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The Labor Market in Recession and Recovery

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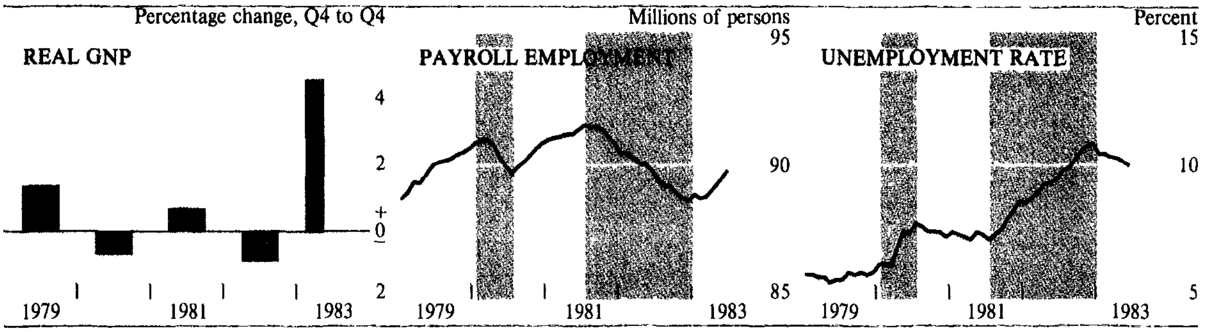
Developments in the labor market during the past three years have reflected two recessions in rapid succession—one in 1980 and a longer downswing that began in mid-1981 and ran through the end of 1982. Between the cyclical peak in economic activity in the first quarter of 1980 and the trough in the final quarter of 1982, real output showed virtually no growth on balance (chart 1). As the gap between actual output and its potential widened, the utilization of labor resources fell: payroll employment declined sharply, particularly in key durable goods industries that also faced longer-run structural problems, and, by the end of 1982, unemployment had climbed to a postwar record high. Although the subsequent increase in private employment has been about normal for the initial phase of a business recovery, unemployment is still exceptionally high in mid-1983.

The period from early 1980 through 1982 can be viewed as one long spell of economic stagnation. The recovery from the brief contraction in 1980 aborted after just one year. Sales and production remained depressed in many cyclically sensitive sectors, including housing and durable goods manufacturing, leaving employment in these areas well below prerecession levels. By the third quarter of 1981, the unemployment rate, at 7.4 percent, was only fractionally lower than its peak for 1980, set a year earlier. When a sustained recovery in final demand did not materialize during 1981, many firms again cut production and employment. The second, more severe, cyclical downturn pushed the unemployment rate to 10.8 percent at the end of 1982. Taken together, the back-to-back recessions made the 1980–82 period the longest and most severe deterioration in labor market conditions in more than four decades.

Nonfarm payroll employment registered a net decline of 2.3 million from March 1980 to December 1982, but in the cyclically sensitive goods-producing sector net job losses were an exceptionally large 3.6 million. Exacerbating the cyclical contraction in labor demand were long-term problems facing some durable goods industries that had caused serious losses in market share to foreign producers over the past decade. In addition, the dramatic appreciation of the dollar on exchange markets since 1980 contribut-

1. Real GNP, employment, and unemployment



GNP data are in constant 1972 dollars, from the Department of Commerce; percentage change from 1982:4 to 1983:2 is based on the "flash" estimate of real GNP for 1983:2, at an annual rate. Payroll employment and unemployment rate are from the Bureau of Labor Statistics and are seasonally adjusted.

ed to job losses in export-dependent industries. Many workers who lost their jobs were unable to find other employment because of the general dearth of new job opportunities, and long-term unemployment rose to record levels for the postwar era.

As the period of slack demand lengthened, competitive pressures intensified, damping price and cost increases. At least two facets of the resulting trends in the labor market contrasted with the experience in other recent recessions. First, the rate of increase in wages decelerated to the slowest pace since the mid-1960s. Second, productivity rose during the 1980–82 period, in contrast to the sharp deterioration during the 1974–75 recession. Taken together, these developments point toward reduced pressures on prices from labor costs.

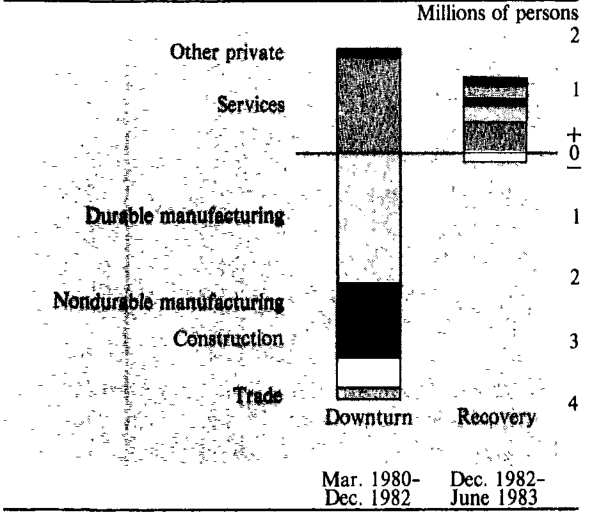
Consumer prices had accelerated in the late 1970s, reaching double-digit rates of increase in 1979 and 1980. But slack demand and substantial unused capacity subsequently constrained price increases. In addition, the effects of the rise in the dollar relative to foreign currencies and a partial reversal of the runup in prices of petroleum products also helped to ease inflation, and by mid-1983 the increase in consumer prices had slowed to less than 4 percent. Wages, which in many industries are not changed more than once a year, tended to lag behind price increases. Over time, the sustained decline in inflation reduced pressures for catchup wage adjustments as well as the size of cost-of-living payments. Expectations also played a role in reducing nominal wage increases. By 1982, it became increasingly clear that competitive pressures would limit price increases for some time, and workers accepted smaller wage increases in recognition of the trend toward lower inflation. In many hard-hit industries, massive unemployment and mounting financial losses persuaded workers to eliminate or postpone usual wage increases—or even to accept temporary pay cuts—in order to forestall further layoffs and potential bankruptcies. These forces continued to damp wage gains during the initial stage of the ensuing recovery. But, despite smaller nominal increases, workers' real wages rose on average during the past year and a half as prices decelerated even more.

While wage pressures were easing, productivity began to rise in early 1982 even though output continued to decline. Faced with intense competition and weak final demand, businesses recognized the need to pare their workforces and to reorganize production to improve efficiency; in same instances high-cost facilities were shut down. Output per hour continued to rebound in the initial phase of the recovery. This sustained rise in productivity over the past year and a half marked a noticeable improvement from a very poor productivity performance in the 1970s.

EMPLOYMENT

The demand for labor remained weak after the 1980 slowdown in economic activity, and during the subsequent cyclical contraction employment

2. Composition of changes in employment



Bureau of Labor Statistics monthly payroll employment data, seasonally adjusted. "Other private" includes mining, transportation and public utilities, and finance, insurance, and real estate. Employment in this category increased so little since the recovery began that it does not appear in that bar

declined more in relative terms than in any previous postwar recession. Between March 1980 and July 1981, nonfarm payroll employment rose just 600,000; it then fell nearly 3 million during the next year and a half. As the period of stagnation lengthened, job cutbacks became widespread: 80 percent of all industries reported net declines in employment between December

1981 and December 1982. Nonetheless, as is usually the case in a recession, the distribution of job losses among industries was very unequal, as chart 2 shows. Workers in manufacturing industries, particularly those producing durable goods, endured most of the losses, and the construction industry also suffered a disproportionate share of the decline in employment. Even government employment was uncharacteristically weak, declining almost 600,000 over the past three years. Private service industries were less affected by the downturn in demand and were among the few sources of new job opportunities.

A number of factors combined to produce the employment decline of the 1980–82 period. The most important one, of course, was the cyclical contraction in aggregate demand. Rapid inflation in 1979 and 1980 eroded real incomes and, along with policy actions necessary to bring inflation under control, pushed up interest rates. As financing costs rose rapidly relative to household purchasing power, consumers reduced spending on housing, automobiles, and other durables. The result was widespread job losses in those sectors and in the industries that supply them. Conditions in financial markets eased during the latter half of 1982, providing a subsequent boost to production and employment in the credit-sensitive sectors of the economy.

The foreign sector also contributed to the deterioration in domestic employment. Between early 1980 and late 1982, the value of the dollar relative to foreign currencies increased 40 percent, raising the price of U.S. exports to foreign countries and reducing the relative price of imported goods. The dollar's strength, combined with economic weakness abroad, brought on a significant decline in export volume over the three years and substantial job losses in domestic exporting industries. This decline reversed the trend of the 1970s, when the export sector was a major source of job growth.

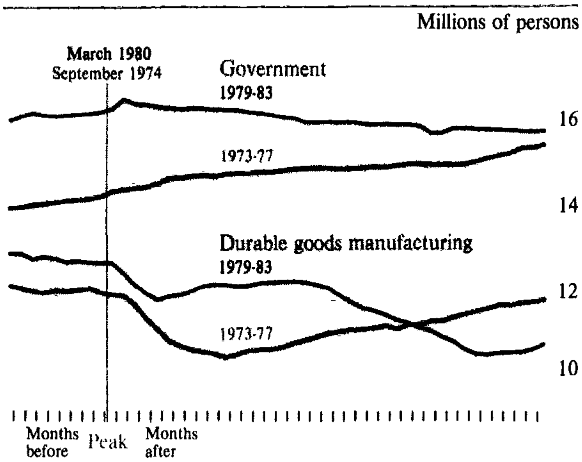
The lengthy period of slack demand also brought to a head longer-run structural problems in key manufacturing industries, which exacerbated the cyclical contraction in employment. These difficulties included high domestic labor costs, a narrowing or even elimination of the U.S. productivity advantage, and the failure of domestic industries to adapt quickly to product changes and consumer preferences. As these problems evolved, domestic markets became increasingly vulnerable to import competition. In the automobile and basic steel industries, for example, import penetration was dramatic: the share of imported cars in total domestic sales climbed from 6 percent in 1965 to 28 percent in 1982, and during that same period foreign steel producers more than doubled their share of the U.S. market to 22 percent.

Industry Mix of Employment during the Recession

In response to these domestic and international influences, manufacturing employment began to decline in mid-1979, even before the business cycle peak of early 1980. By December 1982, factory payrolls had dropped almost 3 million. Job cutbacks in manufacturing were concentrated in industries that produce consumer durable goods, in which employment fell considerably more even in relative terms than it did during the severe 1973–75 recession (chart 3).

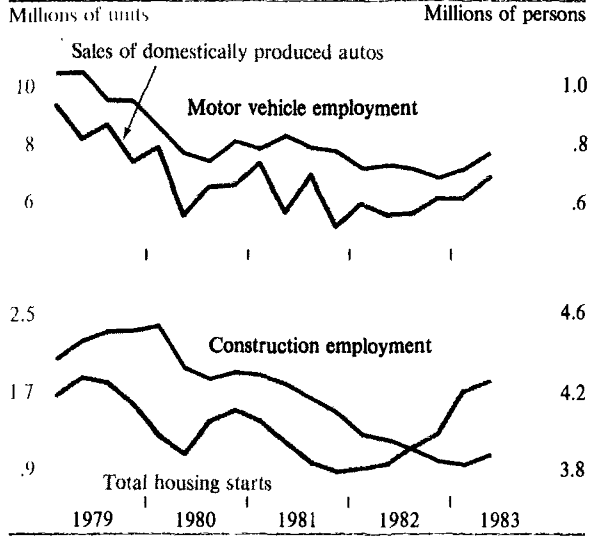
Among the hardest-hit industries in the manufacturing sector were autos and steel. Sales of domestic autos began to decline in 1979 as substantial price increases, high financing costs, a steep runup in energy prices, and a shift in preferences toward imported models all acted to

3. Cyclical comparisons in employment



Bureau of Labor Statistics monthly payroll employment data, seasonally adjusted; peaks are specific to total nonfarm payroll employment.

4. Auto and construction employment



Employment data from the Bureau of Labor Statistics payroll survey. Motor vehicle employment represents quarterly averages, not seasonally adjusted; construction employment represents seasonally adjusted quarterly averages. New domestic auto sales are Federal Reserve data, seasonally adjusted at an annual rate. Total private housing starts are Department of Commerce data, seasonally adjusted at an annual rate. The values for motor vehicle employment and housing starts in 1983:2 are May data.

damp demand. Automakers responded by cutting production and employment sharply (chart 4). Despite efforts to boost sales through price rebates, demand for domestically produced cars continued to slide in 1981 and 1982. As a result, many auto workers remained on indefinite layoff for more than three years. By late 1982, about 360,000 workers, or roughly one-third of the prerecession workforce, had been laid off from the motor vehicle industry.

For every job in motor vehicle manufacturing, there are about two associated jobs elsewhere in the economy, according to estimates by the Bureau of Labor Statistics. Thus the decline in auto demand had a pervasive impact on production and employment in a wide variety of related industries, such as steel, fabricated metals, and rubber. In the steel industry, which also faced long-term problems, almost two-thirds of capacity was idle by late 1982, and the decline in employment was exceptionally large.

Like manufacturing, the construction industry was hard-hit during the prolonged slump in economic activity. Much of the contraction in building activity occurred in the residential sector while construction of commercial and industrial buildings remained relatively buoyant. The decline in housing construction also dates back to 1979, when high prices, rising financing costs, and declining real income began to curtail demand; and by mid-1982 homebuilding had dropped to a postwar record low. More than 700,000 construction jobs were lost during the 1980–82 period. In addition, workers in housing-related industries—such as lumber and wood products, stone, clay, and glass products, and furniture and fixtures—suffered substantial job cutbacks.

In contrast with the goods-producing sectors, employment in the private service-producing sector continued to expand. Firms providing health, business, and social services generated the bulk of new job opportunities; employment in those areas, which has been on a strong secular uptrend, rose 1.3 million from early 1980 to late 1982. Partly offsetting those gains were small declines in several other service-producing sectors, particularly trade and trucking.

After two decades of steady growth, total government employment declined during the past three years. The divergent trends can be seen in chart 3. State and local governments accounted for virtually all of the recent cutbacks, as they did for the job gains during the 1970s. Several factors acted to halt the strong upward trend of government employment. First, a sharp decline in birth rates over the past two decades had reduced the demand for teachers by the late 1970s. Second, the budget positions of state and local governments deteriorated as the weakness in economic activity, smaller federal grants, and taxpayer resistance to higher property taxes cut into revenues; consequently, states and localities were forced to curb the growth in their expenditures. Finally, federal funding for a countercyclical public service employment program was terminated in 1981; this development contrasted with the situation in 1975, when a similar program added an estimated quarter of a million jobs at state and local governments.

Employment during Recovery

A recovery in economic activity has been under way since the turn of the year. Interest rates fell appreciably in the second half of 1982, helping to trigger an improvement in the credit-sensitive sectors of the economy. As spending on housing and consumer durable goods revived, production and employment began to rebound. By June 1983, total payroll employment had increased about 1.1 million from the December 1982 low. Thus far, the rebound in private employment has been comparable in relative terms to those recorded during the first six months of other postwar recoveries. However, in this expansion, unlike the others, government employment has continued to edge lower.

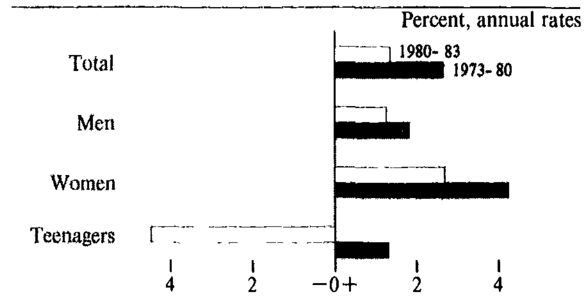
In the manufacturing sector, employment gains have been concentrated among producers of durable goods, especially those that were most affected by the recession. Roughly 300,000 jobs were regained in durable manufacturing over the first six months of 1983, led by substantial increases in transportation equipment and lumber. Still, that gain represented only about 10 percent of the jobs lost over the preceding three and a half years. At factories producing nondurable goods, where layoffs generally had been much less extensive, there has been only a small amount of new hiring, primarily in the rubber industry. Likewise, the recovery in total construction employment has been moderate. Although residential building activity has rebounded strongly during the past year, that strength has been offset by the downturn in investment in nonresidential structures that began in late 1982.

The pickup in economic activity in the first half of 1983 also stimulated hiring in service-producing industries. Employment in the finance and services industries accounted for more than half of the total rise in payroll employment, and hiring in the large trade sector totaled 200,000 between December 1982 and June 1983. The number of jobs in transportation and public utilities, however, was unchanged.

LABOR SUPPLY AND UNEMPLOYMENT

The civilian labor force continued to expand during the past three years, albeit at only half of the rapid rate of increase during the 1970s (chart 5). Part of the slowdown was due to the reduced growth rate of the working-age population, but

5. Labor force growth



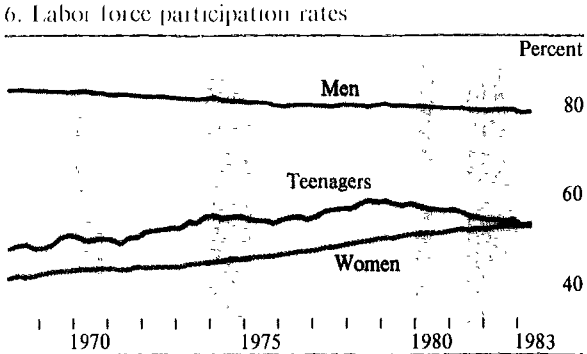
Bureau of Labor Statistics household data for the civilian labor force, seasonally adjusted. Rates of change from 1973:4 to 1980:1 and from 1980:1 to 1983:2 are compounded annual rates. Total is persons aged 16 and over; men are males aged 20 and over; women are females aged 20 and over; and teenagers are both sexes aged 16 to 19 years.

the paucity of job opportunities probably dissuaded many potential workers from entering the labor force or from continuing their job search. At the same time, mounting layoffs in many sectors of the economy pushed the civilian unemployment rate from 6 percent in early 1980 to 10.8 percent last December.

Patterns of Participation

Although the weak labor market discouraged job search and slowed growth in the labor force of all demographic groups, the effect was pronounced among teenagers, who traditionally are the most cyclically sensitive group. Over the past three years, the teenage labor force fell 1.3 million. Much of the decline was due to a reduction in the teenage population, reflecting the falling birth

6. Labor force participation rates



Bureau of Labor Statistics household data for the civilian labor force, seasonally adjusted. Men are males aged 20 and over, women are females aged 20 and over; and teenagers are both sexes aged 16 to 19 years.

rates of the 1960s. But, as chart 6 shows, the labor force participation rate for teenagers (that is, the share of the teenage population who are employed or are looking for jobs) also dropped almost 5 percentage points. Most likely, many young persons did not enter the labor force or abandoned their job search and took up alternative activities, such as enrolling in school.

The rate of participation in the labor market by adult men, especially older men, continued to fall during the past three years. For several decades, participation among adult men has been on a downward trend, probably in response to the improvements in social security benefits, private pensions, and disability income that have fostered an early departure of older men from the labor force. Recently, that downtrend has steepened: the rate of decline in participation over the past three years among all adult men was one and one-half times as great as that in the previous decade, suggesting that poor employment prospects discouraged job search among prime-age males and accelerated the exit of older men from the labor force.

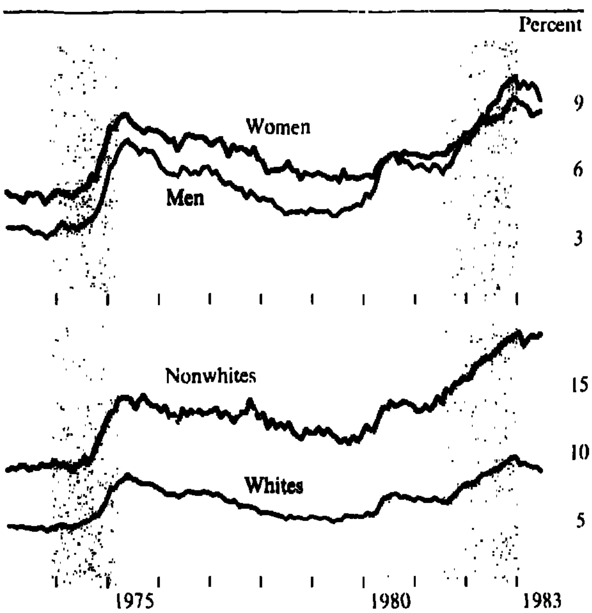
In contrast with the patterns for teenagers and adult men, the participation rate of adult women rose throughout the recession. The factors that continued to draw women into the workforce during the 1980–82 period probably were an extension of those influencing the strong upward trend during the 1970s. Several explanations for that trend have been advanced. First, the entrance of the large baby-boom cohort into the labor market swelled the supply of young workers and depressed their wages relative to normal levels; that adversity may have spurred the rise in participation of younger women, who entered the labor force to bolster family income. These women subsequently developed strong attachments to the workforce. Second, the birth rate has declined since the 1960s and decisions to have fewer children, probably made in conjunction with decisions concerning labor force participation, may have allowed more women to enter or to remain in the labor force. In addition, a shift in cultural attitudes has made labor force participation by women, including those with children, more socially acceptable.

Beyond these longer-run influences, the desire to maintain family income may have supported labor force participation of adult women during the recession. Some evidence suggests that participation among married women may have reflected an "added worker" effect; that is, wives whose husbands became unemployed may have been more likely to enter the labor force over the past three years. Notwithstanding these influences, the rate of increase in participation among women over the past three years was about half that which underlay the strong upward trend in the 1970s, suggesting that poor job prospects curtailed the labor force activity of many adult women.

Job Losses and Unemployment

The cyclical contraction in employment during the 1980–82 period not only restrained the influx of new jobseekers, but also left a record number of workers unemployed. The number of persons who lost their last job increased by 4.1 million from early 1980 to late 1982, making up three-quarters of the increase in the total number of unemployed persons. All demographic groups

7. Unemployment rates



Bureau of Labor Statistics household data for the civilian labor force, seasonally adjusted. Adult men and women are those aged 20 and over.

