	...	...	...	...
	Related transactions with U.S. Govt. securities dealers									
50	Loans to dealers[3]	185	245	456	452	488	647	579	508	397
51	Borrowing from dealers[4]	446	583	310	141	75	76	83	262	556
52	Net loans	262	−338	146	311	414	571	496	247	−159
		33 other banks								
	Basic reserve position									
53	Excess reserves[1]	35	45	−6	59	93	29	59	48	27
	LESS:									
54	Borrowings at F.R. Banks	188	266	218	10	366	3	70	231	266
55	Net interbank Federal funds transactions	6,921	6,604	6,248	6,350	4,442	6,435	6,828	7,022	5,227
	EQUALS: Net surplus, or deficit (−):									
56	Amount	7,075	−6,825	−6,472	−6,301	−4,715	−6,409	−6,957	−7,205	5,467
57	*Per cent of average required reserves*	*84.3*	*82.6*	*77.7*	*78.0*	*57.7*	*79.0*	*83.3*	*84.4*	*64.0*
	Interbank Federal funds transactions									
	Gross transactions:									
58	Purchases	11,953	11,402	11,045	11,565	11,012	12,007	11,912	12,042	11,061
59	Sales	5,031	4,798	4,797	5,215	6,569	5,572	5,084	5,020	5,833
60	Two-way transactions[2]	3,182	2,991	2,796	2,678	3,404	3,492	2,849	2,834	2,615
	Net transactions:									
61	Purchases of net buying banks	8,771	8,411	8,249	8,887	7,608	8,515	9,063	9,208	8,446
62	Sales of net selling banks	1,849	1,807	2,001	2,538	3,166	2,080	2,235	2,186	3,218
	Related transactions with U.S. Govt. securities dealers									
63	Loans to dealers[3]	1,005	1,041	1,274	1,198	1,310	1,841	1,489	1,077	905
64	Borrowing from dealers[4]	841	1,210	1,015	698	961	789	741	523	1,036
65	Net loans	163	−169	258	500	349	1,052	748	555	131

1 Based on reserve balances, including adjustments to include waivers of penalties for reserve deficiencies in accordance with changes in policy of the Board of Governors effective Nov. 19, 1975.

2 Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.

3 Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.

4 Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. Govt. or other securities.

NOTE.—Weekly averages of daily figures. For description of series, see August 1964 BULLETIN, pp. 944–53. Back data for 46 banks appear in the Board's *Annual Statistical Digest, 1971–1975*, Table 3.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Per cent per annum

Current and previous levels

Federal Reserve Bank	Loans to member banks— Under Secs. 13 and 13a[1]			Under Sec. 10(b)[2] Regular rate			Under Sec. 10(b)[2] Special rate[3]			Loans to all others under Sec. 13, last par.[4]		
	Rate on 6/30/78	Effective date	Previous rate	Rate on 6/30/78	Effective date	Previous rate	Rate on 6/30/78	Effective date	Previous rate	Rate on 6/30/78	Effective date	Previous rate
Boston	7	5/12/78	6½	7½	5/12/78	7	8	5/12/78	7½	10	5/12/78	9½
New York	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Philadelphia	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Cleveland	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Richmond	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Atlanta	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Chicago	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
St. Louis	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Minneapolis	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Kansas City	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Dallas	7	5/12/78	6½	7½	5/12/78	7	8	5/12/78	7½	10	5/12/78	9½
San Francisco	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½

Range of rates in recent years[5]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971—Jan. 8	5¼–5½	5¼
15	5¼	5¼
19	5 –5¼	5¼
22	5 –5¼	5
29	5	5
Feb. 13	4¾–5	5
19	4¾	4¾
July 16	4¾–5	5
23	5	5
Nov 11	4¾–5	5
19	4¾	4¾
Dec. 13	4½–4¾	4¾
17	4½–4¾	4½
24	4½	4½
1973—Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
1973—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
1975—Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
In effect June 30, 1978	7	7

1 Discounts of eligible paper and advances secured by such paper or by U.S. Govt. obligations or any other obligations eligible for F.R. Bank purchase.

2 Advances secured to the satisfaction of the F.R. Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the Section 13 rate.

3 Applicable to special advances described in Section 201.2(e)(2) of Regulation A.

4 Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. Govt. or any agency thereof.

5 Rates under Secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941, Banking and Monetary Statistics, 1941–1970, Annual Statistical Digest, 1971–75,* and *Annual Statistical Digest, 1972–76.*

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Per cent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect June 30, 1978		Previous requirements	
	Per cent	Effective date	Per cent	Effective date
Net demand:[2]				
0–2	7	12/30/76	7½	2/13/75
2–10	9½	12/30/76	10	2/13/75
10–100	11¾	12/30/76	12	2/13/75
100–400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time:[2, 3]				
Savings	3	3/16/67	3½	3/2/67
Other time:				
0–5, maturing in—				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	[4] 2½	1/8/76	3	3/16/67
4 years or more	[4] 1	10/30/75	3	3/16/67
Over 5, maturing in—				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	[4] 2½	1/8/76	3	12/12/74
4 years or more	[4] 1	10/30/75	3	12/12/74

	Legal limits, June 30, 1978	
	Minimum	Maximum
Net demand:		
Reserve city banks	10	22
Other banks	7	14
Time	3	10

[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.

[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 are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are F.R. Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the Board's Regulation D.

(c) The Board's Regulation M requires a 4 per cent reserve against net balances due from domestic banks to their foreign branches and to foreign banks abroad. Effective Dec. 1, 1977, a 1 per cent reserve is required against deposits that foreign branches of U.S. banks use for lending to U.S. residents. Loans aggregating $100,000 or less to any U.S. resident are excluded from computations, as are total loans of a bank to U.S. residents if not exceeding $1 million. Regulation D imposes a similar reserve requirement on borrowings from foreign banks by domestic offices of a member bank.

[3] Negotiable orders of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

[4] The average of reserves on savings and other time deposits must be at least 3 per cent, the minimum specified by law.

NOTE.—Required reserves must be held in the form of deposits with F.R. Banks or vault cash.

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

Per cent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect June 30, 1978		Previous maximum		In effect June 30, 1978		Previous maximum	
	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(7)	5	(8)
2 Negotiable orders of withdrawal (NOW) accounts[1]	5	1/1/74	....	....	5	1/1/74	....	....
3 Variable-rate time deposit of less than $100,000[2]	(9)	(9)	(10)	....	(9)	(9)	(10)	....
Other time (multiple- and single-maturity unless otherwise indicated)[3]								
30-89 days:								
4 Multiple-maturity	5	7/1/73	4¼	1/21/70	(10)	....	(10)	....
5 Single-maturity			5	9/26/66				
90 days to 1 year:								
6 Multiple-maturity	5½	7/1/73	5	7/20/66	[4]5¾	(7)	5¼	1/21/70
7 Single-maturity				9/26/66				
8 1 to 2 years[4]	6	7/7/73	5½	1/21/70	6½	(7)	5¾	1/21/70
8 2 to 2½ years[4]			5¾	1/21/70			6	1/21/70
10 2½ to 4 years[4]	6½	7/1/73	5¾	1/21/70	6¾	(7)	6	1/21/70
11 4 to 6 years[5]	7¼	11/1/73	(11)	....	7½	11/1/73	(11)	....
12 6 to 8 years[5]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
13 8 years or more[5]	7¾	6/1/78	(10)	....	8	6/1/78	(10)	....
14 Governmental units (all maturities)	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
15 Individual retirement accounts and Keogh (H.R. 10) plans[6]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77

1 For authorized States only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks were first permitted to offer NOW accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976.

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

3 For exceptions with respect to certain foreign time deposits see the Federal Reserve BULLETIN for October 1962 (p. 1279), August 1965 (p. 1094), and February 1968 (p. 167).

4 A minimum of $1,000 is required for savings and loan associations, except in areas where mutual savings banks permit lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

5 $1,000 minimum 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.

6 3-year minimum maturity.

7 July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

8 Oct. 1, 1966, for mutual savings banks; Jan. 21, 1970, for savings and loan associations.

9 Ceiling rate for commercial banks is the discount rate on most recently issued 6-month U.S. Treasury bills. Ceiling rate for savings and loan associations and mutual savings banks is ¼ per cent higher than the rate for commercial banks. The rate for June were:

	June 3	June 10	June 17	June 24
Banks	7.160	7.095	7.121	7.228
Thrifts	7.410	7.345	7.371	7.478

10 No separate account category.

11 Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 per cent 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 per cent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, the present ceilings were imposed on certificates maturing in 4 years or more with minimum denominations of $1,000. There is no limitation on the amount of these certificates that banks can issue.

NOTE—Maximum rates that can be paid by Federally insured commercial banks, mutual savings banks, and savings and loan associations are 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. The maximum rates on time deposits in denominations of $100,000 or more were suspended in mid-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.

1.161 MARGIN REQUIREMENTS

Per cent of market value; effective dates shown.

Type of security on sale	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
1 Margin stocks	70	80	65	55	65	50
2 Convertible bonds	50	60	50	50	50	50
3 Short sales	70	80	65	55	65	50

NOTE.—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 per cent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

Regulation G and special margin requirements for bonds convertible into stocks were adopted by the Board of Governors effective Mar. 11, 1968.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
	U.S. GOVT. SECURITIES										
	Outright transactions (excl. matched sale-purchase transactions)										
	Treasury bills:										
1	Gross purchases	11,562	14,343	13,738	....	3,109	696	379	748	1,670	416
2	Gross sales	5,599	8,462	7,241	436	311	1,323	1,974	50	....	737
3	Redemptions	[2] 6,431	[2] 5,017	2,136	300	....	....	1,100	31	....	300
	Others within 1 year:[1]										
4	Gross purchases	3,886	472	3,017	....	99	56	....	288	100	53
5	Gross sales	....	....	....	....	....	....	....	....	....	....
6	Exchange, or maturity shift	−4	792	4,499	1,352	623	−511	−653	261	−292	−1,915
7	Redemptions	3,549	....	2,500	....	....	....	....	....	....	....
	1 to 5 years:										
8	Gross purchases	[2] 3,284	[2] 3,202	2,833	....	628	311	....	813	235	290
9	Gross sales	....	177	....	....	....	....	....	....	....	....
10	Exchange, or maturity shift	3,854	−2,588	−6,649	−1,267	−623	511	1,109	−261	292	−507
	5 to 10 years:										
11	Gross purchases	1,510	1,048	758	....	166	89	....	370	191	101
12	Gross sales	....	....	....	....	....	....	....	....	....	....
13	Exchange, or maturity shift	−4,697	1,572	584	−325	....	....	−906	....	....	1,526
	Over 10 years:										
14	Gross purchases	1,070	642	553	....	108	100	....	147	145	74
15	Gross sales	....	....	....	....	....	....	....	....	....	....
16	Exchange, or maturity shift	848	225	1,565	240	....	....	450	....	....	895
	All maturities:[1]										
17	Gross purchases	[2] 21,313	[2] 19,707	20,898	....	4,110	1,252	379	2,367	2,341	935
18	Gross sales	5,599	8,639	7,241	436	311	1,323	1,974	50	....	737
19	Redemptions	[2] 9,980	[2] 5,017	4,636	300	....	....	1,100	31	....	300
	Matched sale-purchase transactions										
20	Gross sales	151,205	196,078	425,214	56,899	32,320	54,859	40,128	44,976	42,262	40,634
21	Gross purchases	152,132	196,579	423,841	57,477	35,001	51,016	44,270	44,129	42,799	40,362
	Repurchase agreements										
22	Gross purchases	140,311	232,891	178,683	6,472	18,071	10,229	16,057	13,155	8,044	11,517
23	Gross sales	139,538	230,355	180,535	4,433	18,208	12,130	16,057	11,468	8,999	11,819
24	Net change in U.S. Govt. securities	7,434	9,087	5,798	1,880	6,342	−5,815	1,447	3,127	1,923	−674
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	1,616	891	1,433	....	707	....	....	....	....	....
26	Gross sales	....	....	....	....	....	....	....	....	....	....
27	Redemptions	246	169	223	*	32	*	22	53	....	34
	Repurchase agreements:										
28	Gross purchases	15,179	10,520	13,811	615	2,712	1,680	1,966	2,638	1,282	3,927
29	Gross sales	15,566	10,360	13,638	484	2,392	2,131	1,966	2,374	1,410	4,037
	BANKERS ACCEPTANCES										
30	Outright transactions, net	163	−545	−196	....	....	....	....	....	....	....
31	Repurchase agreements, net	−35	410	159	248	705	−954	....	770	−480	−17
32	**Net change in total System Account**	**8,539**	**9,833**	**7,143**	**2,260**	**8,042**	**−7,220**	**1,425**	**4,107**	**1,315**	**−834**

[1] Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): 1975, 3,549; 1976, none; Sept. 1977, 2,500.

[2] In 1975, the System obtained $421 million of 2-year Treasury notes in exchange for maturing bills. In 1976 there was a similar transaction amounting to $189 million. Acquisition of these notes is treated as a purchase; the run-off of bills, as a redemption.

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 F.R. Note Statements

Millions of dollars

	Account	Wednesday					End of month		
		1978					1978		
		May 31	June 7	June 14	June 21	June 28	April	May	June[p]
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,718	11,718	11,706	11,706	11,706	11,718	11,718	11,706
2	Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
3	Coin	291	281	284	284	284	324	291	284
	Loans:								
4	Member bank borrowings	1,167	551	1,553	2,574	2,648	1,750	1,167	1,428
5	Other	...	...	...	...	...	...	...	...
	Acceptances:								
6	Bought outright	...	...	...	...	...	...	...	...
7	Held under repurchase agreements	274	...	...	436	720	290	274	1,021
	Federal agency obligations:								
8	Bought outright	7,895	7,895	7,867	7,867	7,867	7,929	7,895	8,168
9	Held under repurchase agreements	26	...	...	659	1,076	135	26	358
	U.S. Govt. securities								
	Bought outright:								
10	Bills	39,673	36,682	33,983	44,290	43,139	40,565	39,673	44,080
11	Certificates—Special	...	...	...	...	...	...	...	...
12	Other	...	...	...	...	...	...	...	...
13	Notes	52,055	52,055	52,055	52,997	52,997	52,510	52,055	52,997
14	Bonds	10,667	10,667	10,667	10,782	10,782	9,693	10,667	10,782
15	Total[1]	102,395	99,404	96,705	108,069	106,918	102,768	102,395	107,859
16	Held under repurchase agreements	431	...	...	2,782	3,590	732	431	2,287
17	**Total U.S. Govt. securities**	**102,826**	**99,404**	**96,705**	**110,851**	**110,508**	**103,500**	**102,826**	**110,146**
18	**Total loans and securities**	**112,188**	**107,850**	**106,125**	**122,387**	**122,819**	**113,604**	**112,188**	**121,121**
19	Cash items in process of collection	11,854	13,163	13,526	13,064	11,794	9,206	11,854	9,529
20	Bank premises	388	388	388	390	390	387	388	389
	Other assets:								
21	Denominated in foreign currencies	121	76	57	49	33	54	121	58
22	All other	2,077	2,049	1,993	2,192	2,124	2,720	2,077	2,007
23	**Total assets**	**139,887**	**136,775**	**135,329**	**151,322**	**150,400**	**139,263**	**139,887**	**146,344**
	LIABILITIES								
24	F.R. notes	94,570	95,020	95,133	94,854	95,274	92,331	94,570	95,345
	Deposits:								
25	Member bank reserves	30,135	25,438	24,505	30,559	31,531	28,321	30,135	28,130
26	U.S. Treasury—General account	2,398	4,989	3,631	14,132	12,173	7,177	2,398	11,614
27	Foreign	454	281	248	274	209	481	454	288
28	Other[2]	660	594	675	652	663	684	660	773
29	**Total deposits**	**33,647**	**31,302**	**29,059**	**45,617**	**44,576**	**36,663**	**33,647**	**40,805**
30	Deferred availability cash items	7,435	6,725	6,843	6,864	6,383	6,189	7,435	6,001
31	Other liabilities and accrued dividends	1,514	1,484	1,910	1,464	1,569	1,420	1,514	1,559
32	**Total liabilities**	**137,166**	**134,531**	**132,945**	**148,799**	**147,802**	**136,603**	**137,166**	**143,710**
	CAPITAL ACCOUNTS								
33	Capital paid in	1,053	1,052	1,054	1,056	1,056	1,050	1,053	1,056
34	Surplus	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029
35	Other capital accounts	639	163	301	438	513	581	639	549
36	**Total liabilities and capital accounts**	**139,887**	**136,775**	**135,329**	**151,322**	**150,400**	**139,263**	**139,887**	**146,344**
37	MEMO: Marketable U.S. Govt. securities held in custody for foreign and intl. account	84,854	85,854	84,946	83,980	84,416	85,141	84,854	85,688
		Federal Reserve note statement							
38	F.R. notes outstanding (issued to Bank)	105,008	105,154	105,262	105,455	105,623	104,164	105,008	105,651
	Collateral held against notes outstanding:								
39	Gold certificate account	11,718	11,718	11,706	11,706	11,706	11,717	11,718	11,706
40	Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
41	Eligible paper	1,107	537	1,375	2,238	2,476	1,580	1,107	1,368
42	U.S. Govt. securities	90,933	91,649	90,931	90,261	90,191	89,617	90,933	91,327
43	**Total collateral**	**105,008**	**105,154**	**105,262**	**105,455**	**105,623**	**104,164**	**105,008**	**105,651**

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

2 Includes certain deposits of domestic nonmember banks and foreign-owned banking institutions voluntarily held with member banks and redeposited in full with F.R. Banks.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday 1978					End of month 1978		
	May 31	June 7	June 14	June 21	June 28	Apr. 30	May 31	June 30
1 **Loans**	**1,167**	**553**	**1,553**	**2,575**	**2,648**	**1,751**	**1,167**	**1,428**
2 Within 15 days	1,120	493	1,500	2,547	2,610	1,731	1,120	1,343
3 16 days to 90 days	47	60	53	28	38	20	47	85
4 91 days to 1 year	....	....	....	....	....	....	....	....
5 **Acceptances**	**274**	....	....	**436**	**720**	**290**	**274**	**1,021**
6 Within 15 days	274	....	....	436	720	290	274	1,021
7 16 days to 90 days	....	....	....	....	....	....	....	....
8 91 days to 1 year	....	....	....	....	....	....	....	....
9 **U.S. Govt. securities**	**102,826**	**99,404**	**96,705**	**110,851**	**110,508**	**103,500**	**102,826**	**110,146**
10 Within 15 days[1]	2,956	2,235	2,195	9,802	8,243	3,710	2,956	4,958
11 16 days to 90 days	20,129	17,447	14,863	19,980	20,010	21,381	20,129	21,179
12 91 days to 1 year	29,416	29,398	29,323	29,823	31,009	30,757	29,416	32,383
13 Over 1 year to 5 years	29,687	29,686	29,686	30,404	30,404	29,611	29,687	30,784
14 Over 5 years to 10 years	11,760	11,760	11,760	11,849	11,849	10,132	11,760	11,849
15 Over 10 years	8,878	8,878	8,878	8,993	8,993	7,909	8,878	8,993
16 **Federal agency obligations**	**7,921**	**7,895**	**7,867**	**8,526**	**8,943**	**8,064**	**7,921**	**8,526**
17 Within 15 days[1]	168	98	....	690	1,107	189	168	389
18 16 days to 90 days	105	152	262	232	232	231	105	232
19 91 days to 1 year	1,347	1,344	1,437	1,437	1,437	1,152	1,347	1,482
20 Over 1 year to 5 years	3,817	3,817	3,795	3,794	3,794	3,991	3,817	3,921
21 Over 5 years to 10 years	1,637	1,637	1,526	1,526	1,526	1,644	1,637	1,631
22 Over 10 years	847	847	847	847	847	857	847	871

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. Monthly data are at annual rates.

Bank group, or type of customer	1975	1976	1977 Dec.[r]	1978 Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May
	Debits to demand deposits [2] (seasonally adjusted)							
1 All commercial banks	25,028.5	29,180.4	34,322.8	37,054.6	36,477.2	37,129.4	39,236.3	39,685.9
2 Major New York City banks	9,670.7	11,467.2	13,860.6	14,327.8	13,422.3	13,664.7	15,128.5	14,775.4
3 Other banks	15,357.8	17,713.2	20,462.2	22,726.8	23,054.9	23,464.6	24,107.8	24,910.5
	Debits to savings deposits [3] (not seasonally adjusted)							
4 All customers	....	....	174.0	387.4	317.6	380.8	424.5	395.6
5 Business [1]	....	....	21.7	50.2	42.3	48.1	49.3	51.2
6 Others	....	....	152.3	337.2	275.3	332.7	375.2	344.4
	Demand deposit turnover [2] (seasonally adjusted)							
7 All commercial banks	105.3	116.8	129.2	132.5	131.1	134.1	138.0	139.7
8 Major New York City banks	356.9	411.6	503.0	508.5	494.2	520.1	548.0	555.3
9 Other banks	72.9	79.8	85.9	90.3	91.8	93.6	93.9	96.8
	Savings deposit turnover [3] (not seasonally adjusted)							
10 All customers	....	....	1.6	1.8	1.5	1.7	1.9	1.8
11 Business [1]	....	....	4.1	4.7	4.0	4.6	4.7	4.7
12 Others	....	....	1.5	1.6	1.3	1.6	1.8	1.6

1 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).

2 Represents accounts of individuals, partnerships, and corporations, and of States and political subdivisions.

3 Excludes negotiable orders of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.

NOTE.—Historical data estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSA's, which were available through June 1977 are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1974 Dec.	1975 Dec.	1976 Dec.	1977[r] Dec.	1977 Dec.[r]	1978 Jan.[r]	1978 Feb.[r]	1978 Mar.[r]	1978 Apr.[r]	1978 May
	Seasonally adjusted									
MEASURES[1]										
1 *M*-1	282.9	294.5	312.6	337.2	337.2	340.1	339.9	340.9	346.3	348.6
2 *M*-2	612.2	664.1	739.6	808.4	808.4	814.8	818.0	821.8	829.7	835.1
3 *M*-3	981.2	1,091.8	1,235.6	1,375.0	1,375.0	1,385.4	1,392.0	1,399.5	1,410.9	1,419.7
4 *M*-4	701.2	745.4	802.3	882.4	882.4	891.1	897.4	903.9	913.2	922.2
5 *M*-5	1,070.3	1,173.2	1,298.3	1,449.0	1,449.0	1,461.7	1,471.3	1,481.5	1,494.3	1,506.8
COMPONENTS										
6 Currency	67.8	73.7	80.7	88.6	88.6	89.4	90.1	90.7	91.3	92.2
Commercial bank deposits:										
7 Demand	215.1	220.8	231.9	248.6	248.6	250.7	249.8	250.2	255.1	256.4
8 *Time and savings*	*418.3*	*450.9*	*489.7*	*545.2*	*545.2*	*551.0*	*557.5*	*562.9*	*566.8*	*573.6*
9 Negotiable CD's[2]	89.0	81.3	62.7	74.0	74.0	76.3	79.4	82.0	83.4	87.1
10 Other	329.3	369.6	427.0	471.2	471.2	474.7	478.1	480.9	483.4	486.5
11 Nonbank thrift institutions[3]	369.1	427.8	496.0	566.6	566.6	570.7	574.0	577.7	581.2	584.6
	Not seasonally adjusted									
MEASURES[1]										
12 *M*-1	291.3	303.2	321.7	346.9	346.9	345.9	334.1	336.2	348.7	343.3
13 *M*-2	617.5	669.3	744.8	813.8	813.8	819.4	812.8	820.4	836.0	833.6
14 *M*-3	983.8	1,094.3	1,237.5	1,376.3	1,376.3	1,387.8	1,384.9	1,399.5	1,420.7	1,420.2
15 *M*-4	708.0	752.8	809.1	889.7	889.7	895.8	889.7	900.6	917.4	918.2
16 *M*-5	1,074.3	1,177.7	1,301.8	1,452.3	1,452.3	1,464.2	1,461.8	1,479.7	1,502.0	1,504.9
COMPONENTS										
17 Currency	69.0	75.1	82.1	90.1	90.1	88.7	89.0	90.0	91.1	92.0
Commercial bank deposits:										
18 *Demand*	*222.2*	*228.1*	*239.5*	*256.8*	*256.8*	*257.2*	*245.0*	*246.2*	*257.6*	*251.3*
19 Member	159.7	162.1	168.5	176.3	176.3	175.8	167.3	168.4	175.7	171.2
20 Domestic nonmember	58.5	62.6	67.5	75.9	76.2	76.9	73.6	73.8	77.8	76.2
21 *Time and savings*	*416.7*	*449.6*	*487.4*	*542.8*	*542.8*	*549.9*	*555.7*	*564.4*	*568.7*	*574.9*
22 Negotiable CD's[2]	90.5	83.5	64.3	75.9	75.9	76.4	76.9	80.2	81.4	84.6
23 Other	326.3	366.2	423.1	466.9	466.9	473.5	478.8	484.2	487.3	490.3
24 Nonbank thrift institutions[3]	366.3	424.9	492.7	562.5	562.5	568.4	572.1	579.1	584.6	586.7
25 U.S. Govt. deposits (all commercial banks)	4.9	4.1	4.4	5.1	5.1	4.3	4.3	4.7	4.9	3.9

1 Composition of the money stock measures is as follows:

M-1: Averages of daily figures for (1) demand deposits at commercial banks other than domestic interbank and U.S. Govt., less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of commercial banks.

M-2: *M*-1 plus savings deposits, time deposits open account, and time certificates of deposit (CD's) other than negotiable CD's of $100,000 or more at large weekly reporting banks.

M-3: *M*-2 plus the average of the beginning- and end-of-month deposits of mutual savings banks, savings and loan shares, and credit union shares (nonbank thrift).

M-4: *M*-2 plus large negotiable CD's.

M-5: *M*-3 plus large negotiable CD's.

For a description of the latest revisions in the money stock measures see "Money Stock Measures: Revision" in the April 1978 BULLETIN, pp. 338 and 339.

Latest monthly and weekly figures are available from the Board's H.6 release. Back data are available from the Banking Section, Division of Research and Statistics.

2 Negotiable time CD's issued in denominations of $100,000 or more by large weekly reporting commercial banks.

3 Average of the beginning- and end-of-month figures for deposits of mutual savings banks, for savings capital at savings and loan associations, and for credit union shares.

NOTES TO TABLE 1.23:

1 Adjusted to exclude domestic commercial interbank loans.

2 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. Prior to Aug. 28, 1974, the institutions included had been defined somewhat differently, and the reporting panel of banks was also different. On the new basis, both "Total loans" and "Commercial and industrial loans" were reduced by about $100 million.

3 Data beginning June 30, 1974, include one large mutual savings bank that merged with a nonmember commercial bank. As of that date there were increases of about $500 million in loans, $100 million in "Other" securities, and $600 million in "Total loans and investments."

As of Oct. 31, 1974, "Total loans and investments" of all commercial banks were reduced by $1.5 billion in connection with the liquidation of one large bank. Reductions in other items were: "Total loans," $1.0 billion (of which $0.6 billion was in "Commercial and industrial loans"), and "Other securities," $0.5 billion. In late November "Commercial and industrial loans" were increased by $0.1 billion as a result of loan reclassifications at another large bank.

4 Reclassification of loans reduced these loans by about $1.2 billion as of Mar. 31, 1976.

5 Reclassification of loans at one large bank reduced these loans by about $200 million as of Dec. 31, 1977.

NOTE.—Data are for last Wednesday of month except for June 30 and Dec. 31; data are partly or wholly estimated except when June 30 and Dec. 31 are call dates.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1974 Dec.	1975 Dec.	1976 Dec.	1977 Sept.	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
	Seasonally adjusted											
1 **Reserves**[1]	36.57	34.68	34.93	35.52	35.81	35.96	36.14	36.60	36.93	36.67	36.95	37.27
2 Nonborrowed	35.84	34.55	34.89	34.89	34.50	35.10	35.57	36.12	36.53	36.34	36.40	36.06
3 Required	36.31	34.42	34.29	35.31	35.60	35.71	35.95	36.33	36.69	36.47	36.81	37.05
4 **Deposits subject to reserve requirements**[2]	486.1	504.6	528.9	553.0	558.5	564.4	569.1	575.7	577.8	582.1	586.1	592.1
5 Time and savings	322.1	337.1	354.3	373.0	377.1	383.5	387.0	390.5	395.4	399.2	400.7	406.0
Demand:												
6 Private	160.6	164.5	171.4	176.7	178.3	178.0	178.5	182.1	179.5	179.6	182.0	183.5
7 U.S. Govt	3.3	2.9	3.2	3.3	3.1	3.0	3.6	3.1	3.0	3.4	3.3	2.6
	Not seasonally adjusted											
8 **Deposits subject to reserve requirements**[2]	491.8	510.9	534.8	552.1	558.2	562.1	575.3	581.3	572.5	579.4	588.6	588.3
9 Time ans savings	321.7	337.2	353.6	373.0	377.5	380.7	386.4	390.3	393.2	399.3	401.2	406.1
Demand:												
10 Private	166.6	170.7	177.9	175.2	178.0	178.7	185.1	187.9	176.1	176.6	183.8	179.3
11 U.S. Govt	3.4	3.1	3.3	3.8	2.7	2.6	3.8	3.1	3.1	3.5	3.6	2.9

1 Series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. There are breaks in series because of changes in reserve requirements effective Dec. 12, 1974; Feb. 13, May 22, and Oct. 30, 1975; Jan. 8, and Dec. 30, 1976. In addition, effective Jan. 1, 1976, statewide branching in New York was instituted. The subsequent merger of a number of banks raised required reserves because of higher reserve requirements on aggregate deposits at these banks.

2 Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. Govt., less cash items in process of collection and demand balances due from domestic commercial banks.

NOTE.—Back data and estimates of the impact on required reserves and changes in reserve requirements are shown in Table 14 of the Board's *Annual Statistical Digest, 1971–1975*.

1.23 LOANS AND INVESTMENTS All Commercial Banks

Billions of dollars; last Wednesday of month except for June 30 and Dec. 31

Category	1974 Dec. 31 3	1975 Dec. 31	1976 Dec. 31	1977 Dec. 31	1978 Jan. 25 p	1978 Feb. 22 p	1978 Mar. 29 p	1978 Apr. 26 p	1978 May 31 p	1978 June 30 p
	Seasonally adjusted									
1 **Loans and investments**[1]	690.4	721.1	784.4	870.6	880.6	886.6	892.2	906.0	917.9	922.4
2 Including loans sold outright[2]	695.2	725.5	788.2	875.5	885.4	891.2	896.7	910.5	922.3	926.9
Loans:										
3 Total	500.2	496.9	538.9	617.0	624.9	628.2	636.5	646.3	657.9	661.2
4 Including loans sold outright[2]	505.0	501.3	542.7	621.9	629.7	632.8	641.0	650.8	662.3	665.7
5 Commercial and industrial	183.3	176.0	4179.5	5201.4	203.9	206.1	210.3	213.3	219.2	220.4
6 Including loans sold outright[2]	186.0	178.5	4181.9	5204.2	206.4	208.4	212.5	215.6	221.5	222.6
Investments:										
7 U.S. Treasury	50.4	79.4	97.3	95.6	96.3	99.0	95.6	97.6	97.1	98.4
8 Other	139.8	144.8	148.2	158.0	159.4	159.4	160.1	162.1	162.9	162.8
	Not seasonally adjusted									
9 **Loans and investments**[1]	705.6	737.0	801.6	888.9	876.1	878.4	889.7	904.9	917.0	928.9
10 Including loans sold outright[2]	710.4	741.4	805.4	893.8	880.8	883.0	894.2	909.4	921.4	933.3
Loans:										
11 Total[1]	510.7	507.4	550.2	629.9	619.3	620.3	631.6	642.3	657.1	669.2
12 Including loans sold outright[2]	515.5	511.8	554.0	634.8	624.1	624.9	636.1	646.8	661.5	673.7
13 Commercial and industrial	186.8	179.3	4182.9	5205.0	201.7	204.2	210.0	213.8	219.2	223.0
14 Including loans sold outright[2]	189.5	181.8	4185.3	5207.8	204.2	206.5	212.2	216.1	221.5	225.2
Investments:										
15 U.S. Treasury	54.5	84.1	102.5	100.2	97.9	99.6	98.6	99.6	96.6	96.1
16 Other	140.5	145.5	148.9	158.8	158.8	158.5	159.6	163.1	163.4	163.6

For notes see bottom of opposite page.

1.24 COMMERCIAL BANK ASSETS AND LIABILITIES Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	Account	1976	1977[3]				1978[3]					
		Dec.[3]	Sept.	Oct.	Nov.	Dec.	Jan.p	Feb.p	Mar.p	Apr.p	May.p	June.p
		All commercial										
1	**Loans and investments**	**846.4**	**892.3**	**898.9**	**916.5**	**939.1**	**921.6**	**926.0**	**936.0**	**947.7**	**967.4**	**966.8**
2	Loans, gross	594.9	637.4	643.4	659.3	680.1	664.9	668.0	677.8	685.0	707.4	707.8
	Investments:											
3	U.S. Treasury securities	102.5	98.8	98.2	98.5	100.2	97.9	99.6	98.6	99.6	96.6	95.9
4	Other	148.9	156.1	157.3	158.8	158.8	158.8	158.5	159.6	163.1	163.4	163.2
5	**Cash assets**	**136.1**	**128.6**	**129.3**	**138.6**	**168.7**	**126.9**	**145.2**	**131.5**	**134.1**	**162.7**	**142.6**
6	Currency and coin	12.1	13.9	13.8	14.6	13.9	14.0	13.8	14.3	14.1	14.3	14.6
7	Reserves with F.R. Banks	26.1	30.0	28.3	26.3	29.3	26.6	31.0	30.2	27.6	30.3	30.8
8	Balances with banks	49.6	42.7	44.4	46.8	59.0	42.4	46.9	44.1	44.7	53.3	45.5
9	Cash items in process of collection	48.4	42.1	42.8	50.9	66.4	43.9	53.5	43.0	47.6	64.7	51.6
10	**Total assets/total liabilities and capital[1]**	**1,030.7**	**1,077.8**	**1,085.2**	**1,119.3**	**1,166.0**	**1,113.7**	**1,136.4**	**1,136.7**	**1,151.2**	**1,199.5**	**1,177.3**
11	**Deposits**	**838.2**	**854.1**	**861.5**	**887.2**	**939.4**	**883.6**	**899.7**	**896.2**	**910.3**	**946.1**	**926.2**
	Demand:											
12	Interbank	45.4	37.1	37.4	41.7	51.7	37.1	42.6	37.4	38.8	50.7	40.5
13	U.S. Govt.	3.0	8.1	3.6	4.8	7.3	4.5	5.8	4.8	6.1	3.2	7.1
14	Other	288.4	272.9	280.0	294.0	323.9	284.2	288.6	280.2	292.0	310.6	294.9
	Time:											
15	Interbank	9.2	8.5	8.6	9.0	9.8	9.1	8.7	9.0	9.0	9.4	9.8
16	Other	492.2	527.6	531.9	537.8	546.6	548.8	554.0	564.8	564.4	572.2	573.9
17	Borrowings	80.2	95.6	95.6	99.4	96.2	99.9	103.7	105.7	104.5	111.4	109.0
18	**Total capital accounts[2]**	**78.1**	**80.1**	**80.7**	**81.6**	**85.8**	**82.4**	**82.8**	**83.3**	**83.7**	**84.6**	**84.7**
19	MEMO: Number of banks	14,671	14,724	14,718	14,718	14,707	14,703	14,682	14,689	14,697	14,702	14,702
		Member										
20	**Loans and investments**	**620.5**	**640.8**	**645.2**	**658.6**	**675.5**	**659.5**	**661.8**	**668.6**	**676.8**	**693.8**	**691.5**
21	Loans, gross	442.9	463.0	467.1	479.0	494.9	481.8	483.1	490.5	495.3	514.3	512.8
	Investments:											
22	U.S. Treasury securities	74.6	69.6	68.9	69.2	70.4	67.7	69.2	68.2	68.8	66.9	66.2
23	Other	103.1	108.3	109.3	110.3	110.1	110.0	109.5	109.9	112.7	112.7	112.5
24	**Cash assets, total**	**108.9**	**103.1**	**102.3**	**110.6**	**134.4**	**102.2**	**117.2**	**104.8**	**106.5**	**130.7**	**114.6**
25	Currency and coin	9.1	10.2	10.2	10.8	10.4	10.4	10.2	10.6	10.5	10.6	10.8
26	Reserves with F.R. Banks	26.0	30.0	28.3	26.3	29.3	26.6	31.0	30.2	27.6	30.3	30.8
27	Balances with banks	27.4	22.5	22.8	24.7	30.8	23.0	24.6	22.9	22.7	28.1	23.6
28	Cash items in process of collection	46.5	40.4	41.0	48.9	63.9	42.2	51.4	41.2	45.7	61.7	49.4
29	**Total assets/total liabilities and capital[1]**	**772.9**	**793.2**	**796.5**	**823.9**	**861.8**	**818.0**	**835.3**	**833.2**	**843.3**	**884.7**	**864.5**
30	**Deposits**	**618.7**	**617.0**	**620.9**	**641.8**	**683.5**	**636.8**	**649.2**	**645.1**	**655.1**	**686.7**	**668.4**
	Demand:											
31	Interbank	42.4	34.3	34.6	38.7	48.0	34.4	39.5	34.7	36.0	47.5	37.7
32	U.S. Govt.	2.1	6.4	2.6	3.6	5.4	3.4	4.4	3.7	4.5	2.2	5.1
33	Other	215.5	200.3	205.3	216.4	239.4	208.4	211.8	205.1	213.4	229.1	216.2
	Time:											
34	Interbank	7.2	6.3	6.5	6.8	7.8	7.1	6.7	7.0	6.9	7.3	7.7
35	Other	351.5	369.6	372.0	376.2	382.9	383.5	386.9	394.7	394.3	400.5	401.7
36	Borrowings	71.7	84.0	83.8	87.8	84.9	88.0	90.8	91.8	91.1	96.9	94.2
37	**Total capital accounts[2]**	**58.6**	**60.2**	**60.6**	**61.2**	**63.7**	**61.8**	**62.1**	**62.4**	**62.7**	**63.3**	**63.4**
38	MEMO: Number of banks	5,759	5,692	5,686	5,680	5,669	5,659	5,659	5,654	5,645	5,638	5,638

1 Includes items not shown separately.
Effective Mar. 31, 1976, some of the item "reserve for loan losses" and all of the item "unearned income on loans" are no longer reported as liabilities. As of that date the "valuation" portion of "reserve for loan losses" and the "unearned income on loans" have been netted against "other assets," and against "total assets" as well.
Total liabilities continue to include the deferred income tax portion of "reserve for loan losses."
2 Effective Mar. 31, 1976, includes "reserves for securities" and the contingency portion (which is small) of "reserve for loan losses."
3 Figures partly estimated except on call dates.