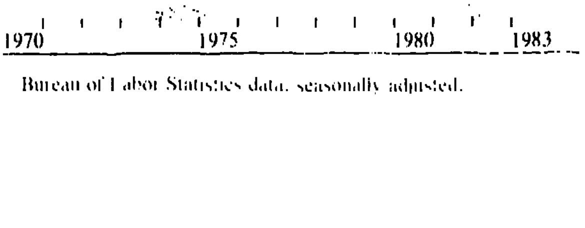
experienced their highest jobless rates in the postwar era.

As noted earlier, the distribution of employment losses in the recession among industries was very unequal, and that inequality affected the distribution of unemployment among demographic groups. Because adult men are concentrated in the manufacturing and construction industries, in which employment cutbacks were very large, their unemployment rate rose more than 5 percentage points over the 1980–82 period, to 10.1 percent in December 1982 (chart 7). Because women are more heavily employed in service industries, which fared considerably better through the recession than goods-producing industries, the increase in their unemployment rate, to 9.2 percent at the end of 1982, was less than that for adult men. Never before in the postwar period had joblessness among men exceeded that for women by such a wide margin.

The industrial mix of employment losses during the 1980–82 period also affected the distribution of unemployment among racial groups. As is the case with adult men, nonwhite workers tend to be concentrated in blue-collar jobs; consequently, they suffered a larger increase in their unemployment rate than did whites. The recession also exacerbated the persistent labor market problems of nonwhite teenagers, whose jobless rate rose from about 30 percent before the economic slowdown to almost 50 percent in recent months.

The extended slowdown in economic activity increased the duration of unemployment considerably (chart 8). Many workers who lost their jobs during the initial downturn remained jobless during the short-lived recovery in 1981 and the lengthy contraction that followed. As a consequence, by mid-1983, the average duration of unemployment had climbed to a postwar record of 22 weeks, and one-quarter of unemployed persons had been out of work for more than six months.

8 Average duration of unemployment



Bureau of Labor Statistics data, seasonally adjusted.

Unemployment Insurance in the Recession

The length of the slowdown in economic activity and the large increase in the number of long-term unemployed workers posed significant problems for the unemployment insurance (UI) system, which was designed to cope mainly with short-term adjustments in labor markets. The proportion of unemployed workers who were receiving UI benefits in this recession was much lower than that in earlier cycles: it was only about one-third in 1982 compared with more than one-half in 1975. Several factors may have been responsible for the narrow extent of UI coverage. First, because the level of unemployment remained high for a long period of time, a large portion of the jobless in 1982 probably had exhausted their unemployment insurance. In addition, the persistence of weak labor demand probably prevented many persons from reestablishing a work history to regain entitlement to program benefits. Second, the abolition of the national trigger unemployment rate for extended benefits in October 1981 and a legislated increase in the state trigger rate meant that fewer persons received extended benefits when their 26 weeks of regular state benefits were exhausted. At the end of 1982, only 13 states with particularly high unemployment rates were offering extended benefits; under pre-1981 law, extended benefits would have been available in all 50 states, as they were during the 1975 recession.

The relatively low percentage of unemployed persons receiving UI benefits in 1982 was a source of concern both because it reflected the hardship imposed on unemployed workers and their families and because it implied that UI transfers were not supporting aggregate personal income to the same extent as in earlier downturns. In response to these concerns, the Congress in September 1982 extended the duration of unemployment insurance benefits, as it had in the 1975 recession. Under the Federal Supplemental Compensation program, the maximum duration of benefits in states with particularly high unemployment was first extended to 55 weeks and then to 65 weeks, although states with lower rates of insured unemployment had shorter durations. By May 1983, more than 1.5 million persons who otherwise would have exhausted their benefits were continuing to receive income support under the new program.

A Move toward Recovery

As the economy began to recover, the civilian jobless rate declined, falling 0.8 percentage point from its December 1982 high to 10 percent in June 1983. Much of the reduction in unemployment occurred among adult men, although their jobless rate still was somewhat higher than that for adult women. For teenagers and nonwhites, however, joblessness remained close to recession highs. By industry grouping, improvement has been most pronounced in the durable goods sector, in which the jobless rate fell nearly 5 percentage points to 12 percent. The unemployment rate should drop further in the latter half of 1983 as the recovery in business activity continues.

WAGES

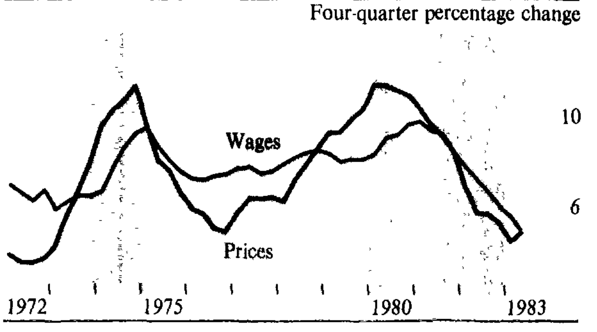
One consequence of prolonged slack demand, high unemployment, and the slowing of price increases has been a substantial decline in wage inflation. At least initially, rising unemployment appeared to have little effect on wage increases. The index of hourly earnings for production or nonsupervisory workers in the private nonfarm economy rose 9.6 percent in 1980—more than in any other year since the series was begun in 1964—even though unemployment averaged 7.5 percent during the last three quarters of that year. As economic stagnation extended into its second and third years, however, the rate of wage gain slowed steadily. By mid-1983, wage inflation was less than 5 percent, the slowest rate in 16 years.

The behavior of wages during these three years illustrates the role of past and expected inflation in the wage-determination process. Wages of many workers are tied directly to past price movements, either explicitly through cost-of-living escalator clauses or implicitly through catchup wage adjustments. Backing up demands for wage increases that keep up with inflation may be such factors as the exercise of collective power, management's concerns about falling morale and hence falling productivity if wages were being eroded by inflation, and traditional wage comparisons among workers. The strong link between wage and price movements helps to explain the high rate of wage increase during periods of simultaneous high joblessness and rapid inflation, as in 1980 and 1981 (chart 9).

When price inflation declined, however, the forces that had sustained wage increases during the late 1970s and early 1980s began to unwind. Pressures for catchup adjustments subsided, as workers' real wages started to rise in early 1982 and lower inflation directly reduced cost-of-living adjustments. Changing expectations also figured in the unwinding of the wage–price spiral. By 1982, workers began to perceive that lower inflation rates would be sustained for some time and, as a result, that they did not need to build into their wage adjustments a large premium for future inflation.

Although price movements clearly had an important influence on wage adjustments, high unemployment and mounting financial strains also exerted downward pressure on wages after 1980. The effect of high unemployment was most pro-

9. Changes in wages and prices



Bureau of Labor Statistics data, seasonally adjusted. Changes in wages and prices are the percentage change from the same quarter one year earlier in the hourly earnings index and the fixed-weight price index for personal consumption expenditures respectively.

nounced in construction and manufacturing. Wages in construction continued to rise rapidly through 1981, perhaps because heavy construction activity held up relatively well, but the rate of gain began to decelerate markedly in 1982. Over the 12 months ended in mid-1983, when joblessness among construction workers averaged more than 20 percent, wages rose just 2.6 percent, compared with 8.3 percent in 1981. In the manufacturing sector, wages moderated even more significantly. The rate of increase in the index of hourly earnings for manufacturing, which had climbed to 10.6 percent in 1980, slowed to 3.5 percent over the year ended in June 1983.

In many hard-pressed industries, most of which are heavily unionized, the reduction in wage adjustments was particularly dramatic. As early as 1981, large-scale plant closings and mass layoffs threatened the job security of even senior union members. In an effort to curb employers' financial losses and to forestall further layoffs, many workers agreed to reopen contract negotiations and offered significant concessions. A common feature was a freeze on basic wages—sometimes including the escalator clause and sometimes with delays or limits on escalator payments—or even an outright decrease in wages. Firms often cut back nonwage benefits as well and modified restrictive work rules. Accompanying the concessions was an increased willingness to experiment with worker participation in management, profit-sharing plans, and other innovations.

Clearly, the prolonged weakness in economic activity precipitated concessions, but long-run structural changes also played a role. Over the past decade, heavily unionized industries have faced increasingly intense competition from foreign firms or domestic nonunion firms. In some cases, such as trucking and airlines, government deregulation of the market has altered the competitive environment. Despite these developments, wage settlements until recently continued to provide customary annual increases plus full indexation. When competitive pressures were intensified by the extended weakness in demand during 1980–82, unions were forced to adapt to changing economic conditions.

Unions had made scattered concessions in earlier recessions, but they largely involved marginal firms and rarely had any consequence for other workers, even in the same industry. The pervasiveness of recent concessions is thus unparalleled in the postwar period. Between late 1981 and mid-1983, concessions spread to a variety of industries, including meatpacking, autos, trucking, rubber, airlines, construction, steel, and aluminum. In many cases, revised pay plans involved all union workers in the industry, and nonunionized white-collar workers generally accepted terms similar to those of their union counterparts. About 1.5 million union workers, or 40 percent of all workers who negotiated new agreements in major collective bargaining units during 1982 and early 1983, will not receive any scheduled wage increase over the life of their contracts—usually three years. A large portion of these workers still are covered by cost-of-living clauses, but escalator provisions recently have contributed little to wage increases, as the accompanying table suggests, and they actually generated some wage cuts in early 1983. Wage adjustments under new major collective bargaining agreements in the private sector dropped from 7.9 percent annually over the life of contracts negotiated in 1981 (excluding cost-of-living escalation) to 3.6 percent in contracts reached last year, by far the smallest average increase for any year since the series began in 1968. New settlements reached during the first quarter of 1983 were even smaller, with adjustments averaging only 2.2 percent annually.

Even where concessions were not made, deceleration of wages was widespread. In the

Components of effective wage change, major union contracts, 1975–83

Percent

Component	Annual average, 1975–79	1980	1981	1982	1983:1[1]
Average total adjustment in wages	**8.4**	**9.9**	**9.5**	**6.8**	**1.2**
Earlier agreements	3.4	3.5	3.8	3.6	1.6
New settlements	2.8	3.6	2.5	1.7	−.8
Cost-of-living adjustments	2.2	2.8	3.2	1.4	.4

SOURCE. Bureau of Labor Statistics data for collective bargaining settlements in the private sector covering 1,000 or more workers. Details may not sum to totals because of rounding.

1. Data for 1983 include adjustments put in place through March at compound annual rates, not seasonally adjusted.

sparsely organized trade sector, the rate of increase in the index of hourly earnings fell from 8.3 percent in 1980 to 4.8 percent over the year ended in June 1983. Wage pressures also have eased in the services industry, although not so much as in other sectors, perhaps because employment in that industry continued to expand during the recession. For white-collar workers, many of whom are not covered by the index of hourly earnings, wage gains roughly paralleled those of other workers. The comprehensive employment cost index, which covers all wage and salary workers including supervisory personnel, indicated that wages of white-collar employees rose by 5.7 percent over the year ended in March 1983, down from 8.3 percent during the preceding 12-month period.

Employers' efforts to cut costs also extended to trimming the rapid rise in expenses for nonwage benefits. During the 1970s, nonwage benefits rose considerably faster than wage rates, perhaps because employer-financed benefits are not taxable. But by 1982, pressures to reduce costs apparently forced many employers to revise benefit plans. As a result, employer costs for benefits were increasing only at about the same rate as wages in 1982, according to compensation data from the employment cost index.

The sustained slowing in wages over the past two and a half years clearly has favorable implications for prospective price behavior. Despite smaller nominal wage increases, workers' real hourly compensation has been rising on average since late 1981, reducing latent pressures for catchup increases. At the same time, concessions in multiyear union contracts should hold down cost increases in key industries. Moreover, the recent performance of productivity appears to be reinforcing the lower trend in labor costs.

Productivity and Labor Costs

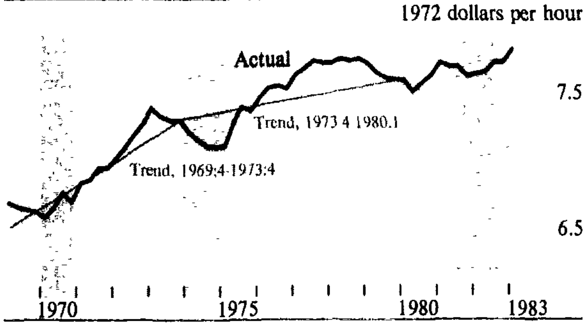
Perhaps the most encouraging labor market development in the past three years has been the performance of productivity. Although productivity growth has displayed the sharp swings that usually occur around cyclical contractions in economic activity, the increase in output per hour over the entire period from early 1980 to mid-1983 looks noticeably better than the very poor performance over the 1973–80 business cycle.

Growth in output per hour typically slows toward the end of a cyclical expansion as production bottlenecks and shortages of skilled workers appear. In a recession, outright declines often occur as cutbacks in employment lag reductions in output. Many firms are reluctant to cut deeply into their workforces because of the high costs of layoffs and uncertainty about the length and severity of the contraction. In the initial phase of a recovery, a parallel process occurs: firms do not rapidly hire more workers and expand capacity; first, underutilized workers and equipment are used more intensively to produce the higher output, and productivity rebounds.

During the brief 1980–81 cycle, the behavior of productivity followed this typical cyclical pattern. However, after another decline in productivity associated with the onset of the second contraction, employers stepped up efforts to trim their workforces in line with falling sales. As a result, output per hour began to rebound in early 1982, nearly a year before the cyclical trough in economic activity. Over the four quarters of 1982, productivity in the nonfarm business sector rose 1.3 percent, a relatively good performance for a year when real output dropped substantially. And, in the first quarter of 1983, when output began to rebound, the increase in productivity was a strong 4.7 percent at an annual rate.

The good performance of productivity in 1982 may have reflected aggressive efforts to cut labor input temporarily because of the length of the recent contraction. Yet employers also may be making longer-lasting changes in the organization of production and of their workforces. Indeed, recent data on output per hour suggest that the trend advance in productivity may have improved from its anemic 0.6 percent annual rate between the business cycle peaks in 1973 and 1980, depicted in chart 10. For example, over the 1980–81 cycle, output per hour increased at a 0.9 percent annual rate, and, by the first quarter of 1983, the level of productivity was well above the trend line extrapolated from the 1973–80 cycle. In past cycles, the level of output per hour typically did not regain its trend until after sev-

10. Trends in productivity



Labor productivity in the nonfarm business sector, Bureau of Labor Statistics data. Trends are constructed from the business cycle peak in 1969:4 to the peak in 1973:4 and from the 1973:4 peak to the 1980:1 peak.

eral quarters of strong gains. Moreover, numerous qualitative reports suggest that many firms are improving efficiency and lowering "break-even points" by modifying work rules, restructuring layers of management, and changing production methods.

Pinpointing the causes for a change in the underlying productivity trend is extremely difficult so early in a business cycle, particularly because the reasons for the dramatic slowdown during the 1970s are not well understood. With that caveat, several long-run determinants could be reinforcing a trend toward better productivity growth.

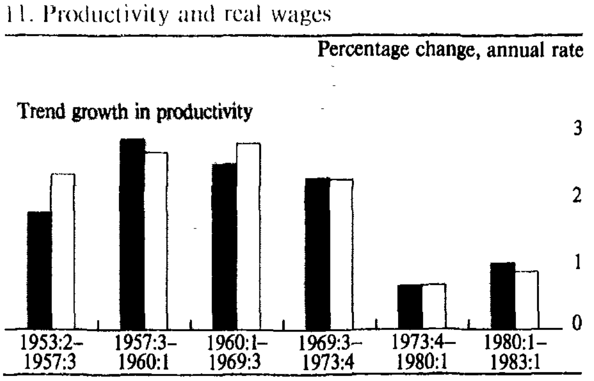
First, the demographic composition of the labor force has changed significantly in recent years. During the 1960s and 1970s, large numbers of women and younger workers entered the labor market. Because these workers were relatively inexperienced, their entry probably damped overall productivity growth. By the late 1970s, however, the members of the baby boom generation had gained more work experience and the proportion of younger workers in the workforce had begun to decline—developments that probably supported the growth in productivity. The trend toward smaller cohorts of younger workers and a more moderate increase in labor force participation than in the 1970s should continue into the 1980s.

Second, changes in the underlying productivity trend over the past two decades have been closely correlated with changes in the inflation rate: productivity growth slowed as inflation accelerated. Although this negative correlation may result simply from the adverse effect of reduced productivity growth on unit labor costs and hence prices, rapid inflation itself may generate real efficiency losses. High inflation and rapidly varying relative prices may distort the price signals in the marketplace, making cost control more difficult and diverting managerial attention to coping with short-term financial problems and uncertainty. In contrast, low inflation may foster "back to basics" activities such as streamlining organizational structures, adopting the most efficient production methods, and improving product quality. If so, a more stable economic environment should enhance the performance of productivity.

Other factors clearly can affect the trend in aggregate productivity, such as investment in new plant and equipment and spending on research and development; the intensity of energy use; the restrictiveness of government regulations; and shifts in output among industries with varying productivity levels. But these factors probably have yet to be a significant influence on aggregate productivity in this business cycle. For example, although competitive pressures may have forced some firms to adopt new technologies, investment spending by businesses generally has been weak during the past recession.

Whatever the causes, an improvement in productivity performance would have favorable consequences for workers' real incomes and potentially for prices. As chart 11 indicates,

11. Productivity and real wages



Labor productivity and hourly compensation, Bureau of Labor Statistics data for the nonfarm business sector. Real hourly compensation is constructed by deflating nominal compensation by the gross domestic business product deflator before 1960 and by the gross domestic product fixed-weight price index later. Gross domestic business product price indexes, Department of Commerce data.

movements in real hourly compensation have closely paralleled the underlying productivity trend throughout the postwar period. Indeed, if nominal wages were to rise faster than prices over an extended period and those real wage gains were not matched by rising productivity, the consequence would be a secular squeeze on profits with resulting adverse effects on investment and hence future productivity growth. Over the past three years, real hourly compensation and productivity have increased on balance at an annual rate of nearly 1 percent, a somewhat stronger advance than that in the late 1970s.

Rising productivity also has eased cost pressures on prices. The turnabout in productivity growth since early 1982, coupled with much more moderate increases in hourly compensation, has resulted in a marked deceleration in the rise of unit labor costs—a key determinant of price trends in the long run. Over the year ended in the first quarter of 1983, unit labor costs rose 3.6 percent, in sharp contrast with the rapid 11 percent advance during 1979–80, just three years earlier. □

Profitability of Insured Commercial Banks in 1982

Barbara Negri Opper of the Board's Division of Research and Statistics prepared this article.

Persistent weakness in business activity and employment, along with high interest rates, exerted considerable pressure on commercial banks in 1982. Reported profits edged down further from the 1979 peak, and returns on assets and on equity, at 0.71 percent and 12.2 percent respectively, reached lows last observed in the recovery from the 1973–75 recession. Also, an overhang of potential losses became worrisome as the financial difficulties of some major borrowing countries impaired their ability to maintain payments on debt owed to U.S. banks.

Most commercial banks continued to record substantial profits. However, the proportion of banks with operating losses rose to nearly 8 percent, about equal to the mid-1970s peak and more than double the recent low in 1979. Differences in the credit quality of loan portfolios distinguished weak from strong performers in 1982.

Problem loans were a principal, and more or less pervasive, depressant to earnings in 1982. Loan-loss provisions increased significantly in 1982 at banks of all sizes and with all kinds of lending specialties, particularly during the second half of the year. Medium-sized and larger banks recorded especially severe deterioration in commercial and industrial loans; in the second half, chargeoffs doubled to an annual rate exceeding 1 percent of portfolios as the incidence of business bankruptcies reached a postwar peak.

Risks associated with the level and volatility of market interest rates remained an important factor for commercial banks in 1982, as they have since 1979. When market interest rates broke at midyear, large banks as a group were well positioned to reap temporary benefits, and their net interest margins in the second half of the year were considerably wider than those prevailing in recent years. Conversely, many small banks found themselves with short-term money market assets financed by six-month money market certificates (MMCs) issued at the higher rates prevailing during the first half; the relatively slower decline in their interest expenses is estimated to have eliminated several basis points from their net interest margins in the second half of the year. Deregulation of interest rate ceilings on retail deposits proceeded in large steps in 1982; by year-end, $82 billion of savings and small time deposits outstanding at commercial banks was in accounts, all carrying market interest rates, that had been authorized within the year. The money market deposit account (MMDA) was a spectacular newcomer; it became effective December 14 under authority of the Garn–St Germain Depository Institutions Act of 1982 and, because high promotional interest rates accentuated its inherent attractiveness, it accounted for over $60 billion at commercial banks by the end of the year. At that time, three-fifths of the assets of insured commercial banks was funded by liabilities that could carry market yields, compared with one-half two years earlier.

An unusually large volume of bank and bank holding company securities was issued in public markets during 1982 in the form of common stock, mandatory convertible securities, and perpetual preferred stock. Nonetheless, this additional capital in effect did little more than offset a reduction in earnings retention at banks as opposed to bank holding companies. For all banks taken together, equity capital remained at 5.8 percent of average assets as it has since 1978.

NOTE. Nancy Bowen, Mary McLaughlin, and Alan Boyce provided data processing assistance.

INTEREST INCOME

Interest earned declined 62 basis points relative to average assets at all banks in 1982, in association primarily with the drop in market yields but also with interest forgone from problem loans (table 1). The effective gross yield on loan portfolios declined 117 basis points during the year (table 2), and the yield after loan-loss provisions fell an additional 27 basis points. By contrast, in 1981, when loan-loss provisions were only beginning to edge up, gross and net loan yields rose by about the same amount. Reflecting the scarcity of floating-rate issues, the larger proportion of longer-term issues held (three-fourths of portfolios mature in more than one year), and the absence of problem credits that might have interrupted the flow of interest payments, yields on bank securities portfolios increased 76 basis points over 1981. Though not all classes of banks did so, the banking system as a whole allocated a larger portion of assets to loans; that fraction rose a percentage point to 56 percent (table 3).