NOTE.—Figures include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.
Commercial banks: All such banks in the United States, including member and nonmember banks, stock savings banks, nondeposit trust companies, and U.S. branches of foreign banks, but excluding one national bank in Puerto Rico and one in the Virgin Islands.
Member banks: The following numbers of noninsured trust companies that are members of the Federal Reserve System are excluded from member banks in Tables 1.24 and 1.25 and are included with noninsured banks in Table 1.25: 1974—June, 2; December, 3; 1975—June and December, 4; 1976 (beginning month shown)—July, 5; December, 7; 1977–January, 8.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars except for number of banks

	Account	1976 June 30	1976 Dec. 31	1977 June 30	1977 Dec. 31	1976 June 30	1976 Dec. 31	1977 June 30	1977 Dec. 31
		Total insured				National (all insured)			
1	**Loans and investments, gross**	**773,701**	**827,696**	**854,734**	**914,783**	**443,959**	**476,610**	**488,240**	**523,000**
	Loans:								
2	Gross	539,021	578,734	601,122	657,513	315,628	340,691	351,311	384,722
3	Net	520,976	560,076	581,143	636,323	305,280	329,971	339,955	372,702
	Investments:								
4	U.S. Treasury securities	90,947	101,461	100,568	99,333	49,688	55,727	[r]53,345	52,244
5	Other	143,731	147,500	[r]153,053	157,937	78,642	80,191	[r]83,583	86,033
6	Cash assets	124,072	129,562	130,726	159,264	75,488	76,072	74,641	92,050
7	**Total assets/total liabilities**[1]	**942,519**	**1,003,969**	**1,040,945**	**1,129,711**	**548,702**	**583,304**	**599,743**	**651,360**
8	**Deposits**	**776,957**	**825,003**	**847,372**	**922,664**	**444,251**	**469,377**	**476,381**	**520,167**
	Demand:								
9	U.S. Govt	4,622	3,022	2,817	7,310	2,858	1,676	1,632	4,172
10	Interbank	37,502	44,064	44,965	49,849	20,329	23,149	22,876	25,646
11	Other	265,671	285,200	284,544	319,873	152,383	163,346	161,358	181,821
	Time:								
12	Interbank	9,406	8,248	7,721	8,731	5,532	4,907	4,599	5,730
13	Other	459,753	484,467	507,324	536,899	263,147	276,296	285,915	302,795
14	Borrowings	63,828	75,291	81,137	89,332	45,187	54,421	57,283	63,218
15	**Total capital accounts**	**68,988**	**72,061**	**75,503**	**79,084**	**39,501**	**41,319**	**43,142**	**44,994**
16	MEMO: Number of banks	14,373	14,397	14,425	14,397	4,747	4,735	4,701	4,654
		State member (all insured)				Insured nonmember			
17	**Loans and investments, gross**	**136,915**	**144,000**	**144,597**	**152,518**	**192,825**	**207,085**	**221,896**	**239,265**
	Loans:								
18	Gross	98,889	102,277	102,117	110,247	124,503	135,766	[r]147,694	162,543
19	Net	96,037	99,474	99,173	107,210	119,658	130,630	[r]142,015	156,411
	Investments:								
20	U.S. Treasury securities	16,323	18,849	19,296	18,179	24,934	26,884	27,926	28,909
21	Other	21,702	[r]22,874	23,183	24,091	43,387	44,434	[r]46,275	47,812
22	Cash assets	30,422	32,859	35,918	42,305	18,161	20,631	20,166	24,908
23	**Total assets/total liabilities**[1]	**179,649**	**189,578**	**195,452**	**210,441**	**214,167**	**231,086**	**245,749**	**267,910**
24	**Deposits**	**142,061**	**149,491**	**152,472**	**163,443**	**190,644**	**206,134**	**218,519**	**239,053**
	Demand:								
25	U.S. Govt	869	429	371	1,241	894	917	813	1,896
26	Interbank	15,833	19,295	20,568	22,353	1,339	1,619	1,520	1,849
27	Other	49,659	52,204	52,570	57,605	63,629	69,648	70,615	80,445
	Time:								
28	Interbank	3,074	2,384	2,134	2,026	799	956	988	973
29	Other	72,624	75,178	76,827	80,216	123,980	132,993	144,581	153,887
30	Borrowings	15,300	17,310	19,697	21,729	3,339	3,559	4,155	4,384
31	**Total capital accounts**	**12,791**	**13,199**	**13,441**	**14,184**	**16,696**	**17,542**	**18,919**	**19,905**
32	MEMO: Number of banks	1,029	1,023	1,019	1,014	8,597	8,639	8,705	8,729
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, gross**	**15,905**	**18,819**	**22,940**	**24,415**	**208,730**	**225,904**	**244,837**	**263,681**
	Loans:								
34	Gross	13,209	16,336	20,865	22,686	137,712	152,103	[r]168,559	185,230
35	Net	13,092	16,209	20,679	22,484	132,751	146,840	[r]162,694	178,896
	Investments:								
36	U.S. Treasury securities	472	1,054	993	879	25,407	27,938	28,919	29,788
37	Other	2,223	1,428	1,081	849	45,610	45,863	[r]47,357	48,662
38	Cash assets	4,362	6,496	8,330	9,458	22,524	27,127	28,496	34,367
39	**Total assets/total liabilities**[1]	**21,271**	**26,790**	**33,390**	**36,433**	**235,439**	**257,877**	**279,139**	**304,343**
40	**Deposits**	**11,735**	**13,325**	**14,658**	**16,844**	**202,380**	**219,460**	**233,177**	**255,898**
	Demand:								
41	U.S. Govt	4	4	8	10	899	921	822	1,907
42	Interbank	1,006	1,277	1,504	1,868	2,346	2,896	3,025	3,718
43	Other	2,555	3,236	3,588	4,073	66,184	72,884	74,203	84,518
	Time:								
44	Interbank	1,292	1,041	1,164	1,089	2,092	1,997	2,152	2,063
45	Other	6,876	7,766	8,392	9,802	130,857	140,760	152,974	163,690
46	Borrowings	3,372	4,842	7,056	6,908	6,711	8,401	11,212	11,293
47	**Total capital accounts**	**663**	**818**	**893**	**917**	**17,359**	**18,360**	**19,812**	**20,823**
48	MEMO: Number of banks	270	275	293	310	8,867	8,914	8,998	9,039

1 Includes items not shown separately.

For Note see Table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, December 31, 1977

Asset and liability items are shown in millions of dollars.

Asset account	All commercial banks	Insured commercial banks	Member banks[1]						Non-member banks[1]
			Total	Large banks			All other	
				New York City	City of Chicago	Other large[2]		
1 **Cash bank balances, items in process**	**168,723**	**159,264**	**134,355**	**39,317**	**5,664**	**48,457**	**40,918**	**34,368**
2 Currency and coin	13,925	13,916	10,379	1,004	231	3,551	5,592	3,546
3 Reserves with F.R. Banks	29,338	29,338	29,338	5,073	1,476	11,549	11,240	*
4 Demand balances with banks in United States	44,654	39,075	22,984	8,925	387	3,530	10,142	21,671
5 Other balances with banks in United States	7,050	5,722	3,264	407	14	1,075	1,768	3,786
6 Balances with banks in foreign countries	7,324	4,932	4,526	786	169	2,146	1,424	2,798
7 Cash items in process of collection	66,432	66,281	63,866	23,123	3,387	26,605	10,751	2,566
8 **Total securities held—Book value**	**257,353**	**255,660**	**179,183**	**21,786**	**8,487**	**57,684**	**91,227**	**78,170**
9 U.S. Treasury	100,213	99,333	70,424	10,959	3,458	23,017	32,990	29,789
10 Other U.S. Govt agencies	36,689	36,389	23,049	1,639	928	6,458	14,025	13,639
11 States and political subdivisions	113,834	113,587	81,386	8,829	3,811	26,912	41,835	32,447
12 All other securities	6,520	6,254	4,259	360	290	1,271	2,338	2,261
13 Unclassified total	98	97	64	*	....	26	38	34
14 *Trading-account securities*	*6,404*	*6,403*	*6,266*	*2,938*	*838*	*2,261*	*230*	*138*
15 U.S. Treasury	3,871	3,871	3,859	2,204	487	1,110	58	11
16 Other U.S. Govt. agencies	629	629	625	220	72	283	50	3
17 States and political subdivisions	1,211	1,211	1,191	392	151	565	83	19
18 All other trading acct. securities	597	597	526	121	129	276	1	71
19 Unclassified	98	97	64	*	....	26	38	34
20 *Bank investment portfolios*	*250,949*	*249,257*	*172,917*	*18,848*	*7,648*	*55,423*	*90,997*	*78,032*
21 U.S. Treasury	96,342	95,463	66,565	8,755	2,971	21,906	32,933	29,777
22 Other U.S. Govt. agencies	36,060	35,760	22,424	1,418	856	6,175	13,975	13,636
23 States and political subdivisions	112,623	112,377	80,195	8,437	3,660	26,347	41,751	32,428
24 All other portfolio securities	5,923	5,657	3,733	238	162	995	2,337	2,190
25 F.R. stock and corporate stock	1,647	1,610	1,366	305	103	502	456	281
26 **Federal funds sold and securities resale agreement**	**53,854**	**49,690**	**38,889**	**3,359**	**1,354**	**20,136**	**14,040**	**14,964**
27 Commercial banks	44,988	41,177	30,701	1,315	1,180	15,328	12,877	14,287
28 Brokers and dealers	5,451	5,443	5,232	1,186	122	2,947	977	220
29 Others	3,415	3,069	2,957	859	52	1,861	186	458
30 **Other loans, gross**	**626,347**	**607,824**	**456,080**	**78,064**	**23,869**	**169,778**	**184,368**	**170,266**
31 LESS: Unearned income on loans	14,619	14,564	9,801	602	97	3,171	5,930	4,818
32 Reserves for loan loss	6,773	6,626	5,257	1,197	312	1,977	1,772	1,517
33 Other loans, net	604,955	586,634	441,023	76,266	23,461	164,630	176,666	163,932
Other loans, gross, by category								
34 *Real estate loans*	*177,172*	*176,916*	*122,044*	*9,482*	*2,360*	*44,851*	*65,351*	*55,128*
35 Construction and land development	20,724	20,709	15,640	2,206	492	7,569	5,373	5,084
36 Secured by farmland	7,750	7,731	3,330	19	8	335	2,968	4,420
37 Secured by residential	100,996	100,847	70,852	4,668	1,263	26,393	38,528	30,144
38 *1- to 4-family residences*	*96,102*	*95,961*	*67,318*	*4,133*	*1,159*	*25,099*	*36,926*	*28,785*
39 FHA-insured or VA-guaranteed	7,657	7,601	6,612	564	51	3,514	2,483	1,045
40 Conventional	88,445	88,361	60,705	3,569	1,108	21,585	34,443	27,740
41 *Multifamily residences*	*4,894*	*4,886*	*3,535*	*536*	*104*	*1,294*	*1,601*	*1,359*
42 FHA-insured	408	401	336	129	23	99	85	72
43 Conventional	4,486	4,485	3,199	407	81	1,195	1,517	1,287
44 Secured by other properties	47,701	47,630	32,221	2,588	596	10,555	18,482	15,480
45 *Loans to financial institutions*	*43,663*	*36,703*	*34,585*	*12,292*	*4,242*	*15,035*	*3,016*	*9,079*
46 To REIT's and mortgage companies	9,050	9,036	8,684	2,547	923	4,520	694	366
47 To domestic commercial banks	5,200	3,149	2,500	838	111	1,324	228	2,700
48 To banks in foreign countries	11,408	7,244	6,995	3,254	348	2,783	610	4,414
49 To other depository institutions	1,935	1,747	1,595	224	31	1,044	295	340
50 To other financial institutions	16,069	15,527	14,811	5,428	2,829	5,365	1,189	1,258
51 Loans to security brokers and dealers	13,060	12,781	12,440	7,760	1,791	2,561	328	620
52 Other loans to purch./carry securities	4,350	4,329	3,596	440	349	1,815	992	754
53 Loans to farmers—except real estate	25,730	25,704	14,183	169	149	3,365	10,500	11,548
54 Commercial and industrial loans	205,014	195,455	158,823	38,763	11,613	61,462	46,985	46,191
55 Loans to individuals	140,392	140,273	97,074	6,479	2,159	34,723	53,714	43,317
56 *Instalment loans*	*112,439*	*112,370*	*77,717*	*4,804*	*1,380*	*28,330*	*43,203*	*34,722*
57 Passenger automobiles	49,586	49,571	31,708	893	156	9,362	21,297	17,878
58 Residential-repair/modernize	7,283	7,283	4,846	296	67	1,768	2,715	2,437
59 Credit cards and related plans	18,375	18,367	16,187	2,119	975	8,840	4,253	2,188
60 Charge-account credit cards	14,608	14,608	13,064	1,419	935	7,319	3,391	1,544
61 Check and revolving credit plans	3,767	3,758	3,123	700	40	1,521	861	644
62 Other retail consumer goods	17,449	17,443	11,871	367	55	4,383	7,067	5,578
63 Mobile homes	9,125	9,125	6,401	176	22	2,343	3,860	2,724
64 Other	8,324	8,319	5,471	191	33	2,039	3,207	2,853
65 Other instalment loans	19,745	19,706	13,105	1,129	127	3,977	7,872	6,641
66 Single-payment loans to individuals	27,953	27,903	19,357	1,675	778	6,393	10,511	8,596
67 All other loans	16,965	15,661	13,335	2,678	1,207	5,967	3,482	3,630
68 **Total loans and securities, net**	**917,808**	**893,594**	**660,461**	**101,716**	**33,405**	**242,951**	**282,389**	**257,347**
69 Direct lease financing	5,807	5,807	5,458	1,002	139	3,379	937	349
70 Fixed assets—Buildings, furniture, real estate	21,359	21,241	15,817	2,308	762	5,941	6,807	5,541
71 Investment in unconsolidated subsidiaries	2,972	2,958	2,918	1,397	245	1,185	91	54
72 Customer acceptances outstanding	12,549	11,486	11,018	5,141	750	4,817	310	1,532
73 Other assets	36,928	35,362	31,775	13,166	1,021	13,103	4,485	5,153
74 **Total assets**	**1,166,146**	**1,129,712**	**861,802**	**164,045**	**41,986**	**319,834**	**335,937**	**304,344**

For notes see opposite page.

1.26 Continued

	Liability or capital account	All commercial banks	Insured commercial banks	Member banks[1]					Non-member banks[1]
				Total	Large banks			All other	
					New York City	City of Chicago	Other large[2]		
75	**Demand deposits**	**382,987**	**377,034**	**292,842**	**68,192**	**11,825**	**104,931**	**107,895**	**90,145**
76	Mutual savings banks	1,646	1,382	1,203	564	3	276	361	443
77	Other individuals, partnerships, and corporations	286,551	285,167	213,875	34,768	8,481	82,096	88,530	72,676
78	U.S. Govt	7,322	7,311	5,415	600	173	2,085	2,557	1,907
79	States and political subdivisions	19,026	18,948	12,922	702	247	3,824	8,149	6,104
80	Foreign governments, central banks, etc.	2,228	1,724	1,684	1,379	34	239	32	544
81	Commercial banks in United States	41,394	40,535	39,097	19,760	2,293	12,170	4,873	2,298
82	Banks in foreign countries	8,678	7,932	7,700	6,306	219	1,031	143	978
83	Certified and officers' checks, etc	16,141	14,034	10,946	4,112	376	3,209	3,249	5,195
84	**Time deposits**	**337,137**	**326,837**	**238,124**	**35,766**	**13,922**	**85,562**	**102,874**	**99,013**
85	Accumulated for personal loan payments	100	100	78	....	....	1	77	23
86	Mutual savings banks	334	319	310	120	84	84	21	24
87	Other individuals, partnerships, and corporations	262,918	256,880	185,763	26,922	10,417	64,962	83,462	77,155
88	U.S. Govt	820	820	681	37	30	390	225	139
89	States and political subdivisions	52,396	52,123	35,922	1,679	1,038	15,307	17,898	16,474
90	Foreign governments, central banks, etc.	11,088	8,189	7,927	4,666	1,456	1,756	49	3,161
91	Commercial banks in United States	7,419	6,789	6,002	1,580	822	2,830	770	1,417
92	Banks in foreign countries	2,061	1,617	1,442	762	76	232	371	620
93	**Savings deposits**	**219,386**	**218,793**	**152,645**	**11,070**	**2,945**	**55,225**	**83,405**	**66,741**
94	Individuals and nonprofit organizations	203,790	203,232	141,948	10,276	2,768	51,442	77,463	61,842
95	Corporations and other profit organizations	10,723	10,705	7,540	542	168	3,128	3,703	3,183
96	U.S. Government	58	58	48	4	....	18	27	10
97	States and political subdivisions	4,786	4,770	3,083	234	9	629	2,211	1,703
98	All other	29	29	26	14	*	8	3	4
99	**Total deposits**	**939,509**	**922,665**	**683,611**	**115,027**	**28,692**	**245,718**	**294,174**	**255,898**
100	**Federal funds purchased and securities sold under agreements to repurchase**	**86,171**	**82,772**	**78,691**	**21,219**	**8,385**	**38,034**	**11,054**	**7,480**
101	Commercial banks	46,893	44,242	42,640	8,837	6,137	22,569	5,096	4,253
102	Brokers and dealers	7,772	7,759	7,384	1,364	1,029	4,035	956	388
103	Others	31,507	30,772	28,667	11,018	1,218	11,430	5,002	2,839
104	Other liabilities for borrowed money[3]	10,070	6,560	6,257	2,597	111	2,646	902	3,813
105	Mortgage indebtedness[3]	1,021	1,014	747	203	16	317	212	274
106	Bank acceptances outstanding	13,146	12,078	11,610	5,716	754	4,828	312	1,537
107	Other liabilities	30,452	19,827	17,231	5,919	1,148	6,481	3,684	13,220
108	**Total liabilities**	**1,080,370**	**1,044,917**	**798,148**	**150,681**	**39,105**	**298,024**	**310,337**	**282,222**
109	Subordinated notes and debentures	5,774	5,711	4,475	1,110	81	2,013	1,271	1,299
110	**Equity capital**	**80,002**	**79,084**	**59,179**	**12,254**	**2,800**	**19,797**	**24,328**	**20,823**
111	Preferred stock	85	79	32	....	....	2	30	53
112	Common stock	17,276	17,177	12,503	2,645	570	3,895	5,394	4,773
113	Surplus	31,495	30,994	22,570	4,517	1,404	7,951	8,697	8,925
114	Undivided profits	29,327	29,084	22,840	4,959	773	7,569	9,539	6,487
115	Other capital reserves	1,820	1,750	1,234	132	53	380	669	586
116	**Total liabilities and equity capital**	**1,166,146**	**1,129,712**	**861,802**	**164,045**	**41,986**	**319,834**	**335,937**	**304,344**
	MEMO ITEMS:								
117	Demand deposits adjusted[4]	267,839	262,907	184,465	24,709	5,973	64,070	89,712	83,374
	Average for last 15 or 30 days:								
118	Cash and due from bank	146,725	139,805	119,239	33,743	5,401	44,467	35,627	27,486
119	Federal funds sold and securities purchased under agreements to resell	55,860	50,507	39,035	4,308	1,666	18,803	14,259	16,825
120	Total loans	620,399	601,938	438,957	75,204	23,171	163,726	176,856	181,442
121	Time deposits of $100,000 or more	161,461	153,976	126,665	30,220	11,333	52,845	32,268	34,796
122	Total deposits	901,295	884,377	651,801	104,506	26,934	234,120	286,242	249,494
123	Federal funds purchased and securities sold under agreements to repurchase	93,688	89,925	85,687	23,974	9,971	39,994	11,748	8,001
124	Other liabilities for borrowed money	10,736	6,930	6,572	2,885	150	2,889	648	4,165
125	Standby letters of credit outstanding	16,889	16,008	15,100	8,759	1,130	4,165	1,046	1,788
126	Time deposits of $100,000 or more	165,793	158,867	130,705	30,344	11,606	55,555	33,200	35,088
127	Certificates of deposit	139,596	134,850	110,418	25,951	9,885	46,062	28,520	29,177
128	Other time deposits	26,198	24,016	20,287	4,393	1,721	9,493	4,680	5,911
129	Number of banks	14,707	14,397	5,668	12	9	153	5,494	9,039

1 Member banks exclude and nonmember banks include 11 noninsured trust companies that are members of the Federal Reserve System, and member banks exclude 2 national banks outside the continental United States.

2 Data for one large national bank have been estimated.

3 Note for Dec. 31, 1977, reporting only, national banks reported capitalized lease balances under "Other liabilities for borrowed money" while State member and nonmember banks reported these balances under "Mortgage indebtedness."

4 Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. Govt., less cash items reported as in process of collection.

NOTE.—Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Holdings by type of security will be reported as soon as they become available.

Back data in lesser detail were shown in previous BULLETINS. Details may not add to totals because of rounding.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1978								
		May 3	May 10	May 17	May 24	May 31p	June 7p	June 14p	June 21p	June 28p
1	**Total loans and investments**	**456,305**	**456,142**	**459,618**	**456,724**	**468,035**	**467,777**	**466,781**	**464,816**	**464,623**
	Loans:									
2	*Federal funds sold*[1]	*24,822*	*24,861*	*27,310*	*25,122*	*31,150*	*28,456*	*28,786*	*25,140*	*25,790*
3	To commercial banks	19,265	19,062	19,670	18,821	24,739	20,465	19,915	19,519	20,435
	To brokers and dealers involving—									
4	U.S. Treasury securities	2,717	2,965	4,575	3,534	3,384	5,285	5,612	3,459	2,842
5	Other securities	607	547	585	603	493	520	578	587	546
6	To others	2,233	2,287	2,480	2,164	2,534	2,186	2,681	1,575	1,967
7	*Other, gross*	*328,880*	*328,726*	*331,396*	*331,077*	*335,620*	*336,660*	*335,334*	*338,067*	*338,792*
8	Commercial and industrial	131,564	132,057	132,312	132,404	134,552	133,709	133,702	135,113	135,528
9	Agricultural	4,834	4,887	4,927	4,979	5,001	5,019	5,120	5,082	5,094
	For purchasing or carrying securities:									
	To brokers and dealers:									
10	U.S. Treasury securities	1,045	1,023	1,755	1,324	1,255	2,222	1,571	1,243	899
11	Other securities	8,638	7,915	8,355	8,255	8,160	9,007	8,271	8,591	8,680
	To others:									
12	U.S. Treasury securities	101	103	101	99	102	100	101	100	100
13	Other securities	2,622	2,636	2,621	2,646	2,695	2,683	2,662	2,653	2,656
	To nonbank financial institutions:									
14	Personal and sales finance cos., etc.	7,902	7,731	7,998	7,604	7,932	8,283	7,949	7,882	7,915
15	Other	15,034	15,083	15,126	14,899	15,122	15,122	15,073	14,992	15,078
16	Real estate	77,954	78,237	78,635	78,926	79,142	79,300	79,812	80,213	80,530
	To commercial banks:									
17	Domestic	2,194	1,961	2,015	2,245	2,372	2,283	2,319	2,489	2,478
18	Foreign	5,592	5,686	5,775	5,800	6,316	6,109	5,896	6,120	6,125
19	Consumer instalment	48,467	48,535	48,720	49,031	49,246	49,401	49,705	50,041	50,429
20	Foreign govts., official institutions, etc.	1,541	1,562	1,558	1,538	1,561	1,530	1,531	1,530	1,565
21	All other loans	21,392	21,310	21,498	21,327	22,164	21,892	21,622	22,018	21,715
22	LESS: Loan loss reserve and unearned income on loans	9,813	9,894	9,971	10,054	10,030	10,140	10,192	10,254	10,222
23	*Other loans, net*	*319,067*	*318,832*	*321,425*	*321,023*	*325,590*	*326,520*	*325,142*	*327,813*	*328,570*
	Investments:									
24	*U.S. Treasury securities*	*44,335*	*44,265*	*43,342*	*43,113*	*43,424*	*44,479*	*44,577*	*44,247*	*42,742*
25	Bills	4,811	4,879	4,727	4,615	4,922	5,721	6,037	6,164	4,731
	Notes and bonds, by maturity:									
26	Within 1 year	8,475	8,443	7,760	7,752	7,621	7,595	7,547	7,542	7,379
27	1 to 5 years	26,297	26,163	25,929	25,669	25,899	26,203	25,965	25,667	25,754
28	After 5 years	4,752	4,780	4,926	5,077	4,982	4,960	5,028	4,874	4,878
29	*Other securities*	*68,081*	*68,184*	*67,541*	*67,466*	*67,871*	*68,322*	*68,276*	*67,616*	*67,521*
	Obligations of States and political subdivisions:									
30	Tax warrants, short-term notes, and bills	7,949	7,873	7,233	7,110	7,027	7,090	6,765	6,308	6,245
31	All other	44,313	44,548	44,441	44,477	44,608	44,923	44,875	44,592	44,519
	Other bonds, corporate stocks, and securities:									
32	Certificates of participation[2]	2,864	2,873	2,864	2,873	2,893	2,879	2,888	2,888	2,868
33	All other, including corporate stocks	12,955	12,890	13,003	13,006	13,343	13,430	13,748	13,828	13,889
34	Cash items in process of collection	45,419	41,635	44,172	39,909	55,797	42,304	45,795	45,549	43,789
35	Reserves with F.R. Banks	23,809	22,398	19,513	22,301	22,551	18,928	18,262	23,305	24,252
36	Currency and coin	5,830	6,174	6,235	6,517	6,525	6,183	6,518	6,563	6,651
37	Balances with domestic banks	13,905	14,439	13,809	13,653	17,748	14,366	14,542	14,368	14,422
38	Investments in subsidiaries not consolidated	3,187	3,173	3,182	3,160	3,194	3,259	3,266	3,191	3,188
39	Other assets	64,101	64,319	62,593	62,118	64,742	63,948	63,033	62,723	63,291
40	**Total assets/total liabilities**	**612,556**	**608,280**	**609,122**	**604,382**	**638,592**	**616,765**	**618,197**	**620,515**	**620,216**
	Deposits:									
41	*Demand deposits*	*188,146*	*181,401*	*183,770*	*177,634*	*206,915*	*185,624*	*191,835*	*191,728*	*187,760*
42	Individuals, partnerships, and corps.	133,580	128,823	133,641	129,085	144,860	133,875	139,590	136,447	133,823
43	States and political subdivisions	6,510	5,928	5,748	5,503	6,144	5,460	5,472	6,049	6,182
44	U.S. Govt.	3,714	2,121	1,643	1,198	1,325	1,150	1,575	4,241	2,909
	Domestic interbank:									
45	Commercial	26,886	27,931	26,939	25,734	35,972	27,817	28,576	28,258	27,540
46	Mutual savings	998	828	778	758	893	810	836	800	792
	Foreign:									
47	Governments, official institutions, etc.	1,167	1,029	993	1,137	1,639	1,124	1,151	1,154	1,392
48	Commerial banks	6,568	6,905	6,628	6,905	7,782	7,364	6,651	6,720	6,959
49	Certified and officers' checks	8,723	7,836	7,400	7,314	8,300	8,024	7,984	8,059	8,163
50	*Time and savings deposits*[3]	*261,453*	*262,778*	*263,278*	*265,714*	*265,176*	*266,088*	*265,404*	*264,068*	*266,884*
51	Savings[4]	93,199	93,248	93,382	93,475	93,404	93,375	93,006	92,872	92,879
52	Time:	168,254	169,530	169,896	172,239	171,772	172,713	172,398	171,196	174,005
53	Individuals, partnerships, and corps.	128,299	129,148	129,735	131,652	131,673	132,690	132,818	132,058	134,298
54	States and political subdivisions	25,503	25,746	25,699	26,002	25,684	25,524	24,982	24,757	24,795
55	Domestic interbank	5,458	5,657	5,611	5,743	5,695	5,821	5,826	5,855	6,329
56	Foreign govts., official institutions, etc.	7,375	7,310	7,304	7,326	7,198	7,185	7,223	6,975	6,993
57	Federal funds purchased, etc.[5]	79,294	81,445	77,710	77,425	82,451	81,802	76,134	78,530	78,381
	Borrowings from:									
58	F.R. Banks	2,345	691	1,024	242	667	250	1,240	2,172	1,962
59	Others	5,914	5,698	6,170	6,255	6,164	6,036	6,687	6,374	7,182
60	Other liabilities, etc.[6]	29,640	30,485	31,490	31,295	31,231	30,953	30,840	31,654	31,912
61	Total equity capital and subordinated notes/debentures[7]	45,764	45,782	45,680	45,817	45,988	46,012	46,057	45,989	46,135

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

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

Millions of dollars, Wednesday figures

Account	1978 May 3	May 10	May 17	May 24	May 31p	June 7p	June 14p	June 21p	June 28p
1 **Total loans and investments**	**92,099**	**91,859**	**93,456**	**92,567**	**96,108**	**95,337**	**94,507**	**94,865**	**93,415**
Loans:									
2 *Federal funds sold*[1]	*5,101*	*5,114*	*5,404*	*5,235*	*6,240*	*4,376*	*5,891*	*5,873*	*5,493*
3 To commercial banks	3,025	2,771	3,016	3,039	3,717	2,045	3,771	3,598	3,361
To brokers and dealers involving—									
4 U.S. Treasury securities	1,535	1,693	1,893	1,683	1,666	1,774	1,457	1,821	1,352
5 Other securities	1	13	12	13	13	22	27	19	10
6 To others	540	637	483	500	844	535	636	435	770
7 *Other gross*	*68,105*	*67,693*	*69,251*	*68,671*	*70,830*	*71,722*	*69,535*	*70,378*	*70,265*
8 Commercial and industrial	34,277	34,284	34,463	34,472	35,705	35,210	35,000	35,418	35,653
9 Agricultural	158	171	179	191	188	176	176	161	156
For purchasing or carrying securities:									
To brokers and dealers:									
10 U.S. Treasury securities	873	875	1,521	1,205	1,141	2,067	1,415	1,092	774
11 Other securities	4,314	4,069	4,395	4,330	4,226	4,790	4,228	4,575	4,493
To others:									
12 U.S. Treasury securities	26	25	25	25	25	25	25	25	26
13 Other securities	348	351	352	352	354	346	357	357	361
To nonbank financial institutions:									
14 Personal and sales finance cos., etc.	2,748	2,612	2,787	2,528	2,691	2,916	2,605	2,693	2,691
15 Other	4,750	4,786	4,755	4,685	4,744	4,720	4,674	4,624	4,647
16 Real estate	9,008	9,017	9,025	9,066	9,014	9,012	9,074	9,067	9,078
To commercial banks:									
17 Domestic	738	638	635	749	872	694	718	826	770
18 Foreign	2,385	2,442	2,563	2,503	2,848	2,796	2,558	2,715	2,731
19 Consumer instalment	4,418	4,434	4,457	4,475	4,485	4,508	4,551	4,565	4,608
20 Foreign govts. official institutions, etc.	217	239	230	244	249	272	251	281	291
21 All other loans	3,845	3,750	3,864	3,846	4,288	4,190	3,903	3,979	3,986
22 LESS: Loan loss reserve and unearned income on loans	1,697	1,712	1,728	1,762	1,754	1,794	1,792	1,792	1,754
23 *Other loans, net*	*66,408*	*65,981*	*67,523*	*66,909*	*69,076*	*69,928*	*67,743*	*68,586*	*68,511*
Investments:									
24 *U.S. Treasury securities*	*9,596*	*9,742*	*9,572*	*9,621*	*9,856*	*10,122*	*10,044*	*9,652*	*8,770*
25 Bills	1,156	1,512	1,280	1,416	1,592	1,973	2,153	1,970	1,103
Notes and bonds, by maturity:									
26 Within 1 year	1,188	1,241	1,158	1,116	1,089	1,031	996	1,093	1,002
27 1 to 5 years	6,403	6,171	6,166	5,912	6,024	6,093	5,809	5,639	5,725
28 After 5 years	849	818	968	1,177	1,151	1,025	1,086	950	940
29 *Other securities*	*10,994*	*11,022*	*10,957*	*10,802*	*10,936*	*10,911*	*10,829*	*10,754*	*10,641*
Obligations of States and political subdivisions:									
30 Tax warrants, short-term notes, and bills	1,840	1,779	1,604	1,513	1,508	1,543	1,500	1,604	1,631
31 All other	7,254	7,233	7,250	7,123	7,173	7,234	7,069	6,932	6,861
Other bonds, corporate stocks, and securities:									
32 Certificates of participation[2]	468	468	488	451	451	454	479	462	458
33 All other, including corporate stocks	1,432	1,542	1,615	1,715	1,804	1,680	1,781	1,756	1,691
34 Cash items in process of collection	14,286	14,902	13,877	12,892	18,791	14,007	15,153	15,350	15,393
35 Reserves with F.R. Banks	6,524	5,345	4,639	5,959	8,025	5,039	4,171	5,472	5,849
36 Currency and coin	898	929	916	930	950	927	975	937	917
37 Balances with domestic banks	6,793	7,598	7,179	6,785	9,008	7,454	7,528	6,855	7,026
38 Investments in subsidiaries not consolidated	1,625	1,628	1,635	1,627	1,641	1,654	1,652	1,653	1,653
39 Other assets	25,342	25,243	23,783	23,991	25,803	24,987	25,109	24,760	25,521
40 **Total assets/total liabilities**	**147,567**	**147,504**	**145,485**	**144,751**	**160,326**	**149,405**	**149,095**	**149,892**	**149,774**
Deposits:									
41 *Demand deposits*	*52,048*	*51,393*	*49,882*	*49,066*	*63,243*	*51,004*	*53,652*	*54,052*	*53,312*
42 Individuals, partnerships, and corps.	27,412	26,024	26,960	26,231	31,909	26,964	28,518	28,369	27,783
43 States and political subdivisions	552	428	524	564	533	506	481	609	559
44 U.S. Govt.	667	380	142	132	146	115	181	783	429
Domestic interbank:									
45 Commercial	12,610	14,150	12,618	12,190	19,130	12,928	14,299	13,882	13,794
46 Mutual savings	517	426	396	389	483	411	437	390	404
Foreign:									
47 Governments, official institutions, etc.	925	830	779	917	1,407	888	940	931	1,177
48 Commercial banks	4,875	5,262	5,085	5,206	5,963	5,444	5,009	5,144	5,204
49 Certified and officers' checks	4,490	3,893	3,378	3,437	3,672	3,748	3,787	3,944	3,962
50 *Time and savings deposits*[3]	*46,190*	*46,267*	*46,213*	*46,831*	*46,566*	*46,390*	*46,088*	*45,807*	*46,656*
51 Savings[4]	9,965	9,943	9,990	9,975	9,908	9,935	9,915	9,932	9,888
52 Time	36,225	36,324	36,223	36,856	36,658	36,455	36,173	35,875	36,768
53 Individuals, partnerships and corps.	27,789	27,820	27,790	28,215	28,083	28,012	27,737	27,558	28,270
54 States and political subdivisions	1,765	1,791	1,880	1,880	1,871	1,840	1,791	1,730	1,752
55 Domestic interbank	1,734	1,804	1,799	2,362	1,869	1,878	1,818	1,803	1,962
56 Foreign govts., official institutions, etc.	4,130	4,100	4,067	4,129	4,125	4,028	4,121	4,075	4,074
57 Federal funds purchased, etc.[5]	19,842	20,854	19,463	19,312	21,264	22,572	19,705	19,691	18,839
Borrowings from:									
58 F.R. Banks	695	0	262	0	0	0	380	440	510
59 Others	2,918	2,761	2,928	2,946	2,823	2,950	3,173	3,144	3,386
60 Other liabilities, etc.[6]	12,870	13,203	13,702	13,562	13,355	13,398	12,998	13,663	13,991
61 Total equity capital and subordinated notes/debentures[7]	13,004	13,026	13,035	13,034	13,075	13,091	13,099	13,095	13,080

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS OUTSIDE NEW YORK CITY
Assets and Liabilities
Millions of dollars, Wednesday figures

	Account	1978								
		May 3	May 10	May 17	May 24	May 31[p]	June 7[p]	June 14[p]	June 21[p]	June 28[p]
1	**Total loans and investments**	**364,206**	**364,283**	**366,162**	**364,157**	**371,927**	**372,440**	**372,274**	**369,951**	**371,208**
	Loans:									
2	*Federal funds sold*[1]	*19,721*	*19,747*	*21,906*	*19,887*	*24,910*	*24,080*	*22,895*	*19,267*	*20,297*
3	To commercial banks	16,240	16,291	16,654	15,782	21,022	18,420	16,144	15,921	17,074
	To brokers and dealers involving—									
4	U.S. Treasury securities	1,182	1,272	2,682	1,851	1,718	3,511	4,155	1,638	1,490
5	Other securities	606	534	573	590	480	498	551	568	536
6	To others	1,693	1,650	1,997	1,664	1,690	1,651	2,045	1,140	1,197
7	*Other, gross*	*260,775*	*261,033*	*262,145*	*262,406*	*264,790*	*264,938*	*265,799*	*267,689*	*268,527*
8	Commercial and industrial	97,287	97,773	97,849	97,932	98,847	98,499	98,702	99,695	99,875
9	Agricultural	4,676	4,716	4,748	4,788	4,813	4,843	4,944	4,921	4,938
	For purchasing or carrying securities:									
	To brokers and dealers:									
10	U.S. Treasury securities	172	148	234	119	114	155	156	151	125
11	Other securities	4,324	3,846	3,960	3,925	3,934	4,217	4,043	4,016	4,187
	To others:									
12	U.S. Treasury securities	75	78	76	74	77	75	76	75	74
13	Other securities	2,274	2,285	2,269	2,294	2,341	2,337	2,305	2,296	2,295
	To nonbank financial institutions:									
14	Personal and sales finance cos., etc.	5,154	5,119	5,211	5,076	5,241	5,367	5,344	5,189	5,224
15	Other	10,284	10,297	10,371	10,214	10,378	10,402	10,399	10,368	10,431
16	Real estate	68,946	69,220	69,610	69,860	70,128	70,288	70,738	71,146	71,452
	To commercial banks:									
17	Domestic	1,456	1,323	1,380	1,496	1,500	1,589	1,601	1,663	1,708
18	Foreign	3,207	3,244	3,212	3,297	3,468	3,313	3,338	3,405	3,394
19	Consumer instalment	44,049	44,101	44,263	44,556	44,761	44,893	45,154	45,476	45,821
20	Foreign govts., official institutions, etc.	1,324	1,323	1,328	1,294	1,312	1,258	1,280	1,249	1,274
21	All other loans	17,547	17,560	17,634	17,481	17,876	17,702	17,719	18,039	17,729
22	LESS: Loan reserve and unearned income on loans	8,116	8,182	8,243	8,292	8,276	8,346	8,400	8,462	8,468
23	*Other loans, net*	*252,659*	*252,851*	*253,902*	*254,114*	*256,514*	*256,592*	*257,399*	*259,227*	*260,059*
	Investments:									
24	*U.S. Treasury securities*	*34,739*	*34,523*	*33,770*	*33,492*	*33,568*	*34,357*	*34,533*	*34,595*	*33,972*
25	Bills	3,655	3,367	3,447	3,199	3,330	3,748	3,884	4,194	3,628
	Notes and bonds, by maturity:									
26	Within 1 year	7,287	7,202	6,602	6,636	6,532	6,564	6,551	6,449	6,377
27	1 to 5 years	19,894	19,992	19,763	19,757	19,875	20,110	20,156	20,028	20,029
28	After 5 years	3,903	3,962	3,958	3,900	3,831	3,935	3,942	3,924	3,938
29	*Other securities*	*57,087*	*57,162*	*56,584*	*56,664*	*56,935*	*57,411*	*57,447*	*56,862*	*56,880*
	Obligations of States and political subdivisions:									
30	Tax warrants, short-term notes, and bills	6,109	6,094	5,629	5,597	5,519	5,547	5,265	4,704	4,614
31	All other	37,059	37,315	37,191	37,354	37,435	37,689	37,806	37,660	37,658
	Other bonds, corporate stocks, and securities:									
32	Certificates of participation[2]	2,396	2,405	2,376	2,422	2,442	2,425	2,409	2,426	2,410
33	All other, including corporate stocks	11,523	11,348	11,388	11,291	11,539	11,750	11,967	12,072	12,198
34	Cash items in process of collection	31,133	26,733	30,295	27,017	37,006	28,297	30,642	30,199	28,396
35	Reserves with F.R. Banks	17,285	17,053	14,874	16,342	14,526	13,889	14,091	17,833	18,403
36	Currency and coin	4,932	5,245	5,319	5,587	5,575	5,256	5,543	5,626	5,734
37	Balances with domestic banks	7,112	6,841	6,630	6,868	8,740	6,912	7,014	7,513	7,396
38	Investments in subsidiaries not consolidated	1,562	1,545	1,547	1,533	1,553	1,605	1,614	1,538	1,535
39	Other assets	38,759	39,076	38,810	38,127	38,939	38,961	37,924	37,963	37,770
40	**Total assets/total liabilities**	**464,989**	**460,776**	**463,637**	**459,631**	**478,266**	**467,360**	**469,102**	**470,623**	**470,442**
	Deposits:									
41	*Demand deposits*	*136,098*	*130,008*	*133,888*	*128,568*	*143,672*	*134,620*	*138,183*	*137,676*	*134,448*
42	Individuals, partnerships, and corps.	106,168	102,799	106,681	102,854	112,951	106,911	111,072	108,078	106,040
43	States and political subdivisions	5,958	5,500	5,224	4,939	5,611	4,954	4,991	5,440	5,623
44	U.S. Govt.	3,047	1,741	1,501	1,066	1,179	1,035	1,394	3,458	2,480
	Domestic interbank:									
45	Commercial	14,276	13,781	14,321	13,544	16,842	14,889	14,277	14,376	13,746
46	Mutual savings	481	402	382	369	410	399	399	410	388
	Foreign:									
47	Governments, official institutions, etc.	242	199	214	220	232	236	211	223	215
48	Commercial banks	1,693	1,643	1,543	1,699	1,819	1,920	1,642	1,576	1,755
49	Certified and officers' checks	4,233	3,943	4,022	3,877	4,628	4,276	4,197	4,115	4,201
50	*Time and savings deposits*[3]	*215,263*	*216,511*	*217,065*	*218,883*	*218,610*	*219,698*	*219,316*	*218,261*	*220,228*
51	Savings[4]	83,234	83,305	83,392	83,500	83,496	83,440	83,091	82,940	82,991
52	Time	132,029	133,206	133,673	135,383	135,114	136,258	136,225	135,321	137,237
53	Individuals, partnerships, and corps.	100,510	101,328	101,945	103,437	103,590	104,678	105,081	104,500	106,028
54	States and political subdivisions	23,738	23,955	23,819	24,122	23,813	23,684	23,191	23,027	23,043
55	Domestic interbank	3,724	3,853	3,812	3,381	3,826	3,943	4,008	4,052	4,367
56	Foreign govts., official institutions, etc.	3,245	3,210	3,237	3,197	3,073	3,157	3,102	2,900	2,919
57	Federal funds purchased, etc.[5]	59,452	60,591	58,247	58,113	61,187	59,230	56,429	58,839	59,542
	Borrowings from:									
58	F.R. Banks	1,650	691	762	242	667	250	860	1,732	1,452
59	Others	2,996	2,937	3,242	3,309	3,341	3,086	3,514	3,230	3,796
60	Other liabilities, etc.[6]	16,770	17,282	17,788	17,733	17,876	17,555	17,842	17,991	17,921
61	Total equity capital and subordinated notes/debentures[7]	32,760	32,756	32,645	32,783	32,913	32,921	32,958	32,894	33,055