1. Income and expense as percent of average assets, all insured commercial banks, 1980–82[1]

Item	1980	1981	1982
Gross interest income	9.87	11.81	11.19
Gross interest expense	6.78	8.75	8.02
Net interest margin	3.09	3.07	3.17
Noninterest income	.89	.99	1.05
Loan-loss provision	.25	.26	.39
Other noninterest expense	2.63	2.76	2.91
Income before tax	1.10	1.04	.91
Taxes[2]	.28	.24	.17
Other[3]	−.03	−.04	−.03
Net income	.79	.76	.71
Cash dividends declared	.29	.30	.31
Net retained earnings	.50	.46	.40
MEMO			
Net interest margin, taxable equivalent[4]	3.46	3.45	3.55
Average assets (billions of dollars)[1]	1,768	1,933	2,101

1. Average assets are fully consolidated and net of loan-loss reserves; averages are based on amounts outstanding at the beginning and end of each year.
2. Includes all taxes estimated to be due on income, on extraordinary gains, and on security gains.
3. Includes securities and extraordinary gains or losses (−) before taxes.
4. For each bank with profits before tax greater than zero, income from state and local obligations was increased by $[1/(1 - t) - 1]$ times the lesser of profits before tax or interest earned on state and local obligations (t is the marginal federal income tax rate). This adjustment approximates the equivalent pretax return on state and local obligations.

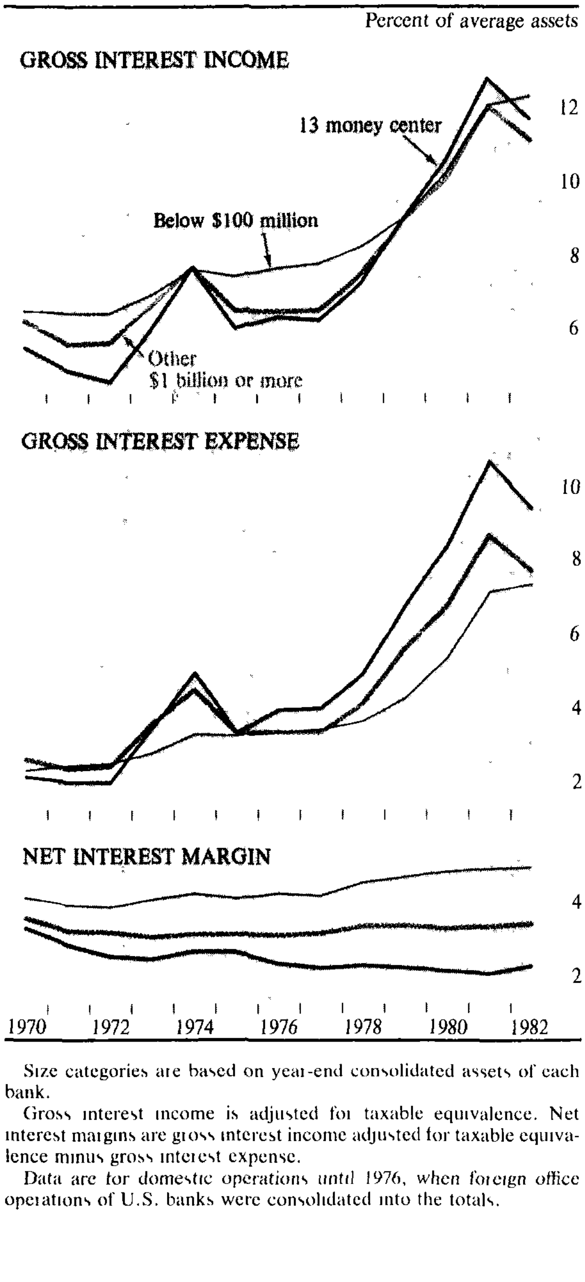
2. Rates of return on fully consolidated portfolios, all insured commercial banks, 1980–82[1]

Percent

Item	1980	1981	1982
Securities, total	7.88	9.27	9.96
U.S. government	9.38	11.38	12.19
State and local government	6.03	6.72	7.19
Other	10.55	11.54	11.64
Loans, gross	13.71	16.37	15.20
Net of loan-loss provision	13.19	15.83	14.39
Taxable equivalent[2]			
Total securities	10.23	11.73	12.49
State and local government	11.13	12.15	12.93
Total securities and gross loans	12.88	15.26	14.57

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

1. Components of interest margin



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

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

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

3. Portfolio items as percent of total assets including loan-loss reserves, all insured commercial banks, 1980–82[1]

Average during year

Item	Domestic offices			Fully consolidated offices		
	1980	1981	1982	1980	1981	1982
Interest-earning assets	80.2	80.8	82.5	82.9	83.8	85.2
Loans	55.1	54.5	55.3	55.4	55.2	56.1
Securities	20.1	20.0	19.2	17.0	17.0	16.6
U.S. Treasury	6.4	6.4	6.1	5.3	5.3	5.1
U.S. government agencies	3.7	4.0	4.1	3.0	3.3	3.5
State and local governments	9.4	9.1	8.6	7.8	7.6	7.2
Other bonds and stocks	.5	.5	.4	.8	.8	.7
Gross federal funds sold and reverse repurchase agreements	4.4	4.8	5.2	3.7	4.0	4.4
Interest-bearing deposits	.6	1.6	2.7	6.8	7.7	8.1
MEMO: Average gross assets (billions of dollars)	1,460	1,603	1,763	1,768	1,940	2,100

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

The decline in gross interest earned relative to assets reflects the greater weight of loans in bank assets.

The decline was steepest at the money center banks, two-thirds of whose assets can be characterized as "rate sensitive" either because they have short maturities or because they carry yields contractually linked to the money markets. Gross yields on loan portfolios of these banks fell 2 percentage points from 1981, a major factor behind the decline of 110 basis points in the rate of gross interest earned by money center banks shown in the top panel of chart 1. (Appendix tables A.1 and A.2 present data for these and other groups of banks.) Gross loan yields at money center banks fell nearly 3½ percentage points from the second half of 1981, when market yields peaked, to the second half of 1982. Yields on new short-term business loans acquired by domestic offices of these banks fell much more rapidly—between 7 and 8 percentage points during that period, from a 19 percent peak. Much of the discrepancy between the behavior of short-term market yields and average loan portfolio yields at money center banks reflects the influence of portfolio diversification; although short-term domestic-office business loans account for 17 percent of loans at money center banks, loans with fixed interest rates or longer maturities—consumer loans, longer-term business loans, permanent mortgages—account for 29 percent. The smaller drop in average loan portfolio yields also is attributable to returns from outstanding business loans with yields tied by contract to the prevailing prime rate, which declined more slowly than money market yields in the second half of 1982.

Interest earnings of other large commercial banks also fell, influenced by many of the same factors that affected money center banks. The decline, 93 basis points, was mitigated by differences in asset diversification between these two sets of large banks. Loans at large money center banks accounted for 61 percent of assets in 1982, in contrast to 55 percent for other large banks; 6 percent of the assets of money center banks was invested in securities, as opposed to 14 percent at other large banks.

Differences in the characteristics of loan portfolios, more than the distribution of total assets, account for the relative stability of gross interest earned by medium-sized commercial banks and for the increase of 45 basis points registered by small banks. Consumer loans and mortgages account for a larger fraction of assets at these two sets of banks—about 30 percent, as opposed to 12 percent at money center banks—and these investments tend to have longer maturities and less volatile yields than money market instruments. Also, business loans at these two sets of smaller banks have tended to be more insulated from money market developments. For example, yields on new short-term business loans acquired by a sample of small banks peaked in late 1981 near 19 percent, close to yields on loans extended by money center banks; but by the end of 1982, those yields had fallen only to the 15 percent range. In addition to the patterns for new business loans, yields on outstanding business loans with floating rates at small banks may reflect movements in the prevailing prime rate more closely than they do at money center banks; tying rates directly to money market instruments has become an important technique of business loan pricing at the latter, since many of their customers have direct access to the financial markets and can negotiate bank credit at relatively narrow spreads over market rates.

INTEREST EXPENSE

Interest expense as a percent of average assets declined 73 basis points in 1982, the net effect of cross-currents from three developments during the year. These were further deregulation of interest rate ceilings on deposits denominated below $100,000; market disruptions following the insolvencies of Drysdale Government Securities and the Penn Square Bank of Oklahoma City; and the midyear acceleration of the decline in market interest rates. Clearly, these factors did not affect all types of banks equally, as suggested by the divergent changes in interest expenses depicted in the middle panel of chart 1.

The Depository Institutions Deregulation Committee (DIDC), established pursuant to the Monetary Control Act of 1980 to direct the orderly removal of all deposit interest ceilings by 1986, established four new accounts in 1982: a 7- to 31-day and a 91-day small time deposit carrying interest ceilings indexed to market yields on U.S. Treasury obligations of similar maturities; a ceiling-free deposit with a minimum maturity of 3½ years to enable depositories to attract longer-term funds and thereby exert more control over the maturity profile of their liabilities; and the MMDA that enables depositories to offer a liquid account insured by the Federal Deposit Insurance Corporation and combining limited transaction capabilities with yields competitive with returns from money market mutual fund shares.[1]

4. Rates paid for fully consolidated liabilities, all insured commercial banks, 1980–82[1]

Percent

Item	1980	1981	1982
Time and savings deposits	10.66	13.38	11.94
Large negotiable certificates of deposit	12.56	16.42	14.14
Deposits in foreign offices	14.03	17.34	14.87
Other deposits	8.10	10.02	9.75
Subordinated notes and debentures	8.90	10.01	9.99
Gross federal funds purchased and repurchase agreements	14.68	17.52	12.83
Other liabilities for borrowed money	11.34	14.42	13.22
Total	11.10	13.86	12.08
MEMO: All except "other deposits"	13.45	16.82	14.03

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

Deposits with fixed interest ceilings, all of which were below market interest rates, contracted $40 billion during the year whereas deposits that were ceiling free or had indexed ceilings expanded $115 billion. The shift from savings and small time deposits with low interest costs to deposits offering market yields helps account for the small decline—a mere 27 basis points—in the effective rate paid on such accounts ("other deposits" in table 4), when the three-month Treasury bill yield averaged 3½ percentage points below its year-earlier average. Some of the relative stability in interest costs for savings and small time deposits also stems from

1. Frederick T. Furlong, "New Deposit Instruments," FEDERAL RESERVE BULLETIN, vol. 69 (May 1983), pp. 319–26. Banks offered above-market yields on the MMDA in their initial marketing of this account, but by February 1983, average offering yields had settled down near the current yield on U.S. Treasury bills. Simulations done for all of 1983 suggested that on average, interest cost increases associated with the MMDA, if not offset by portfolio shifts to increase asset yields, would reduce commercial bank returns on average assets by about 6 or 7 percent. These simulations were based on assumptions that MMDA interest rates would average out near the Treasury bill rate; that market interest rates would change little from early in the year; that about one-fifth of average outstanding MMDA balances would represent internal shifts out of accounts paying lower interest rates, such as passbook, NOW, and demand deposits; that about one-half would come from internal shifts out of accounts paying market rates, such as MMCs; and that the remainder would represent new money. The simulations indicated that the cost impact of the MMDA would be quite uneven across banks, and that some banks could experience a *reduction* in interest costs. Those that would benefit would already have shifted toward a deregulated liability base: they had below-average fractions of assets funded by passbook, NOW, and demand deposits and accordingly tended already to have below-average net interest margins. Those exposed to the largest increases in interest cost associated with the MMDA tended conversely to have relatively large passbook, NOW, and demand deposits and above-average earnings (both in 1982 and simulated for 1983). Thus the MMDA is not believed to have increased bank interest costs in such a way as to cause immediate concern. However, it significantly increases the share of liabilities carrying costs that could rise quickly if short-term market yields rose. It accordingly increases the interest risk exposure of banks or suggests that some compensating portfolio adjustments toward short-term or floating-rate assets are in store.

5. Ratio of financial liabilities to total assets including loan-loss reserves, all insured commercial banks, 1980–82[1]

Percent, average during year

Item	Domestic offices			Fully consolidated offices		
	1980	1981	1982	1980	1981	1982
Financial claims	87 6	87.2	86 3	89.1	88.8	88.3
Demand deposits	29.1	25.1	20 7	24.0	20 8	17.4
Interest-bearing claims	58.5	62.1	65.6	65.1	68 0	70.9
Time and savings accounts	47.8	50.8	53.9	55.5	57.8	60 3
Large time[2]	15.5	17.2	18.4	12.8	14.2	15.4
In foreign offices	.	.....	...	16.1	15 8	15.0
Other domestic	32.3	33.6	35.6	26 7	27.8	29 9
MMCs and 91-day variable-ceiling accounts	9.9	2.7	12.9	8.2	10.5	10.8
NOW accounts	1 2	2 9	4 1	1.0	2 4	3.4
Subordinated notes and debentures	.4	4	.4	.4	3	.3
Other borrowings	1.9	1 8	1.8	2.3	2.3	2.3
Gross federal funds purchased and repurchase agreements	8.4	9.1	9.5	6 9	7.5	8.0
MEMO						
Money market liabilities[3]	26 1	28.5	30 1	38.4	40.2	41.0
Average gross assets (billions of dollars)	1,460	1,603	1,763	1,768	1,940	2,100

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

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

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

the lagging effect of costs on deposits with maturities of six months or more issued before the midyear break in market rates. As table 5 indicates, over one-third of savings and small time deposits was in accounts with variable ceilings, the dominant one being the MMC. These effects had the greatest impact on small banks, for which savings and small time deposits funded a greater share of assets than was the case for larger banks. Small banks were thus most exposed to increases in interest costs associated with the removal of ceilings; they also funded a larger share of assets with MMCs than larger banks did, and thus their interest costs responded more slowly to declining market interest yields in the second half of the year. Accordingly, in 1982, total interest expenses as a percent of average assets increased at small banks, in contrast with the decreases registered by the larger banks.

The decline in interest expenses at the largest banks was quite sharp: 129 basis points at money center banks and 96 basis points at others with at least $1 billion in assets. That pattern reflects the relatively close linkage of interest expenses of these banks with market yields via their relatively heavy reliance on short-term money market liabilities. For all banks, the effective interest rate paid on money market liabilities fell 2¾ percentage points on average for the year (memo section of table 4), and the pace in the second half was somewhat faster than that.

As indicated in appendix table A.2, however, the rate of decline in effective interest rates paid for money market liabilities varied considerably among classes of banks. The differences appear to be related to opportunities to reprice those liabilities soon after the sharp decline in market yields at midyear. For example, for the year as a whole, the effective interest rate paid on large-denomination certificates of deposit (CDs) declined 227 basis points at 13 money center banks, but 264 basis points at other large banks. At the end of June, 70 percent of the large CDs outstanding at money center banks matured within three months, but 80 percent matured that soon at the other large banks. (That single difference in maturity distribution—the additional 10 percent of their $114 billion in CDs maturing within three months—may have saved the large non-money center banks on the order of $100 million in interest expense during 1982 because market yields on CDs declined about 5 percentage points between June and September.)

In addition to maturity profiles, changing perceptions of risk affected both the relationship of CD yields to other market yields and the pattern of CD yields among banks. Concerns about nonperforming loans and interest risk exposure seem to have been reflected in a general increase in yields on CDs relative to those on U.S. Treasury obligations during the previous three years; such an increase occurred in 1973–75 under similar circumstances. In mid-May, however, this rise was accentuated when money markets were disrupted by the announced default in delivery of securities sold under repurchase agreement (RPs) by Drysdale Government Securities; that development created temporary uncertainty regarding the status of banks with which Drysdale had extensive dealings or those particularly active in the market for RPs. Then, in early July, the Penn Square Bank of Oklahoma City was declared insolvent. That bank had originated and sold to other large banks elsewhere in the country a huge volume of energy loans whose quality was doubtful, particularly in view of the sharp drop in oil prices. Also, in a move that carried repercussions to other large banks not directly associated with Penn Square Bank, the insolvency resulted in losses to uninsured creditors, such as CD holders, raising the awareness of market participants that such losses were possible. The difference between market yields on three-month CDs issued by large banks and the Treasury bill yield widened sharply; it reached a peak of 2¾ percentage points before receding by year-end to a more typical range of less than 1 percentage point.

Net Interest Margins

Net interest margins—the difference between interest income adjusted for taxable equivalence and interest expense—increased relative to average assets in 1982, as shown in the bottom panel of chart 1. Banks of various sizes differed in the relative speed with which their portfolio yields and liability interest costs responded to the sharp midyear drop in market yields. In general, larger banks registered bigger increases in net interest margins than smaller ones, especially in the second half of the year.

Money center banks recorded an increase of 20 basis points in their margin, the largest since at least the mid-1970s.[2] Other large banks experienced somewhat smaller gains, but also reported wider net interest margins in 1982 than they had had since the mid-1970s. Virtually all of this increase was registered in the second half of 1982, and it is attributable to a combination of asset and liability positioning and temporary changes in alignments among certain market yields. At midyear, large banks generally had slightly more liabilities than assets eligible for near-term repricing. These estimates are relatively crude, particularly with respect to the near-term interval within which repricing is possible; but at midyear the "gap" between such liabilities and assets was considerably wider at money center banks than at other large banks, an observation that tends to corroborate the larger increase in net interest margins of the money center group.

In addition, the prime rate lagged declines in other short-term yields during the second half of the year, although it tended to maintain its established relationship with the average cost of money market liabilities at large commercial banks.[3] Banks reaped a temporary gain to the extent that loans in their portfolio were tied to the prime but

2. Longer comparisons are marred because it was only in 1976 that banks began reporting in such a way as to permit the construction of a fully consolidated net interest margin. Before that, it was possible to construct a net interest margin reflecting business done only at the domestic offices of these banks, exclusive of the foreign-office operations important to large banks.

3. For example, a quarterly regression encompassing the period from the fourth quarter of 1979 through the end of 1982 indicates that

$$P = -3.62 + \underset{(.14)}{1.44AV} \qquad R^2 = .90;\ \mathrm{DW} = 2.04,$$

where P is the prime rate and AV is the weighted average effective interest rate paid on money market liabilities during the current quarter by commercial banks with at least \$300 million in assets. The actual prevailing prime rate minus that fitted on the basis of this regression was −44 and −7 basis points during the third and fourth quarters respectively. By contrast, a prime rate regression based on marginal costs and encompassing the same period suggests that in the third quarter the actual prevailing prime rate was 138 basis points higher than fitted, but by the fourth quarter was only 12 basis points above fitted. The regression using marginal costs is

$$P = 5.12 + \underset{(.14)}{.80CD} \qquad R^2 = .73;\ \mathrm{DW} = 1.21,$$

where P is the prime rate and CD is the 30-day CD rate adjusted to include reserve costs. See Michael A. Goldberg, "The Pricing of the Prime Rate," *Journal of Banking and Finance*, vol. 6 (June 1982), pp. 277–96; and Karma Hadjimichalakis, "Symmetric versus Asymmetric Interest Rate Adjustment Mechanisms," *Economic Letters*, vol. 7 (September 1981), pp. 257–64.

6. Loan portfolio losses and recoveries, all insured commercial banks, 1981–82

Millions of dollars, except as noted

Year and size of bank[1]	Losses charged	Recoveries	Net losses: Dollar amount	Net losses: Percent of loans[2]	Loan-loss provision
1981					
All banks	5,240	1,519	3,721	.35	5,032
Less than $100 million	1,107	292	815	.43	987
$100 million to $1 billion	1,095	280	815	.39	1,014
$1 billion or more					
Money center banks	1,175	400	775	.22	1,269
Others	1,863	546	1,317	.40	1,762
1982					
All banks	8,109	1,588	6,521	.55	8,291
Less than $100 million	1,578	308	1,270	.67	1,479
$100 million to $1 billion	1,637	315	1,322	.60	1,642
$1 billion or more					
Money center banks	2,125	392	1,733	.45	2,212
Others	2,769	574	2,194	.57	2,958

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

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

financed by liabilities eligible for repricing at market yields early in the second half.

For some time up to mid-1982, small banks had bolstered net interest margins by taking advantage of a persistent inversion in the term structure of market interest rates: they acquired money market assets with funds raised by issuing MMCs. However, when market yields dropped precipitously in the middle of the year, these banks faced temporary pressure on net interest margins until the high-yield MMCs issued in the first half of the year matured. Net interest margins of banks with less than $100 million in assets fell 11 basis points from the first to the second half of the year, and for 1982 as a whole were only 3 basis points higher than in 1981.

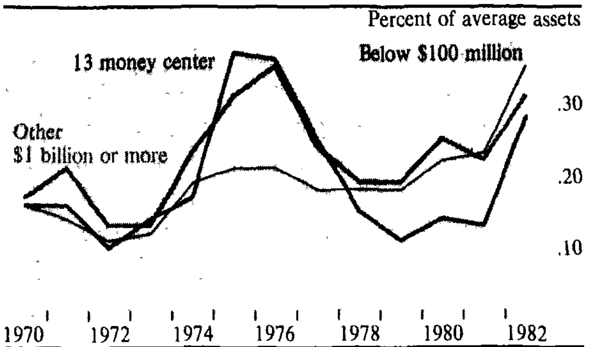
Loan Losses

Actual and potential chargeoffs of loans loomed as a major factor in commercial banking during 1982. Many sectors of the domestic economy manifested strains associated with continued high inflation and interest rates, weak business activity, and associated postwar record bankruptcy rates, high unemployment rates, and a sharp, unanticipated decline in oil prices. Agriculture was further affected by general declines in commodity prices and reduced export demand for farm products. Reflecting repercussions from weakness in worldwide economic activity, several foreign economies had difficulties that affected loans to private borrowers in their countries.

Provisions for loan losses jumped 13 basis points to 0.39 percent of average assets, surpassing the recent peak in 1975. Loans written off as uncollectible (net of recoveries from loans previously charged off) also increased sharply, to 0.55 percent of average loans, just under the recent peak in 1975–76.

As table 6 indicates, all four major size groups of commercial banks registered large year-to-year increases in net chargeoffs relative to average loans. Losses in relation to the total asset base similarly increased to previous cyclical peaks at all sizes of banks (see chart 2). This apparent uniformity represents credit deterioration throughout the economy. (One important exception seems to be consumer loans; sample surveys show that their chargeoff and delinquency rates were about unchanged in 1982 from the preceding two years.) Banks with a heavy concentration of agricultural loans in their portfolios registered the highest rate of loans charged off in recent memory: 0.70 percent of average loans, up sharply from 0.43 percent in 1981 and a range of only 0.16 to 0.24 percent during the 1970s. Real estate lending may have fared somewhat better: banks with relatively large mortgage portfolios reported an increase of 11 basis points in net chargeoffs, to 0.45 percent of average loans; but large banks required to report chargeoffs and recoveries by portfolio category showed an average net chargeoff rate on loans secured by real estate of 0.11 percent of the portfolio, about double the 1981 rate. The detail provided by large banks shows that chargeoffs of business

2. Net loan losses



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

loans extended to customers located in the United States accelerated dramatically in the second half of 1982, to an annual rate of 1.35 percent of the average of such loans outstanding, more than double the pace in the comparable period of the previous two years.