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

	Account	1978 May 3	May 10	May 17	May 24	May 31p	June 7p	June 14p	June 21p	June 28p
	Total loans (gross) and investments adjusted[1]									
1	*Large Banks*	444,659	445,013	447,904	445,712	450,954	455,169	454,739	453,062	451,932
2	New York City banks	90,033	90,162	91,533	90,541	93,273	94,392	91,810	92,233	91,038
3	Banks outside New York City	354,626	354,851	356,371	355,171	357,681	360,777	362,929	360,829	360,894
	Total loans (gross), adjusted									
4	*Large banks*	332,243	332,564	337,021	335,133	339,659	342,368	341,886	341,199	341,669
5	New York City banks	69,443	69,398	71,004	70,118	72,481	73,359	70,937	71,827	71,627
6	Banks outside New York City	262,800	263,166	266,017	265,015	267,178	269,009	270,949	269,372	270,042
	Demand deposits, adjusted[2]									
7	*Large Banks*	112,127	109,714	111,616	110,793	113,821	114,353	115,889	113,680	113,522
8	New York City banks	24,485	21,961	23,245	23,852	25,176	23,954	24,019	24,037	23,696
9	Banks outside New York City	87,642	87,753	87,771	86,941	88,645	90,399	91,870	89,643	89,826
	Large negotiable time CD's included in time and savings deposits[3]									
	Total:									
10	**Large banks**	**82,990**	**84,003**	**84,498**	**86,476**	**86,075**	**86,741**	**86,234**	**85,004**	**87,491**
11	New York City	25,229	25,358	25,313	26,007	25,672	25,464	25,076	24,871	25,820
12	Banks outside New York City	57,761	58,645	59,185	60,469	60,403	61,277	61,158	60,133	61,671
	Issued to IPC's:									
13	*Large banks*	58,034	58,702	59,066	60,795	60,723	61,315	61,045	60,033	61,998
14	New York City Banks	18,292	18,372	18,263	18,723	18,457	18,319	17,918	17,795	18,540
15	Banks outside New York City	39,742	40,330	40,803	42,072	42,266	42,996	43,127	42,238	43,458
	Issued to others:									
16	*Large banks*	24,956	25,301	25,432	25,681	25,352	25,426	25,189	24,971	25,493
17	New York City banks	6,937	6,986	7,050	7,284	7,215	7,145	7,158	7,076	7,280
18	Banks outside New York City	18,019	18,315	18,382	18,397	18,137	18,281	18,031	17,895	18,213
	All other large time deposits[4]									
	Total:									
19	**Large banks**	**32,535**	**32,813**	**32,652**	**33,044**	**32,881**	**32,851**	**32,749**	**32,707**	**32,861**
20	New York City banks	6,102	6,171	6,141	6,176	6,229	6,153	6,215	6,148	6,119
21	Banks outside New York City	26,433	26,642	26,511	26,868	26,652	26,698	26,534	26,559	26,742
	Issued to IPC's:									
22	*Large banks*	18,320	18,496	18,696	18,893	18,910	19,022	19,167	19,263	19,363
23	New York City banks	4,757	4,807	4,910	4,965	5,013	4,997	5,065	5,027	5,007
24	Banks outside New York City	13,563	13,689	13,786	13,928	13,897	14,025	14,102	14,236	14,356
	Issued to others:									
25	*Large banks*	14,215	14,317	13,956	14,151	13,971	13,829	13,582	13,444	13,498
26	New York City banks	1,345	1,364	1,231	1,211	1,216	1,156	1,150	1,121	1,112
27	Banks outside New York City	12,870	12,953	12,725	12,940	12,755	12,673	12,432	12,323	12,386
	Savings deposits, by ownership category									
	Individuals and nonprofit organizations:									
28	*Large banks*	86,836	86,881	86,970	87,045	87,018	86,890	86,565	86,399	86,461
29	New York City banks	9,202	9,194	9,199	9,194	9,171	9,160	9,118	9,106	9,125
30	Banks outside New York City	77,634	77,687	77,771	77,851	77,847	77,730	77,447	77,293	77,336
	Partnerships and corporations for profit:[5]									
31	*Large banks*	4,909	4,962	4,967	5,036	5,066	5,072	5,008	4,966	4,986
32	New York City banks	473	476	480	485	486	489	481	476	474
33	Banks outside New York City	4,436	4,486	4,487	4,551	4,580	4,583	4,527	4,490	4,512
	Domestic governmental units:									
34	*Large banks*	1,418	1,379	1,419	1,368	1,302	1,387	1,396	1,482	1,404
35	New York City banks	269	260	295	281	244	271	290	334	270
36	Banks outside New York City	1,149	1,119	1,124	1,087	1,058	1,116	1,106	1,148	1,134
	All other:[6]									
37	*Large banks*	36	26	26	26	18	26	37	25	28
38	New York City banks	21	13	16	15	7	15	26	16	19
39	Banks outside New Yotk City	15	13	10	11	11	11	11	9	9
	Gross liabilities of banks to their foreign branches									
40	*Large banks*	4,980	4,324	4,618	4,200	4,983	4,763	5,228	4,699	5,462
41	New York City banks	2,535	2,265	2,438	2,158	2,785	2,914	2,785	2,560	2,493
42	Banks outside New York City	2,445	2,059	2,180	2,042	2,198	1,849	2,443	2,139	2,969
	Loans sold outright to selected institutions by all large banks[7]									
43	Commercial and industrial[8]	2,273	2,193	2,176	2,191	2,251	2,314	2,282	2,303	2,237
44	Real estate[8]	246	246	249	251	249	250	253	256	252
45	All other[8]	1,944	1,951	1,955	1,928	1,926	1,957	1,933	1,945	2,004

1 Exclusive of loans and Federal funds transactions with domestic commercial banks.

2 All demand deposits except U.S. Govt. and domestic commercial banks, less cash items in process of collection.

3 Certificates of deposit (CD's) issued in denominations of $100,000 or more.

4 All other time deposits issued in denominations of $100,000 or more not included in large negotiable (CD's).

5 Other than commercial banks.

6 Domestic and foreign commercial banks, and official international organizations.

7 To 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 Data revised beginning July 7, 1977, due to reclassifications at one large bank.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during—				
	1978					1978		1978		
	May 31	June 7	June 14	June 21	June 28p	Q1r	Q2p	Apr.	May	Junep
	Total loans classified[2]									
1 **Total**	**109,635**	**108,668**	**108,688**	**109,717**	**110,274**	**2,059**	**5,470**	**r1,016**	**3,815**	**639**
Durable goods manufacturing:										
2 Primary metals	2,896	2,887	2,820	2,832	2,798	−84	42	r41	99	−98
3 Machinery	5,436	5,376	5,384	5,520	5,404	491	170	39	163	−32
4 Transportation equipment	2,722	2,682	2,707	2,786	2,799	447	76	−89	88	77
5 Other fabricated metal products	2,478	2,466	2,477	2,474	2,453	351	181	r181	25	−25
6 Other durable goods	3,792	3,833	3,827	3,949	3,909	52	376	82	177	117
Nondurable goods manufacturing:										
7 Food, liquor, and tobacco	4,233	4,231	4,176	4,195	4,260	52	407	12	368	27
8 Textiles, apparel, and leather	3,911	3,988	4,028	4,101	4,139	280	567	r121	218	228
9 Petroleum refining	2,589	2,536	2,539	2,621	2,636	−221	158	89	22	47
10 Chemicals and rubber	3,470	3,578	3,535	3,498	3,570	532	155	58	−3	100
11 Other nondurable goods	2,247	2,234	2,248	2,278	2,267	−62	61	−21	62	20
12 Mining, including crude petroleum and natural gas	10,158	10,146	10,248	10,448	10,405	447	883	335	301	247
Trade:										
13 Commodity dealers	2,540	2,131	2,109	2,061	2,067	303	−187	−71	357	−473
14 Other wholesale	8,786	8,804	8,796	8,896	8,938	800	449	208	89	152
15 Retail	8,256	8,346	8,059	8,282	8,274	564	649	r211	420	18
16 Transportation	5,315	5,341	5,373	5,511	5,441	364	−147	r−335	62	126
17 Communication	1,679	1,621	1,615	1,629	1,665	11	249	149	114	−14
18 Other public utilities	5,160	5,046	4,894	4,992	5,010	−568	38	64	124	−150
19 Construction	4,999	5,016	5,017	5,084	5,110	201	475	142	222	111
20 Services	13,127	13,149	13,241	13,266	13,471	712	1,130	r319	467	344
21 All other domestic loans	7,879	7,710	7,881	7,842	7,844	−26	386	r360	61	−35
22 Bankers acceptances	3,306	2,950	3,116	2,884	3,261	−2,533	−429	−783	399	−45
23 Foreign commercial and industrial loans	4,656	4,597	4,598	4,568	4,553	−54	−219	−96	−20	−103
MEMO ITEMS:										
24 Commercial paper included in total classified loans[1]	97	....	....	....	71	−27	−60	−7	−27	−26
25 Total commercial and industrial loans of all large weekly reporting banks	134,552	133,709	133,702	135,113	135,528	3,006	6,692	r1,710	4,006	976

Industry classification	1978					1978		1978		
	Feb. 22	Mar. 29	Apr. 26	May 31	June 28p	Q1r	Q2p	Apr.	May	Junep
	"Term" loans classified[3]									
26 **Total**	**r48,837**	**r49,368**	**r50,159**	**51,204**	**51,362**	**1,902**	**1,994**	**r791**	**1,045**	**158**
Durable goods manufacturing:										
27 Primary metals	1,564	1,579	1,671	1,736	1,706	−13	127	92	65	−30
28 Machinery	r2,475	r2,531	2,542	2,622	2,576	205	45	r11	80	−46
29 Transportation equipment	1,466	1,489	r1,452	1,460	1,420	152	−69	r−37	8	−40
30 Other fabricated metal products	877	902	r960	968	994	50	92	r58	8	26
31 Other durable goods	1,602	1,572	1,603	1,625	1,678	−105	106	31	22	53
Nondurable goods manufacturing:										
32 Food, liquor, and tobacco	1,492	1,522	1,649	1,676	1,671	69	149	127	27	−5
33 Textiles, apparel, and leather	983	1,038	1,083	1,097	1,122	40	84	45	14	25
34 Petroleum refining	2,000	1,873	1,850	1,962	1,947	−174	74	23	112	−15
35 Chemicals and rubber	2,017	2,116	2,147	2,229	2,412	215	296	31	82	183
36 Other nondurable goods	1,182	1,169	1,093	1,093	1,091	2	−78	−76	....	−2
37 Mining, including crude petroleum and natural gas	6,811	7,084	7,443	7,604	7,760	530	676	359	161	156
Trade:										
38 Commodity dealers	262	r252	244	254	229	−18	−23	r−8	10	−25
39 Other wholesale	1,928	1,992	r2,084	2,141	2,176	201	184	r92	57	35
40 Retail	r2,542	r2,559	2,703	2,855	2,835	59	276	r144	152	−20
41 Transportation	r3,733	r3,871	3,627	3,702	3,738	219	−133	r−244	75	36
42 Communication	908	924	965	980	1,010	47	86	41	15	30
43 Other public utilities	3,855	3,822	3,723	3,770	3,535	−34	−287	−99	47	−235
44 Construction	1,973	2,066	2,085	2,101	2,119	165	53	19	16	18
45 Services	r5,808	r5,881	r6,039	6,300	6,496	308	615	r158	261	196
46 All other domestic loans	r2,758	r2,465	2,576	2,525	2,378	−49	−87	r111	−51	−147
47 Foreign commercial and industrial loans	r2,601	2,661	2,620	2,504	2,469	33	−192	−41	−116	−35

1 Reported for the last Wednesday of each month.
2 Includes "term" loans, shown below.
3 Outstanding loans with an original maturity of more than 1 year and all outstanding loans granted under a formal agreement—revolving credit or standby—on which the original maturity of the commitment was in excess of 1 year.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars, estimated daily-average balances

Type of holder	At commercial banks									
	1973 Dec.	1974 Dec.	1975 Dec.	1976 Sept.	1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.	1978 Mar.
1 **All holders, IPC**	**220.1**	**225.0**	**236.9**	**236.1**	**250.1**	**242.3**	**253.8**	**252.7**	**274.4**	**262.5**
2 Financial business	19.1	19.0	20.1	19.7	22.3	21.6	25.9	23.7	25.0	24.5
3 Nonfinancial business	116.2	118.8	125.1	122.6	130.2	125.1	129.2	128.5	142.9	131.5
4 Consumer	70.1	73.3	78.0	80.0	82.6	81.6	84.1	86.2	91.0	91.8
5 Foreign	2.4	2.3	2.4	2.3	2.7	2.4	2.5	2.5	2.5	2.4
6 Other	12.4	11.7	11.3	11.5	12.4	11.6	12.2	11.8	12.9	12.3
	At weekly reporting banks									
	1974 Dec.	1975 Dec.	1976 Dec.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
7 **All holders, IPC**	**119.7**	**124.4**	**128.5**	**133.0**	**139.1**	**137.1**	**132.5**	**131.9**	**135.6**	**134.3**
8 Financial business	14.8	15.6	17.5	17.9	18.5	18.3	18.1	18.2	17.9	18.1
9 Nonfinancial business	66.9	69.9	69.7	72.2	76.3	73.8	70.7	68.9	70.9	70.7
10 Consumer	29.0	29.9	31.7	33.4	34.6	35.2	34.4	35.4	37.6	36.0
11 Foreign	2.2	2.3	2.6	2.5	2.4	2.4	2.4	2.3	2.2	2.4
12 Other	6.8	6.6	7.1	7.0	7.4	7.4	6.9	7.0	7.0	7.1

NOTE.—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.

1.33 COMMERCIAL PAPER AND BANKERS ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1975 Dec.	1976 Dec.	1977 Dec.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**48,459**	**53,025**	**65,112**	**62,753**	**65,112**	**65,488**	**65,477**	**67,354**	**70,183**	**71,213**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	6,202	7,250	8,871	8,497	8,871	9,018	8,918	8,889	9,670	10,314
3 Bank-related	1,762	1,900	2,132	1,980	2,132	2,035	1,997	1,993	2,078	2,217
Directly-placed paper:[3]										
4 Total	31,374	32,500	40,399	38,954	40,399	41,586	42,137	42,781	44,220	44,664
5 Bank-related	6,892	5,959	7,003	6,567	7,003	7,109	7,616	8,031	7,889	9,258
6 Nonfinancial companies[4]	10,883	13,275	15,842	15,302	15,842	14,884	14,422	15,684	16,293	16,235
	Dollar acceptances (not seasonally adjusted)									
7 **Total**	**18,727**	**22,523**	**25,654**	**24,088**	**25,654**	**25,252**	**25,411**	**26,181**	**26,256**	**26,714**
Held by:										
8 *Accepting banks*	*7,333*	*10,442*	*10,434*	*8,952*	*10,434*	*7,785*	*7,513*	*7,375*	*7,091*	*7,286*
9 Own bills	5,899	8,769	8,915	7,702	8,915	6,772	6,583	6,375	6,117	6,365
10 Bills bought	1,435	1,673	1,519	1,251	1,519	1,013	931	1,000	974	921
F.R. Banks:										
11 Own account	1,126	991	954	248	954	....	....	1	....	....
12 Foreign correspondents	293	375	362	392	362	371	456	522	550	679
13 Others	9,975	10,715	13,904	14,495	13,904	17,096	17,442	18,283	18,614	18,749
Based on:										
14 Imports into United States	3,726	4,992	6,532	5,973	6,532	6,637	6,842	6,979	7,108	7,027
15 Exports from United States	4,001	4,818	5,895	5,803	5,895	5,840	5,739	6,034	6,216	6,494
16 All other	11,000	12,713	13,227	12,312	13,227	12,774	13,026	13,168	12,932	13,193

1 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.

2 Includes all financial company paper sold by dealers in the open market.

3 As reported by financial companies that place their paper directly with investors.

4 Includes public utilities and firms engaged primarily in activities such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.34 PRIME RATE CHARGED BY BANKS on Short-term Business Loans

Per cent per annum

Effective date	Rate	Effective date	Rate	Month	Average rate	Month	Average rate
1976—Nov. 1	6½	1977—Oct. 7	7½	1976—Nov.	6.50	1977—Sept.	7.13
		Oct. 24	7¼	Dec.	6.35	Oct.	7.52
Dec. 13	6¼					Nov.	7.75
		1978—Jan. 10	8	1977—Jan.	6.25	Dec.	7.75
1977—May 13	6½			Feb.	6.25		
31	6¾	May 5	8¼	Mar.	6.25	1978—Jan.	7.93
		May 26	8½	Apr.	6.25	Feb.	8.00
1977—Aug. 22	7			May	6.41	Mar.	8.00
		June 16	8¾	June	6.75	Apr.	8.00
Sept. 16	7¼	June 30	9	July	6.75	May	8.27
				Aug.	6.83	June	8.63

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, Feb. 6–11, 1978

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)	7,401,695	1,095,609	689,553	729,562	1,984,349	530,499	2,372,123
2 Number of loans	200,127	154,809	20,931	11,570	11,080	859	878
3 Weighted-average maturity (months)	3.1	3.2	3.3	2.6	3.0	2.8	3.1
4 Weighted-average interest rate (per cent per annum)	8.95	9.65	9.44	9.26	9.03	8.78	8.34
5 Interquartile range [1]	8.24–9.60	8.77–10.47	8.50–10.01	8.50–10.00	8.27–9.84	8.24–9.25	8.00–8.75
Percentage of amount of loans:							
6 With floating rate	51.5	34.9	40.8	40.6	60.3	46.9	59.3
7 Made under commitment	37.9	14.9	20.3	25.9	38.0	59.1	52.7
	Long-term commercial and industrial loans						
8 Amount of loans (thousands of dollars)	1,311,928		361,327		420,109	69,872	460,620
9 Number of loans	31,161		28,547		2,364	105	144
10 Weighted-average maturity (months)	40.0		28.6		39.0	45.5	49.1
11 Weighted-average interest rate (per cent per annum)	9.19		9.54		9.37	8.87	8.81
12 Interquartile range [1]	8.50–9.92		8.50–10.47		9.00–9.92	8.00–9.61	8.00–9.20
Percentage of amount of loans:							
13 With floating rate	42.3		15.6		30.2	72.4	69.6
14 Made under commitment	54.7		18.6		74.1	53.5	65.6
	Construction and land development loans						
15 Amount of loans (thousands of dollars)	803,264	82,792	126,435	222,919	127,991	112,423	
16 Number of loans	20,791	13,375	3,737	2,901	637	141	
17 Weighted-average maturity (months)	10.6	6.5	20.5	3.2	10.6	13.8	
18 Weighted-average interest rate (per cent per annum)	9.69	9.67	9.62	9.33	9.70	10.07	
19 Interquartile range [1]	9.00–10.34	9.20–10.34	9.20–9.92	8.36–10.00	9.17–10.29	9.27–10.78	
Percentage of amount of loans:							
20 With floating rate	38.7	18.4	11.3	8.0	53.8	80.2	
21 Secured by real estate	92.1	85.7	87.3	97.3	87.8	94.3	
22 Made under commitment	42.8	56.3	17.8	27.3	65.6	53.4	
23 Type of construction: 1- to 4-family	38.7	61.6	54.6	55.1	31.7	11.5	
24 Multifamily	6.4	5.8	2.1	2.2	12.0	9.6	
25 Nonresidential	54.9	32.6	43.3	42.7	56.3	78.9	
	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
	Loans to farmers						
26 Amount of loans (thousands of dollars)	796,500	162,130	168,848	135,149	83,650	117,118	129,604
27 Number of loans	64,797	46,784	11,355	4,219	1,224	942	272
28 Weighted-average maturity (months)	10.0	7.8	11.3	13.0	9.0	10.9	8.4
29 Weighted-average interest rate (per cent per annum)	9.16	9.13	9.16	9.11	9.26	9.22	9.15
30 Interquartile range [1]	8.75–9.50	8.68–9.40	8.68–9.50	8.75–9.46	9.00–9.50	8.91–9.38	8.50–9.69
By purpose of loan:							
31 Feeder livestock	9.17	9.09	8.97	8.89	9.39	9.31	9.77
32 Other livestock	9.07	9.07	9.37	8.73	9.53	9.12	8.92
33 Other current operating expenses	9.14	9.03	9.26	9.24	9.17	9.15	9.06
34 Farm machinery and equipment	9.31	9.40	9.35	9.47	9.44	(2)	(2)
35 Other	9.16	9.29	9.01	9.20	9.27	9.43	8.96

1 Interest rate range that covers the middle 50 per cent of the total dollar amount of loans made.

2 Fewer than three sample loans.

NOTE.—For more detail, see the Board's G.14 statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, per cent per annum

	Instrument	1975	1976	1977	1978 Mar.	1978 Apr.	1978 May	1978 June	1978, week ending – June 3	June 10	June 17	June 24	July 1
	Money market rates												
1	Federal funds [1]	5.82	5.05	5.54	6.79	6.89	7.36	7.60	7.36	7.47	7.49	7.53	7.78
	Prime commercial paper [2]												
2	90- to 119-day	6.26	5.24	5.54	6.75	6.82	7.06	7.59	7.28	7.41	7.61	7.71	7.76
3	4- to 6-month	6.33	5.35	5.60	6.80	6.86	7.11	7.63	7.31	7.45	7.66	7.74	7.80
4	Finance company paper, directly placed, 3- to 6-month [3]	6.16	5.22	5.49	6.73	6.74	6.98	7.41	7.23	7.25	7.38	7.46	7.58
5	Prime bankers acceptances, 90-day [4]	6.30	5.19	5.59	6.79	6.92	7.32	7.75	7.48	7.54	7.74	7.89	7.94
	Large negotiable certificates of deposit												
6	3-month, secondary market [5]	6.43	5.26	5.58	6.85	7.04	7.42	7.82	7.52	7.54	7.71	7.95	8.04
7	3-month, primary market [6]	......	5.15	5.52	6.75	r6.85	7.24	7.68	7.40	7.35	7.59	7.77	8.00
8	Euro-dollar deposits, 3-month [7]	6.97	5.57	6.05	7.27	7.38	7.82	8.33	8.02	8.00	8.09	8.48	8.65
	U.S. Govt. securities												
	Bills: [8]												
	Market yields:												
9	3-month	5.80	4.98	5.27	6.29	6.29	6.41	6.73	6.62	6.62	6.65	6.79	6.93
10	6-month	6.11	5.26	5.53	6.63	6.73	7.02	7.23	7.14	7.12	7.16	7.31	7.38
11	1-year	6.30	5.52	5.71	6.82	6.96	7.28	7.53	7.37	7.36	7.46	7.64	7.72
	Rates on new issue: [9]												
12	3-month	5.838	4.989	5.265	6.319	6.306	6.430	6.707	6.658	6.626	6.618	6.666	6.967
13	6-month	6.122	5.266	5.510	6.644	6.700	7.019	7.200	7.160	7.095	7.121	7.228	7.396
	Constant maturities: [10]												
14	1-year	6.76	5.88	6.09	7.31	7.45	7.82	8.09	7.92	7.89	8.03	8.22	8.32
	Capital market rates												
	Government notes and bonds												
	U.S. Treasury												
	Constant maturities: [10]												
15	2-year	......	......	6.45	7.58	7.74	8.01	8.24	8.11	8.07	8.13	8.36	8.45
16	3-year	7.49	6.77	6.69	7.70	7.85	8.07	8.30	8.19	8.16	8.19	8.40	8.51
17	5-year	7.77	7.18	6.99	7.86	7.98	8.18	8.36	8.27	8.25	8.29	8.43	8.49
18	7-year	7.90	7.42	7.23	7.95	8.06	8.25	8.40	8.34	8.30	8.35	8.46	8.50
19	10-year	7.99	7.61	7.42	8.04	8.15	8.35	8.46	8.41	8.38	8.41	8.49	8.59
20	20-year	8.19	7.86	7.67	8.21	8.32	8.44	8.53	8.49	8.47	8.47	8.55	8.63
21	30-year	......	......	......	8.23	8.34	8.43	8.50	8.49	8.45	8.45	8.52	8.59
	Notes and bonds maturing in – [11]												
22	3 to 5 years	7.55	6.94	6.85	7.76	7.90	8.10	8.31	8.19	8.18	8.22	8.39	8.50
23	Over 10 years (long-term)	6.98	6.78	7.06	7.63	7.74	7.87	7.94	7.92	7.88	7.89	7.96	8.02
	State and local:												
	Moody's series: [12]												
24	Aaa	6.42	5.66	5.20	5.11	5.41	5.57	5.73	5.75	5.65	5.65	5.75	5.85
25	Baa	7.62	7.49	6.12	5.85	5.88	6.14	6.44	6.30	6.40	6.45	6.55	6.50
26	*Bond Buyer* series [13]	7.05	6.64	5.68	5.61	5.80	6.03	6.22	6.19	6.18	6.16	6.26	6.29
	Corporate bonds												
	Seasoned issues [14]												
27	All industries	9.57	9.01	8.43	8.80	8.88	9.02	9.13	9.12	9.13	9.10	9.12	9.16
	By rating groups:												
28	Aaa	8.83	8.43	8.02	8.47	8.56	8.69	8.76	8.79	8.74	8.72	8.76	8.82
29	Aa	9.17	8.75	8.24	8.66	8.73	8.84	8.95	8.94	8.95	8.93	8.94	9.00
30	A	9.65	9.09	8.49	8.83	8.93	9.05	9.18	9.15	9.18	9.16	9.18	9.22
31	Baa	10.61	9.75	8.97	9.22	9.32	9.49	9.60	9.60	9.63	9.58	9.58	9.58
	Aaa utility bonds: [15]												
32	New issue	9.40	8.48	8.19	8.71	8.90	8.95	9.09	......	9.04	9.03	9.13	9.16
33	Recently offered issues	9.41	8.49	8.19	8.67	8.85	8.98	9.07	9.05	9.06	8.96	9.10	9.18
	Dividend/price ratio												
34	Preferred stocks	8.38	7.97	7.60	8.07	8.06	8.11	8.31	8.14	8.25	8.28	8.34	8.38
35	Common stocks	4.31	3.77	4.56	5.68	5.42	5.20	5.19	5.22	5.07	5.10	5.28	5.32

1 Weekly figures are 7-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

2 Beginning Nov. 1977, unweighted average of offering rates quoted by five dealers. Previously, most representative rate quoted by those dealers.

3 Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

4 Beginning Aug. 15, 1974, the rate is the average of the midpoint of the range of daily dealer closing rates offered for domestic issues; prior data are averages of the most representative daily offering rate quoted by dealers.

5 Weekly figures (week ending Wednesday) are 7-day averages of the daily midpoints as determined from the range of offering rates; monthly figures are averages of total days in the month. Beginning April 5, 1978, weekly figures are simple averages of offering rates.

6 Posted rates, which are the annual interest rates most often quoted on new offerings of negotiable CD's in denominations of $100,000 or more by large New York City banks. Rates prior to 1976 not available. Weekly figures are for Wednesday dates.

7 Averages of daily quotations for the week ending Wednesday.

8 Except for new bill issues, yields are computed from daily closing bid prices. Yields for all bills are quoted on a bank-discount basis.

9 Rates are recorded in the week in which bills are issued.

10 Yields on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

11 Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years, including a number of very low yielding "flower" bonds.

12 General obligations only, based on figures for Thursday, from Moody's Investors Service.

13 Twenty issues of mixed quality.

14 Averages of daily figures from Moody's Investors Service.

15 Compilation of the Board of Governors of the Federal Reserve System.

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.

1.37 STOCK MARKET Selected Statistics

Indicator	1975	1976	1977	1977	1978					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Prices and trading (averages of daily figures)									
Common stock prices										
1 **New York Stock Exchange (Dec. 31, 1965 = 50)**	**45.73**	**54.45**	**53.67**	**51.83**	**49.89**	**49.41**	**49.50**	**51.75**	**54.49**	**54.83**
2 Industrial	51.88	60.44	57.84	55.55	53.45	52.80	52.77	55.48	59.14	59.63
3 Transportation	30.73	39.57	41.07	39.75	39.15	38.90	38.95	41.19	44.21	44.19
4 Utility	31.45	36.97	40.91	40.36	39.09	39.02	39.26	39.69	39.47	39.41
5 Finance	46.62	52.94	55.23	53.85	50.91	50.60	51.44	55.04	57.95	58.31
6 **Standard & Poor's Corporation (1941–43 = 10)**[1]	**85.17**	**102.01**	**98.18**	**93.82**	**90.28**	**88.98**	**88.82**	**92.71**	**97.41**	**97.66**
7 **American Stock Exchange (Aug. 31, 1973 = 100)**	**83.15**	**101.63**	**116.18**	**124.88**	**121.73**	**123.35**	**126.11**	**133.67**	**142.26**	**147.64**
Volume of trading (thousands of shares)[2]										
8 New York Stock Exchange	18,568	21,189	20,936	21,475	20,388	19,400	22,617	34,780	35,261	30,514
9 American Stock Exchange	2,150	2,565	2,514	3,008	2,254	2,300	2,940	4,151	4,869	4,220
	Customer financing (end-of-period balances, in millions of dollars)									
10 **Regulated margin credit at brokers/dealers and banks**[3]	**6,500**	**9,011**	**10,866**	**10,866**	**10,690**	**10,901**	**11,027**	**11,424**	...	...
11 *Brokers, total*	*5,540*	*8,166*	*9,993*	*9,993*	*9,839*	*10,024*	*10,172*	*10,510*	*10,910*	...
12 Margin stock[4]	5,390	7,960	9,740	9,740	9,590	9,780	9,920	10,260	10,660	...
13 Convertible bonds	147	204	250	250	246	242	250	248	245	...
14 Subscription issues	3	2	3	3	3	2	2	2	1	...
15 *Banks, total*	*960*	*845*	*873*	*873*	*851*	*877*	*855*	*914*	...	...
16 Margin stocks	909	800	827	827	809	838	824	882	...	...
17 Convertible bonds	36	30	30	30	27	25	24	25	...	...
18 Subscription issues	15	15	16	16	15	14	7	7	...	...
19 **Unregulated nonmargin stock credit at banks**[5]	**2,281**	**r2,283**	**2,568**	**2,568**	**2,565**	**2,544**	**2,544**	**2,560**	...	...
MEMO: Free credit balances at brokers[6]										
20 Margin-account	475	585	640	640	660	635	630	715	755	...
21 Cash-account	1,525	1,855	2,060	2,060	1,925	1,875	1,795	2,170	2,395	...
	Margin-account debt at brokers (percentage distribution, end of period)									
22 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	...	...
By equity class (in per cent):[7]										
23 Under 40	24.0	12.0	18.0	19.0	25.0	25.0	21.0	15.0	...	...
24 40–49	28.8	23.0	36.0	34.0	34.0	34.0	33.0	32.0	...	...
25 50–59	22.3	35.0	23.0	24.0	20.0	20.0	24.0	27.0	...	...
26 60–69	11.6	15.0	11.0	11.0	10.0	10.0	11.0	13.0	...	...
27 70–79	6.9	8.7	6.0	7.0	6.0	6.0	6.0	7.0	...	...
28 80 or more	5.3	6.0	5.0	5.0	5.0	5.0	5.0	6.0	...	...
	Special miscellaneous-account balances at brokers (end of period)									
29 Total balances (millions of dollars)[8]	7,290	8,776	9,910	9,910	9,880	10,150	10,190	10,212	...	...
Distribution by equity status (per cent)										
30 Net credit status	43.8	41.3	43.4	43.4	42.4	42.0	42.6	41.9	...	...
Debit status, equity of—										
31 60 per cent or more	40.8	47.8	44.9	44.9	43.6	43.0	43.7	46.2	...	...
32 Less than 60 per cent	15.4	10.9	11.7	11.7	14.0	14.0	13.5	11.9	...	...

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 Based on trading for a 5½-hour day.

3 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 by brokers is end-of-month data for member firms of the New York Stock Exchange; June data for banks are universe totals; all other data for banks are estimates for all commercial banks based on data from a sample of reporting banks.

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.

4 A distribution of this total by equity class is shown on lines 23–28.

5 Nonmargin stocks are those not listed on a national securities exchange and not included on the Federal Reserve System's list of over-the-counter margin stocks. At banks, loans to purchase or carry nonmargin stocks are unregulated; at brokers, such stocks have no loan value.

6 Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

7 Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

8 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.

NOTE.—For table on "Margin Requirements" see p. A-10, Table 1.161.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1974	1975	1976	1977 Sept.	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.[r]	1978 May[p]
	Savings and loan associations											
1 **Assets**	**295,545**	**338,233**	**391,907**	**444,383**	**450,563**	**455,644**	**459,282**	**464,279**	**469,726**	**475,320**	**480,986**	**487,083**
2 Mortgages	249,301	278,590	323,005	366,838	371,714	376,468	381,216	384,235	387,644	392,479	397,335	402,358
3 Cash and investment securities[1]	23,251	30,853	35,724	39,709	40,642	40,522	39,197	40,356	41,646	41,870	41,901	42,498
4 Other	22,993	28,790	33,178	37,836	38,207	38,654	38,869	39,688	40,436	40,971	41,750	42,227
5 **Liabilities and net worth**	**295,545**	**338,233**	**391,907**	**444,383**	**450,563**	**455,644**	**459,282**	**464,279**	**469,726**	**475,320**	**480,986**	**487,083**
6 Savings capital	242,974	285,743	335,912	377,208	379,604	381,333	386,875	389,620	391,917	399,070	399,628	402,014
7 *Borrowed money*	*24,780*	*20,634*	*19,083*	*r22,912*	*r24,199*	*r25,540*	*r27,796*	*r27,899*	*r28,666*	*29,274*	*31,838*	*32,675*
8 FHLBB	21,508	17,524	15,708	r16,900	r17,539	r18,275	r19,945	r20,129	r20,602	21,030	22,692	23,314
9 Other	3,272	3,110	3,375	6,012	6,660	7,265	7,851	7,770	8,064	8,244	9,146	9,361
10 Loans in process	3,244	5,128	6,840	9,741	9,856	9,924	9,932	9,849	9,924	10,435	10,959	11,413
11 Other	6,105	6,949	8,074	r10,184	r12,233	r13,846	r9,498	r11,471	r13,456	10,511	12,194	14,249
12 Net worth[2]	18,442	19,779	21,998	24,338	24,671	25,001	25,181	25,440	25,763	26,030	26,367	26,732
13 MEMO: Mortgage loan commitments outstanding[3]	7,454	10,673	14,826	21,631	21,555	21,270	19,886	19,534	20,625	22,320	23,409	23,953
	Mutual savings banks											
14 **Assets**	**109,550**	**121,056**	**134,812**	**144,666**	**145,651**	**146,346**	**147,287**	**148,511**	**149,528**	**150,962**	**151,383**	....
Loans:												
15 Mortgage	74,891	77,221	81,630	86,079	86,769	87,333	88,195	88,905	89,247	89,800	90,346	....
16 Other	3,812	4,023	5,183	6,878	7,115	7,241	6,210	6,803	7,398	7,782	7,422	....
Securities:												
17 U.S. Govt.	2,555	4,740	5,840	6,192	6,101	6,071	5,895	5,785	5,737	5,677	5,670	....
18 State and local government	930	1,545	2,417	2,777	2,808	2,809	2,828	2,886	2,808	2,850	2,915	....
19 Corporate and other[4]	22,550	27,992	33,793	36,927	37,073	37,221	37,918	38,360	38,605	38,964	39,146	....
20 Cash	2,167	2,330	2,355	1,992	2,011	1,887	2,401	1,889	1,838	1,990	1,940	....
21 Other assets	2,645	3,205	3,593	3,821	3,773	3,783	3,839	3,882	3,895	3,899	3,945	....
22 **Liabilities**	**109,550**	**121,056**	**134,812**	**144,666**	**145,651**	**146,346**	**147,287**	**148,511**	**149,528**	**150,962**	**151,383**	....
23 *Deposits*	*98,701*	*109,873*	*122,877*	*131,688*	*132,250*	*132,537*	*134,017*	*134,771*	*135,200*	*136,997*	*136,931*	....
24 Regular:[5]	98,221	109,291	121,961	130,230	130,913	131,319	132,744	133,370	133,846	135,558	135,349	....
25 Ordinary savings	64,286	69,653	74,535	77,640	77,503	77,460	78,005	77,754	77,837	78,783	78,170	....
26 Time and other	33,935	39,639	47,426	52,590	53,410	53,859	54,739	55,616	56,009	56,775	57,179	....
27 Other	480	582	916	1,458	1,337	1,208	1,272	1,401	1,354	1,439	1,582	....
28 Other liabilities	2,888	2,755	2,884	3,254	3,632	3,938	3,292	3,676	4,155	3,735	4,152	....
29 General reserve accounts	7,961	8,428	9,052	9,723	9,769	9,882	9,978	10,064	10,174	10,230	10,301	....
30 MEMO: Mortgage loan commitments outstanding[6]	2,040	1,803	2,439	4,254	4,423	4,458	4,066	3,998	4,027	4,185	4,342	....
	Life insurance companies											
31 **Assets**	**263,349**	**289,304**	**321,552**	**341,382**	**343,738**	**347,182**	**350,506**	**352,914**	**355,068**	**357,925**	**361,848**	....
Securities:												
32 *Government*	*10,900*	*13,758*	*17,942*	*19,515*	*19,519*	*19,681*	*19,508*	*19,579*	*19,677*	*19,560*	*19,391*	....
33 United States[7]	3,372	4,736	5,368	5,883	5,810	5,993	5,693	5,717	5,748	5,629	5,214	....
34 State and local	3,667	4,508	5,594	5,994	5,979	5,967	6,016	6,009	6,073	6,015	5,868	....
35 Foreign[8]	3,861	4,514	6,980	7,638	7,730	7,721	7,799	7,853	7,856	7,916	8,309	....
36 *Business*	*119,637*	*135,317*	*157,246*	*170,606*	*172,005*	*174,109*	*175,204*	*177,134*	*178,718*	*180,688*	*183,922*	....
37 Bonds	97,717	107,256	122,984	138,046	139,909	141,354	142,095	145,244	147,202	148,754	150,057	....
38 Stocks	21,920	28,061	34,262	32,560	32,096	32,755	33,109	31,890	31,516	31,934	33,865	....
39 Mortgages	86,234	89,167	91,552	94,070	94,684	95,110	96,765	97,171	97,475	97,963	98,533	....
40 Real estate	8,331	9,621	10,476	10,930	11,024	11,113	11,201	11,252	11,318	11,310	11,307	....
41 Policy loans	22,862	24,467	25,834	27,087	27,220	27,355	27,508	27,628	27,762	27,951	28,169	....
42 Other assets	15,385	16,971	18,502	19,174	19,286	19,814	20,320	20,150	20,118	20,453	20,526	....
	Credit unions											
43 **Total assets/liabilities and capital**	**31,948**	**38,037**	**45,225**	**52,136**	**52,412**	**53,141**	**54,084**	**53,982**	**54,989**	**56,703**	**56,827**	**58,018**
44 Federal	16,715	20,209	24,396	28,384	28,463	28,954	29,574	29,579	30,236	31,274	31,255	31,925
45 State	15,233	17,828	20,829	23,752	23,949	24,187	24,510	24,403	24,753	25,429	25,572	26,093
46 *Loans outstanding*	*24,432*	*28,169*	*34,384*	*40,573*	*40,865*	*41,427*	*42,055*	*41,876*	*42,331*	*43,379*	*44,133*	*45,506*
47 Federal	12,730	14,869	18,311	21,692	21,814	22,224	22,717	22,590	22,865	23,555	23,919	24,732
48 State	11,702	13,300	16,073	18,881	19,051	19,203	19,338	19,286	19,466	19,824	20,214	20,774
49 *Savings*	*27,518*	*33,013*	*39,173*	*45,103*	*45,441*	*45,977*	*46,832*	*47,317*	*48,093*	*49,706*	*49,931*	*50,789*
50 Federal (shares)	14,370	17,530	21,130	24,775	24,945	25,303	25,849	26,076	26,569	27,514	27,592	28,128
51 State (shares and deposits)	13,148	15,483	18,043	20,328	20,496	20,674	20,983	21,241	21,524	22,192	22,339	22,661

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

	Type of account or operation	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Calendar year					
					1976	1977		1978		
					H2	H1	H2	Mar.	Apr.	May
	U.S. Budget									
1	Receipts [1]	299,197	81,687	356,861	157,868	189,410	175,787	24,879	42,342	34,961
2	Outlays [1,2,3]	365,643	94,657	401,902	193,629	199,482	216,747	40,004	35,724	36,670
3	*Surplus, or deficit (−)*	*−66,446*	*−12,970*	*−45,041*	*−35,761*	*−10,072*	*−40,961*	*−15,125*	*6,618*	*−1,709*
4	Trust funds	2,409	−1,952	7,833	−4,621	7,332	4,293	−1,147	−990	5,970
5	Federal funds [4]	−68,855	−11,018	−52,874	−31,140	−17,405	−45,254	−13,978	7,608	−7,679
	Off-budget entities surplus, or deficit (−)									
6	Federal Financing Bank outlays	−5,915	−2,575	−8,415	−5,176	−2,075	−6,663	−1,149	−671	−795
7	Other [2,5]	−1,355	793	−269	3,809	−2,086	428	−16	102	−245
	U.S. Budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit (−)*	*−73,716*	*−14,752*	*−53,725*	*−37,125*	*−14,233*	*−47,196*	*−16,290*	*6,049*	*−2,749*
	Financed by:									
9	Borrowing from the public [3]	82,922	18,027	53,516	35,457	16,480	40,284	9,656	−2,263	−555
10	Cash and monetary assets (decrease, or increase (−))	−7,796	−2,899	−2,238	2,153	−4,666	4,317	993	−3,345	6,403
11	Other [6]	−1,396	−373	2,440	−485	2,420	2,597	5,640	−442	−3,099
	MEMO ITEMS:									
12	**Treasury operating balance (level, end of period)**	**14,836**	**17,418**	**19,104**	**11,670**	**16,255**	**12,274**	**6,407**	**9,281**	**3,726**
13	F.R. Banks	11,975	13,299	15,740	10,393	15,183	7,114	4,705	7,177	2,398
14	Tax and loan accounts	2,854	4,119	3,364	1,277	1,072	5,160	1,702	2,104	1,328
15	Other demand accounts [7]	7	....	....	....	....	....	....	....	....

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Outlay totals reflect the reclassification of the Export-Import Bank, and the Housing for the Elderly and Handicapped Fund effective October 1977, from off-budget status to unified budget status.

3 Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank, are treated as debt rather than asset sales.

4 Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.

5 Includes Pension Benefit Guaranty Corp.; Postal Service Fund, Rural Electrification; Telephone Revolving Fund, Rural Telephone Bank; and Housing for the Elderly or Handicapped Fund until October 1978.

6 Includes public debt accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment.

7 Excludes the gold balance but includes deposits in certain commercial depositories that have been converted from a time deposit to a demand deposit basis to permit greater flexibility in Treasury cash management.

SOURCE.—"Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and *U.S. Budget, Fiscal Year 1978.*

NOTES TO TABLE 1.38

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 Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. Govt. agencies.

5 Excludes checking, club, and school accounts.

6 Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Assn. of the State of New York.

7 Direct and guaranteed obligations. Excludes Federal agency issues not guaranteed, which are shown in this table under "business" securities.

8 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. Data are reported on a gross-of-valuation-reserves basis.

Life insurance companies: Estimates of the Institute 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 per cent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

	Source or type	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Calendar year					
					1976	1977		1978		
					H2	H1	H2	Mar.	Apr.	May
					Receipts					
1	**All sources [1]**	**299,197**	**81,687**	**356,861**	**157,868**	**189,410**	**175,787**	**24,879**	**42,343**	**34,961**
2	*Individual income taxes, net*	*130,794*	*38,715*	*156,725*	*75,899*	*77,948*	*82,877*	*5,258*	*18,833*	*14,293*
3	Withheld	123,408	32,949	144,820	68,023	73,303	75,480	14,469	13,095	14,808
4	Presidential Election Campaign Fund	34	1	37	1	37	1	9	10	6
5	Nonwithheld	35,528	6,809	42,062	8,426	32,959	9,397	2,537	13,611	6,750
6	Refunds [1]	28,175	1,043	30,194	1,541	28,350	2,001	11,756	7,883	7,272
7	*Corporation income taxes:*									
8	Gross receipts	46,783	9,808	60,057	20,706	37,133	25,121	8,682	9,342	1,624
9	Refunds	5,374	1,348	5,164	2,886	2,324	2,819	659	492	441
10	*Social insurance taxes and contributions, net*	*92,714*	*25,760*	*108,683*	*47,596*	*58,099*	*52,347*	*8,560*	*11,828*	*16,092*
11	Payroll employment taxes and contributions [2]	76,391	21,534	88,196	40,427	45,242	44,384	7,616	7,495	10,796
12	Self-employment taxes and contributions [3]	3,518	269	4,014	286	3,687	316	322	2,492	288
13	Unemployment insurance	8,054	2,698	11,312	4,379	6,575	4,936	144	1,393	4,499
14	Other net receipts [4]	4,752	1,259	5,162	2,504	2,595	2,711	478	448	508
15	Excise taxes	16,963	4,473	17,548	8,910	8,432	9,284	1,395	1,368	1,670
16	Customs	4,074	1,212	5,150	2,361	2,519	2,848	603	545	584
17	Estate and gift	5,216	1,455	7,327	2,943	4,332	2,837	462	296	512
18	Miscellaneous receipts [5]	8,026	1,612	6,536	3,236	3,269	3,292	577	622	629
					Outlays [9]					
19	**All types [1, 6]**	**365,643**	**94,657**	**401,902**	**193,629**	**199,482**	**216,747**	**40,004**	**35,724**	**36,670**
20	National defense	89,430	22,307	97,501	45,002	48,721	50,873	10,701	8,492	9,107
21	International affairs [6]	5,567	2,180	4,831	3,028	2,522	2,896	−795	1,259	60
22	General science, space, and technology	4,370	1,161	4,677	2,377	2,108	2,318	433	379	428
23	Energy	3,127	794	4,172	....	....	....	542	165	550
24	Natural resources and environment	8,124	2,532	10,000	....	....	....	841	771	848
25	Agriculture	2,502	584	5,526	2,019	2,628	5,477	680	23	82
26	Commerce and housing credit	3,795	1,391	−31	....	....	....	52	−22	216
27	Transportation	13,438	3,306	14,636	....	....	....	991	1,153	1,114
28	Community and regional development	4,709	1,340	6,283	3,192	3,149	4,924	1,461	771	1,185
29	Education, training, employment, and social services	18,737	5,162	20,985	9,083	9,775	10,800	2,214	1,913	2,389
30	Health	33,448	8,720	38,785	19,329	18,654	19,422	3,895	3,589	3,716
31	Income security [1]	126,598	32,710	137,004	65,367	69,917	71,047	13,109	11,551	12,230
32	Veterans benefits and services	18,432	3,962	18,038	8,542	9,382	9,864	2,662	567	1,726
33	Administration of justice	3,320	859	3,600	1,839	1,783	1,723	290	340	371
34	General government	2,927	878	3,357	1,734	1,587	1,749	374	131	484
35	General-purpose fiscal assistance	7,235	2,092	9,499	4,729	4,333	4,926	43	2,050	153
36	Interest [7]	34,589	7,246	38,092	18,409	18,927	19,962	3,091	3,295	3,296
37	Undistributed offsetting receipts [7,8]	−14,704	−2,567	−15,053	−7,869	−6,803	−8,506	−581	−703	1,284

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Old-age, disability and hospital insurance, and Railroad Retirement accounts.

3 Old-age, disability, and hospital insurance.

4 Supplementary medical insurance premiums, Federal employee retirement contributions, and Civil Service retirement and disability fund.

5 Deposits of earnings by F.R. Banks and other miscellaneous receipts.

6 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status. Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank, are treated as debt rather than asset sales.

7 Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. Govt. accounts from an accrual basis to a cash basis.

8 Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. Govt. contributions for employee retirement.

9 For some types of outlays the categories are new or represent regroupings; data for these categories are from the *Budget of the United States Government, Fiscal Year 1979*; data are not available for half years or for months prior to February 1978.

Two categories have been renamed: "Law enforcement and justice" has become "Administration of justice" and "Revenue sharing and general purpose fiscal assistance" has become "General purpose fiscal assistance."

In addition, for some categories the table includes revisions in figures published earlier.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1975 June 30	1975 Dec. 31	1976 June 30	1976 Sept. 30	1976 Dec. 31	1977 June 30	1977 Sept. 30	1977 Dec. 31	1978 Mar. 31
1 **Federal debt outstanding**	**544.1**	**587.6**	**631.9**	**[2] 646.4**	**665.5**	**685.2**	**709.1**	**729.2**	**747.8**
2 *Public debt securities*	*533.7*	*576.6*	*620.4*	*634.7*	*653.5*	*674.4*	*698.8*	*718.9*	*738.0*
3 Held by public	387.9	437.3	470.8	488.6	506.4	523.2	543.4	564.1	585.2
4 Held by agencies	145.3	139.3	149.6	146.1	147.1	151.2	155.5	154.8	152.7
5 *Agency securities*	*10.9*	*10.9*	*11.5*	*11.6*	*12.0*	*10.8*	*10.3*	*10.2*	*9.9*
6 Held by public	9.0	8.9	9.5	[2] 9.7	10.0	9.0	8.5	8.4	8.1
7 Held by agencies	1.9	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8
8 **Debt subject to statutory limit**	**534.2**	**577.8**	**621.6**	**635.8**	**654.7**	**675.6**	**700.0**	**720.1**	**737.7**
9 Public debt securities	532.6	576.0	619.8	634.1	652.9	673.8	698.2	718.3	736.0
10 Other debt[1]	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8
11 MEMO: Statutory debt limit	577.0	595.0	636.0	636.0	682.0	700.0	700.0	752.0	752.0

1 Includes guaranteed debt of Govt. agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

2 Gross Federal debt and agency debt held by the public increased $0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan asset sales to debt, effective July 1, 1975.

NOTE.—Data from *Treasury Bulletin* (U.S. Treasury Dept.).

1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1974	1975	1976	1977	1978 Feb.	1978 Mar.	1978 Apr.	1978 May	1978 June
1 **Total gross public debt**	**492.7**	**576.6**	**653.5**	**718.9**	**729.8**	**738.0**	**736.6**	**741.6**	**749.0**
By type:									
2 **Interest-bearing debt**	**491.6**	**575.7**	**652.5**	**715.2**	**728.5**	**736.9**	**733.1**	**740.6**	**748.0**
3 *Marketable*	*282.9*	*363.2*	*421.3*	*459.9*	*470.8*	*478.3*	*472.2*	*473.7*	*477.7*
4 Bills	119.7	157.5	164.0	161.1	161.8	165.7	159.6	159.4	159.8
5 Notes	129.8	167.1	216.7	251.8	258.5	262.2	262.2	261.6	265.3
6 Bonds	33.4	38.6	40.6	47.0	50.5	50.4	50.4	52.7	52.6
7 *Nonmarketable*[1]	*208.7*	*212.5*	*231.2*	*255.3*	*257.7*	*258.7*	*260.9*	*266.9*	*270.3*
8 Convertible bonds[2]	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2
9 State and local govt. series	.6	1.2	4.5	13.9	15.4	16.4	17.6	18.6	20.6
10 Foreign issues[3]	22.8	21.6	22.3	22.2	22.6	23.6	23.4	22.4	21.5
11 Savings bonds and notes	63.8	67.9	72.3	77.0	77.8	78.2	78.6	79.0	79.4
12 Govt. account series[4]	119.1	119.4	129.7	139.8	139.4	138.0	138.8	144.4	146.4
13 Non-interest-bearing debt	1.1	1.0	1.1	3.7	1.3	1.0	3.5	1.0	1.0
By holder:[5]									
14 U.S. Govt. agencies and trust funds	138.2	145.3	149.6	154.8	154.2	152.7	153.6	...	...
15 F.R. Banks	80.5	84.7	94.4	102.5	98.5	r101.6	103.1	...	...
16 **Private investors**	**271.0**	**349.4**	**409.5**	**461.3**	**477.1**	**483.7**	**479.5**	...	...
17 Commercial banks	55.6	85.1	103.8	102.4	103.5	102.3	100.7	...	...
18 Mutual savings banks	2.5	4.5	5.7	6.0	5.9	5.8	5.7	...	...
19 Insurance companies	6.2	9.5	12.5	15.5	15.3	15.0	14.9	...	...
20 Other corporations	11.0	20.2	26.5	22.2	21.8	20.4	19.4	...	...
21 State and local governments	29.2	34.2	41.6	55.1	58.3	60.3	60.3	...	...
Individuals:									
22 Savings bonds	63.4	67.3	72.0	76.7	77.6	78.0	78.4	...	...
23 Other securities	21.5	24.0	28.8	28.6	29.1	28.9	28.7	...	...
24 Foreign and international[6]	58.8	66.5	78.1	109.6	115.4	r124.5	120.4	...	...
25 Other miscellaneous investors[7]	22.8	38.0	40.5	45.1	50.4	r48.5	51.1	...	...

1 Includes (not shown separately): Securities issued to the Rural Electrification Administration and to State and local governments, depositary 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 per cent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.

3 Nonmarketable foreign government dollar-denominated and foreign currency denominated series.

4 Held almost entirely by U.S. Govt. agencies and trust funds.

5 Data for F.R. Banks and U.S. Govt. agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6 Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

7 Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain Govt. deposit accounts, and Govt.-sponsored agencies.

NOTE.—Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Dept.); data by holder from *Treasury Bulletin*.

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

Par value; millions of dollars, end of period

Type of holder	1976	1977	1978 Apr.	1978 May	1976	1977	1978 Apr.	1978 May
	All maturities				1 to 5 years			
1 **All holders**	**421,276**	**459,927**	**472,193**	**473,684**	**141,132**	**151,264**	**165,671**	**170,122**
2 U.S. Govt. agencies and trust funds	16,485	14,420	13,977	13,967	6,141	4,788	4,772	4,772
3 F. R. Banks	96,971	101,191	103,072	101,329	31,249	27,012	30,015	28,329
4 *Private investors*	*307,820*	*344,315*	*355,144*	*358,388*	*103,742*	*119,464*	*130,884*	*137,020*
5 Commercial banks	78,262	75,363	73,207	71,530	40,005	38,691	41,553	42,214
6 Mutual savings banks	4,072	4,379	4,109	4,004	2,010	2,112	2,237	2,257
7 Insurance companies	10,284	12,378	11,832	11,855	3,885	4,729	5,168	5,149
8 Nonfinancial corporations	14,193	9,474	7,309	7,028	2,618	3,183	3,311	3,359
9 Savings and loan associations	4,576	4,817	4,786	4,540	2,360	2,368	2,586	2,569
10 State and local governments	12,252	15,495	15,848	14,646	2,543	3,875	4,769	4,453
11 All others	184,182	222,409	238,053	244,785	50,321	64,505	71,269	17,019
	Total, within 1 year				5 to 10 years			
12 **All holders**	**211,035**	**230,691**	**226,401**	**219,559**	**43,045**	**45,328**	**44,121**	**45,690**
13 U.S. Govt. agencies and trust funds	2,012	1,906	1,159	1,150	2,879	2,129	2,129	2,129
14 F. R. Banks	51,569	56,702	54,970	52,314	9,148	10,404	10,175	11,802
15 *Private investors*	*157,454*	*172,084*	*170,272*	*166,094*	*31,018*	*32,795*	*31,816*	*31,758*
16 Commercial banks	31,213	29,477	23,078	20,831	6,278	6,162	6,998	6,567
17 Mutual savings banks	1,214	1,400	1,057	934	567	584	533	537
18 Insurance companies	2,191	2,398	1,665	1,623	2,546	3,204	2,966	3,017
19 Nonfinancial corporations	11,009	5,770	3,511	3,147	370	307	300	307
20 Savings and loan associations	1,984	2,236	1,981	1,765	155	143	148	133
21 State and local governments	6,622	7,917	6,830	5,953	1,465	1,283	1,219	1,305
22 All others	103,220	122,885	132,151	131,842	19,637	21,112	19,652	19,892
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**163,992**	**161,081**	**159,640**	**159,391**	**11,865**	**12,906**	**14,298**	**14,927**
24 U.S. Govt. agencies and trust funds	449	32	2	2	3,102	3,102	3,102	3,273
25 F. R. Banks	41,279	42,004	40,688	39,867	1,363	1,510	1,624	1,806
26 *Private investors*	*122,264*	*119,035*	*118,950*	*119,522*	*7,400*	*8,295*	*9,571*	*9,847*
27 Commercial banks	17,303	11,996	6,938	6,773	339	456	699	811
28 Mutual savings banks	454	484	269	256	139	137	137	130
29 Insurance companies	1,463	1,187	730	810	1,114	1,245	1,165	1,197
30 Nonfinancial corporations	9,939	4,329	2,078	1,797	142	133	126	153
31 Savings and loan associations	1,266	806	676	562	64	54	56	57
32 State and local governments	5,556	6,092	4,639	3,898	718	890	1,276	1,043
33 All others	86,282	94,152	103,621	105,426	4,884	5,380	6,112	6,456
	Other, within 1 year				Over 20 years			
34 **All holders**	**47,043**	**69,610**	**66,671**	**60,168**	**14,200**	**19,738**	**21,701**	**23,387**
35 U.S. Govt. agencies and trust funds	1,563	1,874	1,158	1,149	2,350	2,495	2,813	2,642
36 F. R. Banks	10,290	14,698	14,282	12,447	3,642	5,564	6,287	7,077
37 *Private investors*	*35,190*	*53,039*	*51,321*	*46,572*	*8,208*	*11,679*	*12,601*	*13,668*
38 Commercial banks	13,910	15,482	16,139	14,058	427	578	880	1,107
39 Mutual savings banks	760	916	788	678	143	146	145	146
40 Insurance companies	728	1,211	936	813	548	802	868	869
41 Nonfinancial corporations	1,070	1,441	1,433	1,350	55	81	61	62
42 Savings and loan associations	718	1,430	1,305	1,203	13	16	15	16
43 State and local governments	1,066	3,875	2,191	2,055	904	1,530	1,763	1,891
44 All others	16,938	28,733	28,530	26,416	6,120	8,526	8,868	9,577

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

Data complete for U.S. Govt. agencies and trust funds and F.R. 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, 1978; (1) 5,480 commercial banks, 464 mutual savings banks, and 728 insurance companies, each about 90 per cent; (2) 436 nonfinancial corporations and 485 savings and loan assns., each about 50 per cent; and (3) 493 State and local govts., about 40 per cent.

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

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

Item	1975	1976	1977	1978 Mar.	1978 April	1978 May	1978, week ending Wednesday— Apr. 26	May 3	May 10	May 17	May 24	May 31
1 **U.S. Govt. securities**	**6,027**	**10,449**	**10,838**	**10,620**	**11,163**	**10,609**	**11,067**	**10,762**	**12,055**	**11,267**	**9,008**	**10,458**
By maturity:												
2 Bills	3,889	6,676	6,746	6,678	6,947	6,483	6,458	6,503	6,394	7,113	5,929	6,998
3 Other within 1 year	223	210	237	345	465	388	447	383	399	358	312	546
4 1–5 years	1,414	2,317	2,318	1,923	1,921	1,599	2,630	1,798	1,781	1,535	1,516	1,828
5 5–10 years	363	1,019	1,148	1,027	1,107	1,156	908	1,340	1,680	1,230	722	592
6 Over 10 years	138	229	388	648	724	984	624	736	1,800	1,031	529	494
By type of customer:												
7 U.S. Govt. securities dealers	885	1,360	1,267	1,320	1,346	1,110	1,186	1,152	1,155	1,220	819	1,327
8 U.S. Govt. securities brokers	1,750	3,407	3,709	3,324	3,882	4,002	4,088	3,811	5,046	4,326	3,589	3,191
9 Commercial banks	1,451	2,426	2,295	2,134	2,157	1,867	2,210	2,023	2,077	1,959	1,585	1,924
10 All others[1]	1,941	3,257	3,567	3,842	3,777	3,631	3,583	3,775	3,778	3,761	3,015	4,017
11 **Federal agency securities**	**1,043**	**1,548**	**693**	**1,847**	**1,603**	**1,587**	**1,681**	**1,218**	**1,375**	**1,644**	**1,665**	**2,045**

1 Includes—among others—all other dealers and brokers in commodities and securities, foreign banking agencies, and the F.R. System.

NOTE.—Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. Govt. securities dealers reporting to the F.R. Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. Govt. securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

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

Item	1975	1976	1977	1978 Mar.	1978 April	1978 May	1978, week ending Wednesday— Apr. 5	Apr. 12	Apr. 19	Apr. 26	May 3	May 10
	Positions[2]											
1 **U.S. Govt. securities**	**5,884**	**7,592**	**5,172**	**3,519**	**3,063**	**822**	**4,418**	**3,808**	**3,469**	**1,465**	**1,450**	**1,508**
2 Bills	4,297	6,290	4,772	2,773	3,249	1,109	4,416	4,118	3,820	1,432	1,718	1,312
3 Other within 1 year	265	188	99	226	239	312	222	206	84	332	378	320
4 1–5 years	886	515	60	460	−139	−622	−150	−254	−255	89	−151	−443
5 5–10 years	300	402	92	67	−166	68	7	−223	−96	−214	−95	262
6 Over 10 years	136	198	149	−7	−121	−46	−77	−40	−84	−174	−399	57
7 **Federal agency securities**	**943**	**729**	**693**	**794**	**749**	**1,043**	**630**	**591**	**718**	**923**	**985**	**931**
	Sources of financing[3]											
8 **All sources**	**6,666**	**8,715**	**9,877**	**9,586**	**9,099**	**8,397**	**8,663**	**9,733**	**9,814**	**8,525**	**8,194**	**8,725**
Commercial banks:												
9 New York City	1,621	1,896	1,313	777	698	249	−34	939	1,190	700	205	32
10 Outside New York City	1,466	1,660	1,987	2,067	2,106	1,649	2,061	2,323	2,216	1,922	1,791	1,590
11 Corporations[1]	842	1,479	2,358	2,406	2,190	1,823	2,429	2,507	2,348	1,696	1,751	1,771
12 All others	2,738	3,681	4,170	4,335	4,105	4,677	4,207	3,964	4,060	4,208	4,447	5,313

1 All business corporations except commercial banks and insurance companies.

2 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. 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 purchased under agreements to resell.

3 Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. Govt. and Federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE.—Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

	Agency	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
1	**Federal and Federally sponsored agencies**	**89,381**	**97,680**	**103,325**	**109,427**	**110,409**	**111,520**	**112,945**	**114,371**	**115,903**
2	*Federal agencies*	*12,719*	*19,046*	*21,896*	*23,257*	*23,245*	*23,293*	*23,284*	*23,695*	*23,766*
3	Defense Department[1]	1,312	1,220	1,113	991	983	974	963	954	949
4	Export-Import Bank[2,3]	2,893	7,188	7,801	9,246	9,156	9,156	9,156	9,416	9,416
5	Federal Housing Administration[4]	440	564	575	585	581	599	602	607	607
6	Government National Mortgage Association participation certificates[5]	4,280	4,200	4,120	3,768	3,743	3,743	3,743	3,743	3,701
7	Postal Service[6]	721	1,750	2,998	2,431	2,431	2,431	2,431	2,431	2,431
8	Tennessee Valley Authority	3,070	3,915	5,185	5,905	6,015	6,045	6,045	6,195	6,310
9	United States Railway Association[6]	3	209	104	331	336	345	344	349	352
10	*Federally sponsored agencies*	*76,662*	*78,634*	*81,429*	*86,170*	*87,164*	*88,227*	*89,661*	*90,676*	*92,137*
11	Federal home loan banks	21,890	18,900	16,811	17,867	18,345	18,692	19,893	20,007	20,163
12	Federal Home Loan Mortgage Corporation	1,551	1,550	1,690	1,686	1,686	1,768	1,768	1,768	1,639
13	Federal National Mortgage Association	28,167	29,963	30,565	31,333	31,890	32,024	32,553	33,350	34,024
14	Federal land banks	12,653	15,000	17,127	19,118	19,118	19,498	19,350	19,350	19,686
15	Federal intermediate credit banks	8,589	9,254	10,494	11,421	11,174	11,103	10,958	10,881	10,977
16	Banks for cooperatives	3,589	3,655	4,330	4,208	4,434	4,625	4,622	4,728	5,046
17	Student Loan Marketing Association[7]	220	310	410	535	515	515	515	590	600
18	Other	3	2	2	2	2	2	2	2	2
	MEMO ITEMS:									
19	**Federal Financing Bank debt[6,8]**	**4,474**	**17,154**	**28,711**	**37,095**	**38,580**	**39,522**	**40,605**	**42,169**	**42,964**
	Lending to Federal and Federally sponsored agencies:									
20	Export-Import Bank[3]	....	4,595	5,208	5,924	5,834	5,834	5,834	6,094	6,094
21	Postal Service[6]	500	1,500	2,748	2,181	2,181	2,181	2,181	2,181	2,181
22	Student Loan Marketing Association[7]	220	310	410	535	515	515	515	590	600
23	Tennessee Valley Authority	895	1,840	3,110	4,080	4,190	4,220	4,220	4,370	4,485
24	United States Railway Association[6]	3	209	104	331	336	345	344	349	352
	Other lending:[9]									
25	Farmers Home Administration	2,500	7,000	10,750	15,295	16,095	16,760	17,545	18,050	19,120
26	Rural Electrification Administration	....	566	1,415	2,535	2,647	2,809	2,947	3,124	3,323
27	Other	356	1,134	4,966	6,214	6,782	6,858	7,019	7,411	6,809

1 Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2 Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3 Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

4 Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5 Certificates of participation issued 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.

6 Off-budget.

7 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.

8 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.

9 Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

	Type of issue or issuer, or use	1975	1976	1977	1977 Dec.	1978 Jan.[r]	1978 Feb.[r]	1978 Mar.[r]	1978 Apr.	1978 May
1	**All issues, new and refunding** [1]	**30,607**	**35,313**	**46,769**	**3,655**	**3,299**	**2,747**	**4,747**	**3,784**	**5,320**
	By type of issue:									
2	General obligation	16,020	18,040	18,042	1,372	1,877	1,023	1,425	1,361	2,185
3	Revenue	14,511	17,140	28,655	2,274	1,418	1,720	3,319	2,412	3,115
4	Housing Assistance Administration [2]	....	....	....	....	....	....	....	....	....
5	U.S. Govt. loans	76	133	72	9	4	4	3	11	20
	By type of issuer:									
6	State	7,438	7,054	6,354	517	833	311	449	237	873
7	Special district and statutory authority	12,441	15,304	21,717	1,846	1,124	1,269	2,565	1,858	2,108
8	Municipalities, counties, townships, school districts	10,660	12,845	18,623	1,283	1,338	1,163	1,729	1,678	2,319
9	**Issues for new capital, total**	**29,495**	**32,108**	**36,189**	**2,343**	**2,913**	**2,003**	**3,068**	**2,587**	**3,055**
	By use of proceeds:									
10	Education	4,689	4,900	5,076	348	561	415	348	331	677
11	Transportation	2,208	2,586	2,951	184	227	56	273	156	129
12	Utilities and conservation	7,209	9,594	8,119	525	484	368	959	720	554
13	Social welfare	4,392	6,566	8,274	659	855	518	684	847	935
14	Industrial aid	445	483	4,676	282	246	315	328	268	300
15	Other purposes	10,552	7,979	7,093	345	540	331	476	265	460

1 Par amounts of long-term issues based on date of sale.

2 Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

SOURCE.—Public Securities Association.

1.48 NEW SECURITY ISSUES of Corporations

Millions of dollars

	Type of issue or issuer, or use	1975	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.
1	**All issues** [1]	**53,619**	**53,488**	**54,205**	**4,221**	**5,331**	**6,531**	**3,013**	**2,657**	**3,442**
2	**Bonds**	**42,756**	**42,380**	**42,193**	**3,093**	**3,411**	**5,362**	**2,380**	**2,131**	**3,620**
	By type of offering:									
3	Public	32,583	26,453	24,186	2,114	2,211	1,542	1,382	1,464	1,902
4	Private placement	10,172	15,927	18,007	979	1,200	3,820	998	667	1,718
	By industry group:									
5	Manufacturing	16,980	13,264	12,510	648	726	2,375	268	716	1,155
6	Commercial and miscellaneous	2,750	4,372	5,887	571	546	753	280	87	428
7	Transportation	3,439	4,387	2,033	120	178	345	123	101	217
8	Public utility	9,658	8,297	8,261	854	851	476	284	205	631
9	Communication	3,464	2,787	3,059	8	288	189	519	9	291
10	Real estate and financial	6,469	9,274	10,438	892	821	1,223	907	1,012	898
11	**Stocks**	**10,863**	**11,108**	**12,013**	**1,128**	**1,920**	**1,169**	**633**	**526**	**822**
	By type:									
12	Preferred	3,458	2,803	3,878	304	364	473	171	138	148
13	Common	7,405	8,305	8,135	824	1,556	696	462	388	674
	By industry group:									
14	Manufacturing	1,670	2,237	1,265	83	56	166	5	....	74
15	Commercial and miscellaneous	1,470	1,183	1,838	325	122	124	138	91	84
16	Transportation	1	24	418	....	50	....	....	....	....
17	Public utility	6,235	6,121	6,058	583	878	604	360	260	627
18	Communication	1,002	776	1,379	....	725	110	....	25	....
19	Real estate and financial	488	771	1,054	137	88	165	130	150	28

1 Figures, which represent gross proceeds of issues maturing in more than 1 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.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
INVESTMENT COMPANIES excluding money market funds									
1 Sales of own shares[1]	4,226	6,401	511	557	638	451	613	625	558
2 Redemptions of own shares[2]	6,802	6,027	430	562	465	348	459	580	831
3 Net sales	−2,496	357	81	5	173	103	154	45	-273
4 **Assets**[3]	**47,537**	**45,049**	**45,050**	**45,049**	**43,000**	**42,747**	**44,052**	**46,594**	**46,969**
5 Cash position[4]	2,747	3,274	3,487	3,274	3,608	4,258	4,331	4,592	4,643
6 Other	44,790	41,775	41,563	41,775	39,392	38,489	39,721	42,002	42,326

1 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.

2 Excludes share redemption resulting from conversions from one fund to another in the same group.

3 Market value at end of period, less current liabilities.

4 Also includes all U.S. Govt. 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.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1975	1976	1977	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1
1 **Profits before tax**	**123.5**	**156.9**	**171.7**	**159.9**	**154.8**	**161.7**	**174.0**	**172.8**	**178.3**	**171.9**
2 Profits tax liability	50.2	64.7	69.2	65.9	63.9	64.4	69.7	69.3	73.3	69.5
3 Profits after tax	73.3	92.2	102.5	94.0	90.9	97.3	104.3	103.5	105.0	102.4
4 Dividends	32.4	35.8	41.2	36.0	38.4	38.5	40.3	42.3	43.6	43.8
5 Undistributed profits	40.9	56.4	61.3	58.0	52.5	58.8	64.0	61.2	61.4	58.6
6 Capital consumption allowances	89.5	97.2	104.7	98.2	100.4	102.0	103.5	105.8	107.6	109.5
7 Net cash flow	130.4	153.6	166.0	156.2	152.9	160.8	167.5	167.0	169.0	168.1

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
1 **Current assets**	**574.4**	**643.2**	**712.2**	**731.6**	**775.4**	**791.8**	**816.8**	**845.3**	**874.7**	**909.8**
2 Cash	57.5	61.6	62.7	68.1	70.8	71.1	77.0	75.0	77.9	79.1
3 U.S. Govt. securities	10.2	11.0	11.7	19.4	23.3	23.9	26.4	27.3	24.1	24.1
4 *Notes and accounts receivable*	*243.4*	*269.6*	*293.2*	*298.2*	*321.8*	*328.5*	*328.2*	*346.6*	*361.4*	*379.1*
5 U.S. Govt.[1]	3.4	3.5	3.5	3.6	3.7	4.3	4.3	4.7	4.8	5.3
6 Other	240.0	266.1	289.7	294.6	318.1	324.2	323.9	342.0	356.6	373.8
7 Inventories	215.2	246.7	288.0	285.8	295.6	302.1	315.4	322.1	332.5	343.1
8 Other	48.1	54.4	56.6	60.0	63.9	66.3	69.8	74.3	78.8	84.5
9 **Current liabilities**	**352.2**	**401.0**	**450.6**	**457.5**	**475.9**	**484.1**	**499.9**	**516.6**	**532.0**	**556.3**
10 *Notes and accounts payable*	*234.4*	*265.9*	*292.7*	*288.0*	*293.8*	*291.7*	*302.9*	*309.0*	*318.9*	*329.7*
11 U.S. Govt.[1]	4.0	4.3	5.2	6.4	6.8	7.0	7.0	6.8	5.7	6.2
12 Other	230.4	261.6	287.5	281.6	287.0	284.7	295.9	302.2	313.2	323.5
13 Accrued Federal income taxes	15.1	18.1	23.2	20.7	22.0	24.9	26.8	28.6	24.5	26.9
14 Other	102.6	117.0	134.8	148.8	160.1	167.5	170.2	179.0	188.6	199.7
15 **Net working capital**	**222.2**	**242.3**	**261.5**	**274.1**	**299.5**	**307.7**	**316.9**	**328.7**	**342.8**	**353.5**

1 Receivables from, and payables to, the U.S. Govt. exclude amounts offset against each other on corporations' books.

NOTE.—This series will be revised. See "Working Capital of Nonfinancial Corporations: Revised Series" on page 000 of this BULLETIN.

SOURCE.—Securities and Exchange Commission.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1976	1977	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1	1978 Q2[2]
1 **All industries**	**120.15**	**135.72**	**122.55**	**125.22**	**130.16**	**134.24**	**140.38**	**138.11**	**146.25**	**149.16**
Manufacturing										
2 Durable goods industries	23.57	27.75	24.59	25.50	26.30	27.26	29.23	28.19	29.81	31.01
3 Nondurable goods industries	28.70	32.33	30.20	28.93	30.13	32.19	33.79	33.22	33.18	34.81
Nonmanufacturing										
4 Mining	4.00	4.49	4.21	4.13	4.24	4.49	4.74	4.50	5.24	5.13
Transportation:										
5 Railroad	2.51	2.82	2.69	2.63	2.71	2.57	3.20	2.80	3.38	3.37
6 Air	1.29	1.63	1.12	1.41	1.62	1.43	1.69	1.76	2.42	2.04
7 Other	3.60	2.55	3.44	3.49	2.96	2.96	1.96	2.32	2.32	2.22
Public utilities:										
8 Electric	18.77	21.57	18.22	19.49	21.19	21.14	21.90	22.05	23.70	23.99
9 Gas and other	3.45	4.21	3.45	3.96	4.16	4.16	4.32	4.18	4.99	4.63
10 Communication	13.28	15.43	13.64	14.30	14.19	15.32	16.40	15.82	41.21	41.94
11 Commercial and other[1]	20.99	22.95	20.99	21.36	22.67	22.73	23.14	23.27		

1 Includes trade, service, construction, finance, and insurance.

2 Anticipated by business.

NOTE.—Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.521 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975	1976	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	31.9	35.4	36.1	36.0	38.6	39.2	40.7	42.3	44.0	44.5
2 Business	27.4	32.3	37.2	39.3	44.7	47.5	50.4	50.6	55.2	57.6
3 *Total*	*59.3*	*67.7*	*73.3*	*75.3*	*83.4*	*86.7*	*91.2*	*92.9*	*99.2*	*102.1*
4 LESS: Reserves for unearned income and losses	7.4	8.4	9.0	9.4	10.5	10.6	11.1	11.7	12.7	12.8
5 Accounts receivable, net	51.9	59.3	64.2	65.9	72.9	76.1	80.1	81.2	86.5	89.3
6 Cash and bank deposits	2.8	2.6	3.0	2.9	2.6	2.7	2.5	2.5	2.6	2.2
7 Securities	.9	.8	.4	1.0	1.1	1.0	1.2	1.8	.9	1.2
8 All other	10.0	10.6	12.0	11.8	12.6	13.0	13.7	14.2	14.3	15.0
9 **Total assets**	**65.6**	**73.2**	**79.6**	**81.6**	**89.2**	**92.8**	**97.5**	**99.6**	**104.3**	**107.7**
LIABILITIES										
10 Bank loans	5.6	7.2	9.7	8.0	6.3	6.1	5.7	5.4	5.9	5.8
11 Commercial paper	17.3	19.7	20.7	22.2	23.7	24.8	27.5	25.7	29.6	29.9
Debt:										
12 Short-term, n.e.c.	4.3	4.6	4.9	4.5	5.4	4.5	5.5	5.4	6.2	5.3
13 Long-term, n.e.c.	22.7	24.6	26.5	27.6	32.3	34.0	35.0	34.8	36.0	38.0
14 Other	4.8	5.6	5.5	6.8	8.1	9.5	9.4	13.7	11.5	12.9
15 Capital, surplus, and undivided profits	10.9	11.5	12.4	12.5	13.4	13.9	14.4	14.6	15.1	15.7
16 **Total liabilities and capital**	**65.6**	**73.2**	**79.6**	**81.6**	**89.2**	**92.8**	**97.5**	**99.6**	**104.3**	**107.7**

NOTE.—Components may not add to totals due to rounding.

1.522 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Apr. 30, 1978[1]	Changes in accounts receivable during — 1978 Feb.	Mar.	Apr.	Extensions 1978 Feb.	Mar.	Apr.	Repayments 1978 Feb.	Mar.	Apr.
1 **Total**	**58,400**	**461**	**810**	**827**	**13,468**	**14,318**	**15,125**	**13,007**	**13,508**	**14,298**
2 Retail automotive (commercial vehicles)	12,622	161	159	136	1,038	1,076	1,059	877	917	923
3 Wholesale automotive	13,051	86	273	357	5,436	5,951	6,600	5,350	5,678	6,243
4 Retail paper on business, industrial, and farm equipment	14,440	72	-112	148	1,258	981	1,024	1,186	1,093	876
5 Loans on commercial accounts receivable	4,035	75	73	2	2,508	2,915	2,938	2,433	2,842	2,936
6 Factored commercial accounts receivable	2,344	-2	34	125	1,694	1,666	1,811	1,696	1,632	1,686
7 All other business credit	11,908	69	383	59	1,534	1,729	1,693	1,465	1,346	1,634

1 Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

	Item	1975	1976	1977	1977	1978				
					Dec.	Jan.	Feb.	Mar.	Apr.	May
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	44.6	48.4	54.3	57.7	58.0	59.9	58.8	61.6	60.0
2	Amount of loan (thous. dollars)	33.3	35.9	40.5	42.6	43.3	44.0	43.5	r45.7	44.5
3	Loan/price ratio (per cent)	74.7	74.2	76.3	75.5	76.4	75.3	75.5	76.1	75.9
4	Maturity (years)	26.8	27.2	27.9	28.0	28.3	27.3	27.4	28.4	28.1
5	Fees and charges (per cent of loan amount)[2]	1.54	1.44	1.33	1.32	1.41	1.32	1.37	1.44	1.39
6	Contract rate (per cent per annum)	8.75	8.76	8.80	8.87	8.93	8.96	9.03	9.07	9.14
	Yield (per cent per annum):									
7	FHLBB series[3]	9.01	8.99	9.01	9.09	9.15	9.18	9.26	9.30	9.37
8	HUD series[4]	9.10	8.99	8.95	9.10	9.15	9.25	9.30	9.40	9.60
	SECONDARY MARKETS									
	Yields (per cent per annum) on—									
9	FHA mortgages (HUD series)[5]	9.19	8.82	7.96	8.91	9.11	....	9.29	r9.37	9.67
10	GNMA securities[6]	8.52	8.17	8.04	8.29	8.56	8.64	8.60	8.71	8.90
	FNMA auctions:[7]									
11	Government-underwritten loans	9.26	8.99	8.73	8.94	9.17	9.31	9.35	9.44	9.66
12	Conventional loans	9.37	9.11	8.98	9.19	9.32	9.49	9.61	9.72	9.90
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings (end of period)									
13	**Total**	**31,824**	**32,904**	**34,370**	**34,370**	**34,756**	**35,408**	**36,030**	**r36,701**	**37,937**
14	FHA-insured	19,732	18,916	18,457	18,457	18,500	18,664	18,759	19,792	19,382
15	VA-guaranteed	9,573	9,212	9,315	9,315	9,398	9,599	9,727	9,905	10,255
16	Conventional	2,519	4,776	6,597	6,597	6,858	7,146	7,543	7,846	8,300
	Mortgage transactions (during period)									
17	Purchases	4,263	3,606	4,780	497	636	879	891	937	1,551
18	Sales	2	86	67	....	5	....	4	....	....
	Mortgage commitments:[8]									
19	Contracted (during period)	6,106	6,247	9,729	1,333	r1,818	1,942	1,563	2,119	3,439
20	Outstanding (end of period)	4,126	3,398	4,698	4,698	5,781	6,851	7,445	8,486	1,027
	Auction of 4-month commitments to buy—									
	Government-underwritten loans:									
21	Offered[9]	7,042.6	4,929.8	7,974.1	1,184.5	1,779.8	1,199.1	523.7	909.3	2,117.7
22	Accepted	3,848.3	2,787.2	4,846.2	794.0	970.9	623.1	334.9	529.2	1,093.7
	Conventional loans:									
23	Offered[9]	1,401.3	2,595.7	5,675.2	591.6	949.9	1,214.1	823.5	974.2	1,935.8
24	Accepted	765.0	1,879.2	3,917.8	359.4	449.6	566.0	512.5	578.1	968.3
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings (end of period)[10]									
25	**Total**	**4,987**	**4,269**	**3,276**	**3,276**	**3,163**	**3,044**	**r3,252**	**3,092**	**2,878**
26	FHA/VA	1,824	1,618	1,395	1,395	1,382	1,381	1,388	1,373	1,356
27	Conventional	3,163	2,651	1,881	1,881	1,782	1,663	1,985	1,719	1,522
	Mortgage transactions (during period)									
28	Purchases	1,716	1,175	3,900	489	401	363	344	356	479
29	Sales	1,020	1,396	4,131	477	503	470	120	466	651
	Mortgage commitments:[11]									
30	Contracted (during period)	982	1,477	5,546	361	367	363	593	512	811
31	Outstanding (end of period)	111	333	1,063	1,063	961	1,021	1,233	1,346	1,640

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) in order 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 Dept. 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 Mortgage amounts offered by bidders are total bids received.