Indeed, regression analysis of the determinants of pretax operating profitability based on cross-section data from all 14,000 insured commercial banks indicates that during 1982, for the first time in at least five years, the fraction of assets in business loans exerted a significant influence on returns. In 1982, for every increase of 1 percentage point in the proportion of assets allocated to business loans, pretax profitability declined 2 basis points. This result reflects the widespread difficulties encountered by businesses in coping with the prolonged weakness in sales; a balance sheet that had unusually large debt relative to equity financing; and high nominal interest rates, which raised business debt service costs through floating-rate loan contracts and refinancing of short-term obligations.

Low-earning banks seem to have been distinguished from high-earning banks by loans of poor quality, as evidenced by higher loan-loss provisions and loan chargeoffs net of recoveries. Table 7 demonstrates this point. It reports certain characteristics of banks in each of three size classes, divided into quartiles according to the ratios of their net income to average equity capital. The data are reported separately for the first and second halves of 1982 because the quality of loan portfolios worsened as the year progressed.

7. Selected characteristics of insured commercial banks, by size and by profitability, 1982[1]

Size and quartile of profitability	Percent of average assets						Net loan chargeoffs as percent of average loans
	Interest income	Taxable-equivalence adjustment[2]	Interest expense	Loan-loss provision	Other non-interest expense	Profits before tax[3]	
	First half						
Less than $100 million							
Lowest quartile	11.62	.22	7.46	.48	4.11	.31	.73
Highest quartile	12.81	.63	7.24	.14	2.99	3.19	.17
$100 million to $1 billion							
Lowest quartile	11.19	.26	7.82	.39	3.49	.25	.55
Highest quartile	12.25	.79	7.49	.23	3.28	2.18	.21
$1 billion and more							
Lowest quartile	11.45	.22	8.63	.48	3.48	.25	.53
Highest quartile	11.55[4]	.59	8.05	.27	3.16[4]	1.30	.28
	Second half						
Less than $100 million							
Lowest quartile	11.34	.09	7.09	1.35	4.65	−.94	2.09
Highest quartile	12.27	.70	7.21[4]	28	3.41	2.21	.48
$100 million to $1 billion							
Lowest quartile	10.61	.21	7.07	1.12	3.62	−.39	1.67
Highest quartile	11.30	.78	6.71	.30	3.40	1.83	.47
$1 billion and more							
Lowest quartile	10.32	.17	7.62	1.05	3.57	−.16	1.32
Highest quartile	10.43[4]	.55[4]	6.70	.37	3.37[4]	1.48	.59

1. Profitability is defined as the ratio of net income to average equity. All numbers shown are annual rates.
2. See table 1, note 4.
3. The sum of noninterest income (not shown) and interest income less the three expense items shown.
4. Differences between means are not significant within the 0.05 range.

As table 7 shows, banks with the lowest return on equity were different in several ways from their most profitable peers. At banks of small and medium size, gross interest income unadjusted for taxable equivalence was on average far lower among those in the lowest earnings group than those in the highest.[4] Although this difference is to be expected because loans charged off have been delinquent in their interest payments, no significant difference in gross interest earnings appears between the highest and lowest quartiles of the largest banks. In most cases, interest expenses were significantly lower at the most profitable banks; at small and medium-sized banks the difference was smaller than it was for interest income, but the reverse was true at larger banks, which rely more heavily on uninsured liabilities. Provisions for loan losses taken by the least profitable banks were significantly higher than those at their most profitable peers, and the difference between the two groups was substantially larger in the second half of the year. Similarly, the volume of loans charged off in relation to average loans outstanding was significantly higher at the least profitable banks—by a very wide margin in the second half. Noninterest operating expenses other than loan-loss provisions also were significantly higher at small and medium-sized banks in the lowest earnings quartile; a similar, though not statistically significant, difference is shown for the largest banks. These enlarged noninterest expenses may be associated with additional legal and collection fees connected with administering problem loans.

Other Noninterest Expenses and Noninterest Income

For all banks, noninterest expenses other than loan-loss provisions increased 15 basis points relative to average assets, and large banks registered an increase about double that for small banks. Expenses for wages, salaries, and employee benefits continued to grow faster than average assets, as has been the case for several years. In 1982, increases in these expenses, combined with occupancy expenses, accounted for about half of the increase in overall noninterest expenses other than loan-loss provisions.

The undifferentiated category "other operating expenses" was responsible for the other half of the increase in operating costs. No further detail is available on the nature of these expenses, and the composition no doubt varies widely across banks. Some of the increase may have been associated with promotional expenses for the new MMDA, some with problem loans. As table 7 shows, banks with weak earnings were apt also to have loans of poor quality and relatively high noninterest expenses other than loan-loss provisions. In addition, losses not directly connected with deterioration in loan credit quality—for example, those incurred from securities or RP transactions, or from foreign exchange trading—appear in this item.

Noninterest income also increased relative to average assets in 1982. Income from charges and fees increased 5 basis points, about half of which is attributed to service charges and fees on deposits. Many banks have established activity fees and other charges for interest-bearing transaction accounts; growth in such fees may reflect the slight increase from 1981 to 1982 in turnover of interest-bearing transaction accounts (from 14 to 14½ times per year) as well as the widened use of such deposits suggested by the increase of 1 percentage point in the fraction of average assets funded by NOW accounts. Income from loan fees, which includes fees associated with loans to countries experiencing liquidity difficulties, also grew.

Profitability, Dividends, and Capital

The pressures squeezing profitability during 1982 were evidently felt by banks of all sizes. Weighted average returns for all insured commercial banks declined 5 basis points in terms of average assets, and a full percentage point in terms of average equity capital (table 8). Return on average equity—which in a sense is not affected by the differences in capital leverage between small and large banks—declined fairly uniformly in 1982. Small and medium-sized banks registered a reduction of slightly less than a full percentage point in return to equity capital. The reduction was slightly larger for the larger banks on aver-

4. The adjustment for taxable equivalence obviously is small for banks with low taxable income.

8. Profit rates, all insured commercial banks, 1978–82
Percent

Type of return and size of bank[1]	1978	1979	1980	1981	1982
Return on assets[2]					
All banks	.76	.80	.79	.76	.71
Less than $100 million	1.04	1.15	1.18	1.15	1.08
$100 million to $1 billion	.90	.96	.96	.91	.85
$1 billion or more					
Money center banks	.53	.56	.56	.53	.50
Others	.68	.72	.66	.68	.63
Return on equity[3]					
All banks	12.9	13.9	13.7	13.2	12.2
Less than $100 million	13.2	14.1	14.2	13.6	12.7
$100 million to $1 billion	13.2	13.9	13.7	12.8	12.0
$1 billion or more					
Money center banks	12.8	14.0	14.4	13.4	12.3
Others	12.5	13.5	12.7	12.9	11.9

1. Size categories are based on year-end fully consolidated assets.
2. Net income as a percent of the average of beginning- and end-of-year fully consolidated assets net of loan-loss reserves.
3. Net income as a percent of the average of beginning- and end-of-year equity capital

age, and in 1982 there was unusually wide dispersion in their performance.

Notwithstanding reduced profitability in 1982, cash dividends on common and preferred stock increased an average of 1 basis point relative to average assets, and small banks raised their dividend payments 4 basis points from 1981. Only 0.4 percent of average assets was retained, 6 basis points less than in 1981 and 10 basis points less than in 1980. On average all banks, whatever their size, retained less income relative to average assets in 1982 than in 1981.

In the aggregate, insured commercial banks retained $8.4 billion of income in 1982 (table 9), which was $½ billion less than in the year earlier and the first reduction since the small decline reported in 1975. Banks raised $2½ billion in equity from sources other than income retention, but total equity capital increased $0.3 billion less in 1982 than in 1981.

Adjustable-rate perpetual preferred stock and mandatory convertible securities were important avenues for attracting capital, particularly by large bank holding companies, which issued $1.8 billion and $1.3 billion respectively in these forms in public markets during 1982. Moreover, rapidly rising values in the stock market provided a more favorable environment for issuance of common stock than in several years. Not all of the externally generated capital was passed on to the commercial bank affiliates of these large holding companies, however; growth in capital ratios at some large bank holding companies was larger than that at their commercial bank affiliates. So, though aggregate capital issued by banking organizations increased substantially,

9. Sources of increase in total equity capital, all insured commercial banks, 1978–82
Millions of dollars, except as noted

Year	Retained income[1]		Net increase in equity capital		Percent of increase in equity capital from retained income	
	All banks	Large banks[2]	All banks	Large banks[2]	All banks (column 1 ÷ column 3)	Large banks (column 2 ÷ column 4)
	(1)	(2)	(3)	(4)	(5)	(6)
1978	7,019	2,947	8,148	3,304	86	89
1979	8,350	3,616	9,952	4,291	84	84
1980	8,859	3,843	10,828	4,567	82	84
1981	8,904	4,108	11,168	5,426	80	76
1982	8,410	4,055	10,865	5,304	77	76

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

the ratio of equity capital to assets at money center banks edged up by only 0.1 percent, and that for all insured commercial banks taken together remained unchanged at 5.8 percent.

INSURED U.S. COMMERCIAL BANKS WITH FOREIGN OFFICES

Like all other large insured commercial banks in the United States, the 196 commercial banks with foreign offices or Edge or Agreement corporations experienced opportunities brought by rapidly falling interest rates and encountered difficulties associated with deterioration in the credit quality of loans. Gains in their consolidated net interest margins were more than offset by increases in loan-loss provisions and other expenses, and profits edged down from 1981. In addition, loans extended by many of these banks to customers in certain less industrialized countries were impaired by the sharp, unexpected drop in oil prices, realignments of currency values, and pervasive recession.

Interest earned on loans at foreign offices declined 286 basis points in 1982 (table 10). Such loans tend to carry short maturities—at year-end, three-fifths matured within one year—or to be otherwise closely linked with money market rates, and the behavior of portfolio yields largely reflected the declines in short-term market yields from 1981. (Most of the loans extended in countries experiencing severe difficulties during 1982 were maintained on an accrual status; reported interest includes income due from those loans, and accordingly the observed decline in yields on loan portfolios at foreign offices does not represent any material disruption in interest receipts.) A different portfolio mix contributed to the slower decline in loan yields at domestic offices—139 basis points—than at foreign offices; at the end of 1982, about one-third of the domestic-office portfolios of these banks was in real estate and consumer loans, which tend to have average maturities longer than one year and whose yields tend to be less volatile than money market rates.

Dissimilarities in asset distribution also help account for the larger decline in total portfolio yields at foreign offices (from 18½ to 15¾ percent) than at domestic offices (from 15½ to 14⅜ percent). Slightly over half of both foreign- and domestic-office assets was in loans at the end of 1982 (table 11). The difference in the response of yields stems from the larger allocation of domestic-office assets to securities, only 20 percent of which matured within one year, and from the larger allocation of foreign-office assets to interbank deposits, three-fourths of which matured within three months.

Foreign and domestic offices also differed in effective interest rates paid for liabilities. For the former, those rates declined 248 basis points, but

10. Rates of return and rates paid for funds, U.S. insured commercial banks with foreign offices, 1981–82[1]

Percent

Item	Domestic offices		Foreign offices	
	1981	1982	1981	1982
Loans	16.32	14.93	19.27	16.41
Interest-earning assets[2]	15.53	14.36	18.47	15.77
Interest-bearing deposits	12.91	11.36	17.34	14.86
Interest-bearing claims	13.85	11.52	17.27	14.98

1. Calculated as described in the "Technical Note," FEDERAL RESERVE BULLETIN (September 1979), p. 704
2. See table 1, note 4

11. Assets and liabilities, U.S. insured commercial banks with foreign offices, December 31, 1982

Percent of total, except as noted

Item	Domestic offices	Foreign offices
Total assets (billions of dollars)	**963**	**390**
Cash and due from banks	11	32
Gross federal funds sold and reverse repurchase agreements	4	*
Securities	12	3
Loans	56	51
Other	16	14
Advances to affiliated offices	4	6
Total liabilities (billions of dollars)	**899**	**389**
Deposits	70	79
Non-interest-bearing[1]	21	3
Interest-bearing	49	76
Savings and small time	25	n.a.
Time of $100,000 or more	24	n.a.
Nondeposit financial claims	19	4
Federal funds purchased and repurchase agreements	15	*
Subordinated notes and debentures	1	*
Other liabilities for borrowed money	4	4
Other	11	16
Advances from affiliated offices	2	11

1. Demand deposits in domestic offices, non-interest-bearing deposits in foreign offices.
* Less than 0.5 percent
n.a. Not available.

12. Interest income and expense as percent of average assets, U.S. insured commercial banks with foreign offices, 1981–82

Item	Domestic offices		Foreign offices	
	1981	1982	1981	1982
Gross interest income	10.24	9.80	14.96	12.59
Gross interest expense	7.60	6.77	13.16	11.40
Net interest margin	2.64	3.03	1.80	1.19
Taxable equivalent[1]	3.02	3.39	1.80	1.19

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

for the latter, only 155 basis points (table 10). On average during 1982, four-fifths of interest-bearing deposits of foreign offices matured within three months, and as indicated in table 11, such deposits account for virtually all of the interest-bearing liabilities those offices issued. An average of three-fourths of large CDs issued by domestic offices matured within three months; at the other extreme, savings and small time deposits other than short-term variable-ceiling deposits accounted for an average of two-thirds of all savings and small time deposits issued by domestic offices.

At foreign offices the ratio of interest income to assets declined on average nearly 2½ percentage points (table 12), while the decline at domestic offices was less than ½ percentage point, reflecting their different changes in portfolio yields. Similarly, interest expenses declined more rapidly at foreign offices than at domestic offices. Nonetheless, net interest margins of domestic offices widened by a substantial 37 basis points whereas those at foreign offices narrowed 61 basis points.

On a consolidated basis, the net interest margins of banks with foreign offices expanded in 1982 by 13 basis points, reflecting the greater weight of domestic-office volume (table 13). That gain and expanded noninterest earnings were more than offset by a rapid increase in loan-loss provisions and other noninterest expenses. Pretax income declined from 0.86 to 0.75 percent of average assets, and earnings computed on a fully allocated basis fell by about equal amounts at foreign and domestic offices. International business contributed about one-third of consolidated net income, slightly less than in 1981 (see table A.3).

Developments in Early 1983

The rebound in the economy and relative stability in interest rates during the first quarter of 1983 set the stage for some improvement in the credit quality of domestic loans in commercial bank portfolios. Loan-loss provisions at banks with at least $300 million in assets had backed down considerably from fourth-quarter peaks, although they remained 10 to 15 basis points above the range—about 0.25 percent of average assets—registered in the first quarter of the previous three years. The improved loan portfolios evidently reflect domestic developments; the most noteworthy indication is the decline to an annual rate slightly below 1 percent of portfolios in chargeoffs of business loans extended to U.S. addressees. Unsettled conditions persisted with respect to bank debt outstanding in countries experiencing liquidity strains.

Net interest margins at large banks were maintained in the first quarter near the relatively high levels reached in late 1982. With approximately offsetting changes in noninterest income and expenses, and stability in net interest margins, pretax profitability in the first quarter increased nearly as much as the reduction in loan-loss provisions. In the first quarter, pretax profitability for all banks with assets of at least $300 million was about equal to that a year earlier and only slightly below that in the preceding two years.

13. Consolidated income and expenses, U.S. insured commercial banks with foreign offices, 1981–82

Percent of average assets

Item	1981	1982
Gross interest income	12.13	11.11
Gross interest expense	9.74	8.58
Net interest margin	2.39	2.53
Taxable equivalent[1]	2.66	2.79
Noninterest income	1.10	1.17
Loan-loss provision	.25	.39
Other noninterest expense	2.38	2.56
Income before tax	.86	.75
Foreign offices[2]	.30	24
Domestic offices[2]	.56	.51
Net income	.60	.55
International business[2]	.21	.18
Domestic business[2]	.39	.37

1. See table 1, note 4.
2. See table A.3. Reflects amounts attributed to each class of business, giving full allocation of income and expense.

A.1. Report of income, all insured commercial banks, 1978–82

Millions of dollars, except as noted

Item	1978	1979	1980	1981	1982
Operating income, total	**113,170**	**149,795**	**190,109**	**247,932**	**257,188**
Interest, total	102,706	137,364	174,416	228,675	235,121
Loans	75,948	101,942	126,663	163,171	166,589
Balances with banks	6,662	10,561	16,035	23,935	23,857
Federal funds sold and securities purchased under resale agreement	3,664	6,106	8,750	12,236	11,316
Securities (excluding trading accounts)					
Total income	16,432	18,755	22,968	29,333	33,359
U.S. Treasury and U.S. government agencies and corporations	9,335	10,630	13,400	18,037	21,022
States and political subdivisions	6,003	6,928	8,131	9,671	10,612
Other[1]	1,094	1,197	1,437	1,635	1,725
Trust department	2,138	2,375	2,738	3,179	3,604
Direct lease financing	862	1,073	1,371	1,746	1,943
Service charges on deposits	2,039	2,517	3,173	3,905	4,573
Other charges, fees, etc.	2,930	3,635	4,352	5,302	6,203
Other operating income	2,495	2,831	4,059	5,116	5,715
Operating expenses, total	**98,104**	**131,950**	**170,675**	**227,714**	**238,016**
Interest, total	59,198	87,570	119,758	169,268	168,553
Time and savings deposits	50,054	71,693	98,130	138,977	141,097
Time CDs of $100,000 or more issued by domestic offices	11,693	18,105	24,753	39,034	37,359
Deposits in foreign offices	14,559	24,523	34,941	46,696	41,746
Other deposits	23,802	29,065	38,436	53,248	62,029
Federal funds purchased and securities sold under repurchase agreement	7,247	12,218	16,707	23,786	20,618
Other borrowed money[2]	1,452	3,162	4,380	5,894	6,188
Capital notes and debentures	445	497	541	611	650
Salaries, wages, and employee benefits	18,654	21,465	24,565	27,927	31,218
Occupancy expense[3]	5,559	6,255	7,325	8,566	9,960
Loan-loss provision	3,499	3,764	4,453	5,059	8,291
Other operating expenses	11,194	12,796	14,573	16,962	19,953
Income before taxes and securities gains or losses	15,067	17,843	19,435	20,149	19,172
Applicable income taxes	4,155	4,736	5,009	4,611	3,639
Net securities gains or losses (−) after taxes	−225	−350	−492	−861	−661
Extraordinary charges (−) or credits after taxes	45	39	17	54	68
Net income	10,731	12,797	13,950	14,731	14,940
Cash dividends declared	3,714	4,449	5,091	5,831	6,529
MEMO					
Number of banks	14,380	14,352	14,421	14,400	14,121
Average fully consolidated assets (billions of dollars)	1,418	1,593	1,768	1,933	2,101

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

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1979–82[1]

A. All banks

Item	1979	1980	1981	1982
	Balance-sheet items as percent of average consolidated assets			
Interest-earning assets	83.0	82.9	83.8	85.1
Loans	56.3	55.4	55.2	56.1
Commercial and industrial	20.6	20.8	21.5	22.8
Real estate	14.6	14.6	14.4	14.2
Personal	11.4	10.6	9.6	9.2
Securities	17.2	17.0	17.0	16.6
U.S Treasury	5.5	5.3	5.3	5.1
U.S government agencies	2.8	3.0	3.3	3.5
State and local governments	8.0	7.8	7.6	7.2
Other bonds and stock	.8	.8	.8	.7
Gross federal funds sold and securities purchased under resale agreement	3.4	3.7	4.0	4.4
Interest-bearing deposits	6.2	6.8	7.7	8.1
Financial claims	89.7	89.1	88.8	88.8
Demand deposits	25.3	24.0	20.8	17.4
Interest-bearing claims	64.4	65.1	68.0	70.9
Time and savings deposits	55.0	55.5	57.8	60.3
Large time	12.7	12.8	14.2	15.4
In foreign offices	15.6	16.0	15.8	15.0
Other domestic deposits	26.7	26.7	27.8	29.9
MMCs and 91-day variable-ceiling deposits	3.9	8.2	10.5	10.8
NOW accounts	.6	1.0	2.4	3.4
Subordinated notes and debentures	.4	.4	.3	.3
Other borrowings	2.4	2.3	2.3	2.3
Gross federal funds purchased and securities sold under repurchase agreement	6.6	6.9	7.5	8.0
MEMO: Money market liabilities	37.6	38.4	40.2	41.0
	Effective interest rates (percent)			
Rates earned				
Securities	7.05	7.88	9.27	9.96
State and local governments	5.58	6.03	6.72	7.19
Loans, gross	12.01	13.71	16.37	15.20
Net of loan-loss provision	11.55	13.19	15.83	14.39
Taxable equivalent				
Securities	9.31	10.23	11.73	12.49
Securities and gross loans	11.37	12.88	15.26	14.57
Rates paid				
Time and savings deposits	8.69	10.66	13.38	11.94
Large negotiable CDs	10.52	12.56	16.42	14.14
In foreign offices	11.38	14.03	17.34	14.87
Other deposits	6.65	8.10	10.02	9.75
Liabilities except "other deposits"	11.20	13.45	16.82	14.03
All interest-bearing liabilities	9.13	11.10	13.86	12.08
	Income and expenses as percent of average consolidated assets			
Gross interest income	8.62	9.87	11.81	11.19
Gross interest expense	5.50	6.78	8.75	8.02
Net interest margin	3.12	3.09	3.07	3.17
Noninterest income	.78	.89	.99	1.05
Loan-loss provision	.24	.25	.26	.39
Other noninterest expense	2.54	2.63	2.76	2.91
Profits before tax	1.12	1.10	1.04	.91
Taxes	.28	.28	.24	.17
Other	−.04	−.03	−.04	−.03
Net income	.80	.79	.76	.71
Dividends	.28	.29	.30	.31
Retained income	.52	.50	.46	.40
MEMO: Net interest margin, taxable equivalent	3.48	3.46	3.45	3.55