10 Includes participations as well as whole loans.

11 Includes conventional and Government-underwritten loans.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1973	1974	1975	1976	1977 Q2	1977 Q3	1977 Q4	1978 Q1p
1 **All holders**	**682,321**	**742,512**	**801,537**	**889,327**	**948,826**	**985,607**	**1,021,169**	**1,048,380**
2 1- to 4-family	416,211	449,371	490,761	556,557	600,262	627,770	652,405	671,050
3 Multifamily	93,132	99,976	100,601	104,516	107,094	108,957	111,286	113,137
4 Commercial	131,725	146,877	159,298	171,223	179,578	184,815	191,593	195,899
5 Farm	41,253	46,288	50,877	57,031	61,892	64,080	65,885	68,294
6 **Major financial institutions**	**505,400**	**542,560**	**581,193**	**647,650**	**690,340**	**717,365**	**742,763**	**761,276**
7 *Commercial banks*[1]	*119,068*	*132,105*	*136,186*	*151,326*	*162,778*	*170,378*	*176,678*	*181,178*
8 1- to 4-family	67,998	74,758	77,018	86,234	93,393	97,746	101,361	103,942
9 Multifamily	6,932	7,619	5,915	8,082	8,003	8,383	8,692	8,914
10 Commercial	38,696	43,679	46,882	50,289	54,038	56,565	58,657	60,151
11 Farm	5,442	6,049	6,371	6,721	7,344	7,684	7,968	8,171
12 *Mutual savings banks*	*73,230*	*74,920*	*77,249*	*81,639*	*84,076*	*86,079*	*88,104*	*89,687*
13 1- to 4-family	48,811	49,213	50,025	53,089	55,000	56,313	57,637	58,673
14 Multifamily	12,343	12,923	13,792	14,177	14,602	14,952	15,304	15,579
15 Commercial	12,012	12,722	13,373	14,313	14,422	14,762	15,110	15,381
16 Farm	64	62	59	60	52	52	53	54
17 *Savings and loan associations*	*231,733*	*249,301*	*278,590*	*323,130*	*350,632*	*366,838*	*381,216*	*392,438*
18 1- to 4-family	187,078	200,987	223,903	260,895	284,433	298,459	310,729	319,876
19 Multifamily	22,779	23,808	25,547	28,436	30,505	31,585	32,518	33,475
20 Commercial	21,876	24,506	29,140	33,799	35,694	36,794	37,969	39,087
21 *Life insurance companies*	*81,369*	*86,234*	*89,168*	*91,555*	*92,854*	*94,070*	*96,765*	*97,973*
22 1- to 4-family	20,426	19,026	17,590	16,088	15,418	15,022	14,727	14,427
23 Multifamily	18,451	19,625	19,629	19,178	18,891	18,831	18,807	18,857
24 Commercial	36,496	41,256	45,196	48,864	50,405	51,742	54,388	55,546
25 Farm	5,996	6,327	6,753	7,425	8,140	8,475	8,843	9,143
26 **Federal and related agencies**	**46,721**	**58,320**	**66,891**	**66,753**	**68,338**	**69,068**	**70,006**	**71,849**
27 *Government National Mortgage Assn.*	*4,029*	*4,846*	*7,438*	*4,241*	*3,912*	*3,599*	*3,660*	*3,342*
28 1- to 4-family	1,455	2,248	4,728	1,970	1,654	1,522	1,548	1,414
29 Multifamily	2,574	2,598	2,710	2,271	2,258	2,077	2,112	1,928
30 *Farmers Home Admin.*	*1,366*	*1,432*	*1,109*	*1,064*	*1,043*	*1,292*	*1,353*	*1,413*
31 1- to 4-family	743	759	208	454	410	548	626	654
32 Multifamily	29	167	215	218	97	192	275	287
33 Commercial	218	156	190	72	126	142	149	156
34 Farm	376	350	496	320	410	410	303	316
35 *Federal Housing and Veterans Admin.*	*3,476*	*4,015*	*4,970*	*5,150*	*5,259*	*5,130*	*5,212*	*5,212*
36 1- to 4-family	2,013	2,009	1,990	1,676	1,711	1,566	1,627	1,578
37 Multifamily	1,463	2,006	2,980	3,474	3,548	3,564	3,585	3,634
38 *Federal National Mortgage Assn.*	*24,175*	*29,578*	*31,824*	*32,904*	*33,918*	*34,148*	*34,369*	*36,029*
39 1- to 4-family	20,370	23,778	25,813	26,934	27,933	28,178	28,504	30,208
40 Multifamily	3,805	5,800	6,011	5,970	5,985	5,970	5,865	5,821
41 *Federal land banks*	*11,071*	*13,863*	*16,563*	*19,125*	*20,818*	*21,523*	*22,136*	*22,925*
42 1- to 4-family	123	406	549	601	628	649	670	691
43 Farm	10,948	13,457	16,014	18,524	20,190	20,874	21,466	22,234
44 *Federal Home Loan Mortgage Corp.*	*2,604*	*4,586*	*4,987*	*4,269*	*3,388*	*3,376*	*3,276*	*2,928*
45 1- to 4-family	2,446	4,217	4,588	3,889	2,901	2,818	2,738	2,447
46 Multifamily	158	369	399	380	487	558	538	481
47 **Mortgage pools or trusts**[2]	**18,040**	**23,799**	**34,138**	**49,801**	**58,748**	**64,667**	**70,289**	**73,557**
48 *Government National Mortgage Assn.*	*7,890*	*11,769*	*18,257*	*30,572*	*36,573*	*41,089*	*44,896*	*46,357*
49 1- to 4-family	7,561	11,249	17,538	29,583	35,467	39,865	43,555	44,906
50 Multifamily	329	520	719	989	1,106	1,224	1,341	1,451
51 *Federal Home Loan Mortgage Corp.*	*766*	*757*	*1,598*	*2,671*	*4,460*	*5,332*	*6,610*	*7,917*
52 1- to 4-family	617	608	1,349	2,282	3,938	4,642	5,621	6,733
53 Multifamily	149	149	249	389	522	690	989	1,184
54 *Farmers Home Admin.*	*9,384*	*11,273*	*14,283*	*16,558*	*17,715*	*18,426*	*18,783*	*19,283*
55 1- to 4-family	5,458	6,782	9,194	10,219	10,814	11,127	11,379	11,700
56 Multifamily	138	116	295	532	777	768	759	780
57 Commercial	1,124	1,473	1,948	2,440	2,680	2,824	2,945	3,024
58 Farm	2,664	2,902	2,846	3,367	3,444	3,527	3,682	3,779
59 **Individuals and others**[3]	**112,160**	**117,833**	**119,315**	**125,123**	**131,400**	**134,507**	**138,111**	**141,698**
60 1- to 4-family	51,112	53,331	56,268	62,643	66,592	69,315	71,665	73,801
61 Multifamily	23,982	24,276	22,140	20,420	20,313	20,163	20,501	20,746
62 Commercial	21,303	23,085	22,569	21,446	22,213	21,986	22,375	22,554
63 Farm	15,763	17,141	18,338	20,614	22,312	23,043	23,570	24,597

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 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 separate data are not readily available.

NOTE.—Based on data from various institutional and Govt. sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Dept. of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations where required, are estimated mainly by Federal Reserve. Multifamily debt refers to loans on structures of 5 or more units.

1.55 CONSUMER INSTALMENT CREDIT Total Outstanding, and Net Change

Millions of dollars

	Holder, and type of credit	1975	1976	1977	1977		1978				
					Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
		Amounts outstanding (end of period)									
1	**Total**	**164,955**	**185,489**	**216,572**	**212,074**	**216,572**	**215,925**	**216,297**	**219,203**	**222,737**	**227,561**
	By holder:										
2	Commercial banks	78,667	89,511	105,291	103,469	105,291	105,466	105,663	107,166	109,336	111,673
3	Finance companies	35,994	38,639	44,015	43,322	44,015	43,970	44,107	44,486	45,182	46,136
4	Credit unions	25,666	30,546	37,036	36,488	37,036	36,851	37,217	38,185	38,750	39,951
5	Retailers[1]	18,002	19,052	21,082	19,629	21,082	20,525	20,060	19,920	19,941	20,141
6	Others[2]	6,626	7,741	9,149	9,166	9,149	9,114	9,250	9,446	9,528	9,660
	By type of credit:										
7	*Automobile*	*55,879*	*66,116*	*79,352*	*78,757*	*79,352*	*79,376*	*79,984*	*81,666*	*83,490*	*85,954*
8	Commercial banks	31,553	37,984	46,119	45,845	46,119	46,247	46,547	47,534	48,731	50,119
9	Indirect	18,353	21,176	25,370	25,228	25,370	25,476	25,696	26,327	27,049	27,854
10	Direct	13,200	16,808	20,749	20,616	20,749	20,771	20,851	21,207	21,682	22,265
11	Finance companies	11,155	12,489	14,263	14,205	14,263	14,260	14,374	14,577	14,921	15,382
12	Credit unions	12,741	15,163	18,385	18,113	18,385	18,293	18,475	18,955	19,239	19,835
13	Others	430	480	585	594	585	576	588	600	599	618
14	*Mobile homes*	*14,423*	*14,572*	*15,014*	*14,999*	*15,014*	*14,978*	*14,973*	*15,062*	*15,156*	*15,220*
15	Commercial banks	8,649	8,734	8,862	8,856	8,862	8,819	8,807	8,845	8,876	8,912
16	Finance companies	3,451	3,273	3,109	3,123	3,109	3,115	3,098	3,085	3,095	3,098
17	*Home improvement*	*9,405*	*10,990*	*12,952*	*12,879*	*12,952*	*12,904*	*12,968*	*13,162*	*13,375*	*13,691*
18	Commercial banks	4,965	5,554	6,473	6,447	6,473	6,445	6,436	6,479	6,598	6,782
	Revolving credit:										
19	Bank credit cards	9,501	11,351	14,262	13,096	14,262	14,369	14,174	14,142	14,345	14,456
20	Bank check credit	2,810	3,041	3,724	3,601	3,724	3,776	3,822	3,844	3,856	3,919
21	*All other*	*72,937*	*79,418*	*91,269*	*88,743*	*91,269*	*90,522*	*90,376*	*91,327*	*92,515*	*94,321*
22	Commercial banks, total	21,188	22,847	25,850	25,626	25,850	25,809	25,877	26,322	26,930	27,485
23	Personal loans	14,629	15,669	17,740	17,555	17,740	17,708	17,769	18,002	18,383	18,640
24	Finance companies, total	21,238	22,749	26,498	25,850	26,498	26,452	26,489	26,675	27,012	27,496
25	Personal loans	17,263	18,554	21,302	20,852	21,302	21,248	21,283	21,416	21,700	22,110
26	Credit unions	10,754	12,799	15,518	15,289	15,518	15,440	15,594	15,999	16,232	16,735
27	Retailers	18,002	19,052	21,082	19,629	21,082	20,525	20,060	19,920	19,941	20,141
28	Others	1,755	1,971	2,321	2,350	2,321	2,296	2,356	2,411	2,400	2,464
		Net change (during period)[3]									
29	**Total**	**7,504**	**20,533**	**31,090**	**2,853**	**2,736**	**2,424**	**2,661**	**4,068**	**3,719**	**3,857**
	By holder:										
30	Commercial banks	2,821	10,845	15,779	1,384	1,611	1,115	1,280	2,021	2,001	1,881
31	Finance companies	-90	2,644	5,376	543	500	460	418	662	781	763
32	Credit unions	3,771	4,880	6,490	566	641	495	603	836	699	911
33	Retailers[1]	69	1,050	2,032	184	-12	309	202	367	129	170
34	Others[2]	933	1,115	1,413	177	-3	44	158	182	109	132
	By type of credit:										
35	*Automobile*	*3,007*	*10,238*	*13,235*	*1,241*	*1,297*	*1,185*	*1,104*	*1,522*	*1,728*	*1,789*
36	Commercial banks	559	6,431	8,135	725	835	637	599	882	989	944
37	Indirect	-334	2,823	4,194	444	486	407	389	564	603	575
38	Direct	894	3,608	3,941	281	349	230	210	318	386	369
39	Finance companies	532	1,334	1,774	242	127	247	201	238	375	367
40	Credit unions	1,872	2,422	3,222	263	328	244	300	406	343	465
41	Other	44	50	105	10	7	56	4	-4	21	13
42	*Mobile homes*	*-195*	*150*	*441*	*74*	*76*	*52*	*23*	*108*	*95*	*58*
43	Commercial banks	-323	85	128	23	60	2	2	46	28	33
44	Finance companies	-73	177	-164	4	-8	36	-9	2	11	-3
45	*Home improvement*	*881*	*1,585*	*1,967*	*211*	*173*	*105*	*171*	*217*	*212*	*222*
46	Commercial banks	271	588	920	99	110	70	69	74	111	109
	Revolving credit:										
47	Bank credit cards	1,220	1,850	2,911	243	250	160	285	448	311	263
48	Bank check credit	14	231	683	27	46	65	87	120	56	129
49	*All other*	*2,577*	*6,479*	*11,853*	*1,057*	*895*	*857*	*991*	*1,653*	*1,317*	*1,396*
50	Commercial banks, total	1,080	1,659	3,003	267	310	180	238	451	506	403
51	Personal loans	858	1,040	2,070	183	235	81	167	263	333	207
52	Finance companies, total	-348	1,509	3,749	293	378	177	223	419	387	395
53	Personal loans	279	1,290	2,748	235	254	162	183	309	307	327
54	Credit unions	1,580	2,045	2,719	252	252	205	252	358	301	371
55	Retailers	69	1,050	2,032	184	-12	309	202	367	129	170
56	Others	196	217	350	61	-33	-15	76	58	-6	57

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE.—Total consumer noninstalment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $44.2 billion at the end of 1977, $38.7 billion at the end of 1976, $35.7 billion at the end of 1975, and $33.8 billion at the end of 1974. Comparable data for Dec. 31, 1978, will be published in the February 1979 BULLETIN.

1.56 CONSUMER INSTALMENT CREDIT Extensions and Liquidations

Millions of dollars

	Holder, and type of credit	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
					Extensions[3]						
1	**Total**	**164,169**	**193,328**	**225,645**	**19,680**	**20,138**	**19,586**	**20,179**	**21,595**	**22,117**	**22,336**
	By holder:										
2	Commercial banks	77,312	94,220	110,777	9,688	10,226	9,625	9,905	10,608	11,120	11,004
3	Finance companies	31,173	36,028	41,770	3,602	3,743	3,575	3,691	3,914	4,226	4,241
4	Credit unions	24,096	28,587	33,592	2,920	3,093	2,820	3,028	3,309	3,267	3,508
5	Retailers[1]	27,049	29,188	33,202	2,857	2,647	3,102	2,976	3,148	2,955	2,995
6	Others[2]	4,539	5,305	6,303	612	428	464	579	616	549	588
	By type of credit:										
7	*Automobile*	*51,413*	*62,988*	*72,888*	*6,330*	*6,721*	*6,263*	*6,400*	*6,822*	*7,248*	*7,387*
8	Commercial banks	28,573	36,585	42,570	3,717	3,941	3,650	3,700	3,924	4,212	4,189
9	Indirect	15,766	19,882	22,904	2,076	2,153	2,026	2,065	2,173	2,347	2,327
10	Direct	12,807	16,704	19,666	1,641	1,788	1,624	1,635	1,751	1,865	1,862
11	Finance companies	9,674	11,209	12,635	1,097	1,143	1,088	1,080	1,173	1,314	1,337
12	Credit unions	12,683	14,675	17,041	1,458	1,581	1,421	1,565	1,679	1,654	1,798
13	Others	483	518	642	58	55	105	55	46	68	63
14	*Mobile homes*	*4,323*	*4,841*	*5,244*	*464*	*460*	*449*	*406*	*502*	*508*	*490*
15	Commercial banks	2,622	3,071	3,153	280	300	250	236	284	279	294
16	Finance companies	764	690	r651	54	60	101	62	74	85	74
17	*Home improvement*	*5,556*	*6,736*	*8,066*	*761*	*722*	*618*	*710*	*770*	*753*	*798*
18	Commercial banks	2,722	3,245	3,968	370	384	327	338	352	382	395
	Revolving credit:										
19	Bank credit cards	20,428	25,862	31,761	2,828	2,973	2,948	3,143	3,231	3,255	3,245
20	Bank check credit	4,024	4,783	5,886	492	531	556	535	608	646	677
21	*All other*	*78,425*	*88,117*	*r101,801*	*8,804*	*8,731*	*8,751*	*8,985*	*9,662*	*9,707*	*9,739*
22	Commercial banks, total	18,944	20,673	23,439	2,001	2,096	1,893	1,953	2,209	2,346	2,204
23	Personal loans	13,386	14,480	16,828	1,434	1,518	1,338	1,405	1,537	1,669	1,511
24	Finance companies, total	20,657	24,087	r28,396	2,441	2,530	2,380	2,541	2,659	2,814	2,819
25	Personal loans	16,944	19,579	r22,348	1,914	1,975	1,851	1,989	2,105	2,226	2,273
26	Credit unions	10,134	12,340	14,604	1,285	1,326	1,236	1,288	1,429	1,431	1,500
27	Retailers	27,049	29,188	33,202	2,857	2,647	3,102	2,976	3,148	2,955	2,995
28	Others	1,642	1,830	2,160	221	131	138	227	217	161	221
					Liquidations[3]						
29	**Total**	**156,665**	**172,795**	**r194,555**	**16,826**	**17,402**	**17,162**	**17,518**	**17,527**	**18,398**	**18,479**
	By holder:										
30	Commercial banks	74,491	83,376	94,998	8,305	8,615	8,509	8,625	8,587	9,119	9,123
31	Finance companies	31,263	33,384	r36,394	3,059	3,244	3,114	3,273	3,252	3,445	3,478
32	Credit unions	20,325	23,707	27,103	2,354	2,452	2,325	2,425	2,473	2,568	2,597
33	Retailers[1]	26,980	28,138	31,170	2,673	2,659	2,793	2,774	2,781	2,826	2,825
34	Others[2]	3,606	4,191	4,890	435	432	420	421	434	440	456
	By type of credit:										
35	*Automobile*	*48,406*	*52,750*	*r59,652*	*5,089*	*5,424*	*5,078*	*5,296*	*5,300*	5,520	*5,598*
36	Commercial banks	28,014	30,154	34,435	2,991	3,106	3,013	3,101	3,042	3,223	3,245
37	Indirect	16,101	17,059	18,710	1,632	1,667	1,619	1,676	1,609	1,744	1,752
38	Direct	11,913	13,095	15,726	1,360	1,439	1,394	1,425	1,433	1,479	1,493
39	Finance companies	9,142	9,875	10,819	855	1,017	841	879	935	939	970
40	Credit unions	10,811	12,253	13,819	1,195	1,253	1,177	1,265	1,273	1,311	1,333
41	Others	439	468	536	48	48	48	51	50	47	50
42	*Mobile homes*	*4,517*	*4,691*	*r4,802*	*390*	*384*	*398*	*383*	*394*	*413*	*432*
43	Commercial banks	2,944	2,986	3,025	257	240	248	234	238	251	261
44	Finance companies	837	867	806	50	68	65	71	72	74	77
45	*Home improvement*	*4,675*	*5,151*	*6,098*	*550*	*549*	*514*	*539*	*553*	*541*	*576*
46	Commercial banks	2,451	2,657	3,048	272	274	257	269	278	271	286
	Revolving credit:										
47	Bank credit cards	19,208	24,012	28,851	2,585	2,723	2,788	2,858	2,783	2,944	2,982
48	Bank check credit	4,010	4,552	5,202	466	485	491	448	488	590	548
49	*All other*	*75,849*	*81,638*	*89,948*	7,747	7,836	7,894	7,994	*8,009*	*8,399*	*8,343*
50	Commercial banks, total	17,864	19,014	20,436	1,734	1,786	1,713	1,715	1,758	1,840	1,801
51	Personal loans	12,528	13,439	14,757	1,250	1,284	1,258	1,238	1,274	1,336	1,304
52	Finance companies, total	21,005	22,578	r24,647	2,148	2,152	2,203	2,318	2,240	2,427	2,424
53	Personal loans	16,665	18,289	r19,600	1,678	1,722	1,688	1,806	1,796	1,919	1,946
54	Credit unions	8,554	10,295	11,884	1,033	1,075	1,031	1,036	1,071	1,130	1,129
55	Retailers	26,980	28,138	31,170	2,673	2,659	2,793	2,774	2,781	2,826	2,825
56	Others	1,446	1,613	1,811	159	165	153	151	159	167	164

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Monthly figures are seasonally adjusted.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-year data are at seasonally adjusted annual rates.

	Transaction category, or sector	1974	1975	1976	1977	1975 H1	1975 H2	1976 H1	1976 H2	1977 H1	1977 H2	
	Nonfinancial sectors											
1	**Total funds raised**	**189.6**	**205.6**	**268.3**	**340.5**	**180.8**	**230.4**	**254.5**	**282.1**	**300.8**	**380.2**	1
2	*Excluding equities*	*185.8*	*195.5*	*257.8*	*336.4*	*170.3*	*220.8*	*241.1*	*274.4*	*297.6*	*375.1*	2
	By sector and instrument:											
3	U.S. Govt	**11.8**	**85.4**	**69.0**	**56.8**	**79.6**	**91.2**	**73.1**	**64.9**	**40.3**	**73.2**	3
4	Public debt securities	12.0	85.8	69.1	57.6	80.4	91.3	73.0	65.3	40.9	74.4	4
5	Agency issues and mortgages	−.2	−.4	−.1	−.9	−.8	−.1	.1	−.3	−.6	−1.2	5
6	**All other nonfinancial sectors**	**177.8**	**120.2**	**199.2**	**283.7**	**101.1**	**139.2**	**181.4**	**217.1**	**260.5**	**307.0**	6
7	Corporate equities	3.8	10.0	10.5	4.1	10.5	9.6	13.3	7.6	3.2	5.1	7
8	Debt instruments	174.0	110.1	188.8	279.6	90.7	129.6	168.0	209.5	257.3	301.9	8
9	**Private domestic nonfinancial sectors**	**162.4**	**107.0**	**179.0**	**272.5**	**93.1**	**120.9**	**166.2**	**191.7**	**256.6**	**288.4**	9
10	Corporate equities	4.1	9.9	10.5	3.7	10.3	9.5	13.3	7.7	2.5	4.9	10
11	*Debt instruments*	*158.3*	*97.1*	*168.4*	*268.8*	*82.8*	*111.4*	*152.9*	*184.0*	*254.0*	*283.5*	11
12	*Debt capital instruments*	*98.7*	*95.8*	*122.7*	*179.6*	*93.8*	*97.8*	*111.7*	*133.7*	*159.4*	*199.8*	12
13	State and local obligations	17.1	13.6	15.1	27.7	12.3	14.9	14.7	15.5	27.7	27.7	13
14	Corporate bonds	19.7	27.2	22.8	21.0	33.4	21.1	20.4	25.3	13.8	28.1	14
	Mortgages:											
15	Home	34.8	39.5	63.6	94.9	33.4	45.6	57.1	70.2	85.6	104.3	15
16	Multifamily residential	6.9	*	1.6	6.9	.4	−.4	.6	2.6	5.3	8.4	16
17	Commercial	15.1	11.0	13.4	20.3	9.4	12.6	13.9	12.9	17.9	22.6	17
18	Farm	5.0	4.6	6.1	8.8	5.1	4.0	5.0	7.3	9.0	8.7	18
19	*Other debt instruments*	*59.6*	*1.3*	*45.7*	*89.2*	*−11.0*	*13.6*	*41.2*	*50.3*	*94.7*	*83.7*	19
20	Consumer credit	10.2	9.4	23.6	35.0	2.2	16.6	22.9	24.2	35.6	34.5	20
21	Bank loans n.e.c.	29.1	−14.5	3.7	31.0	−20.9	−8.2	−.3	7.8	37.4	24.7	21
22	Open market paper	6.6	−2.6	4.0	3.6	−1.4	−3.8	6.4	1.6	5.7	1.5	22
23	Other	13.7	9.0	14.4	19.5	9.0	9.0	12.2	16.7	15.9	23.1	23
24	*By borrowing sector*	*162.4*	*107.0*	*179.0*	*272.5*	*93.1*	*120.9*	*166.2*	*191.7*	*256.6*	*288.4*	24
25	State and local governments	16.2	11.2	14.6	24.4	10.0	12.3	13.0	16.3	21.2	27.7	25
26	Households	49.2	48.6	89.8	138.1	37.3	59.9	83.9	95.6	129.7	146.5	26
27	Farm	7.9	8.7	11.0	14.7	8.7	8.8	10.6	11.6	16.6	12.8	27
28	Nonfarm noncorporate	7.4	2.0	5.2	11.9	−1.1	5.1	2.7	7.6	11.8	12.0	28
29	Corporate	81.8	36.6	58.3	83.4	38.3	34.8	56.1	60.5	77.3	89.5	29
30	**Foreign**	**15.4**	**13.2**	**20.3**	**11.2**	**8.0**	**18.3**	**15.2**	**25.4**	**3.9**	**18.6**	30
31	Corporate equities	−.2	.1	*	.4	.1	.1	*	−.1	.6	.2	31
32	*Debt instruments*	*15.7*	*13.0*	*20.3*	*10.8*	*7.9*	*18.2*	*15.1*	*25.5*	*3.3*	*18.4*	32
33	Bonds	2.1	6.2	8.4	5.0	5.7	6.8	7.3	9.5	4.3	5.6	33
34	Bank loans n.e.c.	4.7	3.7	6.7	1.1	−.4	7.8	3.4	10.0	−5.8	7.9	34
35	Open market paper	7.3	.3	1.9	1.9	−.8	1.4	1.5	2.4	1.6	2.1	35
36	U.S. Govt. loans	1.6	2.8	3.3	3.0	3.4	2.2	2.9	3.6	3.1	2.8	36
	Financial sectors											
37	**Total funds raised**	**39.4**	**14.0**	**28.6**	**64.5**	**15.1**	**12.8**	**27.8**	**29.4**	**66.8**	**62.1**	37
	By instrument:											
38	*U.S. Govt. related*	*23.1*	*13.5*	*18.6*	*26.3*	*14.5*	*12.6*	*18.6*	*18.6*	*25.7*	*26.9*	38
39	Sponsored credit agency securities	16.6	2.3	3.3	7.0	1.9	2.8	4.5	2.1	10.1	3.8	39
40	Mortgage pool securities	5.8	10.3	15.7	20.5	11.5	9.2	14.2	17.2	17.9	23.1	40
41	Loans from U.S. Govt	.7	.9	−.4	−1.2	1.1	.6	*	−.7	−2.3		41
42	*Private financial sectors*	*16.3*	*.4*	*10.0*	*38.2*	*.6*	*.2*	*9.1*	*10.8*	*41.2*	*35.2*	42
43	Corporate equities	.3	*	.7	.1	.1	−.1	−.7	2.2	−.3	.5	43
44	*Debt instruments*	*16.0*	*.4*	*9.2*	*38.1*	*.6*	*.3*	*9.8*	*8.6*	*41.5*	*34.7*	44
45	Corporate bonds	2.1	2.9	5.8	9.0	2.3	3.5	7.0	4.5	9.7	8.2	45
46	Mortgages	−1.3	2.3	2.1	3.1	1.4	3.2	1.4	2.8	3.1	3.1	46
47	Bank loans n.e.c.	4.6	−3.6	−3.7	−.2	−4.7	−2.5	−3.0	−4.4	−2.7	2.4	47
48	Open market paper and Rp's	3.9	2.8	7.1	21.9	8.2	−2.6	6.1	8.1	27.9	15.8	48
49	Loans from FHLB's	6.7	−4.0	−2.0	4.3	−6.6	−1.3	−1.6	−2.4	3.5	5.2	49
	By sector:											
50	Sponsored credit agencies	17.3	3.2	2.9	5.8	3.0	3.4	4.5	1.4	7.8	3.8	50
51	Mortgage pools	5.8	10.3	15.7	20.5	11.5	9.2	14.2	17.2	17.9	23.1	51
52	*Private financial sectors*	*16.3*	*.4*	*10.0*	*38.2*	*.6*	*.2*	*9.1*	*10.8*	*41.2*	*35.2*	52
53	Commercial banks	−1.1	1.7	7.4	11.8	5.7	−2.3	9.0	5.9	15.9	7.7	53
54	Bank affiliates	3.5	.3	−.8	1.3	.9	−.3	−1.3	−.3	1.3	1.2	54
55	Savings and loan associations	6.3	−2.2	*	11.9	−6.8	2.3	.5	−.5	11.0	12.7	55
56	Other insurance companies	.9	1.0	1.0	1.0	.9	1.0	1.0	1.0	1.0	1.0	56
57	Finance companies	4.5	.5	6.4	16.2	−1.4	2.4	5.7	7.1	16.7	15.6	57
58	REIT's	.6	−2.0	−2.8	−2.7	−2.0	−1.9	−2.5	−3.0	−2.8	−2.6	58
59	Open-end investment companies	−.7	−.1	−1.0	−1.3	.7	−.9	−2.5	.5	−1.4	−1.1	59
60	Money market funds	2.4	1.3	−.3	.1	2.6	*	−.7	.2	−.5	.8	60
	All sectors											
61	**Total funds raised, by instrument**	**229.0**	**219.5**	**296.8**	**405.0**	**195.9**	**243.2**	**282.2**	**311.4**	**367.6**	**442.4**	61
62	Investment company shares	−.7	−.1	−1.0	−1.3	.7	−.9	−2.5	.5	−1.4	−1.1	62
63	Other corporate equities	4.8	10.2	12.2	5.5	9.8	10.5	15.1	9.3	4.3	6.7	63
64	*Debt instruments*	*224.9*	*209.5*	*285.6*	*400.7*	*185.4*	*233.6*	*269.6*	*301.6*	*364.8*	*436.7*	64
65	U.S. Govt. securities	34.3	98.2	88.1	84.3	93.1	103.2	91.9	84.3	68.4	100.2	65
66	State and local obligations	17.1	13.6	15.1	27.7	12.3	14.9	14.7	15.5	27.7	27.7	66
67	Corporate and foreign bonds	23.9	36.3	37.0	34.9	41.3	31.3	34.7	39.3	27.8	42.0	67
68	Mortgages	60.5	57.2	86.8	133.9	49.5	65.0	77.9	95.7	120.8	147.0	68
69	Consumer credit	10.2	9.4	23.6	35.0	2.2	16.6	22.9	24.2	35.6	34.5	69
70	Bank loans n.e.c.	38.4	−14.4	6.7	32.0	−25.9	−2.9	.1	13.4	28.9	35.0	70
71	Open market paper and Rp's	17.8	.5	13.0	27.3	6.1	−5.0	14.0	12.0	35.2	19.4	71
72	Other loans	22.7	8.7	15.3	25.6	6.9	10.5	13.4	17.2	20.2	31.0	72

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-year data are at seasonally adjusted annual rates.

Transaction category, or sector	1974	1975	1976	1977	1975 H1	1975 H2	1976 H1	1976 H2	1977 H1	1977 H2	
1 **Total funds advanced in credit markets to nonfinancial sectors**	**185.8**	**195.5**	**257.8**	**336.4**	**170.3**	**220.8**	**241.1**	**274.4**	**297.6**	**375.1**	1
By public agencies and foreign:											
2 *Total net advances*	*52.7*	*44.3*	*54.6*	*85.7*	*55.0*	*33.6*	*53.2*	*56.0*	*73.6*	*97.9*	2
3 U.S. Govt. securities	11.9	22.5	26.8	40.2	33.4	11.6	27.1	26.5	30.6	49.8	3
4 Residential mortgages	14.7	16.2	12.8	20.4	16.9	15.5	12.1	13.5	20.1	20.8	4
5 FHLB advances to S&L's	6.7	-4.0	-2.0	4.3	-6.6	-1.3	-1.6	-2.4	3.5	5.2	5
6 Other loans and securities	19.5	9.5	16.9	20.8	11.3	7.8	15.6	18.3	19.5	22.1	6
Totals advanced, by sector											
7 U.S. Govt.	9.8	15.1	8.9	12.1	15.9	14.3	6.4	11.4	6.1	18.2	7
8 Sponsored credit agencies	25.6	14.5	20.6	26.9	16.5	12.6	20.7	20.6	27.5	26.4	8
9 Monetary authorities	6.2	8.5	9.8	7.1	7.6	9.5	14.5	5.2	11.6	2.7	9
10 Foreign	11.2	6.1	15.2	39.5	15.0	-2.7	11.6	18.8	28.5	50.6	10
11 Agency borrowing not included in line 1	23.1	13.5	18.6	26.3	14.5	12.6	18.6	18.6	25.7	26.9	11
Private domestic funds advanced											
12 *Total net advances*	*156.1*	*164.8*	*221.8*	*276.9*	*129.8*	*199.7*	*206.6*	*237.0*	*249.7*	*304.2*	12
13 U.S. Govt. securities	22.4	75.7	61.3	44.1	59.7	91.6	64.8	57.8	37.9	50.4	13
14 State and local obligations	17.1	13.6	15.1	27.7	12.3	14.9	14.7	15.5	27.7	27.7	14
15 Corporate and foreign bonds	20.9	32.8	30.3	22.3	38.8	26.8	26.8	33.9	15.1	29.5	15
16 Residential mortgages	26.9	23.2	52.4	81.3	16.7	29.6	45.5	59.2	70.7	91.8	16
17 Other mortgages and loans	75.4	15.6	60.8	105.9	-4.3	35.5	53.2	68.3	101.7	110.0	17
18 LESS: FHLB advances	6.7	-4.0	2.0	4.3	-6.6	-1.3	1.6	-2.4	3.5	5.2	18
Private financial intermediation											
19 *Credit market funds advanced by private financial institutions*	*126.3*	*119.9*	*187.2*	*249.0*	*99.8*	*140.0*	*167.6*	*206.8*	*235.5*	*262.5*	19
20 Commercial banking	64.6	27.6	58.0	85.5	14.4	40.7	44.5	71.5	80.6	90.5	20
21 Savings institutions	26.9	52.0	71.7	85.8	48.5	55.4	71.8	71.7	83.9	87.7	21
22 Insurance and pension funds	30.0	41.5	47.6	60.8	38.3	44.7	47.8	47.3	57.7	63.9	22
23 Other finance	4.7	-1.1	9.9	16.8	-1.4	.7	3.4	16.3	13.3	20.3	23
24 *Sources of funds*	*126.3*	*119.9*	*187.2*	*249.0*	*99.8*	*140.0*	*167.6*	*206.8*	*235.5*	*262.5*	24
25 Private domestic deposits	69.4	90.9	122.8	134.8	90.3	91.5	106.1	139.5	120.9	148.7	25
26 Credit market borrowing	16.0	.4	9.2	38.1	.6	.3	9.8	8.6	41.5	34.7	26
27 *Other sources*	*40.9*	*28.6*	*55.1*	*76.1*	*9.0*	*48.2*	*51.7*	*58.7*	*73.1*	*79.1*	27
28 Foreign funds	14.5	-.4	3.1	3.4	-5.6	4.8	-2.6	8.8	3.1	9.8	28
29 Treasury balances	-5.1	-1.7	-.1	4.3	-3.5	.1	2.9	-3.1	1.1	9.7	29
30 Insurance and pension reserves	26.0	29.0	35.8	50.1	26.4	31.5	35.1	36.5	47.2	53.0	30
31 Other, net	5.4	1.7	16.4	18.4	-8.3	11.7	16.2	16.6	30.2	6.6	31
Private domestic nonfinancial investors											
32 *Direct lending in credit markets*	*45.9*	*45.3*	*43.8*	*66.0*	*30.6*	*60.0*	*48.8*	*38.8*	*55.7*	*76.4*	32
33 U.S. Govt. securities	18.2	22.2	19.4	22.0	6.0	38.4	22.6	16.1	10.9	33.0	33
34 State and local obligations	10.0	6.3	4.7	8.2	7.2	5.5	3.9	5.5	6.5	9.9	34
35 Corporate and foreign bonds	4.7	8.2	4.0	1.5	10.8	5.6	4.9	3.1	2.0	1.0	35
36 Commercial paper	4.8	3.1	4.0	18.1	1.5	4.7	6.7	1.3	20.0	16.1	36
37 Other	8.2	5.5	11.8	16.3	5.1	6.0	10.8	12.8	16.2	16.4	37
38 *Deposits and currency*	*75.7*	*97.1*	*130.1*	*143.1*	*96.0*	*98.2*	*111.0*	*149.3*	*125.1*	*161.0*	38
39 *Time and savings accounts*	*66.7*	*84.8*	*113.0*	*121.4*	*73.0*	*96.5*	*98.3*	*127.6*	*105.2*	*137.5*	39
40 Large negotiable CD's	18.8	-14.0	-14.2	9.5	-27.8	-.2	-18.0	-10.4	-4.4	23.4	40
41 Other at commercial banks	26.1	39.4	58.1	42.2	39.3	39.4	50.2	66.0	42.2	42.3	41
42 At savings institutions	21.8	59.4	69.1	69.6	61.5	57.4	66.1	72.1	67.4	71.9	42
43 *Money*	*8.9*	*12.3*	*17.2*	*21.7*	*23.0*	*1.7*	*12.7*	*21.6*	*19.9*	*23.5*	43
44 Demand deposits	2.6	6.1	9.9	13.4	17.3	-5.0	7.8	11.9	15.7	11.2	44
45 Currency	6.3	6.2	7.3	8.3	5.7	6.7	4.9	9.8	4.3	12.3	45
46 **Total of credit market instruments, deposits and currency**	**121.5**	**142.4**	**174.0**	**209.1**	**126.6**	**158.2**	**159.8**	**188.1**	**180.8**	**237.4**	46
47 Public support rate (in per cent)	28.4	22.7	21.2	25.5	32.3	15.2	22.1	20.4	24.7	26.1	47
48 Private financial intermediation (in per cent)	80.9	72.8	84.4	89.9	76.9	70.1	81.1	87.3	94.3	86.3	48
49 Total foreign funds	25.7	5.8	18.3	42.9	9.4	2.1	9.0	27.6	25.4	60.4	49
MEMO: Corporate equities not included above											
50 **Total net issues**	**4.1**	**10.0**	**11.2**	**4.2**	**10.5**	**9.5**	**12.6**	**9.8**	**2.8**	**5.6**	50
51 Mutual fund shares	-.7	-.1	-1.0	-1.3	.7	-.9	-2.5	.5	-1.4	-1.1	51
52 Other equities	4.8	10.2	12.2	5.5	9.8	10.5	15.1	9.3	4.3	6.7	52
53 Acquisitions by financial institutions	5.8	9.4	12.3	5.9	10.7	8.1	12.6	12.0	4.6	7.3	53
54 Other net purchases	-1.6	.6	-1.1	-1.7	-.2	1.4	*	-2.2	-1.7	-1.7	54

NOTES BY LINE NO.