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1979–82[1]—Continued

B. Banks with less than $100 million in assets

Item	1979	1980	1981	1982
	Balance-sheet items as percent of average consolidated assets			
Interest-earning assets	89.8	89.4	90.8	91.0
Loans	58.5	55.9	53.6	52.5
Commercial and industrial	12.1	11.9	12.3	12.9
Real estate	21.6	20.8	19.6	18.4
Personal	17.2	15.5	14.0	12.9
Securities	27.1	27.8	29.4	29.6
U.S. Treasury	9.1	9.2	9.9	9.8
U.S. government agencies	5.5	6.3	7.4	8.4
State and local governments	12.0	11.8	11.5	10.9
Other bonds and stock	.5	.5	.5	.4
Gross federal funds sold and securities purchased under resale agreement	4.0	5.5	5.9	6.4
Interest-bearing deposits	.1	.2	1.9	2.6
Financial claims	90.2	89.8	89.5	89.5
Demand deposits	28.9	26.7	22.5	19.0
Interest-bearing claims	61.3	63.1	66.9	70.3
Time and savings deposits	59.6	61.4	65.0	68.1
Large time	9.1	9.5	10.0	10.7
In foreign offices	.0	.....		
Other domestic deposits	50.6	52.0	55.0	57.5
MMCs and 91-day variable-ceiling deposits	7.8	17.4	22.5	23.1
NOW accounts	.5	.8	4.0	6.2
Subordinated notes and debentures	.2	.2	.2	.1
Other borrowings	.4	.4	.3	.3
Gross federal funds purchased and securities sold under repurchase agreement	1.0	1.0	1.4	1.7
MEMO: Money market liabilities	10.8	11.1	12.0	12.8
	Effective interest rates (percent)			
Rates earned				
Securities	7.02	7.89	9.69	10.82
State and local governments	5.42	5.80	6.44	7.24
Loans, gross	10.88	12.43	14.90	15.35
Net of loan-loss provision	10.42	11.90	14.30	14.46
Taxable equivalent				
Securities	9.09	9.98	11.77	12.97
Securities and gross loans	10.31	11.60	13.79	14.48
Rates paid				
Time and savings deposits	7.11	8.81	11.21	10.97
Negotiable CDs	9.79	11.66	15.18	13.72
In foreign offices	.		...	
Other deposits	6.71	8.36	10.56	10.52
Liabilities except "other deposits"	10.00	11.66	15.11	13.54
All interest-bearing liabilities	7.22	8.89	11.31	11.02
	Income and expenses as percent of average consolidated assets			
Gross interest income	8.44	9.67	11.49	11.71
Gross interest expense	4.27	5.36	7.13	7.33
Net interest margin	4.18	4.31	4.36	4.38
Noninterest income	.60	.64	.69	.68
Loan-loss provision	.24	.26	.28	.41
Other noninterest expense	3.02	3.12	3.23	3.30
Profits before tax	1.52	1.57	1.55	1.35
Taxes	.33	.36	.35	.26
Other	−.04	−.03	.06	−.01
Net income	1.15	1.18	1.15	1.08
Dividends	.29	.31	.35	.39
Retained income	.86	.87	.80	.69
MEMO: Net interest margin, taxable equivalent	4.70	4.85	4.92	4.95

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1979–82[1]—Continued

C. Banks with $100 million to $1 billion in assets

Item	1979	1980	1981	1982
	Balance-sheet items as percent of average consolidated assets			
Interest-earning assets	87.2	87.2	88.0	89.0
Loans	56.8	55.4	54.1	53.4
Commercial and industrial	16.1	15.9	16.3	16.9
Real estate	20.6	20.5	20.0	19.4
Personal	16.4	15.4	14.0	13.2
Securities	25.0	25.2	25.7	25.3
U.S. Treasury	8.0	7.9	8.1	8.0
U.S. government agencies	4.0	4.4	5.0	5.5
State and local governments	12.3	12.3	11.9	11.1
Other bonds and stock	.7	.6	.7	.7
Gross federal funds sold and securities purchased under resale agreement	4.3	5.4	5.5	5.9
Interest-bearing deposits	1.0	1.3	2.8	4.4
Financial claims	91.0	90.7	90.6	90.6
Demand deposits	30.1	28.8	25.0	21.3
Interest-bearing claims	60.8	62.0	65.6	69.2
Time and savings deposits	54.2	55.2	58.2	61.6
Large time	14.1	14.4	15.0	15.4
In foreign offices	.5	.2	.2	.2
Other domestic deposits	39.5	40.6	43.0	46.0
MMCs and 91-day variable-ceiling deposits	5.7	12.2	15.8	16.6
NOW accounts	.9	1.5	3.6	5.2
Subordinated notes and debentures	.5	.4	.4	.4
Other borrowings	1.2	.9	.9	.8
Gross federal funds purchased and securities sold under repurchase agreement	5.0	5.4	6.1	6.5
MEMO: Money market liabilities	21.3	21.3	22.6	23.2
	Effective interest rates (percent)			
Rates earned				
Securities	6.82	7.64	9.14	9.96
State and local governments	5.40	5.82	6.49	7.03
Loans, gross	11.56	12.79	15.23	14.68
Net of loan-loss provision	11.09	12.26	14.66	13.83
Taxable equivalent				
Securities	9.12	10.00	11.44	12.34
Securities and gross loans	10.80	11.91	13.99	13.92
Rates paid				
Time and savings deposits	7.58	9.05	11.46	10.67
Negotiable CDs	10.82	12.13	16.05	13.96
In foreign offices	11.64	12.99	15.84	14.44
Other deposits	6.53	8.06	9.99	9.69
Liabilities except "other deposits"	11.02	12.48	16.07	13.53
All interest-bearing liabilities	7.98	9.50	11.97	10.89
	Income and expenses as percent of average consolidated assets			
Gross interest income	8.44	9.47	11.25	11.05
Gross interest expense	4.66	5.62	7.39	7.13
Net interest margin	3.78	3.85	3.86	3.92
Noninterest income	.75	.82	.87	.90
Loan-loss provision	.23	.26	.27	.40
Other noninterest expense	3.07	3.20	3.34	3.42
Profits before tax	1.23	1.20	1.12	1.00
Taxes	.23	.22	.17	.12
Other	−.03	−.03	−.05	−.04
Net income	.96	.96	.91	.85
Dividends	.34	.36	.39	.40
Retained income	.62	.60	.52	.45
MEMO: Net interest margin, taxable equivalent	4.31	4.40	4.40	4.47

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1979–82[1]—Continued

D. Thirteen money center banks

Item	1979	1980	1981	1982
	Balance-sheet items as percent of average consolidated assets			
Interest-earning assets	77.8	78.0	79.6	81.4
Loans	54.8	55.4	57.5	61.0
Commercial and industrial	29.7	29.9	31.2	33.6
Real estate	6.2	6.9	7.5	8.1
Personal	4.2	4.3	4.2	4.3
Securities	7.4	7.2	6.8	6.3
U.S. Treasury	2.1	2.2	2.0	1.7
U.S. government agencies	.8	.9	.8	.7
State and local governments	3.0	2.8	2.7	2.7
Other bonds and stock	1.4	1.4	1.3	1.2
Gross federal funds sold and securities purchased under resale agreement	2.0	1.6	2.1	2.4
Interest-bearing deposits	13.7	13.7	13.2	11.7
Financial claims	88.4	87.8	87.2	87.2
Demand deposits	17.9	17.5	14.7	11.1
Interest-bearing claims	70.5	70.3	72.5	74.8
Time and savings deposits	57.9	57.8	59.5	61.4
Large time	11.2	11.1	13.5	15.7
In foreign offices	40.1	40.3	39.3	38.0
Other domestic deposits	6.6	6.4	6.6	7.7
MMCs and 91-day variable-ceiling deposits	.8	1.8	2.3	2.5
NOW accounts	.3	.5	.7	.9
Subordinated notes and debentures	.3	.2	.2	.2
Other borrowings	4.2	4.2	4.4	4.6
Gross federal funds purchased and securities sold under repurchase agreement	8.1	8.2	8.5	8.6
MEMO: Money market liabilities	63.9	63.9	65.9	67.1
	Effective interest rates (percent)			
Rates earned				
Securities	7.67	8.83	9.90	9.78
State and local governments	6.35	6.95	7.68	7.64
Loans, gross	12.76	14.95	17.63	15.65
Net of loan-loss provision	12.39	14.56	17.20	14.98
Taxable equivalent				
Securities	9.94	11.25	12.74	12.57
Securities and gross loans	12.42	14.52	17.10	15.35
Rates paid				
Time and savings deposits	10.37	12.98	16.02	13.67
Negotiable CDs	9.90	13.37	16.98	14.71
In foreign offices	11.27	13.94	17.17	14.88
Other deposits	7.40	8.29	9.40	8.79
Liabilities except "other deposits"	11.13	13.73	17.10	14.55
All interest-bearing liabilities	10.62	13.07	16.20	13.65
	Income and expenses as percent of average consolidated assets			
Gross interest income	8.85	10.40	12.58	11.50
Gross interest expense	6.78	8.40	10.69	9.40
Net interest margin	2.07	2.00	1.89	2.11
Noninterest income	.79	.96	1.11	1.16
Loan-loss provision	.18	.19	.21	.35
Other noninterest expense	1.77	1.83	1.94	2.16
Profits before tax	.91	.94	.86	.76
Taxes	.33	.36	.31	.24
Other	−.02	−.01	−.02	−.03
Net income	.56	.56	.53	.50
Dividends	.22	.22	.21	.22
Retained income	.34	.34	.32	.27
MEMO: Net interest margin, taxable equivalent	2.23	2.15	2.07	2.27

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1979–82[1]—Continued

E. Large banks other than money center banks

Item	1979	1980	1981	1982
	Balance-sheet items as percent of average consolidated assets			
Interest-earning assets	81.1	81.1	81.3	83.0
Loans	56.1	55.0	54.4	55.1
Commercial and industrial	19 9	20.8	20.7	21.8
Real estate	14.4	14.7	14.6	14.6
Personal	11.5	10.9	9.7	9.3
Securities	15.2	15.0	14.4	13.8
U.S Treasury	4.9	4.5	4.2	4.1
U.S. government agencies	2.3	2.3	2.2	2.1
State and local governments	7.5	7.7	7.5	7.1
Other bonds and stock	.5	.5	.5	.5
Gross federal funds sold and securities purchased under resale agreement	3.8	3.6	3.9	4.3
Interest-bearing deposits	6.0	7.4	8.7	9.8
Financial claims	89.7	89.1	88.8	88.8
Demand deposits	27.3	26.1	23.1	19.7
Interest-bearing claims	62.4	63.0	65 7	68.8
Time and savings deposits	49.3	49.7	51.9	54.4
Large time	15.8	15.7	16.8	17.7
In foreign offices	10.8	11.4	11.7	11.0
Other domestic deposits	22.7	22.6	23.2	25.7
MMCs and 91-day variable-ceiling deposits	3.2	6.6	8 2	8.4
NOW accounts	.8	1.2	2.5	3.2
Subordinated notes and debentures	6	.6	.5	.5
Other borrowings	2.6	2.4	2.3	2.2
Gross federal funds purchased and securities sold under repurchase agreement	10.0	10.4	11.0	11.7
MEMO: Money market liabilities	39.7	40.4	42.4	43.0
	Effective interest rates (percent)			
Rates earned				
Securities	7 04	7.67	8.65	9.11
State and local governments	5.65	6.11	6.86	7.15
Loans, gross	12.38	13.85	16.62	14.98
Net of loan-loss provision	11.80	13.23	16.00	14.10
Taxable equivalent				
Securities	9.48	10.29	11.56	12.08
Securities and gross loans	11.75	13 08	15.53	14.38
Rates paid				
Time and savings deposits	8.88	10.64	13.49	11.75
Negotiable CDs	11.10	12.66	16.63	13.99
In foreign offices	11.78	14.37	17.94	14.83
Other deposits	6.40	7.72	9.55	9.33
Liabilities except "other deposits"	11.58	13.63	16.93	13.58
All interest-bearing liabilities	9.52	11.36	14.11	11.85
	Income and expenses as percent of average consolidated assets			
Gross interest income	8.63	9.71	11.60	10.72
Gross interest expense	5.59	6.76	8.64	7.68
Net interest margin	3.04	2.95	2.96	3.04
Noninterest income	.92	1.01	1.13	1.22
Loan-loss provision	.29	.30	.29	.42
Other noninterest expense	2.67	2 76	2.92	3.07
Profits before tax	1.00	.90	.88	.77
Taxes	.22	.19	15	.10
Other	−.06	−.05	−.05	−.04
Net income	.72	.66	.68	.63
Dividends	.29	.29	.31	.30
Retained income	42	.37	.37	.33
MEMO: Net interest margin, taxable equivalent	3.38	3.31	3 35	3.42

1. See notes to tables in the text.

A.3. Income attributable to international business of U.S. commercial banks with foreign offices, 1982

Millions of dollars

Item	Amount
Pretax income attributable to foreign offices[1]	3,037
Plus: Pretax income attributable to international business conducted in domestic offices	953
Less: adjustment amount[2]	160
Pretax income attributable to international business	3,830
Less: All income taxes attributable to international business	1,624
Net income attributable to international business	2,206
MEMO	
Provision for possible loan losses attributable to international business	1,029
Noninterest income	
Attributable to foreign offices[1]	2,174
Attributable to international business	2,844
Noninterest expense	
Attributable to foreign offices[1]	3,634
Attributable to international business	4,794
Intracompany items attributable to international business	
Interest income	7,596
Interest expense	10,147
Interest income of domestic offices from foreign-domiciled customers	6,003
Fully consolidated	
Pretax income	9,348
Total applicable taxes	2,103
Net income[3]	6,825
Average total assets	1,249,052

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

Financial Developments of Bank Holding Companies in 1982

Anthony G. Cornyn of the Board's Division of Banking Supervision and Regulation prepared this article.

In 1982, the nation's largest bank holding companies operated in a difficult economic and financial setting. Protracted weakness in domestic and international economic activity, combined with high real rates of interest, had slowed the growth of bank loans and impaired the ability of some borrowers to service existing debt. Besides the adverse economic environment, banking institutions were forced to cope with intensified competition in the financial services industry and with the increased costs associated with the phasing out of interest ceilings on deposits and the introduction of new deposit products and services.

Viewed in such a context, the overall financial performance of the nation's bank holding companies was reasonably good. Their earnings continued to expand, if at a noticeably slower pace than in recent years. Profitability, as measured by returns on average assets, held up fairly well, although returns on equity declined somewhat. Capital strength improved considerably as a result of slower asset growth and record external equity financing. The imprint of the recession, however, was clearly left on credit quality, as revealed by the sharply higher levels of nonperforming loans and net loan charge-offs.

This review of major financial developments of bank holding companies during 1982 is based on data from a sample of 394 bank holding companies that had more than $100 million in consolidated assets as of year-end 1982.[1] These companies controlled aggregate assets of $1,596.1 billion, or about 70 percent of the assets controlled by U.S. commercial banking institutions.

The article presents data for the entire universe of 394 companies and for three size classes or peer groups: 59 holding companies with more than $5 billion in assets; 134 with $1 billion to $5 billion in assets; and 201 with $100 million to $1 billion in assets. The data used in the review were drawn from the Federal Reserve's Bank Holding Company Financial Supplement (form FR Y-9). The review discusses recent trends in earnings and profitability, balance-sheet composition, asset quality, and capital.

EARNINGS AND PROFITABILITY

Earnings of bank holding companies rose moderately in 1982. For the universe of 394 companies, net operating earnings rose 5.8 percent over the year-earlier level (table 1). Although significantly below the pace of the last several years, the earnings growth of bank holding companies in 1982 compared favorably with corporate profits in general, which were down about 22 percent for the year. The growth in earnings reflected strong gains in both net interest income and noninterest revenue that more than offset relatively sharp increases in loan-loss provisions and noninterest expenses. Of the three groups, the medium-sized companies registered the largest gains in earnings, 10.4 percent; the small companies reported the smallest gains.

Net interest income (on a fully taxable equivalent basis) of the 394 companies amounted to

1. Net operating income, 1978–82[1]
Percent change

Size class	1978–79	1979–80	1980–81	1981–82
Universe[2]	20.2	9.5	8.6	5.8
$100 million to $1 billion	17.9	.6	7.9	2.6
$1 billion to $5 billion	23.2	14.4	8.0	10.4
$5 billion or more	19 4	9.3	8.9	4.5

1. Before securities transactions and extraordinary items.
2. Here and in the following tables the universe was 394 companies.

1. As of December 31, 1982, 4,557 registered bank holding companies were in existence.

2. Selected income and expense items, 1981 and 1982[1]

Item	Dollar amount (millions) 1981	1982	Change (percent)
Gross interest income[2]	174,876	179,765	2.8
Gross interest expense	131,592	128,915	−2.0
Net interest income	43,284	50,850	17.5
Noninterest income	14,759	17,085	15 8
Noninterest expense	36,830	43,378	17.8
Loan-loss provisions	3,834	6,187	61.4
Income before taxes[2]	17,377	18,368	5 7
Taxes	2,551	2,259	−11.5
Taxable equivalent adjustment	5,671	6,420	13.2
Net income before securities transactions	9,154	9,688	5.8
Securities gains (losses)[3]	(433)	(435)	·
Net income	8,720	9,252	6 1

1. Details may not add to totals because of rounding.
2. Fully taxable equivalent.
3. Includes extraordinary items

$50.9 billion, an increase of 17.5 percent from the $43.3 billion in 1981 (table 2). Net interest income, the key component in bank earnings, represents the difference between the interest and fees earned on loans and investments and the interest expense incurred on deposits and other interest-bearing liabilities. The excellent growth of net interest income was in large part attributable to the sharp drop in short-term interest rates in the second half of the year. Many of the larger banking organizations were, on balance, "liability sensitive"—that is, the volume of their interest-sensitive liabilities exceeded the volume of their interest-sensitive assets. Consequently, the drop in interest rates caused their average cost of funds to decline faster than the average yield on earning assets, producing wider margins. Growth in the volume of earning assets, which on a composite basis rose about 9.1 percent in 1982, also contributed to the growth of net interest earnings.

Noninterest operating revenue has become an increasingly important source of earnings and profitability in recent years as companies have moved aggressively to develop new products and expand services to supplement net interest earnings. In 1982, noninterest earnings were up 15.8 percent from the previous year. They were buoyed by higher profits from bond trading, increased service charges and fee-based income, gains from sales of assets, and other items. The progress made in generating noninterest revenue is reflected in table 3, which shows a steady climb in noninterest revenue as a percentage of average assets, from 0.82 percent in 1979 to 1.12 percent in 1982.

Responding to a need to build loan-loss reserves in the face of higher loan losses and considerable uncertainty over the outlook for credit quality, the 394 companies set aside $6.2 billion in provisions for loan losses, an increase of 61.4 percent from 1981. Provisions for loan losses, an expense item, are designed to maintain reserves sufficient to cover the risks inherent in a bank's loan portfolio. The amount charged against earnings, while partly at the bank's discretion, is influenced by several other factors including net loan losses in the current period, changes in the size and composition of the portfolio, and the expected impact of economic and financial conditions on future loan losses.

Noninterest operating expenses of the industry have outpaced asset growth in recent years and consequently have placed significant pressure on earnings and profitability. The need to implement effective cost control programs has become increasingly apparent as the economy makes a transition from high to low rates of inflation and as the pace of expansion of bank earning assets slows. Although there is evidence that many banking institutions have moved aggressively to bring growth rates of operating expenses in line with the slower rate of asset expansion, total noninterest operating expenses (excluding loan-loss provisions) rose 17.8 percent in 1982 to $43.4 billion.

3. Selected income statement items, 1979–82[1]

Percent of average assets

Item	1979	1980	1981	1982
Gross interest income[2]	9.31	10.56	12.59	11.79
Gross interest expense	6.07	7 43	9.48	8.45
Net interest income	3.23	3 12	3.11	3.33
Noninterest income	.82	.94	1.06	1.12
Noninterest expense	2.42	2.51	2.65	2.84
Loan-loss provisions	.25	.26	.27	.40
Income before taxes[2]	1 38	1 28	1.25	1 20
Taxes	.27	.24	.18	.14
Taxable equivalent adjustment	42	37	.40	42
Net income before securities transactions	.68	.66	65	.63
Securities gains (losses)[3]	−.01	− 02	− 03	− 02
Net income	.66	.64	.62	.60

1. Details may not add to totals because of rounding
2. Fully taxable equivalent.
3. Includes extraordinary items.

Salaries and employee benefits (the largest component of total noninterest operating expenses) increased 15.1 percent, occupancy and equipment expenses increased 30.9 percent, and "other expenses" rose 20.5 percent. The growth of occupancy and equipment expense reflects the continued investment in technology for data processing, telecommunications, and funds transfer systems—all of which are designed to increase productivity and reduce overhead costs over the long term. Growth in "other expenses" was attributable partly to higher advertising and marketing outlays to promote new products and services, including individual retirement accounts (IRAs) and money market deposit accounts (MMDAs). Increased net assessments for deposit insurance by the Federal Deposit Insurance Corporation also contributed to the growth in this category. Growth in noninterest operating expenses would have been even higher had it not been for the decline in the general rate of inflation.

On a fully taxable equivalent basis, income before taxes totaled $18.4 billion, up 5.7 percent from $17.4 billion in the previous year. Net of taxes and the taxable equivalent adjustment, net income before securities transactions was $9.7 billion, an increase of 5.8 percent over 1981. After deducting losses on securities and extraordinary items of $435 million, the 394 companies reported net income of $9.3 billion, up 6.1 percent from $8.7 billion in 1981.

Table 4 summarizes the contributions of bank and nonbank subsidiaries to the consolidated net income of bank holding companies. Aggregate earnings of nonbank subsidiaries rose significantly in 1982 and accounted for roughly 9.3 percent of consolidated earnings in 1982, up from 4.9 percent in 1981. Mortgage banking, consumer finance, and leasing activities accounted for the dominant share of the nonbank earnings.

The slow pace in the growth of earnings put downward pressure on key measures of the profitability of bank holding companies. Return on average assets, defined as income before securities transactions divided by average total assets, was 0.63 percent in 1982, down slightly from 0.65 percent in 1981 (table 5). Return on average equity declined to 13.2 percent, from 14.0 percent in 1981 (table 6). The more pronounced decline in the return on equity was related to the reduced balance-sheet leverage employed by the group.

5. Return on average assets, 1979–82[1]
Percent

Size class	1979	1980	1981	1982
Universe	.68	.66	.65	.63
$100 million to $1 billion	.85	.78	.77	.72
$1 billion to $5 billion	.83	.87	.84	.82
$5 billion or more	.62	.60	.60	.57

1. Net income before securities transactions and extraordinary items divided by average assets.

6. Return on average equity, 1979–82[1]
Percent

Size class	1979	1980	1981	1982
Universe	14.7	14.5	14.0	13.2
$100 million to $1 billion	13.6	12.3	12.2	11.4
$1 billion to $5 billion	13.9	14.4	13.8	13.6
$5 billion or more	15.1	14.7	14.2	13.2

1. Net income before securities transactions and extraordinary items divided by average equity.

4. Contribution of bank and nonbank subsidiaries to consolidated earnings, 1978–82

Entity	1978	1979	1980	1981	1982
	Amount (millions of dollars)				
Bank subsidiaries	6,272	7,508	8,199	8,885	9,211
Nonbank subsidiaries	270	350	295	433	858
Parent company and adjustments	(294)	(364)	(408)	(598)	(817)
Consolidated	6,248	7,494	8,086	8,720	9,252
	Percent of consolidated net income				
Bank subsidiaries	100.4	100.2	101.4	101.9	99.5
Nonbank subsidiaries	4.3	4.6	3.6	4.9	9.3
Parent company and adjustments	(4.7)	(4.8)	(5.0)	(6.8)	(8.8)
Consolidated	100 0	100.0	100.0	100.0	100.0

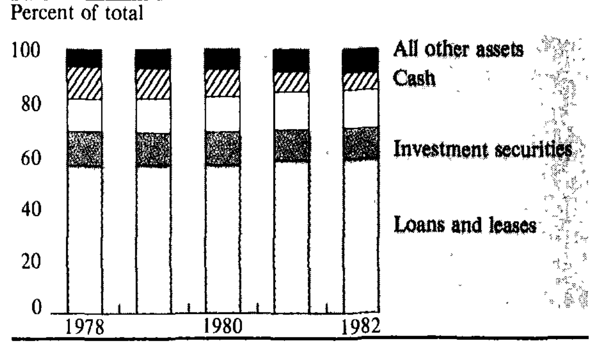
BALANCE-SHEET CHANGES

In recent years, the asset growth of bank holding companies has slowed considerably from that experienced in the late 1970s. Total assets of the 394 companies increased 9.9 percent in 1982 and 9.7 percent in 1981. Over the 1976–80 period, assets expanded at a compounded annual rate of about 12.8 percent. The more restrained pace of asset expansion can be linked to the protracted slowdown in economic activity, the decline in inflation, and high real rates of interest—all of which acted to dampen loan demand. In addition, deterioration in creditworthiness has prompted bankers to exercise greater care in reviewing and extending credit to current and potential customers, and these more cautious lending practices have exerted considerable restraint on asset growth. Among the three peer groups, the aggregate assets of the large companies grew at the slowest pace, 8.9 percent, compared with 13.3 percent for the medium-sized banks, and 10.4 percent for the small ones.

There were no dramatic shifts in the allocation of assets of bank holding companies among the major balance-sheet items (table 7). However, as chart 1 shows, the shares of assets allocated to several of the largest asset categories—loans, investment securities, money market investments, and non-interest-bearing cash balances—changed significantly over the 1978–82 period. Holdings of non-interest-bearing cash balances and investment securities were pared back relative to assets, while loans and lease-financing receivables and holdings of money market instruments increased.

The pronounced reduction in non-interest-bearing cash balances over the last several years reflects efforts by management to minimize the

1. Composition of assets



Data are as of December 31, 1982. "Cash" excludes interest-bearing balances.

opportunity cost of holding these balances through the use of sophisticated cash management techniques. The adoption of same-day settlement procedures in 1981 by participants in CHIPS, the Clearing House Interbank Payments System, also contributed significantly to the reduction. At year-end 1982, non-interest-bearing cash balances of the 394 companies stood at 6.9 percent of aggregate assets, down from 7.9 percent a year earlier and from 12.5 percent at the end of 1978.

On the liability side, dependence on deposit

7. Selected balance-sheet items, year-end 1981 and 1982

Percent of total assets

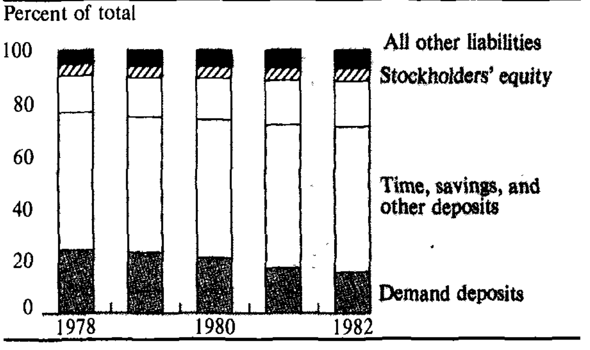
Item	Size class						Universe	
	$5 billion or more		$1 billion–$5 billion		$100 million–$1 billion			
	1981	1982	1981	1982	1981	1982	1981	1982
Cash (excluding interest-bearing deposits)	7.2	6.4	10.4	8.4	8.0	6.9	7.9	6.9
Money market investments[1]	15.0	14.5	12.6	14.7	10.1	11.9	14.3	14.4
Investment securities	8.8	8.6	19.1	19.2	24.4	24.5	11.6	11.6
Loans and leases, net	60.0	61.1	52.3	51.8	52.3	51.4	58.1	58.7
Premises and equipment	1.2	1.3	2.0	2.0	2.2	2.2	1.4	1.5
Other assets	7.7	8.0	3.6	3.9	2.8	3.0	6.6	6.9
Total assets	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Demand deposits	14.8	13.5	24.3	21.4	22.7	19.9	17.1	15.4
Time deposits in denominations of $100,000 or more	15.0	15.0	13.6	13.1	14.1	12.7	14.7	14.5
Other time deposits	7.8	8.5	20.5	21.5	26.8	27.9	11.3	12.2
Savings deposits	5.8	8.1	13.7	16.8	17.0	21.1	8.0	10.5
Foreign deposits	26.7	23.8	3.1	2.9	.0	.0	20.7	18.3
Total deposits	70.2	68.9	75.3	75.8	80.6	81.7	71.7	71.0
Short-term borrowings[2]	15.3	15.6	13.9	13.4	9.2	8.4	14.7	14.8
Long-term borrowings	2.4	2.9	1.7	1.7	1.9	1.7	2.3	2.6
Other liabilities	7.8	7.9	3.0	3.0	1.8	1.6	6.5	6.6
Stockholders' equity[3]	4.3	4.5	6.1	6.1	6.5	6.5	4.8	4.9
Total liabilities and stockholders' equity	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

1. Includes interest-bearing cash balances with other depository institutions, trading account securities, federal funds sold, and securities purchased under agreements to resell.

2. Includes commercial paper, federal funds purchased, securities sold under agreements to repurchase, and other borrowings with an original maturity of one year or less.

3. Includes minority interest in the equity accounts of consolidated subsidiaries.

2. Composition of liabilities and stockholders' equity

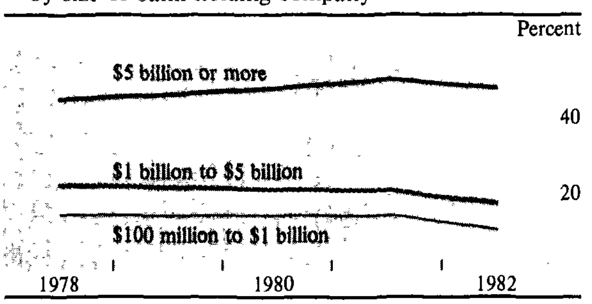


Data are as of December 31, 1982. "Time, savings, and other deposits" exclude demand deposits.

sources of funds continued to decline in relative terms in 1982, while the role of short- and long-term borrowings in meeting the funding needs of bank holding companies continued to expand. Chart 2 shows the trend in the major sources of funds over the 1978–82 period.

Dependence on "purchased funds" declined in 1982, reversing the uptrend that had been in force for some time. Purchased funds are defined as large-denomination time deposits, foreign deposits, federal funds purchased, securities sold under agreements to repurchase, commercial paper, and other borrowings with an original maturity of one year or less. Interest-bearing placements with other banks and federal funds sold are deducted from total purchased funds to arrive at net purchased funds and deducted from total assets to arrive at adjusted assets. Based on the ratio of net purchased funds to adjusted

3. Ratio of net purchased funds to adjusted assets, by size of bank holding company



Annual data. Purchased funds include large-denomination time deposits, foreign deposits, federal funds purchased, securities sold under agreements to repurchase, commercial paper, and other borrowings with an original maturity of one year or less. Interest-bearing placements with other banks, federal funds sold, and securities purchased under agreements to resell are deducted from total assets to arrive at adjusted assets.

assets, aggregate net dependence on purchased funds of the 394 companies declined from 42.2 percent of net assets at the end of 1981 to 39.5 percent by year-end 1982 (chart 3). The reduced dependence on purchased funds served to improve liquidity on the liability side of the balance sheet. As chart 3 shows, the larger bank holding companies are significantly more dependent on purchased funds than are smaller companies. Because of their retail orientation, the smaller companies generally meet a larger share of their funding needs with consumer deposits.

CREDIT QUALITY AND LOAN-LOSS EXPERIENCE

The depth and duration of the recession eroded the debt-servicing capacities of bank borrowers and pushed concerns over the quality of bank credit to the forefront. The broad deterioration in credit quality was evident in the record level of business failures, the pronounced weakness in the farm and real estate sectors of the economy, and the much-publicized payments problems of several large developing countries. It produced sizable increases in the nonperforming assets and net loan charge-offs of banking institutions.

Nonperforming assets include nonaccrual and reduced-rate loans and real estate acquired in settlement of loan obligations. Nonaccrual loans are loans on which the accrual of interest has ceased because principal or interest payments are past due. Reduced-rate loans generally include only loans that have been restructured to provide for a below-market rate of interest because the financial position of the borrower has deteriorated. A nonperforming loan is not necessarily uncollectible.

Although data on nonperforming assets are not readily available for all companies included in the survey, data on the nation's 25 largest bank holding companies show that nonperforming assets rose about 77 percent in 1982. (The 25 companies control about 45 percent of the total assets of U.S. commercial banks.) The surge in nonperforming assets pushed the group's ratio of nonperforming assets to total loans, a widely used indicator of credit quality, to 3.1 percent at year-end 1982, up from 1.9 percent as of year-end 1981. Despite the increase, the year-end figure was still well below the year-end peak of 4.4 percent in 1976.

Comparisons of current levels of nonperforming assets against those of the mid-seventies may be misleading because of distortions introduced by the rescheduling of international loans. Last year, there were numerous reschedulings of loans to countries experiencing liquidity problems. Rescheduled sovereign credits are usually not classified as nonperforming assets unless the rescheduling has involved a reduction in loan principal or a rate of interest on the loan that is lower than normal.

In 1982, public and private borrowers in Mexico encountered difficulty in meeting interest and principal payments on dollar-denominated borrowings. As part of an economic stabilization program, the Mexican government adopted foreign exchange controls in September, which effectively prohibited private borrowers from obtaining the foreign currency needed to make interest and principal payments. The government subsequently implemented a special payments arrangement whereby private borrowers make interest payments in local currency to designated Mexican banks, which credit the proceeds to special accounts denominated in U.S. dollars. The Mexican government has agreed to repay such interest in U.S. dollars subject to the availability of foreign currency. Loans to private borrowers that have made interest payments in accordance with these special arrangements are not generally classified as nonperforming assets.

In addition to the sharp increase in nonperforming assets, the deterioration in credit quality was reflected in net loan losses, which rose substantially in 1982 both in absolute and in relative terms. Net loan charge-offs of the 394 companies totaled $4.8 billion, an increase of 70.5 percent from 1981. Losses occurred across a broad range of loan categories and reflected the

8. Ratio of net loan losses to average loans and leases outstanding, 1980–82

Percent

Size class	1980	1981	1982
Universe	38	.35	.53
$100 million to $1 billion	.48	.41	.57
$1 billion to $5 billion	43	.43	.58
$5 billion or more	.36	.33	52

strains on the cash flow of businesses and households. A significant part of the increase resulted from the dramatic jump in business failures, which, according to Dun & Bradstreet, rose about 49 percent in 1982 to 25,346—the highest total in any year since 1932. The composite ratio of net loan losses to average loans and leases outstanding rose to 0.53 percent in 1982, from 0.35 percent in 1981 (table 8).

CAPITAL

The banking industry made considerable progress in strengthening its capital base in 1982. Relatively slow asset growth, particularly among some of the larger institutions, and an above-average growth of equity, stemming from a record level of external capital financing, contributed to the improvement.

Table 9 shows the improvement registered for each of the peer groups as reflected in two measures of capital adequacy: the ratio of equity to total assets, and the ratio of equity to risk assets (total assets less cash and U.S. government securities).

Nineteen eighty-two was a record year for external capital financing. Bank holding companies raised in excess of $2.2 billion of common and preferred equity and another $1.3 billion in equity-related offerings. A large portion of the total was raised through the use of three recent financing innovations: adjustable-rate preferred stock, equity-for-debt exchanges, and mandatory convertible securities.

Adjustable-rate preferred stock, which made its debut in May 1982, is widely viewed as the most important recent innovation in bank financing. On these issues the dividend rate is adjusted quarterly according to a formula that typically sets the dividend rate a specified number of basis points above or below the higher of (1) the Treasury bill rate; (2) the U.S. Treasury ten-year constant-maturity rate; or (3) the U.S. Treasury twenty-year constant-maturity rate for the two-week period preceding the end of each quarter. Most of the adjustable-rate issues are also designed to be perpetual so that they qualify as "primary capital" under the capital adequacy guidelines of the Federal Reserve and the Comptroller of the Currency. In terms of dollar vol-

9. Selected capital ratios, year-end 1980–82
Percent

Size class	Equity to assets[1]			Equity to risk assets[2]		
	1980	1981	1982	1980	1981	1982
Universe	4.67	4.76	4.92	6.35	6.21	6.33
$100 million to $1 billion	6.49	6.49	6.50	8.58	8.63	8.72
$1 billion to $5 billion	6.10	6.09	6.12	8.18	8.18	8.23
$5 billion or more	4.14	4.30	4.49	5.69	5.53	5.67

1. Total stockholders' equity plus minority interest in equity accounts of consolidated subsidiaries divided by total assets.
2. Total stockholders' equity plus minority interest in equity accounts of consolidated subsidiaries divided by total assets less cash and due from depository institutions, U.S. Treasury securities, and obligations of U.S. government agencies and corporations.

ume, adjustable-rate preferred stock was by far the largest source of external equity capital. Bank holding companies raised more than $1.8 billion of equity through the issuance of such stock in 1982.

Bank holding companies raised about $140 million of equity capital through exchanges of equity for debt, better known as "stock-for-debt swaps." These transactions involved the issuance of new shares of common stock in exchange for outstanding long-term debt instruments of the issuer that are purchased in the open market, usually at a substantial discount from book value. The transactions increase equity in two ways: (1) the new issue of equity replaces existing debt; and (2) the difference between the book value of the extinguished debt and the price paid for the debt in the market is treated as a tax-free gain, so that retained earnings increase directly. Bank holding companies first began using stock-for-debt swaps in 1981.

Apart from the common stock issued in these stock-for-debt swaps, bank holding companies issued only $160 million in straight common stock during the year through public and private offerings. Despite the runup in bank stock prices in the second half of 1982, bank equities continued to sell at relatively low multiples of price to earnings and of price to book value, and therefore most banking institutions continued to view common stock as an unattractive funding alternative.

The third innovation in bank capital financing was the introduction of mandatory convertible securities. Introduced in the first quarter of the year, these are equity-related instruments that also count as primary capital under the capital adequacy guidelines of the Federal Reserve and the Comptroller of the Currency. Mandatory convertible securities come in two basic forms: "equity notes" and "equity commitment notes." Equity notes are debt instruments that are issued with stock-purchase contracts. The contracts require the holder to purchase the common or perpetual preferred stock of the issuer within a specified period not to exceed 12 years. In 1982, there were two issues of equity notes for a combined total of $250 million. Equity commitment notes require the issuer to sell common or perpetual preferred stock over a specified period in a sufficient amount to replace the notes at maturity. There were six public offerings of commitment notes in 1982 for a total of $1,025 million.

The extraordinarily large volume of external primary capital financing was the result not only of the recent financing innovations and the more receptive market but also of other factors, including (1) the slowdown in the rate of internal capital generation experienced by the industry over the last several years; (2) the desire of some banking organizations to build capital in anticipation of some relaxation of interstate banking restrictions (in essence positioning themselves to capitalize on any investment opportunities that may arise); (3) the concern of management, investors, and rating agencies over the adequacy of capital stirred by perceptions of increased risk in the economic and financial environment; and (4) the regulatory pressures placed on banking institutions to address the long-term decline in capital ratios. □

New Federal Reserve Measures of Capacity and Capacity Utilization

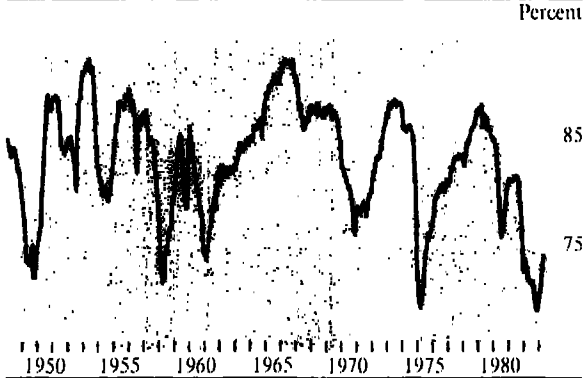
This article was prepared by Ronald F. Rost of the Board's Division of Research and Statistics.

The Federal Reserve has reestimated industrial capacity growth from 1967 to the present and has found that capacity has grown more slowly since 1979 than earlier estimates indicated. The downward revisions of capacity have resulted in new operating rates that are somewhat higher than previous estimates: for total manufacturing it is now estimated that capacity utilization rose to 74.4 percent in June 1983, about 1¼ percentage points above the rate that would have been estimated before the revision. Although operating rates have been revised upward, they still indicate that much spare capacity remains in the industrial sector.[1]

As chart 1 shows, in early 1979 the operating rate in manufacturing reached a cyclical high of 87.5 percent, similar to the rate at other peacetime peaks. Subsequently, as industrial activity declined, capacity utilization fell to a low of 75.5 percent by mid-1980. It then reversed itself, but the ensuing recovery was incomplete; the operating rate climbed to 80.5 percent by late 1980 and remained at about that level until September 1981, when it once again turned down and began to decline rapidly. By November 1982, it had fallen to a postwar low of 68.8 percent, and despite the subsequent recovery to 74.4 percent by mid-1983, it now has been about four years since U.S. industry has operated close to earlier peaks in capacity.

This article also introduces an expanded data set for capacity utilization that provides the same breadth of coverage as the index of industrial

1. Utilization rates in total manufacturing



production. Starting in July, estimates of capacity and operating rates are being reported for a broader aggregate—total industry—comprising manufacturing, mining, and utilities. With the inclusion of the mining and utilities industries, energy-related activities now are measured more extensively. In addition, series on domestic auto production capacity and utilization have been constructed to supplement the existing series for motor vehicles and parts.

Both the revised operating rates and the new series have been included in a redesigned monthly capacity utilization release that was first introduced to the public in mid-July. The new release also includes additional detail on capacity utilization by industry.[2]

The next section of this article reviews the revised data and the movement of the new series. The following section considers certain methodological issues, in particular the expansion of the coverage to mining and utilities, and the final

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

2. The monthly release has been expanded and includes series for the industries shown in table 2. In addition, detail is provided for autos and electric utilities.

1. Capacity utilization, June 1983 and at selected peaks and troughs

Industry	Value-added proportion	Capacity utilization rate: May 1973	March 1975	March 1979	July 1981	November 1982	June 1983
Total industry[1]	100.00	88.4	71.1	87.3	81.7	69.6	74.5
Manufacturing	87.95	87.9	69.0	87.5	80.9	68.8	73.4
Mining	6.36	89.1	88.5	84.6	91.1	70.8	68.4
Utilities	5.69	93.4	85.9	86.3	85.3	[illegible]	81.0
						74.2	
Industrial materials[2]	..	91.9	69.3	88.7	82.7	[illegible]	74.4

1. Capacity utilization for total industry is obtained by aggregating the output and capacity indexes for manufacturing, mining, and utilities, weighted by value added.

2. Industrial materials are items produced and used as inputs by manufacturing plants, mines, and utilities. Industrial materials include many of the items included in the primary processing grouping of manufacturing, as well as some of the output of the advanced processing industries, mines, and utilities such as iron ore, crude oil semiconductors, and electricity sold to industry.

section discusses the revised estimates of capacity for manufacturing and materials.[3]

Revised Data and New Series

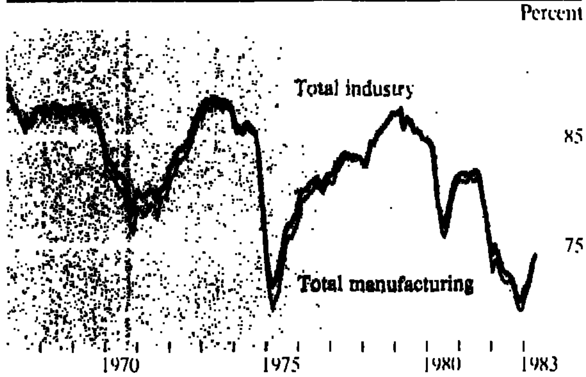
Revised rates of capacity utilization for manufacturing, and for the newly constructed series for mining, utilities, and total industry, are shown from 1967 to the present in the accompanying charts. Not surprisingly, the cyclical behavior of the total industry series is similar to that of the manufacturing series. The total industry series is aggregated by means of value-added weights, and the mining and utilities weights are small relative to that of manufacturing (see table 1). Moreover, the mining and utilities industry series generally have not been characterized by large cyclical swings.