1. Line 2 of p. A-44.
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. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Lines 39 plus 44.
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.
45. Mainly an offset to line 9.
46. Lines 32 plus 38 or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Lines 10 plus 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	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May[p]	1978 June[e]
1 **Industrial production**	**117.8**	**129.8**	137.0	**139.3**	**139.7**	**138.8**	139.2	**140.9**	**143.0**	**143.8**	**144.3**
Market groupings:											
2 *Products, total*	*119.3*	*129.3*	*137.1*	*139.5*	*140.3*	*138.5*	*139.6*	*r141.6*	*142.8*	*143.3*	*143.7*
3 Final, total	118.2	127.2	134.9	137.0	137.6	134.9	136.4	r138.9	140.6	140.6	141.1
4 Consumer goods	124.0	136.2	143.4	145.2	145.8	141.8	r143.8	r145.9	147.6	147.1	147.5
5 Equipment	110.2	114.6	123.2	125.8	126.2	125.4	r126.2	r129.1	130.9	131.7	132.3
6 Intermediate	123.1	137.2	145.1	148.4	150.4	151.6	r151.4	r151.4	151.5	153.2	153.6
7 Materials	115.5	130.6	136.9	139.0	138.8	139.2	138.6	r139.9	143.4	144.7	145.3
Industry groupings:											
8 Manufacturing	116.3	129.5	137.1	139.9	140.5	138.7	r139.4	141.4	143.5	144.3	144.8
Capacity utilization (per cent)[1] in-											
9 Manufacturing	73.6	80.2	82.4	82.9	83.0	81.7	r81.9	82.7	83.7	83.9	83.9
10 Industrial materials industries	73.6	80.4	81.9	82.3	81.9	81.9	r81.3	r81.9	83.8	84.3	84.4
11 Construction contracts[2]	162.3	190.2	253.0	258.0	299.0	270.0	266.0	254.0	279.0	332.0	......
12 **Nonagricultural employment, total**[3]	**117.0**	**120.6**	124.7	**126.4**	**126.7**	**127.1**	**127.6**	**128.4**	**129.4**	**129.8**	**130.2**
13 Goods-producing, total	97.1	100.3	104.1	105.4	105.4	105.7	106.3	107.2	109.0	109.3	109.7
14 Manufacturing, total	94.3	97.5	100.6	101.4	102.2	102.7	103.2	103.7	104.0	104.2	104.1
15 Manufacturing, production-worker	91.3	95.2	98.3	99.1	100.0	100.7	101.3	101.7	102.0	102.2	101.9
16 Service-producing	127.8	131.7	136.0	137.9	138.3	138.8	139.3	140.0	140.6	140.9	141.4
17 **Personal income, total**[4]	**200.0**	**220.7**	**245.1**	**255.7**	**259.0**	**259.4**	260.9	**264.4**	**267.8**	**270.2**	......
18 Wages and salary disbursements	188.5	208.6	231.5	240.9	242.2	244.7	246.8	251.2	255.3	256.8	......
19 Manufacturing	157.3	177.7	199.3	206.9	209.7	211.3	214.5	219.5	221.0	222.1	......
20 Disposable personal income	199.2	217.8	239.0	245.3	......	......	263.6	......	......	......	......
21 Retail sales[5]	184.6	203.5	224.4	235.3	237.1	228.8	235.6	239.5	244.8	244.3	244.4
Prices:[6]											
22 Consumer[7]	161.2	170.5	181.6	185.4	186.1	187.2	188.4	189.8	191.5	193.3	......
23 ~~Wholesale~~	174.9	183.0	194.2	197.0	198.2	199.9	202.0	203.8	206.4	207.9	209.4

1 Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.

2 Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Informations Systems Company, F. W. Dodge Division.

3 Based on data in *Employment and Earnings* (U.S. Dept. of Labor). Series covers employees only, excluding personnel in the Armed Forces.

4 Based on data in *Survey of Current Business* (U.S. Dept. of Commerce). Series for disposable income is quarterly.

5 Based on Bureau of Census data published in *Survey of Current Business* (U.S. Dept. of Commerce).

6 Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Dept. of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Dept. of Labor.

7 Beginning Jan. 1978, based on new index for all urban consumers.

NOTE.—Basic data (not index numbers) for series mentioned in notes 3, 4, and 5, and indexes for series mentioned in notes 2 and 6 may also be found in the *Survey of Current Business* (U.S. Dept. of Commerce).

Figures for industrial production for the last 2 months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	Output (1967 = 100) 1977 Q3	1977 Q4	1978 Q1[r]	1978 Q2	Capacity (per cent of 1967 output) 1977 Q3	1977 Q4	1978 Q1	1978 Q2	Utilization rate (per cent) 1977 Q3	1977 Q4	1978 Q1	1978 Q2
1 **Manufacturing**	**138.7**	**139.9**	**139.8**	**144.2**	**167.1**	**168.7**	**170.3**	**172.0**	**83.0**	**82.9**	**82.1**	**83.8**
2 Primary processing	147.3	148.2	148.2	153.5	173.5	175.1	176.8	178.5	84.9	84.6	r83.8	86.0
3 Advanced processing	129.3	135.6	135.4	139.2	163.8	165.3	166.9	168.5	81.9	82.0	81.1	82.6
4 **Materials**	**138.1**	**138.9**	**139.2**	**144.5**	**167.8**	**168.9**	**170.4**	**171.7**	**82.3**	**82.2**	**81.7**	**84.1**
5 Durable goods	136.0	137.7	137.9	143.7	171.6	172.8	174.0	175.2	79.2	79.6	79.3	82.0
6 Basic metal	109.4	109.4	110.5	......	145.3	145.5	145.8	......	75.3	75.2	75.8	......
7 Nondurable goods	154.4	155.0	158.0	162.3	178.8	180.4	182.3	184.4	86.3	85.9	r86.7	88.0
8 Textile, paper, and chemical	159.2	159.5	163.1	166.8	187.1	188.9	190.8	193.1	85.1	84.5	r85.5	86.4
9 Textile	112.3	117.9	115.3	......	142.5	143.0	143.5	......	78.8	82.4	80.3	......
10 Paper	135.1	132.3	136.5	......	151.3	152.5	153.6	......	89.3	86.7	88.9	......
11 Chemical	189.5	188.9	194.9	......	221.2	223.6	226.6	......	85.7	84.5	86.0	......
12 Energy	123.4	121.9	119.1	124.4	145.2	145.7	147.2	147.8	85.0	83.7	r80.9	84.2

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1975	1976	1977	1977	1978					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Household survey data									
1 **Noninstitutional population**[1]	**153,449**	**156,048**	**158,559**	**159,736**	**159,937**	**160,128**	**160,313**	**160,504**	**160,713**	**160,928**
2 **Labor force (including Armed Forces)**[1]	**94,793**	**96,917**	**99,534**	**101,048**	**101,228**	**101,217**	**101,536**	**101,902**	**102,374**	**102,671**
3 Civilian labor force	92,613	94,773	97,401	98,919	99,107	99,093	99,414	99,784	100,261	100,573
Employment:										
4 Nonagricultural industries[2]	81,403	84,188	87,302	89,286	89.527	89,761	89,956	90,526	90,877	91,346
5 Agriculture	3,380	3,297	3,244	3.323	3,354	3,242	3,310	3,275	3,235	3,473
Unemployment:										
6 Number	7,830	7,288	6,855	6.310	6,226	6,090	6,148	5,983	6,149	5,754
7 *Rate (per cent of civilian labor force)*	*8.5*	*7.7*	*7.0*	*6.4*	*6.3*	*6.1*	*6.2*	*6.0*	*6.1*	*5.7*
8 **Not in labor force**	**58,655**	**59,130**	**59,025**	**58,688**	**58,709**	**58,911**	**58,776**	**58,602**	**58,340**	**58,257**
	Establishment survey data									
9 **Nonagricultural payroll employment**[3]	**17,051**	**79,443**	**82,142**	**83,429**	**83,719**	**84,046**	**84,555**	**85,223**	**85,454**	**85,729**
10 Manufacturing	18,347	18,956	19,555	19,868	19,972	20,075	20,164	20,216	20,257	20,253
11 Mining	745	783	831	711	705	24,733	24,945	898	903	912
12 Contract construction	3,512	3,594	3,845	3,947	3,916	711	728	4,237	4,275	4,362
13 Transportation and public utilities	4,498	4,509	4,589	4,652	4,628	4,651	4,672	4,709	4,713	4,716
14 Trade	17,000	17,694	18,291	18,610	18,744	18,744	18,849	18,891	18,961	19,002
15 Finance	4,223	4,316	4,508	4,611	4,630	4,647	4,670	4,683	4,710	4,730
16 Service	14,006	14,644	15,333	15,663	15,693	15,791	15,875	15,962	15,967	16,020
17 Government	14,720	14,948	15,190	15,367	15,431	15,480	15,544	15,627	15,668	15,734

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. Dept. 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 February 1977 benchmark. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

	Grouping	1967 pro-portion	1977 aver-age	1977					1978					
				Apr.	May	June	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May[p]	June[e]
				Index (1967 = 100)										
	MAJOR MARKET													
1	**Total index**	**100.00**	**137.1**	**136.1**	**137.0**	**137.8**	**139.3**	**139.7**	**138.8**	**139.2**	**140.9**	**143.0**	**143.8**	**144.3**
2	**Products**	**60.71**	**137.1**	**135.8**	**136.5**	**137.3**	**139.5**	**140.3**	**138.5**	**139.6**	**141.6**	**142.8**	**143.3**	**143.7**
3	*Final products*	*47.82*	*134.9*	*134.1*	*134.7*	*135.4*	*137.0*	*137.6*	*134.9*	*136.4*	*138.9*	*140.6*	*140.6*	*141.1*
4	Consumer goods	27.68	143.4	142.9	143.1	143.8	145.2	145.8	141.8	143.8	145.9	147.6	147.1	147.5
5	Equipment	20.14	123.2	122.1	123.2	124.1	125.8	126.2	125.4	126.2	129.1	130.9	131.7	132.3
6	Intermediate products	12.89	145.1	142.3	143.5	144.7	148.4	150.4	151.6	151.4	151.4	151.5	153.2	153.6
7	**Materials**	**39.29**	**136.9**	**136.5**	**137.8**	**138.7**	**139.0**	**138.8**	**139.2**	**138.6**	**139.9**	**143.4**	**144.7**	**145.3**
	Consumer goods													
8	*Durable consumer goods*	*7.89*	*153.1*	*151.5*	*152.2*	*155.8*	*155.2*	*155.8*	*146.5*	*151.2*	*157.5*	*161.9*	*159.6*	*159.9*
9	Automotive products	2.83	174.2	173.9	172.8	179.8	173.6	172.4	157.5	162.8	175.8	184.3	178.1	177.9
10	Autos and utility vehicles	2.03	169.2	171.2	167.4	177.4	167.6	165.5	145.5	153.9	171.0	183.3	174.2	173.7
11	Autos	1.90	148.4	150.6	148.5	156.8	147.5	143.6	127.4	131.5	149.7	159.1	151.4	149.4
12	Auto parts and allied goods	.80	186.8	181.3	186.6	185.8	188.7	190.4	187.8	185.3	188.5	186.6	188.1	188.8
13	Home goods	5.06	141.3	138.8	140.6	142.3	145.0	146.6	140.3	144.6	147.2	149.3	149.1	149.7
14	Appliances, A/C, and TV	1.40	127.3	126.4	131.0	133.1	131.4	132.8	116.1	133.3	135.4	142.6	141.0	141.9
15	Appliances and TV	1.33	130.5	129.9	134.8	136.8	133.0	134.6	117.4	135.7	137.9	145.1	143.5	......
16	Carpeting and furniture	1.07	152.2	145.0	147.3	151.2	160.0	161.5	159.1	160.2	159.3	158.9	160.6	......
17	Misc. home goods	2.59	144.3	143.0	143.1	143.6	146.3	147.7	145.9	144.3	148.7	149.0	148.6	149.1
18	*Nondurable consumer goods*	*19.79*	*139.6*	*139.4*	*139.5*	*139.1*	*141.2*	*141.8*	*139.9*	*140.8*	*141.3*	*141.9*	*142.3*	*142.7*
19	Clothing	4.29	125.2	124.4	125.5	125.7	126.4	126.9	118.3	121.1	122.4	124.9	......	......
20	Consumer staples	15.50	143.6	143.6	143.4	142.9	145.3	145.9	145.9	146.3	146.4	146.6	146.9	147.2
21	Consumer foods and tobacco	8.33	135.5	136.1	135.0	135.4	136.7	137.9	136.5	138.3	138.7	140.8	141.2	......
22	Nonfood staples	7.17	152.9	152.5	153.2	151.7	155.1	155.2	156.6	155.8	155.3	153.2	153.4	153.8
23	Consumer chemical products	2.63	180.5	178.1	180.8	179.3	186.9	186.5	187.4	184.3	182.1	182.5	181.9	......
24	Consumer paper products	1.92	117.1	116.6	118.4	116.3	118.5	119.8	121.4	118.8	118.9	117.7	117.5	......
25	Consumer energy products	2.62	151.4	153.0	150.8	149.8	149.9	149.7	151.5	154.5	155.0	149.8	151.2	......
26	Residential utilities	1.45	159.0	158.5	157.1	159.9	155.6	158.5	161.7	167.6	166.9	159.0	......	......
	Equipment													
27	*Business equipment*	*12.63*	*149.2*	*147.1*	*148.9*	*150.1*	*153.5*	*154.0*	*152.6*	*154.2*	*157.4*	*159.4*	*160.7*	*161.4*
28	Industrial equipment	6.77	138.5	136.3	138.4	140.0	142.6	143.0	144.3	144.6	146.9	147.9	149.8	150.4
29	Building and mining equipment	1.44	202.5	200.5	205.3	208.1	206.7	208.3	211.1	214.9	221.7	225.1	226.3	226.9
30	Manufacturing equipment	3.85	113.9	112.0	112.8	115.0	118.7	118.2	118.8	117.7	118.3	119.0	121.2	121.9
31	Power equipment	1.47	140.2	136.7	139.9	139.0	142.1	143.7	146.1	145.8	148.8	147.9	149.4	150.1
32	Commercial transit, farm equipment	5.86	161.6	159.5	161.2	161.9	165.9	166.9	162.2	165.5	169.4	172.6	173.4	174.1
33	Commerical equipment	3.26	191.6	189.7	191.1	191.4	197.4	198.8	198.5	200.9	202.0	203.8	205.0	205.6
34	Transit equipment	1.93	117.8	115.2	116.5	118.5	118.9	121.1	111.1	115.9	126.1	133.6	134.7	135.9
35	Farm equipment	.67	142.3	141.0	144.4	143.2	147.8	144.5	131.4	134.8	137.0	132.9	131.7	......
36	*Defense and space equipment*	*7.51*	*79.6*	*79.9*	*80.0*	*80.3*	*79.3*	*79.5*	*79.7*	*79.2*	*81.9*	*82.9*	*83.0*	*83.4*
	Intermediate products													
37	Construction supplies	6.42	140.8	137.2	138.7	139.9	146.5	148.3	149.2	148.6	147.9	148.2	150.4	151.0
38	Business supplies	6.47	149.5	147.5	148.4	149.6	150.1	152.6	153.8	154.2	155.0	154.8	155.8	......
39	Commercial energy products	1.14	164.6	164.6	165.8	164.2	160.9	165.6	165.5	165.6	164.3	160.9	163.4	......
	Materials													
40	*Durable goods materials*	*20.35*	*134.5*	*133.8*	*135.2*	*136.4*	*137.2*	*138.7*	*138.2*	*137.0*	*138.6*	*142.3*	*143.9*	*144.8*
41	Durable consumer parts	4.58	132.0	129.4	132.0	134.5	136.5	135.7	133.0	131.1	133.1	136.6	138.0	138.8
42	Equipment parts	5.44	143.1	140.7	141.7	143.0	147.2	149.2	148.7	146.6	151.3	154.0	156.0	157.2
43	Durable materials n.e.c.	10.34	131.1	132.2	133.2	133.8	132.3	134.3	134.9	134.6	134.5	138.7	140.1	141.0
44	Basic metal materials	5.57	110.9	115.0	117.8	116.3	107.9	110.3	110.2	111.0	110.4	116.5	117.7	......
45	*Nondurable goods materials*	*10.47*	*153.5*	*153.7*	*155.4*	*154.7*	*155.4*	*155.3*	*155.0*	*158.5*	*160.5*	*161.9*	*162.4*	*162.7*
46	Textile, paper, and chem. mat	7.62	158.3	159.0	160.7	160.1	159.3	159.3	160.7	162.8	165.7	166.4	166.8	167.2
47	Textile materials	1.85	113.0	111.8	111.8	109.0	117.8	117.3	114.9	115.8	115.1	116.5	115.8	......
48	Paper materials	1.62	133.5	132.2	136.2	134.4	132.2	130.2	135.0	136.8	137.8	139.2	140.1	......
49	Chemical materials	4.15	188.2	190.6	192.2	192.7	188.6	189.5	191.4	194.2	199.2	199.5	200.1	......
50	*Containers, nondurable*	1.70	150.9	148.5	152.3	152.4	156.7	154.4	150.4	158.7	158.1	159.8	161.1	......
51	Nondurable materials n.e.c	1.14	125.3	125.6	123.1	122.9	128.5	129.9	123.6	128.9	129.3	134.5	134.8	......
52	Energy materials	8.48	122.4	121.3	122.3	124.3	123.0	118.7	122.2	117.7	117.5	122.9	124.9	125.4
53	Primary energy	4.65	107.3	106.0	106.6	109.7	111.6	103.0	105.2	101.0	104.5	113.6	113.1	......
54	Converted fuel materials	3.82	140.7	140.1	141.4	142.0	136.9	137.7	142.8	138.0	133.3	134.2	139.2	......
	Supplementary groups													
55	Home goods and clothing	9.35	133.9	132.2	133.6	134.7	136.5	137.5	130.2	133.8	135.9	138.0	138.4	139.1
56	Energy, total	12.23	132.5	132.1	132.5	133.5	132.3	129.7	132.5	130.0	129.8	132.2	134.1	134.5
57	Products	3.76	155.4	156.5	155.3	154.1	153.2	154.5	155.8	157.9	157.9	153.0	154.9	......
58	Materials	8.48	122.4	121.3	122.3	124.3	123.0	118.7	122.2	117.7	117.5	122.9	124.9	125.4

For NOTE see opposite page.

2.13 Continued

	Grouping	SIC code	1967 proportion	1977 average	1977 Apr.	1977 May	1977 June	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.[r]	1978 Apr.	1978 May[p]	1978 June[e]
	MAJOR INDUSTRY				Index (1967 = 100)										
1	*Mining and utilities*	......	*12.05*	*136.2*	*135.7*	*137.1*	*138.8*	*135.5*	*133.9*	*137.4*	*137.7*	*138.2*	*140.2*	*141.0*	*141.7*
2	Mining	......	6.36	117.8	119.2	119.5	122.8	118.8	113.4	115.0	114.4	119.3	126.1	126.1	126.8
3	Utilities	......	5.69	156.5	154.0	156.7	156.8	154.2	156.7	162.3	163.5	159.5	156.1	157.7	158.3
4	Electric	......	3.88	175.5	170.4	175.4	176.8	173.3	175.9	183.6	184.3	178.8	175.1	......	......
5	*Manufacturing*	......	*87.95*	*137.1*	*135.8*	*137.1*	*137.8*	*139.9*	*140.5*	*138.7*	*139.4*	*141.4*	*143.5*	*144.3*	*144.8*
6	Nondurable	......	35.97	148.1	147.0	148.5	148.4	150.1	150.9	149.8	150.6	151.4	152.8	153.9	154.3
7	Durable	......	51.98	129.5	128.0	129.3	130.5	132.7	133.4	131.1	131.5	134.4	136.9	137.6	138.1
	Mining														
8	Metal mining	10	.51	105.4	126.1	120.5	121.3	84.8	104.3	121.4	119.9	127.6	122.3	120.0	......
9	Coal	11,12	.69	118.0	118.4	122.4	133.4	140.6	74.6	54.8	56.5	78.4	129.7	132.9	137.0
10	Oil and gas extraction	13	4.40	118.0	117.5	118.3	121.3	117.8	118.4	121.1	120.4	123.3	125.4	125.3	125.8
11	Stone and earth minerals	14	.75	124.9	124.0	123.0	122.5	127.2	126.5	130.0	129.1	128.2	128.9	128.7	......
	Nondurable manufactures														
12	Foods	20	8.75	137.9	138.0	138.3	136.9	139.4	140.4	139.3	140.8	141.1	142.7	143.2	......
13	Tobacco products	21	.67	114.3	112.1	105.2	119.2	117.5	120.6	113.4	117.7	115.6	121.0	......	......
14	Textile mill products	22	2.68	137.1	134.6	136.0	135.4	141.6	143.7	137.1	136.4	135.1	137.7	138.3	......
15	Apparel products	23	3.31	124.2	121.4	123.5	122.1	125.1	125.8	118.6	121.1	122.8	126.1	......	......
16	Paper and products	26	3.21	137.4	136.3	139.5	139.3	137.8	138.6	139.9	143.9	144.9	145.9	146.6	146.0
17	Printing and publishing	27	4.72	124.7	123.4	124.4	124.1	126.2	127.5	129.9	128.3	129.1	128.6	128.4	128.5
18	Chemicals and products	28	7.74	180.7	180.6	182.8	183.5	183.1	183.0	184.4	183.7	185.2	185.5	187.4	......
19	Petroleum products	29	1.79	141.0	143.4	142.4	140.0	140.5	139.3	139.7	139.0	140.1	140.1	141.8	140.8
20	Rubber & plastic products	30	2.24	232.2	226.0	232.4	235.2	238.5	240.1	238.7	240.0	243.1	247.7	252.9	......
21	Leather and products	31	.86	75.3	74.7	76.2	74.1	78.1	77.3	74.5	73.0	72.1	76.0	75.7	......
	Durable manufactures														
22	Ordnance, pvt. & govt	19,91	3.64	73.9	74.6	74.4	74.1	74.1	73.8	72.3	71.2	72.7	73.0	72.9	72.8
23	Lumber and products	24	1.64	133.4	130.6	133.0	132.4	137.5	138.1	138.5	135.5	136.5	136.0	137.1	......
24	Furniture and fixtures	25	1.37	140.9	135.4	137.5	139.9	146.0	146.6	146.4	150.1	149.5	148.9	150.4	......
25	Clay, glass, stone products	32	2.74	146.1	145.0	145.0	147.7	152.8	152.1	152.2	152.6	154.2	156.3	156.6	......
26	Primary metals	33	6.57	110.2	112.2	117.1	114.7	111.2	111.0	107.4	106.2	106.1	114.6	116.4	117.4
27	Iron and steel	331.2	4.21	103.4	103.9	111.0	109.2	104.3	103.8	99.5	96.3	96.4	109.1	111.3	......
28	Fabricated metal products	34	5.93	130.9	127.6	128.2	130.8	135.8	136.4	136.9	136.9	138.1	139.4	140.9	141.6
29	Nonelectrical machinery	35	9.15	144.8	142.9	142.6	144.0	149.7	151.7	150.1	150.1	151.5	152.1	153.2	154.1
30	Electrical machinery	36	8.05	141.9	139.6	141.8	142.6	146.0	147.3	144.0	146.4	149.5	152.3	153.0	153.4
31	Transportation equipment	37	9.27	121.1	119.8	120.3	123.7	122.0	122.2	116.2	118.4	126.5	130.5	130.0	130.5
32	Motor vehicles & parts	371	4.50	159.7	158.1	157.7	163.2	163.0	161.8	146.6	153.1	165.1	171.5	167.7	167.8
33	Aerospace & misc. tr. eq	372-9	4.77	84.7	83.8	85.2	86.5	83.3	84.9	87.6	85.8	90.1	91.8	94.4	95.1
34	Instruments	38	2.11	159.1	157.8	157.4	158.2	163.1	164.7	163.4	163.5	168.7	170.5	169.8	170.9
35	Miscellaneous mfrs	39	1.51	149.1	145.6	148.0	148.4	151.8	152.5	153.0	151.8	153.7	152.9	152.3	152.8
	MAJOR MARKET				Gross value (billions of 1972 dollars, annual rates)										
36	**Products, total**	......	[1]507.4	**583.9**	**578.3**	**582.2**	**585.9**	**591.3**	**594.7**	**582.0**	**591.2**	**601.1**	**607.4**	**609.4**	**609.4**
37	*Final products*	......	[1]390.9	*452.1*	*448.5*	*451.0*	*453.7*	*457.3*	*458.7*	*445.1*	*454.4*	*463.5*	*469.6*	*469.7*	*469.8*
38	Consumer goods	......	[1]277.5	317.5	316.1	316.3	318.9	320.0	320.4	311.2	318.6	321.6	326.4	325.5	325.1
39	Equipment	......	[1]113.4	134.6	132.6	134.6	134.9	137.3	138.2	133.9	135.8	142.0	143.3	144.6	144.8
40	Intermediate products	......	[1]116.6	131.9	130.1	131.4	131.8	134.1	135.9	136.7	137.0	137.5	137.9	139.5	139.4

[1] 1972 dollars.

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.), Dec. 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates. Exceptions noted.

Item	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.^{r}	1978 Apr.^{r}	1978 May
	Private residential real estate activity (thousands of units)									
NEW UNITS										
1 *Permits authorized*	*927*	*1,296*	*18,133*	*1,822*	*1,778*	*1,526*	*1,534*	*1,647*	*1,740*	*1,587*
2 1-family	669	894	12,265	1,218	1,188	1,032	957	1,157	1,157	1,057
3 2-or-more-family	278	402	5,861	604	590	494	577	610	583	530
4 *Started*	*1,160*	*1,538*	*1,986*	*2,096*	*2,203*	*1,548*	*1,569*	*2,047*	*2,181*	*2,075*
5 1-family	892	1,163	1,451	1,544	1,574	1,156	1,103	1,429	1,500	1,488
6 2-or-more-family	268	377	535	552	629	392	466	618	681	587
7 *Under construction, end of period* [1]	*1,003*	*1,147*	*1,442*	*1,211*	*1,249*	^{r}*1,262*	^{r}*1,260*	*1,265*	*1,283*	....
8 1-family	531	655	829	746	770	^{r}785	787	781	779	....
9 2-or-more-family	472	492	613	466	479	478	^{r}474	483	505	....
10 *Completed*	*1,297*	*1,362*	*1,652*	*1,769*	*1,641*	*1,759*	^{r}*1,696*	*1,794*	*1,944*	....
11 1-family	866	1,026	1,254	1,280	1,299	1,300	^{r}1,233	1,368	1,506	....
12 2-or-more-family	430	336	398	489	342	^{r}459	463	426	438	....
13 Mobile homes shipped	213	246	277	318	324	322	2.69	2.84	^{r}252	247
Merchant builder activity in 1-family units:										
14 Number sold	544	639	819	819	857	813	^{r}774	799	836	831
15 Number for sale, end of period [1]	383	433	407	401	403	405	^{r}404	404	411	416
Price (thous. of dollars) [2]										
Median:										
16 Units sold	39.3	44.2	48.9	51.8	52.9	52.3	53.2	53.5	53.1	55.8
17 Units for sale	38.9	41.6	48.2	46.7	47.7	48.2	....	....	....	....
Average:										
18 Units sold	42.5	48.1	54.4	57.8	57.6	58.5	^{r}59.1	60.1	59.5	63.0
EXISTING UNITS (1-family)										
19 Number sold	2,452	3,002	3,572	3,980	4,030	3,780	3,460	3,770	3,880	3,770
Price of units sold (thous. of dollars): [2]										
20 Median	35.3	38.1	42.9	44.5	44.2	45.5	46.3	46.5	48.2	47.8
21 Average	39.0	42.2	47.9	48.5	48.3	50.3	51.3	51.1	53.6	54.8
	Value of new construction [4] (millions of dollars)									
CONSTRUCTION										
22 **Total put in place**	**134,293**	**147,481**	**170,685**	^{r}**178,060**	^{r}**179,026**	**171,252**	**178,069**	**184,817**	**192,960**	**198,623**
23 *Private*	*93,624*	*109,499*	*133,652*	^{r}*140,666*	^{r}*142,284*	*137,312*	*143,597*	*147,145*	*151,428*	*153,780*
24 Residential	46,472	60,519	81,067	^{r}85,244	^{r}87,361	^{r}79,716	^{r}85,577	87,578	90,125	91,466
25 Nonresidential, total	47,152	48,980	52,585	^{r}55,422	^{r}54,923	^{r}57,596	^{r}58,020	59,567	61,303	62,314
Buildings:										
26 Industrial	8,017	7,182	7,182	^{r}8,407	^{r}7,874	7,484	7,563	9,199	9,244	8,794
27 Commercial	12,804	12,757	14,604	^{r}15,876	^{r}14,890	14,986	15,043	16,227	17,177	19,098
28 Other	5,585	6,155	6,226	^{r}6,378	^{r}6,252	^{r}6,012	^{r}5,867	6,358	6,806	6,942
29 Public utilities and other	20,746	22,886	24,573	^{r}24,761	^{r}25,907	^{r}29,114	^{r}29,547	27,783	28,076	27,480
30 *Public*	*40,669*	*37,982*	*37,033*	^{r}*37,414*	^{r}*36,762*	^{r}*36,425*	^{r}*35,729*	*37,672*	*41,532*	*44,843*
31 Military	1,392	1,508	1,478	^{r}1,303	^{r}1,381	^{r}1,430	^{r}1,478	1,405	1,500	1,438
32 Highway	10,861	9,756	9,170	^{r}8,973	^{r}8,455	7,253	6,718	7,354	....	....
33 Conservation and development	3,256	3,722	3,765	^{r}3,803	^{r}3,854	^{r}3,524	^{r}3,330	3,546	....	....
34 Other [3]	25,160	22,996	22,620	^{r}23,335	^{r}23,072	^{r}24,218	^{r}24,203	25,367	....	....

1 Not at annual rates.
2 Not seasonally adjusted.
3 Beginning Jan. 1977 Highway imputations are included in Other.
4 Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to 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 for 14,000 jurisdictions reporting to the Census Bureau.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to— 1977 May	12 months to— 1978 May	3 months (at annual rate) to— 1977 June	1977 Sept.	1977 Dec.	1978 Mar.	1 month to— 1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May	Index level May 1978 (1967 = 100)[2]
						Consumer prices[3]						
1 **All items**	6.7	7.0	7.8	4.5	4.9	9.3	.8	.6	.8	.9	.9	193.3
2 *Commodities*	*6.2*	*6.4*	*6.7*	*2.5*	*4.9*	*9.3*	*.9*	*.5*	*.8*	*.9*	*.9*	*185.5*
3 Food	6.5	9.7	11.5	1.9	4.2	16.4	1.3	1.2	1.3	1.9	1.5	210.3
4 Commodities less food	5.9	5.0	4.2	2.7	5.4	6.1	.7	.2	.6	.5	.6	173.0
5 Durable	6.4	5.3	3.5	1.5	5.2	8.7	1.0	.7	.5	.5	.8	172.0
6 Nondurable	5.5	4.3	4.7	3.4	5.1	3.1	.4	.3	.6	.5	.4	172.8
7 *Services*	*7.7*	*8.2*	*9.4*	*7.6*	*4.9*	*9.1*	*.6*	*.7*	*.8*	*.9*	*1.0*	*208.0*
8 Rent	5.8	6.9	6.2	6.7	6.3	6.2	.6	.4	.6	.7	.7	162.7
9 Services less rent	8.0	8.4	9.9	8.0	4.8	9.6	.6	.8	.9	.9	1.0	216.2
Other groupings:												
10 All items less food	6.8	6.6	6.8	5.3	5.0	8.1	.8	.5	.7	.7	.8	189.0
11 All items less food and energy	6.4	6.7	6.9	5.1	5.3	8.0	.9	.4	.7	.7	.8	186.4
12 Homeownership	6.7	10.0	10.4	8.5	7.1	12.2	1.0	.7	1.2	1.1	1.1	222.5
						Producer prices, formerly Wholesale prices						
13 Finished goods	6.4	7.0	6.4	2.9	7.2	9.4	.7	1.0	.6	1.3	.7	193.0
14 Consumer	6.5	6.6	6.2	1.8	5.4	10.5	.8	1.1	.5	1.6	.6	191.3
15 Foods	5.0	7.6	4.3	−2.3	7.4	21.0	1.1	2.9	.8	1.9	.5	206.9
16 Excluding foods	7.3	6.1	7.8	4.0	4.7	5.1	.6	.2	.5	1.3	.8	181.6
17 Capital Equipment	6.4	7.9	6.8	6.0	10.9	6.9	.5	.5	.6	.6	.9	196.9
18 Materials	7.9	6.1	1.2	.4	8.3	14.2	1.1	1.3	.9	.9	.5	218.5
19 Intermediate[1]	7.2	6.4	5.5	7.1	4.2	9.0	.9	.8	.5	.5	.5	214.5
Crude:												
20 Nonfood	17.4	5.7	−8.1	−5.3	20.1	15.7	1.2	1.0	1.5	.9	.4	282.5
21 Food	3.9	5.2	−16.6	−19.6	27.6	43.6	2.8	4.7	1.8	3.7	.0	219.1

1 Excludes intermediate materials for food manufacturing and manufactured animal feeds.

2 Not seasonally adjusted.

3 Beginning Jan. 1978 figures for consumer prices are those for all urban consumers.

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	1975	1976	1977	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1 r
	Gross national product								
1 **Total**	**1,528.8**	**1,706.5**	**1,889.6**	**1,755.4**	**1,810.8**	**1,869.9**	**1,915.9**	**1,961.8**	**1,995.3**
By source:									
2 *Personal consumption expenditures*	*980.4*	*1,094.0*	*1,211.2*	*1,139.0*	*1,172.4*	*1,194.0*	*1,218.9*	*1,259.5*	*1,282.4*
3 Durable goods	132.9	158.9	179.8	166.3	177.0	178.6	177.6	186.0	183.5
4 Nondurable goods	409.3	442.7	480.7	458.8	466.6	474.4	481.8	499.9	504.3
5 Services	438.2	492.3	550.7	513.9	528.8	541.1	559.5	573.7	594.6
6 *Gross private domestic investment*	*189.1*	*243.3*	*294.2*	*243.4*	*271.8*	*294.9*	*303.6*	*306.7*	*320.0*
7 Fixed investment	200.6	230.0	276.1	244.3	258.0	273.2	280.0	293.2	299.0
8 *Nonresidential*	*149.1*	*161.9*	*185.1*	*167.6*	*177.0*	*182.4*	*187.5*	*193.5*	*198.8*
9 Structures	52.9	55.8	61.5	57.0	57.9	61.0	62.6	64.5	66.2
10 Producers' durable equipment	96.3	106.1	123.6	110.6	119.2	121.4	124.9	129.0	132.6
11 Residential structures	51.5	68.0	91.0	76.7	81.0	90.8	92.5	99.7	100.1
12 Nonfarm	49.5	65.7	88.4	74.3	78.5	88.2	89.9	97.1	97.3
13 Change in business inventories	−11.5	13.3	18.2	−.9	13.8	21.7	23.6	13.5	21.4
14 Nonfarm	−15.1	14.9	17.1	1.4	14.1	22.4	23.1	9.0	20.3
15 *Net exports of goods and services*	*20.4*	*7.8*	*−10.9*	*3.0*	*−8.2*	*−9.7*	*−7.5*	*−18.2*	*−23.7*
16 Exports	147.3	162.9	174.7	168.5	170.4	178.1	179.9	170.6	180.5
17 Imports	126.9	155.1	185.6	165.6	178.6	187.7	187.4	188.8	204.2
18 *Govt. purchases of goods and services*	*338.9*	*361.4*	*395.0*	*370.0*	*374.9*	*390.6*	*400.9*	*413.8*	*416.6*
19 Federal	123.3	130.1	145.4	134.2	136.3	143.6	148.1	153.8	152.7
20 State and local	215.6	231.2	249.6	235.8	238.5	247.0	252.9	260.0	263.8
By major type of product:									
21 Final sales, total	1,540.3	1,693.1	1,871.4	1,756.3	1,797.0	1,848.2	1,892.2	1,948.2	1,974.3
22 *Goods*	*686.2*	*764.2*	*834.7*	*774.7*	*805.9*	*827.1*	*843.5*	*862.5*	*865.4*
23 Durable goods	258.2	303.4	341.3	312.6	334.4	341.0	342.3	347.6	348.6
24 Nondurable	428.0	460.9	493.4	r463.6	471.5	486.1	501.2	514.9	515.8
25 Services	699.2	782.0	867.4	813.8	833.7	855.3	881.6	898.8	930.0
26 Structures	143.5	160.2	187.5	166.9	171.2	187.5	190.7	200.4	199.9
27 Change in business inventories	−11.5	13.3	18.2	−.9	13.8	21.7	23.6	13.5	21.1
28 Durable goods	−9.2	4.1	9.1	.6	7.8	11.5	10.3	6.8	15.5
29 Nondurable goods	−2.2	9.3	9.1	r−1.6	6.0	10.2	13.4	6.8	5.6
30 MEMO: **Total GNP in 1972 dollars**	**1,202.1**	**1,274.7**	**1,337.3**	**1,287.4**	**1,311.0**	**1,330.7**	**1,347.4**	**1,360.2**	**1,360.3**
	National income								
31 **Total**	**1,217.0**	**1,364.1**	**1,520.5**	**1,402.1**	**1,450.2**	**1,505.7**	**1,540.5**	**1,585.7**	**1,609.9**
32 Compensation of employees	930.3	1,036.3	1,156.3	1,074.2	1,109.9	1,144.7	1,167.4	1,203.3	1,243.8
33 *Wages and salaries*	*805.7*	*891.8*	*990.0*	*923.2*	*951.3*	*980.9*	*998.9*	*1,029.1*	*1,058.7*
34 Government and Government enterprises	175.4	187.2	199.9	192.5	194.8	197.2	200.6	206.9	209.9
35 Other	630.3	704.6	790.1	730.7	756.4	783.6	798.3	822.2	848.8
36 *Supplement to wages and salaries*	*124.6*	*144.5*	*166.3*	*150.9*	*158.6*	*163.8*	*168.5*	*174.3*	*185.1*
37 Employer contributions for social insurance	59.8	68.6	77.7	70.9	75.4	77.1	78.2	80.2	87.4
38 Other labor income	64.9	75.9	88.6	80.0	83.2	86.7	90.3	94.0	97.8
39 *Proprietors' income*[1]	*86.0*	*88.0*	*98.2*	*88.7*	*95.1*	*97.0*	*95.5*	*105.0*	*103.3*
40 Business and professional[1]	62.8	69.4	78.5	72.0	74.3	77.3	80.0	82.4	83.1
41 Farm[1]	23.2	18.6	19.7	16.6	20.7	19.7	15.5	22.7	20.2
42 Rental income of persons[2]	22.3	23.3	25.3	24.1	24.5	24.9	25.5	26.4	26.9
43 Corporate profits[1]	99.3	128.1	139.9	123.1	125.4	140.2	149.0	144.8	126.5
44 Profits before tax[3]	123.5	156.9	171.7	154.8	161.7	174.0	172.8	178.3	171.9
45 Inventory valuation adjustment	−12.0	−14.1	−14.6	−16.9	−20.6	−17.8	−5.9	−14.1	−24.8
46 Capital consumption adjustment	−12.2	−14.7	−17.2	−14.8	−15.6	−15.9	−17.9	−19.4	−20.6
47 Net interest	79.1	88.4	100.9	92.0	95.3	98.9	103.1	106.1	109.4

1 With inventory valuation and capital consumption adjustments.
2 With capital consumption adjustments.
3 For after-tax profits, dividends, etc., see Table 1.50.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

	Account	1975	1976	1977	1976	1977				1978
					Q4	Q1	Q2	Q3	Q4	Q1 r
		Personal income and saving								
1	**Total personal income**	**1,253.4**	**1,382.7**	**1,536.7**	**1,432.2**	**1,476.8**	**1,517.2**	**1,549.8**	**1,603.0**	**1,638.8**
2	*Wage and salary disbursements*	*805.7*	*891.8*	*990.0*	*923.2*	*951.3*	*980.9*	*998.9*	*1,029.1*	*1,058.7*
3	Commodity-producing industries	275.0	308.4	346.4	317.7	328.9	345.4	351.0	360.2	370.5
4	Manufacturing	211.0	238.2	267.3	245.1	255.4	265.9	270.0	278.0	288.4
5	Distributive industries	195.4	217.1	242.8	226.4	234.5	240.5	244.4	251.8	260.1
6	Service industries	159.9	179.0	200.9	186.7	193.0	197.7	202.8	210.2	217.6
7	Government and government enterprises	175.4	187.2	199.9	192.5	194.8	197.2	200.6	206.9	209.9
8	Other labor income	64.9	75.9	88.6	80.0	83.2	86.7	90.3	94.0	97.8
9	*Proprietors' income*[1]	*86.0*	*88.0*	*98.2*	*88.7*	*95.1*	*97.0*	*95.5*	*105.0*	*103.3*
10	Business and professional[1]	62.8	69.4	78.5	72.0	74.3	77.3	80.0	82.4	83.1
11	Farm[1]	23.2	18.6	19.7	16.6	20.7	19.7	15.5	22.7	20.2
12	Rental income of persons[2]	22.3	23.3	25.3	24.1	24.5	24.9	25.5	26.4	26.9
13	Dividends	32.4	35.8	41.2	38.4	38.5	40.3	42.3	43.6	43.8
14	Personal interest income	115.6	130.3	147.8	136.4	140.3	145.4	150.3	155.2	160.0
15	Transfer payments	176.8	192.8	206.9	198.0	203.5	203.0	208.7	212.6	215.9
16	Old-age survivors, disability, and health insurance benefits	81.4	92.9	105.0	98.4	99.9	101.8	108.5	110.0	111.6
17	LESS: Personal contributions for social insurance	50.4	55.2	61.3	56.6	59.6	60.8	61.7	62.9	67.5
18	EQUALS: Personal income	1,253.4	1,382.7	1,536.7	1,432.2	1,476.8	1,517.2	1,549.8	1,603.0	1,638.8
19	LESS: Personal tax and nontax payments	169.0	196.9	227.5	209.5	224.4	224.8	226.1	234.7	236.6
20	EQUALS: Disposable personal income	1,084.4	1,185.8	1,309.2	1,222.6	1,252.4	1,292.5	1,323.8	1,368.3	1,402.1
21	LESS: Personal outlays	1,004.2	1,119.9	1,241.9	1,166.3	1,201.0	1,223.9	1,250.5	1,292.2	1,316.5
22	EQUALS: Personal saving	80.2	65.9	67.3	56.3	51.4	68.5	73.3	76.1	85.7
	MEMO ITEMS:									
	Per capita (1972 dollars):									
23	Gross national product	5,629	5,924	6,167	5,966	6,064	6,143	6,206	6,254	6,243
24	Personal consumption expenditures	3,629	3,817	3,971	3,892	3,934	3,943	3,963	4,045	4,029
25	Disposable personal income	4,014	4,137	4,293	4,177	4,202	4,268	4,305	4,394	4,405
26	Saving rate (per cent)	7.4	5.6	5.1	4.6	4.1	5.3	5.5	5.6	6.1
		Gross saving								
27	**Gross private saving**	**259.4**	**272.5**	**293.9**	**261.6**	**262.9**	**292.1**	**310.5**	**309.9**	**309.7**
28	Personal saving	80.2	65.9	67.3	56.3	51.4	68.5	73.3	76.1	85.7
29	Undistributed corporate profits[1]	16.7	27.6	29.5	20.8	22.5	30.3	37.4	27.9	13.2
30	Corporate inventory valuation adjustment	−12.0	−14.1	−14.6	−16.9	−20.6	−17.8	−5.9	−14.1	−24.8
	Capital consumption allowances:									
31	Corporate	101.7	111.8	121.9	115.2	117.6	119.4	123.7	127.0	130.1
32	Noncorporate	60.8	67.2	75.1	69.2	71.4	73.8	76.2	78.9	80.7
33	Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34	*Government surplus, or deficit (−), national income and product accounts*	*−64.3*	*−35.6*	*−20.3*	*−29.4*	*−11.5*	*−14.9*	*−26.0*	*−28.9*	*−21.7*
35	Federal	−70.2	−54.0	−49.5	−55.9	−38.8	−40.3	−58.9	−60.0	−55.8
36	State and local	5.9	18.4	29.2	26.5	27.3	25.4	32.9	31.1	34.1
37	Capital grants received by the United States, net	....	....	....	....	....	....	....	....	....
38	*Investment*	*201.0*	*242.5*	*273.3*	*237.5*	*254.7*	*276.1*	*285.4*	*277.2*	*283.7*
39	Gross private domestic	189.1	243.3	294.2	243.3	271.8	294.9	303.6	306.7	320.0
40	Net foreign	11.8	−.9	−20.9	−5.9	−17.1	−18.8	−18.2	−29.5	−36.4
41	Statistical discrepancy	5.9	5.5	−.2	5.3	3.3	−1.2	.9	−3.9	−4.2