The charts also demonstrate that the operating rates for total industry usually are a little higher than those for manufacturing because of the influence of the relatively high rates for mining and utilities. From 1967 to 1982, the manufacturing rate averaged 81.8 percent, while the averages for mining and utilities were 86.5 percent and 88.6 percent respectively.

In contrast to previous downturns, the last recession saw a severe curtailment of mining activity. The operating rate fell from more than 90 percent in mid-1981 to less than 68 percent in April 1983. Although the declines in capacity utilization during the past two years have been more moderate for the utilities industry than for mining, utilities found themselves with more idle capacity during this latest recession than in 1975. At that time the operating rate for utilities declined only to 82 percent, but earlier this year it dropped below 78 percent.

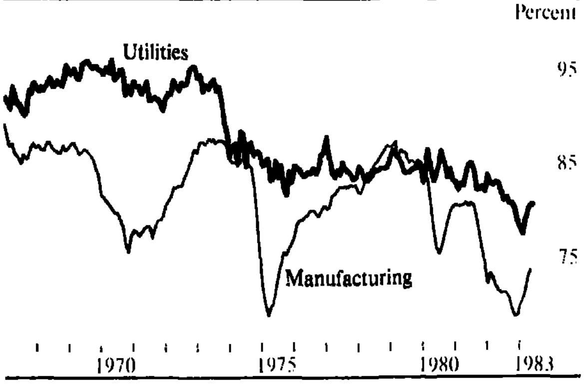
Taking a longer view, the utilities operating rate seems to be characterized by a pronounced downtrend that started in 1973 and resulted largely from developments relating to the production and use of electricity. From 1968 to 1972, electric utilities operated within a few percentage points of capacity. After 1972, however, capacity grew faster than output and utilization declined as electric utilities expanded to meet an expected strong growth in demand that failed to materialize. Rapid growth in capacity continued until 1979, when utilities began tapering off their expansion of capacity. The further decline in elec-

2. Utilization rates in manufacturing and industry



3. The general methodology used by the Federal Reserve to estimate capacity and capacity utilization is described in Frank deLeeuw, "A Revised Index of Manufacturing Capacity," Federal Reserve Bulletin, vol. 52 (November 1966), pp. 1605–15. A detailed description of the method used for the 1976 revision of capacity and capacity utilization is provided in *Federal Reserve Measures of Capacity and Capacity Utilization* (Board of Governors of the Federal Reserve System, 1978).

3. Utilization rates in manufacturing, mining, and utilities



tric utility operating rates since 1981 has been the result of a cyclical halt in demand growth.

The revised estimates of capacity growth and capacity utilization for manufacturing and materials are shown in table 2, along with the estimates published before this revision. All the component series have been reestimated from 1967 to the present, and the estimates of capacity growth since 1979 generally have been lowered. Indeed, this investigation of capacity was prompted by a growing concern that during the prolonged economic stagnation since early 1979, capacity may have grown more slowly than previously estimated for some industries and may even have declined for others. According to the revisions, from year-end 1979 to year-end 1982 manufacturing capacity grew at an annual rate of 2.4 percent rather than 3.0 percent, and materials capacity grew at a 2.0 percent annual rate rather than at a 2.5 percent rate. With slower capacity growth, the revised operating rates for manufacturing and materials are higher than the earlier ones. Nonetheless, the operating rates for total manufacturing and total materials in late 1982 were still at postwar lows. For manufacturing, the low in November was estimated at 67.4 percent, and is now set at 68.8 percent. The low for materials, which occurred in December, has been revised from 65.2 percent to 66.6 percent.

The capacity growth rates and operating rates for some individual industry groups have been changed more substantially. Revised estimates indicate that since late 1979, capacity actually shrank somewhat in the petroleum refining and the motor vehicles and parts industries, and even more in the iron and steel industry. In several industries—fabricated metals, machinery, aerospace, and stone, clay, and glass products—capacity growth since 1979 remains positive but has been cut back considerably from previous

2. Revised and previous Federal Reserve estimates of capacity growth and capacity utilization

Industry	Capacity growth rates (percent, annual rate of change)[1]				Capacity utilization (percent)				
	1973–79		1979–82		March 1979		December 1982		June 1983[p]
	Revised	Previous	Revised	Previous	Revised	Previous	Revised	Previous	
Total manufacturing	**3.1**	**3.2**	**2.4**	**3.0**	**87.5**	**87.2**	**68.9**	**67.5**	**74.4**
Food	3.4	3.0	3.3	2.8	85.1	87.1	77.9	81.0	77.6
Textiles	.8	1.1	.1	1.0	88.2	86.5	74.6	71.3	85.2
Paper	2.0	2.2	1.9	2.8	91.3	91.2	86.1	82.8	91.1
Chemicals	5.7	5.7	4.9	5.0	83.5	83.5	64.8	64.9	69.1
Petroleum refining	3.7	3.7	.7	1.8	87.6	87.6	72.2	67.3	76.5
Rubber and plastics	7.6	7.6	1.9	1.9	90.5	90.5	74.5	71.5	86.0
Stone, clay, and glass	3.3	3.9	1.7	2.8	87.8	86.0	63.0	58.6	70.9
Iron and steel	.3	.9	1.7	.2	89.9	87.8	38.8	35.5	59.9
Nonferrous metals	.8	.8	.2	.6	93.4	92.8	63.0	60.9	76.6
Fabricated metals	2.0	3.2	1.3	2.7	89.5	85.3	60.8	54.8	65.9
Nonelectrical machinery	4.3	4.4	3.3	4.0	83.1	83.1	61.6	60.4	64.6
Electrical machinery	2.9	3.0	3.3	4.3	90.0	90.0	74.7	72.5	81.2
Motor vehicles and parts	3.5	4.0	.3	1.0	92.7	92.2	56.0	52.3	71.1
Aerospace	.8	1.2	4.0	4.7	89.6	87.4	69.3	67.0	68.0
Instruments	3.3	4.0	2.6	2.7	92.3	89.4	73.7	70.3	73.1
Industrial materials	**3.3**	**3.4**	**2.0**	**2.5**	**88.7**	**88.6**	**66.6**	**65.2**	**74.2**
Durable goods	3.4	3.3	1.5	2.3	87.6	87.6	59.6	58.2	69.9
Nondurable goods	4.1	4.2	3.2	3.4	90.7	90.6	71.8	71.1	79.1
Energy	1.9	2.3	1.2	1.7	88.5	87.9	78.8	76.3	79.1

1. Capacity growth rates are calculated using end-of-year data for the years indicated. For example, capacity growth for 1979–82 is calculated using year-end 1982 and year-end 1979 capacity estimates.

p Preliminary.

estimates. Earlier estimates already indicated slow capacity growth over this period for textiles and nonferrous metals, and the new estimates are still lower—under 0.5 percent per year. According to earlier estimates, the growth in rubber and plastics capacity had sharply decelerated in recent years, and the reexamination has substantiated this trend. Only for the food industry has estimated capacity growth since 1979 been revised up instead of down.

Methodology for New Series

This section presents the methodology for constructing the new series; the revision of the previous series on manufacturing and materials is presented in the next section.

Utilities

About 60 percent of activity in the electric utility industry has been covered for many years in the industrial materials data set. The new series on capacity and operating rates for the total electric utility industry have been constructed by the same methodology and are derived from the same basic source, the Edison Electric Institute.

The Edison Electric data are estimates of physical or engineering capacity, not economic capacity. Accordingly, a sizable proportion of the generating capacity reflected in those data is removed in the process of constructing Federal Reserve capacity indexes because it could not be used to meet increased demand on a sustained basis. These data include some generating capability—about 15 percent—that is present as a contingency against outages of entire plants or parts of plants, as well as for preventive maintenance. Moreover, a substantial amount of generating capability exists simply to meet peak summer or winter demand. Although at other times this capability is idle, it cannot be treated as excess because without it peak demand could not be met safely and reliably, and a general increase in the demand for electricity would require the building of new capacity. As a result, the electric power series exhibit some of the lowest utilization rates before capacity is adjusted, but some of the highest rates after it is adjusted.

The series on capacity and operating rates for total utilities were constructed by aggregating the indexes for electric utilities and gas utilities. Capacity estimates for the gas utility industry are based on the McGraw-Hill operating rate survey. From 1967 to 1971, the capacity of gas utilities grew at about a 4.5 percent rate, and from 1971 to 1982 it slowed dramatically, to about a 0.2 percent rate. During this period, incentives to expand gas storage and transmission capability were limited as supply shortages were encountered in interstate markets. The series for gas utilities, unlike the ones for electric utilities, are not shown separately in the expanded release on capacity utilization.[4]

Mining

Capacity indexes covering about 85 percent of the mining industry have long been included as components of industrial materials. New capacity indexes were developed for the three components of the industry not categorized as industrial materials: LP propane, oil and gas drilling, and stone, sand, and gravel. The development relied mainly on inferring capacity from peak-to-peak trends in the corresponding industrial production series. The component capacity indexes were aggregated to obtain capacity for the industry, and capacity was divided into industrial production in the mining industry to obtain capacity utilization.[5]

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4. An alternative procedure is to base the series for total utilities completely on McGraw-Hill data. The McGraw-Hill utilization survey reports separate series for electric and gas utilities, and the capacity expansion survey reports a single series for total utilities. These series have been used to construct a capacity index for the utilities industry by the same methodology used to construct Federal Reserve capacity indexes for manufacturing industries. When they were adjusted to take account of the special safety and peak-load requirements of the electric utility industry, the two series based on Edison Electric Institute and McGraw-Hill data behaved in similar ways.

5. Capacity in mining also was estimated by means of an alternative calculation, based on the McGraw-Hill surveys. The resulting capacity index showed somewhat more growth over the 1967–81 period than the index derived from the materials data set. The discrepancy lies in the 1967–74 period, when the alternative index grew faster than the materials-based index. The alternative index probably overstated capacity growth at that time because mining capacity growth was held back by a low rate of investment and the imposition of strict pollution controls and safety and health regulations.

After growing at a 0.5 percent rate from 1967 to 1974, capacity in the mining industry grew at a rate of 3.6 percent from 1974 to 1981, largely a response of supply to the jump in oil prices. Much of the growth derives from the phenomenal expansion of capacity for oil and gas well drilling, at an annual rate of more than 15 percent over the period. Crude oil capacity in Alaska and California more than doubled during those years, and the capacity to produce bituminous coal and stone and earth materials also increased substantially.

After 1981, the growth in mining capacity slowed sharply; the recession hit the entire industry especially hard, particularly oil and gas drilling and metal mining. The mining industry index reflects little more than 1 percent growth in capacity from 1981 to 1983.

Auto Production

In the past the Federal Reserve has estimated capacity and operating rates for motor vehicles and parts production as a whole, but has not constructed separate series for auto assemblies. Series on capacity and operating rates for domestic auto assemblies are included in the expanded release on capacity utilization, and detailed series for large and small autos also have been estimated, although these will not be shown separately in the release.

These series are based on specific information about production in each domestic assembly plant, compiled by Ward's Communications and published in *Ward's Automotive Reports*. To obtain plant capacities, maximum sustainable line speeds were estimated, two shifts and about 10 percent overtime were assumed, and allowances were made for vacations and normal down time for model changeover. Decisions as to whether closed or mothballed facilities should be counted as part of capacity were made case by case. The resulting estimates of capacity in physical units were then adjusted to take account of the change in quality reflected in the corresponding industrial production series.

Estimates on auto capacity have been completed for the period 1977–83; the plant data are not published for earlier years. The overall capacity of the U.S. auto industry is estimated to have peaked in late 1979 (the beginning of the 1980 model year). Since 1977 there has been a substantial expansion in the capacity to build small cars, and an even larger shrinkage in the capacity to build large cars.[6]

Methodology for Revision of Manufacturing and Materials

Information used in the revision of capacity included (1) the McGraw-Hill operating rate survey; (2) the McGraw-Hill capacity expansion survey; (3) the Bureau of Economic Analysis (BEA) operating rate survey; (4) capital stock data from the Department of Commerce and other sources; (5) capacity data in physical units from various business and trade organizations and government agencies; (6) Federal Reserve tabulations of plant closings reported by the media; and (7) Federal Reserve data on industrial production. These data generally were available for the period 1967–82.[7] The Federal Reserve does not conduct its own surveys; all data are compiled from outside sources.

All 96 series on industrial materials were reevaluated, using essentially the same methodology as in the past. More than 20 of the series are based on data on capacity and output expressed in physical units. About 30 more of the series are sufficiently related to data in physical units so that they are of some value in preparing capacity estimates. For about 40 other materials series, for which physical unit sources are not available, estimates are based largely on peak-to-peak trends in production. Because output has been below peak levels for the past few years, estimates for these series have been particularly

6. In physical units, domestic auto production capacity is about 9.5 million in 1983, down from a peak of 10.9 million in the 1980 model year. From 1977 to 1983 large-car capacity has declined from 6.6 million to 4.2 million units, while small-car capacity has grown from 3.9 million to 5.2 million units. The translation of these figures on physical capacity into indexes of capacity is complicated by the adjustments for quality changes included in the construction of the industrial production indexes for autos. Thus, although movements in the Federal Reserve operating rates and capacity estimates for auto production depict auto industry activity much as physical data do, there are some differences.

7. The Bureau of the Census also conducts an annual survey of plant capacity, but the series were not incorporated into this revision, largely because data were not available before 1974 nor for 1982.

difficult to make. However, industry estimates and materials estimates are not prepared in isolation from one another. Those materials series covering activity in parts of a given manufacturing industry are aggregated, and the results are compared with the estimates for the industry as a whole. This procedure provides a valuable check on consistency.

Historically, the Federal Reserve's methodology for estimating manufacturing capacity has been to benchmark its capacity indexes over the long run to the capacity points that are obtained by dividing the annual McGraw-Hill operating rates into industrial production indexes. For this revision, the benchmarking was accomplished by means of equations in which the capacity points implied by the McGraw-Hill survey of operating rates were regressed on trends and on variables that permitted breaks in trend. The equations yielded capacity estimates that were smoother than the raw capacity points; the raw points are subject to short-term random disturbances that are larger than the probable variations in actual capacity. Another set of equations—similarly specified—provided the capacity trends implied by the BEA operating rates. In a third set of equations, the capacity indexes resulting from the McGraw-Hill capacity survey—which is independent of the December survey of operating rates—were regressed on trend variables and variables allowing breaks in trend. This survey asks respondents how much their capacity has changed since the previous year.

The estimates of manufacturing capacity resulting from these three sets of regressions were not combined or averaged by means of a formal quantitative procedure. In the process of constructing final estimates for each industry, the quality of the estimates from individual equations was considered, and in some cases one or more of the equations were rejected as being econometrically unsound. In most cases, however, the equations based on the two surveys of operating rates provided similar estimates of capacity. For some industries, historically reliable data on capacity provided by industry associations or government agencies were major determinants of the final estimates of capacity.

The equations using the McGraw-Hill direct survey of capacity yielded considerably higher estimates of capacity growth than did the other equations, but nevertheless showed a pattern of slower growth over successive intervals that was consistent with the results from the surveys of operating rates. An upward bias in this survey has been recognized for some time: respondents appear to provide their gross additions to capacity rather than additions net of depreciation and obsolescence.

Data on real growth in the capital stock played a less important role in the estimation procedure than in the past. The latest revision of data on the real capital stock in manufacturing by the Department of Commerce has produced a troublesome puzzle: growth in the capital stock is estimated to have increased substantially during 1973–79 and again during 1979–81; yet the surveys of operating rates and of capacity, and data from business and trade associations, imply a slowdown in capacity growth after 1973.

Until this changed relationship between capacity and capital is better understood, data on the capital stock will be of limited value in inferring capacity.[8] Since the late 1960s important changes in the economic environment have affected the relationship between capacity and the capital stock; these have included (1) an increase in foreign competition, (2) the imposition of stricter pollution controls and occupational safety and health requirements, and (3) a rise in the relative price of energy. Any of these changes can accelerate the obsolescence of standing capacity, but such a development will be missed by an index that infers capacity from capital stock series that are constructed using historical service lives. In addition, investments in pollution abatement, safety and health, and energy conversion add to the capital stock, but usually not to capacity.

In general, the manufacturing industry equations indicate capacity slowdowns starting in the 1973–75 period, when the economy experienced a deep recession and an energy shock. Actually, the previous Federal Reserve estimates of capacity reflected the bulk of this slowdown. Estimat-

8. This puzzle is mentioned but not resolved by Barry Bosworth in "Capital Formation and Economic Policy," *Brookings Papers on Economic Activity, 1982:2*, pp. 286–90. A study that attributes some of the divergence between capital and capacity to stricter pollution controls and safety and health requirements is Ronald F. Rost, "Capacity-Neutral Investments and Capacity Measurement in Manufacturing," *Journal of Industrial Economics*, vol. 30 (June 1982), pp. 391–403.

ed growth in capacity for total manufacturing before 1979 was about unchanged by this revision; both the previous and the new estimates find a slowdown from an annual rate of 4.1 percent during 1967–73 to one of a little over 3 percent during 1973–79. Moreover, as table 2 shows, the capacity growth rates among component industries, with the exception of fabricated metals, were revised only moderately over the 1973–79 period.

The capacity points implied by the surveys of operating rates showed a further pronounced slowing of capacity growth in some industries and a contraction of capacity in others around 1979–80, when the second energy shock occurred and a period of prolonged economic stagnation began.

Largely on the basis of this survey evidence, a slowing of capacity growth was estimated starting at that time for textiles, rubber and plastics, fabricated metals, machinery, instruments, aerospace, and stone, clay, and glass products. The capacity points derived from the surveys also indicated a slowdown for the paper industry and a small, outright decline for motor vehicles and parts. Data from other sources—the American Paper Institute and Ward's Communications—supported these estimates.

In a few cases, direct data were used in preference to the results from basic equations applied to survey samples. The Department of Energy (DOE) estimates petroleum refining capacity by monitoring the status of all domestic refineries; similarly, the American Iron and Steel Institute (AISI) determines raw steel capacity by monitoring all domestic producers. Because the decline in petroleum refining capacity did not begin until 1981, after several years of rapid expansion in capacity, the estimating equations based on McGraw-Hill survey data missed the 1981 cutback. On the other hand, the survey-based equations for iron and steel suggest much larger declines in capacity than AISI reports. According to AISI, steel capacity declined about 4 percent from 1977 to 1982, while the implied capacity points from the McGraw-Hill survey and the estimates of some industry analysts point to reductions ranging from 10 to 25 percent over that period. The Federal Reserve estimates show a moderate cutback in capacity of about 5½ percent from 1977 to 1982 because the jury is still out on the real status of much of the currently idle capacity in the steel industry. Some of this capacity might be "found" again later in the recovery.

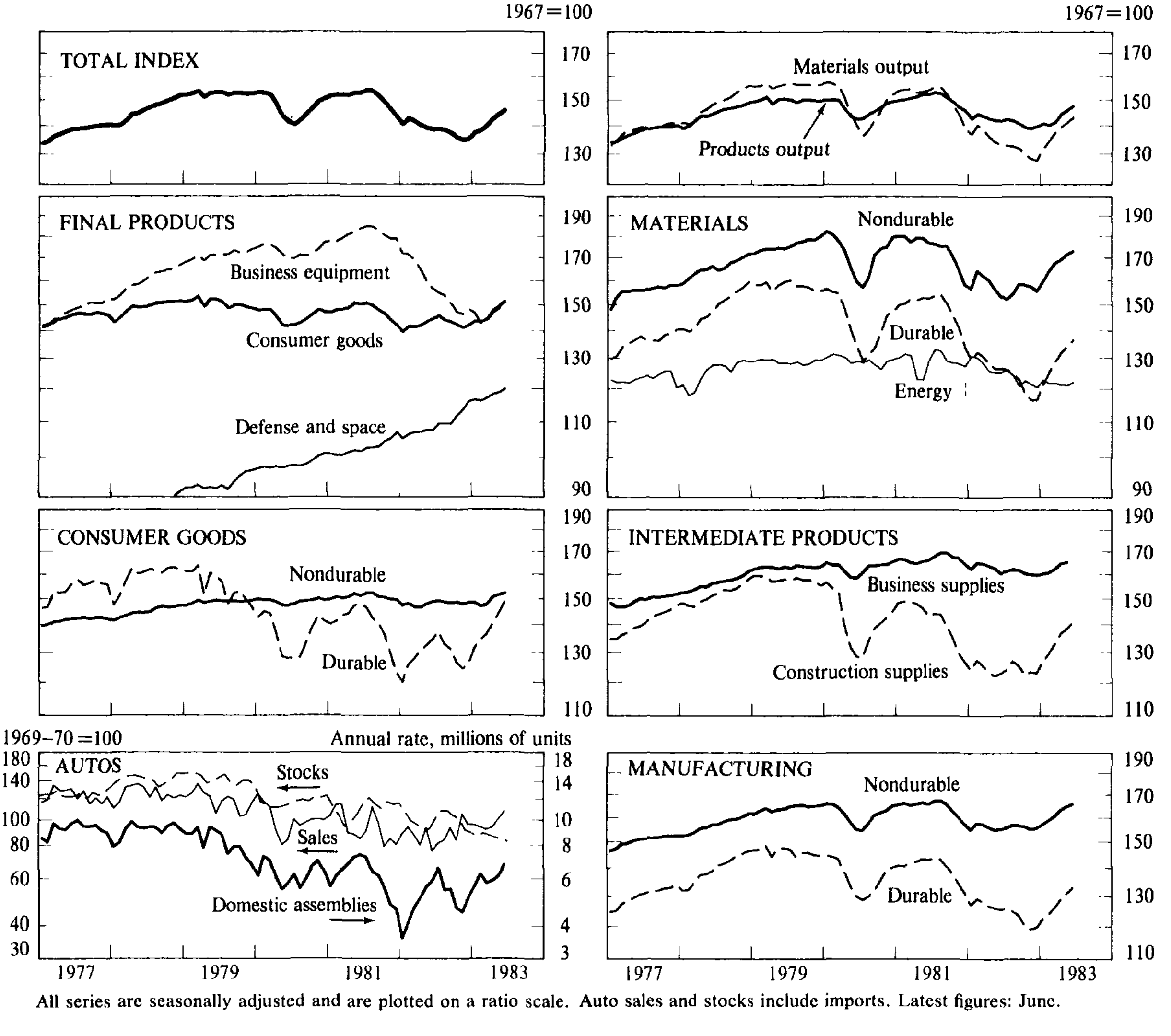
Thus the amount of capacity shrinkage reflected in the revised series for iron and steel has been kept on the moderate side, and so have the downward revisions of capacity growth for most other industries. When a plant is closed down indefinitely, it is frequently impossible to know whether the closing is permanent because market conditions cannot be predicted with certainty. For that reason, it appears preferable to wait until economic recovery is well along before deciding on the likely disposition of facilities that were "closed indefinitely" in 1982. The capacity estimates for some industries for 1981 and 1982 could have been lowered further on the basis of the point estimates of capacity implied by the surveys, but doing so would have involved some risks. The 1982 survey results probably include some cyclical gloom on the part of the respondents. If 1983 continues to be a year of recovery and 1984 follows suit, survey results for these years should facilitate the separation of secular developments from the previously experienced cyclical phenomenon of "losing" and later "finding" some capacity. □

Industrial Production

Released for publication July 15

Industrial production increased an estimated 1.1 percent in June—the same as in May. Output gains were widespread among materials and products, but were especially sharp in durable consumer goods, construction supplies, and related materials. Industrial production in the second quarter was more than 4 percent higher than in the first quarter. The index for June was 8.2 percent above the November 1982 trough of the recession; the increase to date is about typical for a postwar recovery. At 145.9 percent of the 1967 average, the index was still about 5 percent below the prerecession high of July 1981.