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE.—*Survey of Current Business* (U.S. Dept. 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	1975	1976	1977	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1
1 Merchandise exports	107,088	114,694	120,585	29,477	30,638	31,013	29,457	30,664
2 Merchandise imports	98,041	124,047	151,644	36,495	37,259	38,263	39,627	41,865
3 Merchandise trade balance [2]	9,047	−9,353	−31,059	−7,018	−6,621	−7,250	−10,170	−11,201
4 Military transactions, net	−876	312	1,334	568	295	467	5	307
5 Investment income, net[3]	12,795	15,933	17,507	4,599	4,487	4,610	3,812	4,767
6 Other service transactions, net	2,095	2,469	1,705	229	412	583	482	428
7 Balance on goods and services[3,4]	**23,060**	**9,361**	**−10,514**	**−1,623**	**−1,427**	**−1,591**	**−5,870**	**−5,700**
8 Remittances, pensions, and other transfers	−1,721	−1,878	−1,932	−490	−480	−490	−473	−502
9 U.S. Govt. grants (excluding military)	−2,894	−3,145	−2,776	−636	−763	−787	−591	−752
10 Balance on current account[3]	**18,445**	**4,339**	**−15,221**	**−2,749**	**−2,670**	**−2,868**	**−6,934**	**−6,954**
11 *Not seasonally adjusted*[3]	....	....	....	*−2,339*	*−2,492*	*−5,179*	*−5,212*	*−6,466*
12 Change in U.S. Govt. assets, other than official reserve assets, net (increase, −)	−3,470	−4,213	−3,679	−949	−795	−1,098	−838	−900
13 *Change in U.S. official reserve assets (increase, −)*	*−607*	*−2,530*	*−231*	*−388*	*6*	*151*	....	*246*
14 Gold	....	....	−118	−58	....	....	−60	....
15 Special Drawing Rights (SDR's)	−66	−78	−121	....	−83	−9	−29	−16
16 Reserve position in International Monetary Fund (IMF)	−466	−2,212	−294	−389	−80	133	42	324
17 Foreign currencies	−75	−240	302	59	169	27	47	−62
18 Change in U.S. private assets abroad (increase, −)[3]	**−35,368**	**−43,865**	**−30,740**	**3**	**−11,214**	**−5,668**	**−13,862**	**−13,632**
19 *Bank-reported claims*	*−13,532*	*−21,368*	*−11,427*	*3,684*	*−4,582*	*−1,779*	*−8,750*	*−6,270*
20 Long-term	−2,357	−2,362	−751	−306	18	−447	−16	−311
21 Short-term	−11,175	−19,006	−10,676	3,990	−4,600	−1,332	−8,734	−5,959
22 *Nonbank-reported claims*	*−1,357*	*−2,030*	*−1,700*	*−768*	*−1,137*	*1,389*	*−1,184*	*−2,015*
23 Long-term	−366	5	25	33	66	205	−279	−60
24 Short-term	−991	−2,035	−1,725	−801	−1,203	1,184	−905	−1,955
25 U.S. purchase of foreign securities, net	−6,235	−8,852	−5,398	−736	−1,766	−2,165	−731	−934
26 U.S. direct investments abroad, net[3]	−14,244	−11,614	−12,215	−2,177	−3,729	−3,113	−3,197	−4,413
27 *Change in foreign official assets in the United States (increase, +)*	*6,907*	*18,073*	*37,124*	*5,451*	*7,884*	*8,246*	*15,543*	*15,691*
28 U.S. Treasury securities	4,408	9,333	30,294	5,323	5,123	6,948	12,900	12,965
29 Other U.S. Govt. obligations	905	573	2,308	98	610	627	973	117
30 Other U.S. Govt. liabilities [5]	1,647	4,993	1,644	505	417	332	390	785
31 Other U.S. liabilities reported by U.S. banks	−2,158	969	773	−725	752	−163	909	1,456
32 Other foreign official assets [6]	2,104	2,205	2,105	250	982	502	371	368
33 Change in foreign private assets in the United States (increase, +)[3]	**8,643**	**18,897**	**13,746**	**−2,962**	**6,180**	**6,005**	**4,522**	**2,125**
34 *U.S. bank-reported liabilities*	*628*	*10,990*	*6,719*	*−5,304*	*6,240*	*2,640*	*3,143*	*−314*
35 Long-term	−280	231	373	42	104	194	33	250
36 Short-term	908	10,759	6,346	−5,346	6,136	2,446	3,110	−564
37 *U.S. nonbank-reported liabilities*	*319*	*−507*	*257*	*−346*	*−412*	*590*	*425*	*418*
38 Long-term	406	−958	−620	−220	−176	18	−242	45
39 Short-term	−87	451	877	−126	−236	572	667	373
40 Foreign private purchases of U.S. Treasury securities, net	2,590	2,783	563	981	−1,370	1,251	−299	881
41 Foreign purchases of other U.S. securities, net	2,503	1,284	2,869	828	725	513	803	462
42 Foreign direct investments in the United States, net[3]	2,603	4,347	3,338	880	996	1,012	450	679
43 Allocation of SDR's	....	....	....	....	....	....	....	....
44 *Discrepancy*	*5,449*	*9,300*	*−998*	*1,593*	*609*	*−4,769*	*1,569*	*3,423*
45 Owing to seasonal adjustments	....	....	....	130	−177	−2,230	2,276	176
46 Statistical discrepancy in recorded data before seasonal adjustment	5,449	9,300	−998	1,463	786	−2,539	−707	3,247
MEMO ITEMS:	....	....	....	....	....	....	....	....
Changes in official assets:								
47 U.S. official reserve assets (increase, −)	−607	−2,530	−231	−388	6	151	....	246
48 Foreign official assets in the United States (increase, +)	5,259	13,080	35,480	4,946	7,467	7,914	15,153	14,906
49 Changes in Organization of Petroleum Exporting Countries (OPEC) official assets in the United States (part of line 27 above)	7,092	9,581	6,733	2,927	1,344	1,438	1,024	1,810
50 Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	2,207	373	194	39	53	31	71	77

1 Seasonal factors are no longer calculated for lines 13 through 50.

2 Data are on an international accounts (IA) basis. Differs from the Census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of Line 4.

3 Includes reinvested earnings of incorporated affiliates.

4 Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition excludes certain military sales to Israel from exports and excludes U.S. Govt. interest payments from imports.

5 Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

6 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	1975	1976	1977	1977		1978				
				Nov.[r]	Dec.[r]	Jan.	Feb.	Mar.	Apr.	May
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	107,130	114,802	121,181	9,475	11,007	10,014	9,922	10,912	11,635	11,754
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	96,115	120,678	147,671	12,398	13,474	12,381	14,440	13,699	14,496	13,992
3 **Trade balance**	**11,014**	**−5,876**	**−26,490**	**−2,923**	**−2,467**	**−2,367**	**−4,518**	**−2,787**	**−2,861**	**−2,238**

NOTE.—Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. Data for 1977 reflect these changes. However, the quarterly international-accounts-basis data in Table 3.10 will not incorporate the 1977 revisions until June. The latter data adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import* side, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE.—FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Dept. of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1974	1975	1976	1977	1978					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**	**15,883**	**16,226**	**18,747**	**19,312**	**19,454**	**19,373**	**19,192**	**18,842**	[3] **18,966**	[3] **18,864**
2 Gold stock, including Exchange Stabilization Fund[1]	11,652	11,599	11,598	11,719	11,718	11,718	11,718	11,718	11,718	11,706
3 Special Drawing Rights[2]	2,374	2,335	2,395	2,629	2,629	2,671	2,693	2,669	[3] 2,760	[3] 2,804
4 Reserve position in International Monetary Fund	1,852	2,212	4,434	4,946	4,934	4,966	4,701	4,388	[3] 4,347	[3] 4,270
5 Convertible foreign currencies	5	80	320	18	173	18	80	67	141	84

[1] Gold held under earmark at F.R. Banks for foreign and international accounts is not included in the gold stock of the United States; see Table 3.24.

[2] Includes allocations by the International Monetary Fund (IMF) of SDR's as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; and $710 million on Jan. 1, 1972; plus net transactions in SDR's.

[3] Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974. At valuation used prior to July 1974 (SDR1 = $1.20635) total U.S. reserve assets at end of June amounted to $18,549; SDR holdings, $2,729; and reserve position in IMF, $4,030.

3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

	Asset account	1974	1975	1976	1977			1978			
					Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
						All foreign countries					
1	**Total, all currencies**	**151,905**	**176,493**	**219,420**	**247,451**	**250,454**	**259,094**	**[r]258,703**	**[r]256,959**	**263,468**	**260,523**
2	*Claims on United States*	*6,900*	*6,743*	*7,889*	*8,233*	*8,964*	*11,623*	*[r]9,874*	*[r]9,361*	*11,013*	*13,768*
3	Parent bank	4,464	3,665	4,323	4,535	5,238	7,806	5,932	5,410	6,698	9,348
4	Other	2,435	3,078	3,566	3,698	3,726	3,818	[r]3,942	[r]3,951	4,315	4,419
5	*Claims on foreigners*	*138,712*	*163,391*	*204,486*	*230,759*	*232,972*	*238,850*	*[r]239,624*	*[r]238,660*	*243,316*	*237,382*
6	Other branches of parent bank	27,559	34,508	45,955	51,914	54,631	55,772	[r]55,052	[r]54,201	55,554	51,819
7	Other banks	60,283	69,206	83,765	91,871	[r]89,410	91,883	92,229	[r]92,341	95,348	92,334
8	Official institutions	4,077	5,792	10,613	14,456	14,854	14,634	15,274	15,093	15,284	15,204
9	Nonbank foreigners	46,793	53,886	64,153	72,517	[r]74,077	76,561	[r]77,069	[r]77,025	77,130	78,025
10	Other assets	6,294	6,359	7,045	8,459	8,518	8,620	9,206	[r]8,938	9,139	9,373
11	**Total payable in U.S. dollars**	**105,969**	**132,901**	**167,695**	**187,783**	**188,593**	**193,933**	**[r]192,968**	**[r]189,523**	**194,855**	**194,139**
12	*Claims on United States*	*6,603*	*6,408*	*7,595*	*7,690*	*8,393*	*11,049*	*[r]9,252*	*8,630*	*10,320*	*12,966*
13	Parent bank	4,428	3,628	4,264	4,448	5,145	7,692	5,781	5,162	6,616	9,158
14	Other	2,175	2,780	3,332	3,243	3,248	3,357	[r]3,471	3,467	3,704	3,808
15	*Claims on foreigners*	*96,209*	*123,496*	*156,896*	*176,128*	*176,080*	*178,896*	*[r]179,237*	*[r]176,737*	*180,341*	*176,818*
16	Other branches of parent bank	19,688	28,478	37,909	42,696	44,087	44,256	[r]43,618	[r]42,664	43,502	40,630
17	Other banks	45,067	55,319	66,331	71,592	[r]69,122	70,786	70,535	[r]69,721	71,934	70,471
18	Official institutions	3,289	4,864	9,022	12,779	12,887	12,632	13,097	13,087	13,276	13,230
19	Nonbank foreigners	28,164	34,835	43,634	49,061	[r]49,984	51,222	[r]51,987	[r]51,267	51,628	52,487
20	Other assets	3,157	2,997	3,204	3,965	4,120	3,988	[r]4,479	[r]4,156	4,195	4,354
						United Kingdom					
21	**Total, all currencies**	**69,804**	**74,883**	**81,466**	**90,154**	**88,748**	**90,933**	**90,789**	**89,626**	**90,162**	**87,100**
22	*Claims on United States*	*3,248*	*2,392*	*3,354*	*2,729*	*2,955*	*4,341*	*3,701*	*[r]2,547*	*3,075*	*2,506*
23	Parent bank	2,472	1,449	2,376	1,789	2,123	3,518	2,928	1,775	2,274	1,548
24	Other	776	943	978	940	833	823	773	[r]771	802	958
25	*Claims on foreigners*	*64,111*	*70,331*	*75,859*	*84,766*	*83,331*	*84,016*	*84,346*	*[r]84,423*	*84,648*	*81,871*
26	Other branches of parent bank	12,724	17,557	19,753	22,178	21,476	22,017	21,427	21,114	21,092	19,514
27	Other banks	32,701	35,904	38,089	41,923	40,530	39,899	40,605	40,996	41,612	40,436
28	Official institutions	788	881	1,274	2,052	2,145	2,206	2,303	2,100	2,192	2,020
29	Nonbank foreigners	17,898	15,990	16,743	18,613	19,180	19,895	20,010	[r]20,213	19,753	19,901
30	Other assets	2,445	2,159	2,253	2,659	2,462	2,576	2,742	2,656	2,439	2,724
31	**Total payable in U.S. dollars**	**49,211**	**57,361**	**61,587**	**67,243**	**65,369**	**66,635**	**65,744**	**63,870**	**64,565**	**62,330**
32	*Claims on United States*	*3,146*	*2,273*	*3,275*	*2,545*	*2,744*	*4,100*	*3,443*	*2,186*	*2,850*	*2,312*
33	Parent bank	2,468	1,445	2,374	1,748	2,062	3,431	2,815	1,558	2,236	1,520
34	Other	678	828	902	797	682	669	628	628	614	793
35	*Claims on foreigners*	*44,694*	*54,121*	*57,488*	*63,596*	*61,587*	*61,408*	*61,094*	*60,521*	*60,610*	*58,845*
36	Other branches of parent bank	10,265	15,645	17,249	19,497	18,539	18,947	18,102	17,782	17,603	16,531
37	Other banks	23,716	28,224	28,983	31,134	29,560	28,530	28,661	28,641	28,947	28,177
38	Official institutions	610	648	846	1,595	1,639	1,669	1,770	1,640	1,710	1,631
39	Nonbank foreigners	10,102	9,604	10,410	11,370	11,849	12,263	12,560	12,457	12,349	12,507
40	Other assets	1,372	967	824	1,103	1,038	1,126	1,208	1,163	1,104	1,173
						Bahamas and Caymans					
41	**Total, all currencies**	**31,733**	**45,203**	**66,774**	**75,962**	**76,769**	**79,052**	**80,081**	**79,711**	**82,947**	**84,409**
42	*Claims on United States*	*2,464*	*3,229*	*3,508*	*4,687*	*5,259*	*5,782*	*4,994*	*5,837*	*6,761*	*9,921*
43	Parent bank	1,081	1,477	1,141	2,104	2,552	3,051	2,097	2,918	3,570	6,710
44	Other	1,383	1,752	2,367	2,583	2,707	2,731	2,897	2,919	3,191	3,211
45	*Claims on foreigners*	*28,453*	*41,040*	*62,048*	*69,685*	*69,839*	*71,671*	*73,470*	*72,272*	*74,397*	*72,689*
46	Other branches of parent bank	3,478	5,411	8,144	9,266	10,611	11,120	11,272	11,025	11,367	9,565
47	Other banks	11,354	16,298	25,354	27,131	[r]26,109	27,939	28,810	28,179	29,602	28,695
48	Official institutions	2,022	3,576	7,105	9,207	9,198	9,109	9,322	9,486	9,438	9,362
49	Nonbank foreigners	11,599	15,756	21,445	24,082	[r]23,922	23,503	24,067	23,583	23,990	25,067
50	Other assets	815	933	1,217	1,589	1,670	1,599	1,617	1,602	1,789	1,799
51	**Total payable in U.S. dollars**	**28,726**	**41,887**	**62,705**	**70,415**	**71,728**	**73,987**	**74,831**	**74,283**	**77,521**	**79,324**

3.13 Continued

	Liability account	1974	1975	1976	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.p
		All foreign countries									
52	**Total, all currencies**	**151,905**	**176,493**	**219,420**	**247,451**	**250,454**	**259,094**	**r258,703**	**r256,959**	**263,468**	**260,523**
53	*To United States*	*11,982*	*20,221*	*32,719*	*39,952*	*42,315*	*44,155*	*r45,811*	*45,811*	*50,860*	*49,088*
54	Parent bank	5,809	12,165	19,773	22,706	24,780	24,542	r28,311	26,999	27,650	26,732
55	Other	6,173	8,057	12,946	17,246	17,535	19,613	17,500	18,811	23,209	22,355
56	*To foreigners*	*132,990*	*149,815*	*179,954*	*199,197*	*200,158*	*206,579*	*r204,471*	*r203,041*	*204,629*	*202,912*
57	Other branches of parent bank	26,941	34,111	44,370	50,324	52,289	53,244	r51,901	r50,896	52,090	48,907
58	Other banks	65,675	72,259	83,880	89,542	90,141	94,140	90,744	r90,904	90,557	91,678
59	Official institutions	20,185	22,773	25,829	29,888	28,667	28,110	28,677	28,850	28,018	28,498
60	Nonbank foreigners	20,189	20,672	25,877	29,443	29,061	31,085	33,149	32,390	33,963	33,830
61	Other liabilities	6,933	6,456	6,747	8,302	7,981	8,360	8,421	r8,108	7,980	8,523
62	**Total payable in U.S. dollars**	**107,890**	**135,907**	**173,071**	**192,995**	**193,421**	**198,741**	**r197,934**	**r194,688**	**199,879**	**197,546**
63	*To United States*	*11,437*	*19,503*	*31,932*	*38,915*	*41,219*	*42,882*	*r44,602*	*44,473*	*49,248*	*47,811*
64	Parent bank	5,641	11,939	19,559	22,398	24,488	24,213	r28,017	26,688	27,321	26,437
65	Other	5,795	7,564	12,373	16,517	16,731	18,669	16,584	17,784	21,927	21,374
66	*To foreigners*	*92,503*	*112,879*	*137,612*	*149,687*	*147,995*	*151,363*	*r148,878*	*r145,958*	*146,406*	*145,322*
67	Other branches of parent bank	19,330	28,217	37,098	41,811	43,105	43,268	r41,812	r40,720	41,636	39,256
68	Other banks	43,656	51,583	60,619	62,892	62,094	64,872	61,571	r60,815	60,353	61,650
69	Official institutions	17,444	19,982	22,878	26,366	25,113	23,972	24,546	24,453	23,593	23,810
70	Nonbank foreigners	12,072	13,097	17,017	18,618	17,684	19,251	20,949	19,970	20,824	20,606
71	Other liabilities	3,951	3,526	3,527	4,393	4,207	4,496	4,454	4,258	4,224	4,413
		United Kingdom									
72	**Total, all currencies**	**69,804**	**74,883**	**81,466**	**90,154**	**88,748**	**90,933**	**90,789**	**89,626**	**90,162**	**87,100**
73	*To United States*	*3,978*	*5,646*	*5,997*	*7,310*	*7,237*	*7,753*	*6,008*	*6,785*	*7,609*	*7,266*
74	Parent bank	510	2,122	1,198	1,364	1,375	1,451	1,253	1,550	1,646	1,983
75	Other	3,468	3,523	4,798	5,946	5,862	6,302	4,755	5,236	5,962	5,283
76	*To foreigners*	*63,409*	*67,240*	*73,228*	*79,837*	*79,087*	*80,736*	*82,160*	*80,331*	*80,036*	*77,169*
77	Other branches of parent bank	4,762	6,494	7,092	9,187	9,491	9,376	9,999	9,037	8,674	8,014
78	Other banks	32,040	32,964	36,259	36,676	36,974	37,893	36,915	36,764	36,250	34,940
79	Official institutions	15,258	16,553	17,273	20,366	19,555	18,318	19,309	19,580	19,262	18,817
80	Nonbank foreigners	11,349	11,229	12,605	13,608	13,066	15,149	15,937	14,950	15,850	15,399
81	Other liabilities	2,418	1,997	2,241	3,007	2,424	2,445	2,621	2,509	2,518	2,665
82	**Total payable in U.S. dollars**	**49,666**	**57,820**	**63,174**	**68,594**	**66,289**	**67,573**	**66,619**	**65,021**	**65,477**	**62,662**
83	*To United States*	*3,744*	*5,415*	*5,849*	*7,004*	*7,012*	*7,480*	*5,737*	*6,479*	*7,250*	*6,938*
84	Parent bank	484	2,083	1,182	1,288	1,339	1,416	1,222	1,524	1,598	1,953
85	Other	3,261	3,332	4,666	5,716	5,673	6,063	4,515	4,955	5,652	4,985
86	*To foreigners*	*44,594*	*51,447*	*56,372*	*60,304*	*58,285*	*58,977*	*59,671*	*57,386*	*57,045*	*54,498*
87	Other branches of parent bank	3,256	5,442	5,874	7,724	7,871	7,505	8,164	7,211	6,747	6,202
88	Other banks	20,526	23,330	25,527	25,306	24,605	25,608	24,015	23,352	23,075	22,115
89	Official institutions	13,225	14,498	15,423	18,053	17,171	15,482	16,459	16,541	16,213	15,672
90	Nonbank foreigners	7,587	8,176	9,547	9,221	8,638	10,382	11,033	10,282	11,009	10,509
91	Other liabilities	1,328	959	953	1,286	991	1,116	1,210	1,156	1,182	1,227
		Bahamas and Caymans									
92	**Total, all currencies**	**31,733**	**45,203**	**66,774**	**75,962**	**76,769**	**79,052**	**80,081**	**79,711**	**82,947**	**84,409**
93	*To United States*	*4,815*	*11,147*	*22,721*	*28,442*	*30,641*	*32,176*	*35,795*	*35,082*	*38,380*	*37,256*
94	Parent bank	2,636	7,628	16,161	18,538	20,572	20,956	24,713	23,374	23,854	22,379
95	Other	2,180	3,520	6,560	9,905	10,069	11,220	11,082	11,708	14,526	14,878
96	*To foreigners*	*26,140*	*32,949*	*42,899*	*46,034*	*44,571*	*45,292*	*42,929*	*43,272*	*43,153*	*45,610*
97	Other branches of parent bank	7,702	10,569	13,801	13,844	13,308	12,816	11,642	11,598	10,839	10,288
98	Other banks	14,050	16,825	21,760	23,678	23,374	24,717	22,264	22,840	23,374	25,847
99	Official institutions	2,377	3,308	3,573	3,357	3,053	3,000	3,183	3,207	3,060	3,489
100	Nonbank foreigners	2,011	2,248	3,765	5,155	4,836	4,759	5,840	5,628	5,880	5,986
101	Other liabilities	778	1,106	1,154	1,485	1,557	1,584	1,357	1,358	1,414	1,543
102	**Total payable in U.S. dollars**	**28,840**	**42,197**	**63,417**	**71,187**	**72,286**	**74,463**	**75,479**	**75,253**	**78,467**	**80,243**

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS◀

Millions of dollars, end of period

Item	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
					A. By type					
1 Total[1]	**77,040**	**82,572**	**95,634**	**128,067**	**131,049**	**134,905**	**137,859**	**145,948**	**142,380**	**140,544**
2 Liabilities reported by banks in the United States[2]	18,547	16,262	17,231	17,715	18,003	17,988	19,020	19,459	19,255	18,823
3 U.S. Treasury bills and certificates[3]	34,656	34,199	37,725	45,817	47,820	49,752	52,689	59,302	57,613	56,449
U.S. Treasury bonds and notes:										
4 Marketable	5,059	6,671	11,788	31,519	32,116	33,830	33,554	34,528	32,838	32,181
5 Nonmarketable[4]	16,339	19,976	20,648	20,462	20,443	20,473	19,602	19,513	19,444	19,355
6 U.S. securities other than U.S. Treasury securities[5]	2,439	5,464	8,242	12,554	12,667	12,862	12,994	13,146	13,230	13,736
					B. By area					
7 Total	**77,040**	**82,572**	**95,634**	**128,067**	**131,049**	**134,905**	**137,859**	**145,948**	**142,380**	**140,544**
8 Western Europe[1]	44,328	45,701	45,882	68,167	70,707	72,557	74,401	76,238	73,666	72,627
9 Canada	3,662	3,132	3,406	1,919	2,334	2,078	1,389	1,633	2,493	2,712
10 Latin America and Caribbean	4,449	4,461	4,926	4,880	4,649	4,591	5,179	5,773	5,554	5,413
11 Asia	18,844	24,411	37,767	50,355	50,693	53,207	54,335	59,537	57,700	56,937
12 Africa	3,160	2,983	1,893	1,792	1,742	1,706	1,899	1,756	1,872	1,945
13 Other countries[6]	2,597	1,884	1,760	954	924	766	656	1,011	1,095	910

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. Govt. corporations and Federally sponsored agencies, and U.S. corporate stocks and bonds.
6 Includes countries in Oceania and Eastern Europe.

NOTE.—Based on Treasury Dept. data and on data reported to the Treasury Dept. by banks (including Federal Reserve Banks) and securities dealers in the United States.

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.15 LIABILITIES TO FOREIGNERS Reported by Banks in the United States◀
Payable in U.S. dollars
Millions of dollars, end of period

Item	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.▲	1978 May
					A. By holder and type of liability					
1 **All foreigners**	95,290	95,590	110,657	119,489	126,168	126,377	130,105	139,414	141,465	137,028
2 Banks' own liabilities									65,354	61,604
3 Demand deposits	14,051	13,564	16,803	16,476	18,996	17,377	17,675	17,163	17,857	17,820
4 Time deposits[1]	9,932	10,267	11,347	11,372	11,521	11,518	12,038	11,274	11,678	11,881
5 Other[2]									7,327	7,149
6 Own foreign offices[3]									28,492	24,753
7 Banks' custody liabilities[4]									76,111	75,424
8 U.S. Treasury bills and certificates[5]	35,662	37,414	40,744	47,098	48,906	51,094	54,233	61,071	59,104	58,262
9 Other negotiable and readily transferable instruments[6]									13,996	14,473
10 Other									3,011	2,689
11 **Nonmonetary International and Regional Organizations**[7]	3,992	5,699	5,714	3,589	3,274	3,625	3,102	3,618	3,008	3,179
12 Banks' own liabilities									833	567
13 Demand deposits	139	139	290	173	231	186	180	245	272	298
14 Time deposits[1]	111	148	205	142	139	129	120	109	161	114
15 Other[2]									400	154
16 Banks' custody liabilities[4]									2,175	2,612
17 U.S. treasury bills and certificates	497	2,554	2,701	767	706	959	1,111	1,317	892	1,153
18 Other negotiable and readily transferable instruments[6]									1,281	1,456
19 Other									3	3
20 **Official institutions**[8]	53,076	50,461	54,956	63,532	65,822	67,740	71,709	78,761	76,868	75,272
21 Banks' own liabilities									9,586	9,015
22 Demand deposits	2,951	2,644	3,394	2,557	3,528	2,673	2,782	2,804	3,703	3,092
23 Time deposits[1]	4,167	3,423	2,321	1,848	1,797	1,788	2,570	1,777	1,884	1,980
24 Other[2]									3,999	3,943
25 Banks' custody liabilities[4]									67,282	66,257
26 U.S. Treasury bills and certificates[5]	34,656	34,199	37,725	45,817	47,820	49,752	52,689	59,302	57,613	56,449
27 Other negotiable and readily transferable instruments[6]									9,180	9,222
28 Other									489	586
29 **Banks**[9]	29,729	29,330	37,174	37,782	42,335	40,228	40,549	42,115	47,287	43,549
30 Banks' own liabilities									42,841	39,302
31 Unaffiliated foreign banks									14,349	14,548
32 Demand deposits	8,231	7,534	9,104	9,666	10,933	10,274	10,570	10,113	10,194	10,344
33 Time deposits[1]	1,910	1,873	2,297	1,805	2,040	1,995	182	1,734	1,644	1,609
34 Other[2]									2,511	2,595
35 Own foreign offices[3]									28,492	24,753
36 Banks' custody liabilities[4]									4,446	4,247
37 U.S. treasury bills and certificates	232	335	119	141	141	152	165	161	314	363
38 Other negotiable and readily transferable instruments[6]									1,994	2,107
39 Other									2,138	1,777
40 **Other foreigners**	8,493	10,100	12,814	14,587	14,736	14,785	14,745	14,919	14,302	15,028
41 Banks' own liabilities									12,094	12,720
42 Demand deposits	2,729	3,248	4,015	4,080	4,304	4,245	4,143	4,000	3,687	4,086
43 Time deposits[1]	3,744	4,823	6,524	7,576	7,546	7,606	7,526	7,654	7,989	8,178
44 Other[2]									418	457
45 Banks' custody liabilities[4]									2,208	2,307
46 U.S. Treasury bills and certificates	277	325	198	373	240	231	268	291	286	296
47 Other negotiable and readily transferable instruments[6]									1,541	1,688
48 Other									381	323
49 MEMO: Negotiable time certificates of deposit held in custody for foreigners									8,482	8,891

1 Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments".
2 Includes borrowings 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 (including those payable in foreign currencies through 1974) 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."

NOTE.—Data for time deposits prior to April 1978 represent short-term only.

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.15 Continued◀

Item	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.▲	1978 May
	B. By area and country									
1 **Total**	**95,290**	**95,590**	**110,657**	**119,489**	**126,168**	**126,377**	**130,105**	**139,414**	**141,465**	**137,028**
2 **Foreign countries**	**91,297**	**89,891**	**104,943**	**115,900**	**122,893**	**122,752**	**127,002**	**135,795**	**138,456**	**133,849**
3 *Europe*	*48,619*	*44,072*	*47,076*	*54,645*	*60,295*	*59,702*	*60,970*	*63,994*	*63,067*	*62,932*
4 Austria	605	759	346	375	318	294	302	419	322	350
5 Belgium-Luxembourg	2,500	2,893	2,187	2,624	2,531	2,629	2,765	2,992	3,109	2,893
6 Denmark	367	329	356	1,263	770	1,044	1,050	1,044	1,063	1,110
7 Finland	266	391	416	255	323	295	307	357	430	393
8 France	4,257	7,726	4,876	4,703	5,269	5,153	4,668	5,033	5,499	6,275
9 Germany	9,560	4,543	6,241	5,812	7,239	8,832	10,585	11,530	11,013	9,537
10 Greece	248	284	403	644	603	538	548	571	588	563
11 Italy	2,568	1,059	3,182	6,748	6,857	6,199	5,943	5,626	5,988	6,364
12 Netherlands	3,190	3,407	3,003	2,991	2,869	2,959	3,029	3,132	3,011	2,993
13 Norway	1,038	994	782	639	944	987	888	1,211	1,465	1,644
14 Portugal	309	193	239	266	273	205	188	174	164	288
15 Spain	378	423	559	649	619	707	648	717	659	717
16 Sweden	1,135	2,277	1,692	3,132	2,712	2,711	2,826	2,816	3,177	3,302
17 Switzerland	9,940	8,476	9,460	9,909	12,343	12,134	12,689	13,549	13,091	12,515
18 Turkey	125	118	166	118	130	187	171	115	249	200
19 United Kingdom	7,580	6,867	10,018	12,195	14,125	12,576	11,929	12,274	11,021	11,606
20 Yugoslavia	183	126	189	172	232	219	196	138	192	168
21 Other Western Europe[1]	4,080	2,970	2,673	1,915	1,804	1,787	1,966	2,030	1,757	1,706
22 U.S.S.R.	82	40	51	66	98	63	98	72	62	96
23 Other Eastern Europe[2]	206	197	236	169	236	186	175	193	206	211
24 *Canada*	*3,264*	*2,919*	*4,659*	*4,639*	*4,607*	*5,279*	*4,758*	*4,564*	*5,916*	*6,620*
25 *Latin America and Caribbean*	*11,850*	*15,028*	*19,132*	*22,470*	*23,670*	*23,263*	*24,286*	*25,338*	*28,768*	*24,894*
26 Argentina	887	1,146	1,534	2,549	1,416	1,746	1,928	1,801	1,861	2,260
27 Bahamas	1,106	1,874	2,770	3,474	3,596	3,150	3,755	4,199	7,259	3,324
28 Bermuda	116	184	218	276	321	269	286	322	368	344
29 Brazil	1,039	1,219	1,438	941	1,396	1,113	977	1,327	1,414	1,298
30 British West Indies	449	1,311	1,877	3,166	3,998	4,081	3,993	4,097	4,814	3,961
31 Chile	277	319	337	322	360	387	412	415	394	361
32 Colombia	305	417	1,021	1,159	1,221	1,226	1,207	1,290	1,350	1,298
33 Cuba	7	6	6	6	6	6	7	8	6	7
34 Ecuador	122	120	320	316	330	358	376	438	360	318
35 Guatemala[3]	...	...	...	...	...	...	...	...	447	541
36 Jamaica[3]	...	...	...	...	...	...	...	...	41	46
37 Mexico	1,773	2,070	2,870	2,868	2,876	2,985	3,084	2,793	2,677	2,965
38 Netherlands Antilles[4]	158	129	158	203	196	205	203	212	212	189
39 Panama	526	1,115	1,167	1,016	2,331	2,189	2,121	2,132	2,176	2,559
40 Peru	272	243	257	236	287	265	267	262	309	274
41 Uruguay	164	172	245	256	243	230	280	226	221	208
42 Venezuela	3,434	3,309	3,118	3,788	2,929	3,016	3,246	3,438	3,225	3,299
43 Other Latin America and Caribbean	1,215	1,393	1,797	1,893	2,167	2,037	2,147	2,380	1,636	1,643
44 *Asia*	*21,192*	*22,384*	*29,766*	*30,188*	*30,488*	*30,881*	*33,330*	*37,995*	*36,430*	*35,495*
45 China, People's Republic of (Mainland)	50	123	48	52	53	54	48	56	50	47
46 China, Republic of (Taiwan)	818	1,025	990	927	1,013	1,041	995	1,014	1,208	1,043
47 Hong Kong	529	605	894	975	1,094	1,037	1,121	1,174	1,118	1,490
48 India	252	115	638	965	961	1,012	1,001	947	937	962
49 Indonesia	1,221	369	340	743	410	896	506	492	649	451
50 Israel	389	387	392	490	559	461	454	485	486	568
51 Japan	10,904	10,207	14,363	14,803	14,616	14,488	17,024	21,725	20,392	19,999
52 Korea	384	390	438	572	602	606	737	682	753	816
53 Philippines	748	700	628	593	687	658	615	647	601	688
54 Thailand	333	252	277	253	264	258	309	317	258	304
55 Middle East oil-exporting countries[5]	4,717	7,355	9,360	8,650	8,979	9,193	9,329	9,165	8,671	7,842
56 Other Asia	847	856	1,398	1,165	1,250	1,178	1,190	1,291	1,307	1,285
57 *Africa*	*3,546*	*3,369*	*2,298*	*2,564*	*2,535*	*2,507*	*2,645*	*2,469*	*2,699*	*2,641*
58 Egypt	103	342	333	331	404	346	357	341	455	461
59 Morocco	38	68	87	30	66	100	79	51	31	29
60 South Africa	124	166	141	238	174	191	251	183	167	185
61 Zaire	84	62	36	30	39	41	50	45	46	49
62 Oil-exporting countries[6]	2,815	2,250	1,133	1,215	1,155	1,179	1,263	1,226	1,393	1,244
63 Other Africa	382	481	568	720	698	649	645	623	607	673
64 *Other countries*	*2,827*	*2,119*	*2,012*	*1,394*	*1,297*	*1,121*	*1,014*	*1,434*	*1,575*	*1,267*
65 Australia	2,740	2,006	1,905	1,256	1,140	933	870	1,229	1,275	1,129
66 All other	87	113	107	138	158	188	144	205	300	138
67 **Nonmonetary International and Regional Organizations**	**3,992**	**5,699**	**5,714**	**3,589**	**3,274**	**3,625**	**3,102**	**3,618**	**3,008**	**3,179**
68 International	3,552	5,415	5,157	3,022	2,752	3,116	2,558	3,094	2,591	2,441
69 Latin American regional	265	188	267	278	278	258	266	261	117	467
70 Other regional[7]	175	96	290	289	245	250	279	262	300	271

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, German Democratic Republic, Hungary, Poland, and Romania.

3 Included in "Other Latin America and Caribbean" through March 1978.

4 Includes Surinam through December 1975.

5 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

6 Comprises Algeria, Gabon, Libya, and Nigeria.

7 Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.16 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	1974	1975	1976	1977		1978				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.▲	May
1 **Total**	**44,958**	**58,308**	**79,301**	**85,271**	**90,206**	**91,874**	**91,040**	**96,449**	**88,459**	**88,170**
2 **Foreign countries**	**44,950**	**58,275**	**79,261**	**85,226**	**90,163**	**91,830**	**91,005**	**96,406**	**88,409**	**88,122**
3 *Europe*	*7,728*	*11,109*	*14,776*	*15,689*	*18,114*	*17,034*	*17,197*	*18,690*	*15,374*	*15,950*
4 Austria	40	35	63	65	65	107	112	83	78	97
5 Belgium-Luxembourg	373	286	482	627	561	660	552	596	586	794
6 Denmark	93	104	133	153	173	172	171	166	140	186
7 Finland	146	180	199	175	172	179	184	189	180	185
8 France	836	1,565	1,549	1,721	2,082	1,776	1,988	2,265	1,646	1,688
9 Germany	526	380	509	610	644	640	615	783	704	756
10 Greece	261	290	279	220	206	188	209	211	200	280
11 Italy	424	443	993	1,202	1,334	1,170	1,147	1,155	912	1,201
12 Netherlands	350	305	315	348	338	374	382	470	424	477
13 Norway	173	131	136	147	162	176	191	184	192	210
14 Portugal	27	30	88	151	175	137	155	155	134	135
15 Spain	307	424	745	715	722	732	735	741	613	715
16 Sweden	198	198	206	197	218	230	200	171	206	192
17 Switzerland	300	199	379	525	564	597	704	696	698	394
18 Turkey	98	164	249	396	360	337	311	315	308	307
19 United Kingdom	2,800	5,170	7,033	7,154	8,964	8,133	8,200	9,204	6,842	6,974
20 Yugoslavia	133	210	234	282	311	306	308	307	287	295
21 Other Western Europe[1]	44	76	85	63	86	142	74	49	268	141
22 U.S.S.R.	224	406	485	406	413	424	383	370	337	381
23 Other Eastern Europe[2]	375	513	613	534	566	554	576	580	620	542
24 *Canada*	*2,609*	*2,834*	*3,319*	*3,524*	*3,355*	*3,758*	*4,009*	*4,084*	*2,798*	*2,463*
25 *Latin America and Caribbean*	*14,911*	*23,863*	*38,879*	*43,540*	*45,850*	*48,616*	*47,249*	*49,866*	*48,982*	*47,008*
26 Argentina	879	1,377	1,192	1,346	1,478	1,622	1,574	1,642	1,532	1,612
27 Bahamas	3,418	7,583	15,464	18,558	19,858	22,348	21,517	22,801	22,016	20,939
28 Bermuda	91	104	150	195	232	111	233	195	182	345
29 Brazil	2,256	3,385	4,901	4,500	4,629	4,510	4,559	4,832	4,411	4,550
30 British West Indies	947	1,464	5,082	5,477	6,481	6,173	5,589	6,851	7,823	6,259
31 Chile	446	494	597	595	675	690	700	710	721	718
32 Colombia	777	751	675	663	671	651	640	592	550	578
33 Cuba	14	14	13	15	10	14	4	3	1	1
34 Ecuador	170	252	375	479	517	518	530	544	524	530
35 Guatemala[3]	...	...	...	...	...	...	...	...	55	79
36 Jamaica[3]	...	...	...	...	...	...	...	...	19	43
37 Mexico	2,646	3,745	4,822	5,051	4,909	4,898	4,719	4,836	4,386	4,564
38 Netherlands Antilles[4]	75	72	140	277	224	220	208	215	202	204
39 Panama	582	1,138	1,372	1,804	1,410	1,953	1,880	1,699	2,189	2,152
40 Peru	628	805	933	915	962	965	931	920	872	914
41 Uruguay	65	57	42	68	80	67	65	65	51	58
42 Venezuela	931	1,319	1,828	2,188	2,318	2,205	2,421	2,367	2,145	2,238
43 Other Latin America and Caribbean	987	1,302	1,293	1,408	1,394	1,671	1,678	1,593	1,302	1,225
44 *Asia*	*17,801*	*17,706*	*19,204*	*18,741*	*19,236*	*18,830*	*18,985*	*20,039*	*18,074*	*19,502*
45 China, People's Republic of (Mainland)	38	22	3	21	10	15	13	11	13	22
46 China, Republic of (Taiwan)	693	1,053	1,344	1,622	1,719	1,619	1,663	1,656	1,415	1,462
47 Hong Kong	266	289	316	550	543	516	495	609	825	754
48 India	56	57	69	72	53	65	72	97	53	71
49 Indonesia	228	246	218	201	232	210	222	202	164	137
50 Israel	500	721	755	489	584	501	498	491	432	505
51 Japan	12,749	10,944	11,040	9,629	9,839	9,626	9,767	10,266	9,488	9,758
52 Korea	1,058	1,791	1,978	2,140	2,336	2,458	2,315	2,090	1,847	1,802
53 Philippines	507	534	719	639	594	602	642	660	610	751
54 Thailand	476	520	442	611	633	634	647	656	679	731
55 Middle East oil-exporting countries[5]	714	744	1,459	1,918	1,746	1,681	1,753	2,219	1,489	2,525
56 Other Asia	516	785	862	851	947	903	898	1,082	1,060	984
57 *Africa*	*1,183*	*1,933*	*2,311*	*2,532*	*2,518*	*2,556*	*2,548*	*2,632*	*2,231*	*2,228*
58 Egypt	126	123	126	136	119	126	121	107	79	73
59 Morocco	18	8	27	43	43	61	44	39	35	38
60 South Africa	367	657	957	1,044	1,066	1,095	1,106	1,169	1,050	1,058
61 Zaire	136	181	112	98	98	98	98	101	77	80
62 Oil-exporting countries[6]	176	382	524	544	510	499	531	493	415	443
63 Other	360	581	565	667	682	677	648	723	575	537
64 *Other countries*	*717*	*830*	*772*	*1,202*	*1,090*	*1,037*	*1,017*	*1,695*	*951*	*971*
65 Australia	580	700	597	1,018	905	839	813	879	784	803
66 All other	137	130	175	184	186	198	204	216	167	168
67 **Nonmonetary International and Regional Organizations**[7]	**8**	**33**	**40**	**45**	**43**	**44**	**35**	**43**	**49**	**48**

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, German Democratic Republic, Hungary, Poland, and Romania.
3 Included in "Other Latin America and Caribbean" through March 1978.
4 Includes Surinam through December 1975.
5 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6 Comprises Algeria, Gabon, Libya, and Nigeria.
7 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.

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.17 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	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.▲	1978 May
1 **Total**	**44,958**	**58,308**	**79,301**	**85,271**	**90,206**	**91,874**	**91,040**	**96,449**	...	...
2 Banks' own claims on foreigners	...	...	...	...	...	...	...	...	88,459	88,170
3 Foreign public borrowers	...	...	...	...	...	...	...	...	4,574	4,841
4 Own foreign offices[1]	...	...	...	...	...	...	...	...	35,848	35,476
5 Unaffiliated foreign banks	...	...	...	...	...	...	...	...	28,623	28,153
6 Deposits	...	...	...	...	...	...	...	...	4,867	5,044
7 Other	...	...	...	...	...	...	...	...	23,756	23,108
8 All other foreigners	...	...	...	...	...	...	...	...	19,415	19,700
9 Claims of banks' domestic customers[2]	...	...	...	...	...	...	...	...	...	...
10 Deposits	...	...	...	...	...	...	...	...	...	...
11 Negotiable and readily transferable instruments[3]	...	...	...	...	...	...	...	...	...	...
12 Outstanding collections and other claims[4]	5,637	5,467	5,756	6,045	6,176	6,342	6,446	6,765	...	...
13 MEMO: Customer liability on acceptances	...	...	...	...	...	...	...	...	...	...

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 prior to that are outstanding collections only.

NOTE.—Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' domestic customers are available on a quarterly basis only.

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.18 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
1	Total
	By borrower:
2	Maturity of 1 year or less[1]
3	Foreign public borrowers
4	All other foreigners
5	Maturity of over 1 year[1]
6	Foreign public borrowers
7	All other foreigners
	By area:
	Maturity of 1 year or less[1]
8	Europe
9	Canada
10	Latin America and Caribbean
11	Asia
12	Africa
13	All other[2]
	Maturity of over 1 year[1]
14	Europe
15	Canada
16	Latin America and Caribbean
17	Asia
18	Africa
19	All other[2]

NO FIGURES UNTIL JUNE 1978 DATA ARE AVAILABLE

1 Remaining time to maturity.
2 Includes nonmonetary international and regional organizations.

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.19 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States◀ Payable in Foreign Currencies△

Millions of dollars, end of period

Item	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.
1 Banks' own liabilities	766	560	781	944	925	831	885	986
2 Banks' own claims[1]	1,276	1,459	1,834	2,086	2,356	2,371	2,317	2,383
3 Deposits	669	656	1,103	841	941	940	895	948
4 Other claims	607	802	731	1,245	1,415	1,432	1,422	1,435
5 Claims of banks' domestic customers[2]								

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.

◀ For a description of the changes in the International Statistics tables, see "Announcements" section, p. 612.

3.20 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1976	1977	1978 Jan.–May[p]	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.[p]	1978 May[p]
	Holdings (end of period)[4]									
1 **Estimated total**	**15,799**	**38,620**	....	**37,661**	**38,620**	**40,101**	**40,380**	**41,230**	**39,661**	**39,321**
2 **Foreign countries**	**12,765**	**33,874**	....	**33,285**	**33,874**	**35,648**	**35,479**	**36,475**	**34,812**	**34,299**
3 *Europe*	*2,330*	*13,916*	....	*14,003*	*13,916*	*15,044*	*14,895*	*15,206*	*13,607*	*12,899*
4 Belgium-Luxembourg	14	19	....	20	19	19	19	19	19	19
5 Germany	764	3,168	....	2,742	3,168	3,373	3,494	3,816	3,820	4,031
6 Netherlands	288	911	....	911	911	930	954	1,029	1,079	1,070
7 Sweden	191	100	....	100	100	125	125	155	175	175
8 Switzerland	261	477	....	476	477	391	401	400	443	356
9 United Kingdom	485	8,888	....	9,419	8,888	9,839	9,513	9,418	7,737	6,856
10 Other Western Europe	323	349	....	331	349	362	384	363	330	388
11 Eastern Europe	4	4	....	4	4	4	4	4	4	4
12 Canada	256	288	....	293	288	285	250	251	253	261
13 Latin America and Caribbean	313	551	....	533	551	543	587	551	535	503
14 Venezuela	149	199	....	199	199	201	241	200	189	174
15 Other Latin American and Caribbean	47	183	....	167	183	181	184	189	184	167
16 Netherlands Antilles[1]	118	170	....	167	170	162	162	162	162	162
17 Asia	9,323	18,745	....	18,104	18,745	19,413	19,378	20,120	20,070	20,137
18 Japan	2,687	6,860	....	6,547	6,860	7,463	7,617	8,313	8,332	8,964
19 Africa	543	362	....	348	362	362	362	341	341	491
20 All other	*	11	....	5	11	2	7	6	6	8
21 **Nonmonetary international and regional organizations**	**3,034**	**4,746**	....	**4,376**	**4,746**	**4,453**	**4,901**	**4,755**	**4,849**	**5,022**
22 International	2,906	4,646	....	4,276	4,646	4,358	4,781	4,640	4,740	4,931
23 Latin American regional	128	100	....	100	100	95	120	115	110	90
	Transactions (net purchases, or sales (−), during period)									
24 **Total**	**8,096**	**22,823**	**655**	**3,337**	**959**	**1,481**	**278**	**851**	**−1,569**	**−386**
25 **Foreign countries**	**5,393**	**21,110**	**378**	**2,962**	**589**	**1,774**	**−169**	**996**	**−1,664**	**−559**
26 Official institutions	4,958	20,328	58	2,885	598	1,714	−277	975	1,690	−659
27 Other foreign	435	782	319	76	9	59	108	22	26	100
28 **Nonmonetary international and regional organizations**	**2,704**	**1,713**	**276**	**376**	**370**	**−292**	**447**	**−145**	**94**	**172**
MEMO: Oil-exporting countries										
29 Middle East[2]	3,887	4,451	−691	869	324	56	−184	72	−72	−563
30 Africa[3]	221	−181	130	69	13	....	....	20	....	150

1 Includes Surinam until January 1976.
2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3 Comprises Algeria, Gabon, Libya, and Nigeria.
4 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.

3.21 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1974	1975	1976	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May	1978 June
1 Deposits	418	353	352	424	422	445	352	481	453	288
Assets held in custody:										
2 U.S. Treasury securities[1]	55,600	60,019	66,532	91,962	95,945	98,465	105,362	102,044	100,146	99,465
3 Earmarked gold[2]	16,838	16,745	16,414	15,988	15,726	15,735	15,727	15,686	15,667	15,620

1 Marketable U.S. Treasury bills, certificates of indebtedness, 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.

3.22 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1976	1977	1978	1977		1978				
				Jan.-May[p]	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]	May[p]
		U.S. corporate securities									
	Stocks										
1	Foreign purchases	18,227	14,155	7,517	1,282	1,235	1,024	825	1,413	1,864	2,391
2	Foreign sales	15,475	11,479	5,706	899	945	909	762	921	1,151	1,963
3	**Net purchases, or sales (−)**	**2,753**	**2,676**	**1,811**	**383**	**290**	**115**	**63**	**492**	**713**	**428**
4	**Foreign countries**	**2,740**	**2,661**	**1,836**	**385**	**286**	**116**	**63**	**510**	**720**	**427**
5	Europe	336	1,006	1,221	200	156	30	41	319	508	323
6	France	256	40	131	1	-3	−12	−2	68	79	-2
7	Germany	68	291	304	64	58	45	33	52	125	49
8	Netherlands	−199	22	−1	10	9	-4	−13	-9	16	9
9	Switzerland	−100	152	71	34	3	−54	-16	7	103	31
10	United Kingdom	340	613	705	106	109	60	57	r187	173	228
11	Canada	324	65	−62	21	14	-19	−26	3	44	-58
12	Latin America and Caribbean	155	127	77	27	15	−9	−4	17	37	36
13	Middle East[1]	1,803	1,390	512	128	100	107	48	170	97	90
14	Other Asia	119	59	86	8	1	6	1	5	35	39
15	Africa	7	5	2	*	*	*	2	1	-1	-4
16	Other countries	-4	8	2	2	*	1	1	*	*	*
17	**Nonmonetary international and regional organizations**	**13**	**15**	**-25**	**-2**	**4**	**−1**	**1**	**-19**	**7**	**1**
	Bonds[2]										
18	Foreign purchases	5,529	7,739	2,675	743	354	459	524	600	312	780
19	Foreign sales	4,322	3,404	2,022	226	267	377	348	621	343	333
20	**Net purchases, or sales (−)**	**1,207**	**4,335**	**654**	**517**	**87**	**83**	**176**	**-21**	**−31**	**447**
21	**Foreign countries**	**1,248**	**4,239**	**652**	**507**	**41**	**101**	**131**	*	**-29**	**449**
22	Europe	91	2,006	−49	320	19	133	32	−163	−92	41
23	France	39	−34	6	-5	−11	-4	1	5	-4	8
24	Germany	-49	59	58	4	9	1	7	19	10	21
25	Netherlands	−29	72	−12	20	*	7	1	-20	3	-3
26	Switzerland	158	157	−110	-7	-6	7	3	−37	-33	-36
27	United Kingdom	23	1,705	46	324	28	125	22	−122	-54	75
28	Canada	96	141	41	1	-1	7	7	5	13	9
29	Latin America and Caribbean	94	64	41	-1	3	11	6	11	1	12
30	Middle East[1]	1,179	1,695	556	159	4	−59	75	137	33	370
31	Other Asia	−165	338	60	27	16	9	11	9	16	15
32	Africa	−25	-6	−1	*	*	*	-1	*	*	*
33	Other countries	−21	*	2	*	*	*	*	*	1	1
34	**Nonmonetary international and regional organizations**	**-41**	**96**	**4**	**10**	**46**	**-18**	**45**	**−20**	**−2**	**-1**
		Foreign securities									
35	**Stocks, net purchases, or sales (−)**	**-323**	**-410**	**460**	**34**	**59**	**103**	**113**	**114**	**143**	**-13**
36	Foreign purchases	1,937	2,255	1,547	214	291	255	280	337	404	271
37	Foreign sales	2,259	2,665	1,087	180	232	152	167	223	261	284
38	**Bonds, net purchases, or sales (−)**	**−8,740**	**-5,034**	**−1,798**	**−320**	**-330**	**-569**	**−176**	**−519**	**−495**	**-39**
39	Foreign purchases	4,932	8,052	4,196	593	885	691	522	797	1,169	1,017
40	Foreign sales	13,672	13,086	5,993	913	1,215	1,260	698	1,315	1,664	1,056
41	**Net purchases, or sales (−) of stocks and bonds**	**-9,063**	**−5,444**	**−1,338**	**−285**	**−271**	**−466**	**−64**	**−405**	**-352**	**51**
42	**Foreign countries**	**−7,165**	**−3,886**	**−1,201**	**−308**	**−293**	**-473**	**17**	**−256**	**−442**	**-67**
43	Europe	-850	-1,125	221	−260	108	98	95	116	106	-194
44	Canada	−5,245	2,403	−1,514	9	−175	-446	−4	−177	−807	-80
45	Latin America and Caribbean	-3	80	292	−2	-68	-6	37	69	120	72
46	Asia	−699	-14	-216	57	51	−114	-113	−270	150	131
47	Africa	48	2	5	*	1	-2	*	*	7	*
48	Other countries	-416	-267	11	2	−210	−3	2	6	2	4
49	**Nonmonetary international and regional organizations**	**−1,898**	**−1,557**	**-135**	**23**	**22**	**7**	**−80**	**-148**	**70**	**16**

[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. Govt. agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.23 SHORT-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type, and area or country	Liabilities to foreigners					Claims on foreigners				
		1976	1977				1976	1977			
		Dec.	Mar.	June	Sept.	Dec.[p]	Dec.	Mar.	June	Sept.	Dec.[p]
1	**Total**	**6,606**	**6,604**	**6,424**	**7,122**	**7,822**	**14,162**	**14,963**	**16,166**	**14,983**	**15,887**
	By type:										
2	*Payable in dollars*	*5,894*	*5,837*	*5,772*	*6,329*	*7,078*	*13,163*	*13,947*	*15,054*	*13,936*	*14,517*
3	*Payable in foreign currencies*	*712*	*767*	*652*	*792*	*745*	*999*	*1,016*	*1,113*	*1,047*	*1,370*
4	Deposits with banks abroad in reporter's name						*442*	*431*	*448*	*414*	*620*
5	Other						*557*	*585*	*665*	*632*	*750*
	By area or country:										
6	**Foreign countries**	**6,398**	**6,412**	**6,254**	**6,968**	**7,611**	**14,161**	**14,961**	**16,165**	**14,981**	**15,885**
7	*Europe*	*2,235*	*2,144*	*2,208*	*2,314*	*2,526*	*5,282*	*5,232*	*5,820*	*5,057*	*5,653*
8	Austria	10	9	10	12	21	21	23	26	24	24
9	Belgium-Luxembourg	169	177	138	119	107	162	170	218	232	218
10	Denmark	7	15	14	16	14	56	48	40	44	56
11	Finland	2	2	10	11	9	77	40	90	59	13
12	France	200	163	157	171	236	438	436	413	430	513
13	Germany	174	175	163	226	284	378	367	377	393	452
14	Greece	48	80	73	78	85	51	90	86	52	41
15	Italy	131	135	154	139	161	384	473	440	342	387
16	Netherlands	141	168	205	176	230	166	172	182	161	166
17	Norway	29	37	33	35	30	51	42	42	38	42
18	Portugal	13	23	20	12	11	40	35	30	34	69
19	Spain	40	52	68	74	77	369	325	322	307	387
20	Sweden	34	36	36	41	28	90	93	92	91	118
21	Switzerland	190	214	236	245	257	241	154	179	146	221
22	Turkey	13	12	21	97	108	25	32	37	32	39
23	United Kingdom	883	698	730	736	733	2,446	2,475	3,027	2,469	2,674
24	Yugoslavia	123	113	110	92	90	26	30	28	20	20
25	Other Western Europe	7	6	6	9	9	20	18	15	15	25
26	U.S.S.R.	9	15	16	11	24	156	105	76	62	55
27	Other Eastern Europe	13	13	10	14	12	85	103	102	96	134
28	*Canada*	*400*	*427*	*448*	*454*	*503*	*2,458*	*2,426*	*2,573*	*2,501*	*2,612*
29	*Latin America*	*1,040*	*1,121*	*1,020*	*1,027*	*1,189*	*3,582*	*4,408*	*4,938*	*4,535*	*4,333*
30	Argentina	44	42	50	50	42	44	46	51	53	53
31	Bahamas	260	256	216	222	300	1,391	1,881	2,244	1,873	1,906
32	Brazil	72	49	37	76	49	682	535	457	414	517
33	Chile	17	16	24	13	17	34	35	28	40	45
34	Colombia	13	18	22	24	42	59	75	72	85	84
35	Cuba	*	*	*	*	*	1	1	1	*	*
36	Mexico	102	121	120	103	115	332	317	301	304	316
37	Panama	34	12	11	12	22	74	105	121	221	88
38	Peru	25	24	21	13	15	42	32	28	30	33
39	Uruguay	4	4	3	4	3	5	6	5	5	5
40	Venezuela	219	260	208	225	222	190	210	240	256	275
41	Other Latin American republics	141	148	141	122	126	276	237	237	257	280
42	Netherlands Antilles	10	11	17	9	25	9	14	8	8	12
43	Other Latin America	100	160	151	154	210	441	914	1,146	987	718
44	*Asia*	*2,040*	*2,057*	*1,890*	*2,492*	*2,737*	*2,276*	*2,316*	*2,315*	*2,388*	*2,746*
45	China, People's Republic of (Mainland)	1	3	2	1	8	3	7	7	12	9
46	China, Republic of (Taiwan)	110	113	138	152	156	197	130	131	139	157
47	Hong Kong	40	42	27	25	40	96	107	93	73	98
48	India	23	39	41	44	37	55	35	51	42	37
49	Indonesia	98	94	80	60	60	179	206	184	185	378
50	Israel	37	37	45	58	63	41	51	70	46	38
51	Japan	193	172	183	604	695	912	969	927	1,023	1,057
52	Korea	76	96	95	81	108	117	130	158	153	173
53	Philippines	53	59	73	78	74	86	86	90	111	99
54	Thailand	24	19	11	17	17	22	27	22	24	23
55	Other Asia	1,385	1,383	1,196	1,372	1,480	568	569	582	579	679
56	*Africa*	*606*	*591*	*589*	*568*	*563*	*393*	*429*	*370*	*346*	*397*
57	Egypt	27	29	33	45	13	28	70	24	22	38
58	Morocco	45	30	72	105	112	11	12	11	10	21
59	South Africa	54	33	27	29	20	87	80	69	75	75
60	Zaire	36	39	39	48	46	21	19	17	19	15
61	Other Africa	444	460	418	341	372	247	248	248	221	248
62	*Other countries*	*77*	*72*	*98*	*111*	*93*	*170*	*150*	*149*	*153*	*144*
63	Australia	59	53	78	93	75	105	114	110	113	110
64	All other	19	19	20	18	18	65	36	40	41	34
65	**Nonmonetary international and regional organizations**	**208**	**192**	**170**	**154**	**212**	**1**	**2**	**1**	**1**	**1**

NOTE.—Reported by exporters, importers, and industrial and commercial concerns and other nonbanking institutions in the United States. Data exclude claims held through U.S. banks and intercompany accounts between U.S. companies and their affiliates.

3.24 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

Type and country	1973	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.[p]
1 **Total**	**3,185**	**3,357**	**3,799**	**5,468**	**7,575**	**6,769**	**7,324**	**7,937**	**8,446**	**9,049**
By type:										
2 *Payable in dollars*	*2,641*	*2,660*	*3,042*	*4,788*	*6,652*	*5,804*	*6,310*	*6,947*	*7,290*	*7,953*
3 Deposits	2,604	2,591	2,710	4,415	6,207	5,402	5,856	6,462	6,715	7,310
4 Short-term investments[1]	37	69	332	373	445	402	454	485	575	643
5 *Payable in foreign currencies*	*544*	*697*	*757*	*680*	*924*	*965*	*1,014*	*990*	*1,157*	*1,096*
6 Deposits	431	429	511	373	489	552	561	541	647	597
7 Short-term investments[1]	113	268	246	302	435	413	453	449	510	499
By country:										
8 United Kingdom	1,128	1,350	1,306	1,837	2,098	1,989	1,680	1,787	1,671	1,746
9 Canada	775	967	1,156	1,539	1,863	1,706	2,108	2,228	2,386	2,702
10 Bahamas	597	391	546	1,264	2,086	1,781	2,217	2,507	2,791	2,988
11 Japan	336	398	343	113	220	139	197	258	375	290
12 All other	349	252	446	715	1,308	1,154	1,122	1,157	1,223	1,323

1 Negotiable and other readily transferable foreign obligations payable on demand or having a contractural maturity of not more than 1 year from the date on which the obligation was incurred by the foreigner.

NOTE.--Data represent the assets abroad of large nonbanking concerns in the United States. They are a portion of the total claims on foreigners reported by nonbanking concerns in the United States and are included in the figures shown in Table 3.26.

3.25 LONG-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

Area and country	1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.[p]	1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.[p]
	Liabilities to foreigners					Claims on foreigners				
1 **Total**	**3,564**	**3,501**	**3,336**	**3,327**	**3,119**	**4,922**	**4,891**	**4,827**	**4,625**	**4,631**
2 Europe	2,723	2,653	2,497	2,555	2,385	851	844	827	754	742
3 Germany	396	391	370	407	255	72	84	76	76	70
4 Netherlands	277	272	262	272	288	156	154	147	81	82
5 Switzerland	260	178	177	224	241	57	53	43	42	49
6 United Kingdom	1,418	1,386	1,273	1,251	1,229	238	204	219	215	204
7 Canada	87	80	79	76	71	1,530	1,475	1,486	1,462	1,473
8 Latin America	271	274	283	276	261	1,521	1,489	1,457	1,371	1,404
9 Bahamas	163	163	167	159	156	36	34	34	36	40
10 Brazil	5	5	7	7	7	133	125	125	134	144
11 Chile	1	1	1	1	1	248	210	208	201	203
12 Mexico	18	23	26	30	30	195	180	178	187	176
13 Asia	423	432	408	358	338	775	817	833	809	797
14 Japan	397	413	386	319	305	77	96	111	94	66
15 Africa	2	2	3	3	2	187	199	158	165	157
16 All other[1]	58	59	67	59	60	58	67	67	63	59

1 Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Per cent per annum

Country	Rate on June 30, 1978		Country	Rate on June 30, 1978		Country	Rate on June 30, 1978	
	Per cent	Month effective		Per cent	Month effective		Per cent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	7.0	Feb. 1978
Austria	4.5	June 1978	Germany, Fed. Rep. of	3.0	Dec. 1977	Sweden	7.0	Apr. 1978
Belgium	5.5	Mar. 1978	Italy	11.5	Aug. 1977	Switzerland	1.0	Feb. 1978
Brazil	30.0	Sept. 1977	Japan	3.5	Mar. 1978	United Kingdom	10.0	June 1978
Canada	8.5	Apr. 1978	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	9.0	Mar. 1977	Netherlands	4.0	Apr. 1978			

NOTE.—Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for 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

Per cent per annum, averages of daily figures

Country, or type	1975	1976	1977	1978					
				Jan.	Feb.	Mar.	Apr.	May	June
1 Euro-dollars	7.02	5.58	6.03	7.32	7.28	7.27	7.38	7.82	8.33
2 United Kingdom	10.63	11.35	8.07	6.23	6.82	6.72	7.47	9.17	10.02
3 Canada	8.00	9.39	7.47	7.08	7.14	7.44	8.14	8.01	8.12
4 Germany	4.87	4.19	4.30	3.52	3.45	3.49	3.54	3.60	3.61
5 Switzerland	3.01	1.45	2.56	.92	.50	.46	.40	1.18	1.38
6 Netherlands	5.17	7.02	4.73	5.01	5.28	5.35	4.62	4.48	4.60
7 France	7.91	8.65	9.20	9.25	10.45	9.86	8.35	8.21	7.94
8 Italy	10.37	16.32	14.26	10.99	(1)	(1)	11.75	11.80	11.75
9 Belgium	6.63	10.25	6.95	8.29	6.75	6.41	5.55	5.71	5.61
10 Japan	11.64	7.70	6.22	5.33	5.25	4.86	4.50	4.50	4.75

1 Unquoted.

NOTE.—Rates are for 3-month interbank loans except for—Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1975	1976	1977	1978					
				Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar	130.77	122.15	110.82	113.82	113.56	113.83	113.97	112.76	113.83
2 Austria/shilling	5.7467	5.5744	6.0494	6.5698	6.6893	6.8221	6.8081	6.6031	6.6718
3 Belgium/franc	2.7253	2.5921	2.7911	3.0425	3.0930	3.1589	3.1419	3.0463	3.0590
4 Canada/dollar	98.30	101.41	94.112	90.810	89.850	88.823	87.592	89.397	89.143
5 Denmark/krone	17.437	16.546	16.658	17.324	17.610	17.839	17.807	17.535	17.723
6 Finland/markka	27.285	25.938	24.913	24.816	24.527	24.013	23.900	23.430	23.390
7 France/franc	23.354	20.942	20.344	21.196	20.628	21.256	21.803	21.513	21.841
8 Germany/deutsche mark	40.729	39.737	43.079	47.220	48.142	49.181	48.964	47.497	47.984
9 India/rupee	11.926	11.148	11.406	12.195	12.331	12.185	11.815	11.653	11.900
10 Ireland/pound	222.16	180.48	174.49	193.53	193.96	190.55	184.97	181.81	183.72
11 Italy/lira	.15328	.12044	.11328	.11469	.11619	.11692	.11644	.11488	.11634
12 Japan/yen	.33705	.33741	.37342	.41481	.41603	.43148	.45084	.44215	.46744
13 Malaysia/ringgit	41.753	39.340	40.620	42.230	42.374	42.428	42.057	41.462	41.964
14 Mexico/peso	8.0000	6.9161	4.4239	4.3963	4.3972	4.3928	4.3945	4.3973	4.3840
15 Netherlands/guilder	39.632	37.846	40.752	44.084	44.880	45.994	45.865	44.407	44.716
16 New Zealand/dollar	121.16	99.115	96.893	101.95	102.07	102.20	101.92	100.69	101.90
17 Norway/krone	19.180	18.327	18.789	19.401	19.025	18.775	18.621	18.360	18.450
18 Portugal/escudo	3.9286	3.3159	2.6234	2.4840	2.4806	2.4483	2.4075	2.2208	2.1857
19 South Africa/rand	136.47	114.85	114.99	115.02	115.05	115.05	115.05	115.01	114.93
20 Spain/peseta	1.7424	1.4958	1.3287	1.2397	1.2394	1.2497	1.2475	1.2317	1.2587
21 Sri Lanka/rupee	14.385	11.908	11.964	6.2167	6.4028	6.5000	6.4950	6.2945	6.2859
22 Sweden/krona	24.141	22.957	22.383	21.413	21.554	21.693	21.731	21.491	21.690
23 Switzerland/franc	38.743	40.013	41.714	50.353	52.422	52.693	52.511	50.892	53.046
24 United Kingdom/pound	222.16	180.48	174.49	193.53	193.96	190.55	184.97	181.81	183.72
MEMO:									
25 United States/dollar 1	82.20	89.68	89.10	84.05	83.74	82.94	83.10	84.37	83.22

1 Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. May 1970 parities = 100. Weights are 1972 global trade of each of the 10 countries.

NOTE.—Averages of certified noon buying rates in New York for cable transfers.

4.10 SALES, REVENUE, PROFITS, AND DIVIDENDS – Large Manufacturing Corporations

Millions of dollars

	Industry	1976	1977	1976				1977			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Total (170 corps.)										
1	Sales	667,821	748,757	159,311	166,452	161,596	180,462	177,430	190,302	180,384	200,641
2	Total revenue	676,596	758,013	161,461	168,958	164,631	181,546	179,496	192,996	182,488	203,033
3	Profits before taxes	71,885	78,909	17,502	18,902	16,894	18,587	18,874	21,468	r18,146	20,421
4	Profits after taxes	34,707	37,854	8,621	9,532	8,442	8,113	9,056	10,472	r9,337	8,989
5	MEMO: PAT unadj.[1]	36,016	38,391	8,636	9,490	8,550	9,340	9,107	10,553	8,656	10,075
6	Dividends	14,491	16,855	3,191	3,449	3,480	4,371	3,840	4,269	3,985	4,873
	Nondurable goods industries (86 corps.):[2]										
7	Sales	362,935	404,141	86,927	87,404	88,678	99,926	95,836	101,035	97,144	110,126
8	Total revenue	368,184	409,601	88,179	88,864	90,967	100,174	96,948	102,807	98,232	111,614
9	Profits before taxes	42,694	45,906	10,674	10,595	10,632	10,793	11,074	12,064	r11,195	11,573
10	Profits after taxes	18,571	22,284	4,809	4,833	4,871	4,058	4,837	5,160	r5,144	7,143
11	MEMO: PAT unadj.[1]	19,468	19,768	4,829	4,809	4,962	4,868	4,880	5,224	5,234	4,430
12	Dividends	7,910	8,934	1,879	1,947	1,990	2,094	2,185	2,227	2,268	2,254
	Durable goods industries (84 corps.):[3]										
13	Sales	304,886	344,616	72,384	79,048	72,918	80,536	81,594	89,267	83,240	90,515
14	Total revenue	308,412	348,412	73,282	80,094	73,664	81,372	82,548	90,189	84,256	91,419
15	Profits before taxes	29,191	33,003	6,828	8,307	6,262	7,794	7,800	9,404	6,951	8,848
16	Profits after taxes	16,136	18,283	3,812	4,699	3,571	4,055	4,219	5,312	4,193	4,559
17	MEMO: PAT unadj.[1]	16,548	17,804	3,807	4,681	3,588	4,472	4,227	5,329	3,422	4,826
18	Dividends	6,577	7,921	1,308	1,502	1,490	2,277	1,655	2,042	1,717	2,619
	Selected industries:										
	Food and kindred products (28 corps.):										
19	Sales	62,568	68,422	14,762	15,057	16,048	16,701	15,903	16,776	16,947	18,796
20	Total revenue	63,142	69,168	14,993	15,395	16,221	16,533	16,155	17,136	17,239	18,638
21	Profits before taxes	5,750	6,040	1,471	1,507	1,462	1,310	1,448	1,560	1,526	1,506
22	Profits after taxes	2,890	3,172	665	778	817	630	739	825	826	782
23	MEMO: PAT unadj.[1]	3,013	3,309	667	785	827	734	746	835	836	892
24	Dividends	1,259	1,423	307	325	309	318	342	352	364	365
	Chemical and allied products (22 corps.):										
25	Sales	64,125	70,251	15,756	16,081	15,878	16,410	17,103	17,347	17,586	18,215
26	Total revenue	64,837	70,906	15,899	16,242	16,084	16,612	17,271	17,526	17,743	18,366
27	Profits before taxes	8,197	8,530	2,179	2,117	2,008	1,893	2,112	2,290	2,062	2,066
28	Profits after taxes	4,511	4,604	1,244	1,208	1,130	929	1,192	1,288	1,184	940
29	MEMO: PAT unadj.[1]	4,622	4,831	1,225	1,153	1,163	1,081	1,181	1,289	1,178	1,183
30	Dividends	1,918	2,186	444	445	481	548	514	539	553	580
	Petroleum refining (15 corps.):										
31	Sales	196,154	221,694	46,656	46,065	46,923	56,510	52,344	55,903	51,593	61,854
32	Total revenue	199,688	225,338	47,407	46,888	48,744	56,649	52,891	57,096	52,130	63,221
33	Profits before taxes	25,857	28,144	6,254	6,210	6,559	6,834	6,746	7,396	r6,818	7,184
34	Profits after taxes	9,555	10,072	2,481	2,383	2,606	2,085	2,498	2,655	r2,694	2,225
35	MEMO: PAT unadj.[1]	10,168	10,684	2,512	2,404	2,635	2,617	2,546	2,708	2,756	2,674
36	Dividends	4,089	4,615	971	1,017	1,036	1,065	1,163	1,160	1,166	1,126
	Primary metals and products (23 corps.):										
37	Sales	54,044	58,713	12,733	14,441	13,751	13,119	13,773	15,573	14,454	14,913
38	Total revenue	54,825	59,488	12,904	14,650	13,958	13,313	13,963	15,769	14,636	15,120
39	Profits before taxes	2,834	1,476	633	924	701	576	460	100	239	677
40	Profits after taxes	1,652	1,579	409	603	513	127	260	536	493	290
41	MEMO: PAT unadj.[1]	1,947	1,474	416	610	521	400	274	553	287	360
42	Dividends	926	976	218	227	230	251	234	246	266	230
	Machinery (27 corps.):										
43	Sales	87,274	96,820	20,455	21,627	21,133	24,059	22,727	24,380	24,317	25,396
44	Total revenue	88,519	98,380	20,707	22,072	21,280	24,460	23,051	24,702	24,767	25,860
45	Profits before taxes	11,320	13,158	2,469	2,781	2,700	3,370	2,900	3,318	3,264	3,676
46	Profits after taxes	6,181	7,158	1,355	1,528	1,461	1,837	1,573	1,805	1,771	2,009
47	MEMO: PAT unadj.[1]	6,202	7,204	1,354	1,517	1,467	1,864	1,571	1,804	1,782	2,047
48	Dividends	2,383	2,939	537	581	602	663	712	767	702	758
	Motor vehicles and equipment (9 corps.):										
49	Sales	107,563	127,049	26,395	28,710	24,250	28,208	31,069	33,502	28,835	33,643
50	Total revenue	108,394	127,816	26,702	28,942	24,500	28,250	31,350	33,716	29,104	33,646
51	Profits before taxes	8,909	10,738	2,494	3,056	1,272	2,087	2,988	3,489	1,575	2,686
52	Profits after taxes	4,870	5,747	1,331	1,668	705	1,166	1,599	1,914	892	1,342
53	MEMO: PAT unadj.[1]	4,918	5,861	1,337	1,658	704	1,219	1,603	1,926	898	1,434
54	Dividends	2,062	2,607	285	422	372	983	392	698	413	1,104

1 Profits after taxes unadjusted are as reported by the individual companies. These data are not adjusted to eliminate differences in accounting treatments of special charges, credits, and other nonoperating items.

2 Includes 21 corporations in groups not shown separately.

3 Includes 25 corporations in groups not shown separately.

NOTE.—Data are obtained from published reports of companies and reports made to the Securities and Exchange Commission. Sales are net of returns, allowances, and discounts, and exclude excise taxes paid directly by the company. Total revenue data include, in addition to sales, income from nonmanufacturing operations and nonoperating income. Profits are before dividend payments and have been adjusted to exclude special charges and credits to surplus reserves and extraordinary items not related primarily to the current reporting period. Income taxes (not shown) include Federal, State and local government, and foreign.

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Index to Statistical Tables

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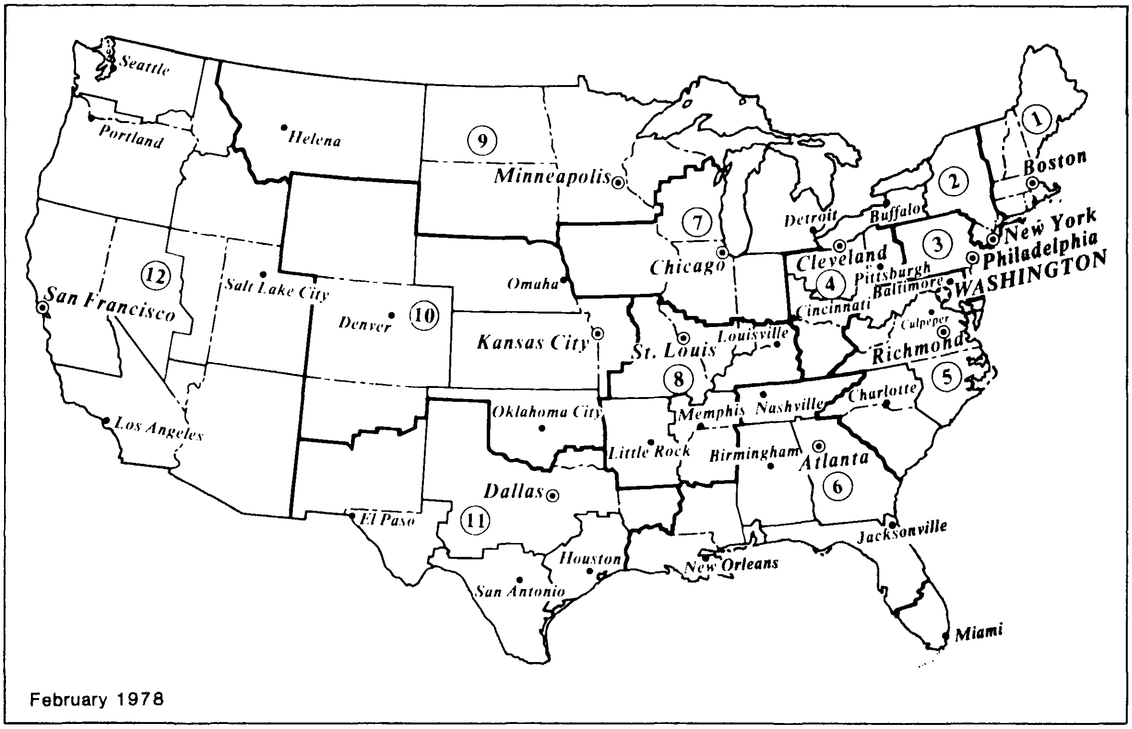
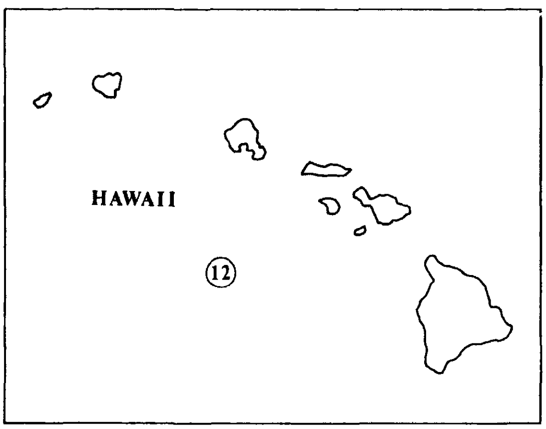
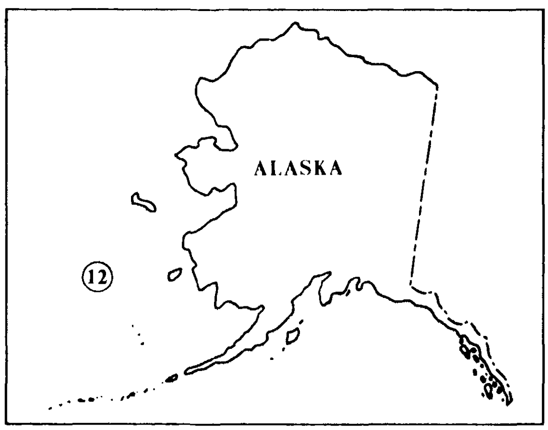
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

p	Preliminary
r	Revised (Notation appears on column heading when more than half of figures in that column are changed.)
e	Estimated
c	Corrected
n.e.c.	Not elsewhere classified
Rp's	Repurchase agreements
IPC's	Individuals, partnerships, and corporations
SMSA's	Standard metropolitan statistical areas
REIT's	Real estate investment trusts
*	Amounts insignificant in terms of the particular unit (e.g., less than 500,000 when the unit is millions)
......	(1) Zero, (2) no figure to be expected, or (3) figure delayed or, (4) no change (when figures are expected in percentages).

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Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

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In some of the tables details do not add to totals because of rounding.

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