In market groupings, output of durable consumer goods advanced almost 3 percent in June, reflecting a strong gain in autos and continued



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

Grouping	1967 = 100, 1983: May[p]	1967 = 100, 1983: June[e]	Percentage change from preceding month, 1983: Feb.	Mar.	Apr.	May	June	Percentage change, June 1982 to June 1983
	Major market groupings							
Total industrial production	**144.3**	**145.9**	**.5**	**1.4**	**1.9**	**1.1**	**1.1**	**5.2**
Products, total	146.0	147.6	−.4	.9	2.0	1.0	1.1	3.9
Final products	144.5	146.0	−.9	.7	2.1	1.2	1.0	2.7
Consumer goods	149.5	151.3	−.1	.6	2.3	1.3	1.2	4.5
Durable	144.6	148.8	2.1	1.4	2.8	3.2	2.9	10.5
Nondurable	151.5	152.3	−.9	.3	2.1	.6	.5	2.4
Business equipment	148.6	149.8	−2.7	.7	2.3	1.1	.8	−4.4
Defense and space	118.7	120.0	−.3	.8	1.0	.4	1.1	11.5
Intermediate products	151.9	153.5	1.1	1.7	2.0	.7	1.1	8.2
Construction supplies	138.5	140.9	2.1	2.6	2.8	1.2	1.7	14.5
Materials	141.5	143.3	2.2	2.0	1.6	1.2	1.3	7.3
	Major industry groupings							
Manufacturing	145.0	146.6	1.1	1.6	1.9	1.3	1.1	6.5
Durable	131.2	133.2	1.1	1.9	2.2	1.6	1.5	6.1
Nondurable	164.9	165.9	1.0	1.1	1.6	1.0	.6	6.8
Mining	112.6	113.1	−5.2	−2.6	−.8	.8	.4	−8.4
Utilities	169.7	170.3	−.7	2.3	2.1	.3	.4	.5

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

increases in the production of goods for the home. Autos were assembled at an annual rate of 6.8 million units, up from the 6.2 million rate in May. Production of nondurable consumer goods increased 0.5 percent. Business equipment rose 0.8 percent in June, the fourth successive monthly increase, while output of construction supplies increased 1.7 percent further.

Materials output rose 1.3 percent, reflecting sharp gains in durables such as metals and parts for consumer goods. Among nondurable materials, textiles and chemicals rose markedly. Output of energy materials increased following small declines in May and April.

In industry groupings, output of manufacturing was up 1.1 percent in June, reflecting a gain of 1.5 percent in durables and a 0.6 percent rise in nondurable manufacturing. Production of mines and utilities both advanced 0.4 percent.

Statements to Congress

Statement by E. Gerald Corrigan, President, Federal Reserve Bank of Minneapolis, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs and the Subcommittee on Commerce, Consumer, and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, June 16, 1983.

I greatly appreciate the opportunity to appear before these subcommittees to review developments with regard to the pricing of services by the Federal Reserve under the Monetary Control Act (MCA) of 1980 and to comment on some larger issues regarding the role of the Federal Reserve in the payments mechanism. The issues before the subcommittees are technically complex—complex to the point that the maze of detail can overshadow the public-interest considerations associated with a safe, efficient, and trusted payments mechanism for the effective workings of our financial institutions, financial markets, and the economy at large. Indeed, even those of us who are close to the day-to-day operation of the payments mechanism often lose sight of its size and complexity and, more importantly, the financial interdependencies that arise in a system in which hundreds of billions of dollars change hands daily. The smooth functioning of the payments mechanism and the demonstrated public confidence in its operation are not to be taken for granted even though we all exhibit an almost blind trust that the system will, in fact, work—and work well.

The public-interest aspects of the operation of the payments mechanism are not new; they can be traced to the very origins of the Federal Reserve as the nation's central bank. The controversy as to what role the Fed should play in the operation of the payments mechanism is not new either. Indeed, a review of the legislative history of the Federal Reserve Act and its earliest amendments suggests that the debate as to the role of the Fed versus the role of correspondent banks in the operation of the payments mechanism was, if anything, more contentious 70 years ago than it is today. That earlier debate was, in effect, decided on the side of granting to the Federal Reserve an operational role in the payments mechanism as the best means of ensuring that the interest of the public at large would be well served. For 70 years, therefore, the Federal Reserve has functioned side by side with private correspondent banks and others in the provision of payments services. Far more often than not, that side-by-side relationship functioned as a loose partnership in which competing interests have been melded together in a manner that promoted the public interest as well as the legitimate interests of private suppliers of payments services.

The pricing provisions of the Monetary Control Act of 1980 have altered substantially the roles and relationships of both users and suppliers of payments services to depository institutions. For member banks, the MCA meant that implicit costs for Federal Reserve services—in the form of reserves that bore no interest—suddenly became explicit hard-dollar charges in a setting in which deregulation, high interest rates, and the effects of subpar economic performance were already pinching operating spreads and profits. For nonmember banks, thrifts, and credit unions, the MCA resulted in an alternative source of payments services and therefore reshaped the competitive environment in which large correspondent banks had been accustomed to operating. For the Federal Reserve, it meant having to make the virtually unprecedented shift from an environment of providing "free" services to a limited number of depository institutions to an environment of providing priced services to a potential population of almost 40,000 depository institutions.

Considering the scope and magnitude of these changes, it is not surprising that there have been a few rough spots along the way for all—the

Federal Reserve included. Those rough spots notwithstanding, I would suggest that the most surprising and gratifying aspect of the transition lies not with the problems that have been encountered, but rather with how much has been achieved in the relatively short time span of a little more than two years.

In that connection, I would like, in the balance of my statement, to summarize three major areas that seem to me to go to the heart of these oversight hearings. They are the following: first, the achievements of the Federal Reserve in implementing the provisions of the MCA; second, the issues surrounding the role of the Fed as a regulatory agency and a provider of payments services to depository institutions; and finally, the larger question of what role the Fed should play in the operation of the payments mechanism. In the course of these remarks and in the detailed material submitted to the subcommittees, I believe I have fully answered all of the questions raised in your letter requesting my testimony before you today.

IMPLEMENTATION OF THE MONETARY CONTROL ACT

In summary, the MCA instructed the Federal Reserve: (1) to provide all depository institutions access to Fed services; (2) to price a specified group of services and any new services to recover full costs plus the private sector adjustment factor (PSAF); (3) to achieve a balance between costs (including the PSAF) and revenues over the long run, while giving due regard to competitive forces and the need to provide an adequate level of services nationwide; (4) to price or eliminate Federal Reserve float; and (5) to adjust resources in line with any declines in volume. The MCA further specified that the Fed should begin pricing its services by September 1981.

Despite the size and complexity of the task and the inevitable problems encountered along the way, I believe the Federal Reserve has made remarkable progress in complying with the spirit and the letter of the MCA in the relatively short time since pricing began.

The Federal Reserve Banks were well positioned to cope with the pricing provisions of the MCA, in part because they had undertaken rigorous cost containment and operations improvement efforts beginning in the mid-1970s. For example, the inflation-adjusted total of expenditures by the Federal Reserve declined more than 1 percent per year between 1974 and 1979 despite substantial growth in volume and substantial additions to the various duties and responsibilities of the Reserve Banks over that period. Similarly, pronounced reductions in staff and very sharp rises in worker productivity—particularly in the areas that would later become priced services—were a hallmark of Reserve Bank operations long before the passage of the Monetary Control Act.

With the advent of pricing, the volume of activity in each of the Fed service lines (except those involving electronic payments) declined. While some declines were to be expected, it was impossible to foresee the timing, magnitude, and exact service mix of these drops in volume. In any event, within a few months after the commencement of pricing of each service line, declines in volume ranged from 15 to 30 percent depending on the particular service in question. In the check area, for example, processed volume at all Federal Reserve Banks in the first quarter of 1983 was about 30 percent below what it would have been had the growth trend in volume before pricing persisted until early 1983. By another measure, the Fed's so-called share of check processing has dropped about 10 percentage points since the start of pricing. In and of themselves, these declines in volume are not the slightest bit bothersome to the Federal Reserve, in part because they suggest that the particular payments in question are being made more efficiently.

Faced with these declines in volume, the Federal Reserve moved immediately to adjust its resource base in line with resulting lower levels of activities—recognizing, of course, that in the relatively short run it is not possible to adjust large, fixed-cost components. Indeed, in the relatively short run, labor is the only variable cost element of size that can be adjusted; and in this area, very sharp and prompt adjustments were made. For example, in the post-pricing environment, staff reductions carrying an aggregate hard-dollar cost savings of almost $23 million—$18 million in check processing alone—were effected by the Reserve Banks. In percentage terms, the post-pricing reductions in staff were almost exactly in line with the declines in volume. It should also be emphasized that the Federal Reserve Banks went to great efforts to bring about these staff reductions in as painless a manner as possible by relying largely on turnover and retirements.

Obviously, the uncertainties associated with the initial pricing efforts, the declines in volume, and the large fixed costs associated with these activities made the task of achieving full cost recovery very difficult in the short run. However, by strenuous efforts to cut costs, improve services, and restructure prices and fees, steady progress has been made toward the goal of cost–revenue matching. Indeed, as of the spring of 1983, all individual service lines (except definitive securities and noncash collection, which account for less than 5 percent of the total expenditures for priced services and will be repriced this summer) are, for all practical purposes, achieving or exceeding the cost–revenue matching objective. For the March–April 1983 period, all services combined produced a total revenue flow of $520 million at an annual rate compared with total annualized costs of $494 million, including the PSAF. Preliminary data for May suggest that these trends continued into that month. Having said this, I do not want to make too much of two or three months' data. As we have seen, things can change quickly, but as of this reading, the overall cost-recovery situation looks good.

With regard to float, major progress has also been made. Float reductions achieved through improvements in operations have been so dramatic that check float has dropped from $6.3 billion in 1979 to a relatively modest $2.1 billion in 1982. The trend is even lower in that for the last quarter of 1982 and the first quarter of 1983 check float was $1.8 billion. With regard to that remaining float, firm plans are now in place to eliminate or price the balance of float over the period from July through October 1983. Those steps entail a three-pronged effort of operational improvements, changed crediting procedures, and the addition of the value of those elements of float that cannot be squeezed out of the system in a cost-effective fashion to the cost base, subject to recovery through pricing.

The suggestion has been made from time to time that the Fed has been too slow in dealing with float by means of its strategy of seeking to squeeze out float through operational improvements. In fact, meaningful steps to reduce float were already under way when the MCA was passed. The emphasis on operational improvements has been welcomed by the vast majority of depository institutions. However, the stress on operational improvements primarily grew out of the fact that such an approach was more likely to produce results that would add to the efficiency of the payments mechanism. Simply to price all check float by adding its value, across the board, to check costs would raise significant issues of equity and incentives. For example, if the Fed were to add the value of interterritory transportation float to all check prices, the writers of small checks would heavily subsidize the writers of large checks. Indeed, such an approach would preserve the irresistible incentives to create float because most of its cost would be borne by someone else. Such an approach is not in the public interest.

There is one other point I would stress with regard to float. At the current federal funds rate of about 8.5 percent, the remaining check float has a value of about $150 million, which represents about 40 percent of current check costs. However, it does not follow that Federal Reserve check prices will have to increase, on average, 40 percent, because operational improvements and changed crediting procedures that will be introduced this summer will, in effect, eliminate the bulk of the remaining float. Recognizing that individual depository institutions have options as to which methods of dealing with float they wish to use, my best guess is that *at least* $1 billion of the $1.8 billion will be eliminated so that no more than the value of $800 million will need to be priced. Other things being equal, this would imply a change in our cost base of about 18 percent.

The Federal Reserve as a Service Provider and a Regulator

It seems to me that the issue of the Federal Reserve as a so-called competitor and regulator boils down to two separate but related issues. First, are there inherent competitive advantages that accrue to the Federal Reserve that stand in the way of achieving fair and equitable competition between the Federal Reserve and private suppliers of payments services? Second, is there a potential conflict of interest between the Fed's operational role in the payments mechanism and its role as a regulator–supervisor of banks and, if so, are there adequate safeguards to insure that any potential conflict of interest will not become an actual conflict?

I think it is important to note at the outset that wherever one comes out on the question of whether the Federal Reserve has inherent competitive advantages, it is very clear that correspondent banks have important competitive advantages relative to the Federal Reserve Banks. Correspondent banks can pick and choose with whom they do business; they have more flexibility in varying the terms and conditions of a business relationship; they have vastly more pricing flexibility; they can serve all of the banking needs of their respondents; and perhaps most important of all, they do not have to balance, in the public interest and under close public scrutiny, the often conflicting points of view of thousands of depository institutions and dozens of trade associations at the state and national level.

As I have listened to comments about the Fed's "inherent" advantages, it seems to me that the major points that are made fall into several areas: the Fed does not pay (and is precluded by law from paying) presentment fees; Fed clearing balances are not subject to reserve requirements and thus provide a competitive edge over compensating balances at correspondent banks; the PSAF is too low; and, more generally, the facts of universal reserve balances and of a nationwide network of offices place the Fed in a competitively superior position. The materials submitted to the subcommittees deal with most of these issues in some detail. However, I would like to make a few summary comments in each of these areas.

- With regard to presentment fees—at least those levied before the Uniform Commercial Code cutoff hour of 2 p.m.—I simply cannot find any rationale to support the point of view that says the Fed should pay such fees. If anything, I would go in the opposite direction and suggest that presentment fees should be banned altogether.

- With regard to clearing balances, there are a number of self-imposed constraints on the effective utility of such balances that may, at times, be overlooked. In fact, the only case I can see in which such balances with the Fed are more advantageous relative to a compensating balance at a correspondent bank is when such a balance is held by a small institution that satisfies all of its required reserves with vault cash. However, even then the fact that the Fed does not permit the use of earnings credits on excess clearing balances would seem, on average, to more than compensate for this difference.

- With regard to the PSAF, the conceptual framework for determining it has generally been viewed as reasonable. The debate, as I see it, surrounds the values assigned to the variables that are part of the mathematical calculation used to determine the PSAF. To be sure, there are elements of judgment involved in assigning values to these parameters. Indeed, it has been precisely for this reason that the Federal Reserve, in establishing the PSAF, has in some important respects given the benefit of the doubt in the direction of assigning values to the variables that have had the effect of shading the resulting PSAF higher rather than lower. As a related matter, the dynamics of the PSAF calculation are such that it takes rather substantial changes in the already conservative estimates of the variables in the calculation to produce significant changes in the PSAF itself and/or in the absolute amount of dollars that the Fed must recover via its service fees. In short, there are elements of judgment involved in determining the PSAF, but it seems to me that the approach taken by the Fed and the resulting value assigned to the PSAF are reasonable.

The universality of reserve balances and the nationwide presence of Fed offices were both an explicit and essential part of the initial design of the Federal Reserve by the Congress for the purpose of facilitating a safer and more efficient payments mechanism. Whether the position of large correspondent banks in this respect would, in fact, be materially different from what it is today in a framework in which McFadden or Douglas were amended or eliminated is difficult to judge. That is something we will know for certain only if and when we have interstate banking on a national level. The limited evidence available today from situations involving grandfathered interstate bank holding companies or multistate processing subsidiaries of large bank holding companies simply does not tell us very much. On the other hand, I think it is fair to assume that full-scale interstate banking could have important implications for the manner in which the payments system operates.

In the case of the costs associated with reserve balances, some reasonable quantitative judgments can be made as to the extent to which these elements may influence the competitive position of correspondent banks. Before turning to that question, however, a more general observation should be made. The suggestion is often made that required reserves are sterile balances that, in effect, are nothing more than a cost of doing business. In a proximate sense, that is true, but to suggest that banks—especially large banks—receive no value in exchange for maintaining such balances would be quite erroneous. Within the day and even on a day-to-day basis, reserves are the working balances that are essential to the smooth functioning of contemporary banking organizations. The fact that some large banks turn over their total reserve position dozens of times daily illustrates the utility of these balances. The foregone income associated with reserve balances is a consideration, but, monetary policy considerations aside, reserve balances are not a sterile lump of idle cash wasting away in the vaults of the Federal Reserve Banks.

All of that notwithstanding, the question at hand is whether the costs of reserves incurred by correspondent banks are such as to place such banks at a competitive disadvantage relative to the Fed in the provision of payments services to other depository institutions. Viewed in this perspective, it would seem that to the extent the argument is valid, it is so only insofar as it pertains to the reserves held by correspondent banks on "due to" deposits. However, for the sake of illustration, even if we were to look at the opportunity cost of all required reserves for the sample of large banks used to estimate the variables in the PSAF calculation, the implications for the value of the PSAF are quite modest. For example, taking account of the cost of reserves would raise the cost of short-term capital about 8 percent, to 14.2 percent, and thereby raise the PSAF from 16.0 to 16.3 percent.

There is one other point I wish to comment on briefly in this regard, and that pertains to the suggestion that the Fed's cost allocations to priced services are somehow inappropriate or that the allocation problems faced by the Fed are somehow more insurmountable than the allocation problems faced by correspondent banks. Cost accounting systems are never perfect. But we have been careful and methodical in allocating costs, and the process is under constant review by the Reserve Banks, their auditors, and by the examiners of the Board of Governors. At present, the General Accounting Office (GAO) is taking a fresh look at this matter and the Fed has engaged an outside accounting firm to do more of the same. Obviously, to the extent any of these entities have suggestions or comments as to our methods, we will carefully evaluate such comments and, when appropriate, take necessary action. We will certainly keep the Congress informed of any developments in this regard.

Turning now to the so-called regulator–competitor issue, I will readily concede that there could be a potential conflict of interest between the Fed's overall role and its specific role as a provider of payments services in a competitive environment. I will also concede that this dual role is not a typical situation for a public body, but I would hasten to add that the public interest aspects of the payments mechanism are far greater than is the case with other activities that are vested with a public interest. Moreover, insofar as potential conflicts of the Fed are concerned, there are powerful forces that more than adequately ensure that potential conflicts will not become actual conflicts. These powerful countervailing forces include the generalized public scrutiny of Fed actions, the oversight and general supervisory role of the Board of Governors, the public comment process, the activities of the GAO, and the oversight of the Congress itself. Moreover, I think the point should be stressed that removal of the Fed from an operational role in the payments system would put the payments system entirely in the hands of private suppliers who legitimately look first to their customers' and their shareholders' interests in determining the operational posture they will take in providing such services. That position is wholly appropriate, but at times it may not yield results that are in the public interest. The payments process is, inevitably, one that entails collisions of interests; payors want to slow it down; collectors want to speed it up; large economic agents have more clout and flexibility than the small ones. These potential conflicts are subtle and often hidden, and thus not easy to detect or resolve. The potential conflict associated with Fed activities is one that—to the extent it is real—is highly visible and therefore subject to remedy by the Federal Reserve Board or the Congress.

The Federal Reserve is, and has been, sensitive to these concerns and, working with the Congress and others, will seek to ensure that all factors bearing on these considerations are carefully weighed so that fairness and equity continue to be an integral and essential aspect of the Fed's actions.

The Role of the Federal Reserve in the Payments Mechanism

The questions I have discussed earlier concerning achievements of the Fed in implementing the pricing provisions of the MCA and the very difficult questions of competitive parity between the Fed and private correspondent banks are important. However, they do not get to the very essence of the most fundamental issue that is before these subcommittees: namely, what ongoing role, if any, should the Federal Reserve have in the operation of the payments mechanism?

As I see it, there is virtually unanimous agreement that the Federal Reserve, as the nation's central bank, has a natural and continuing interest in the efficient and safe functioning of the payments mechanism. In part, that natural interest arises from the fact that disruptions in the payments mechanism—regardless of their origins—can threaten the safety and soundness of financial institutions, financial markets more generally, and, in the extreme, the smooth functioning of the economy at large. Indeed, however great those concerns may have been 70 years ago, a strong case can be made that they take on even greater importance in the context of today's highly interdependent domestic and international banking and financial system.

The point should also be made that transaction balances at depository institutions and the required reserves that are associated with such balances are, at one and the same time, the vehicles through which most payments are made, the bedrock upon which all other financial flows rest, and the mechanism through which monetary policy is conducted. This trilogy of unique functions is one of the reasons that banks (operating with the Federal Reserve) have, in effect, had an exclusive franchise on the operation of the payments mechanism and it is one of the reasons why I believe that franchise should be preserved. More to the point, that trilogy points, in my judgment, to the imperatives of strong banks, strong financial markets, and a strong and efficient clearing system. Stated differently, the payments system demands—indeed requires—the highest degree of public confidence. It simply would not be possible to make hundreds of billions of dollars in payments daily if public confidence in the certainty of payments were shaken or undermined.

The question, therefore, is not whether the central bank has a responsibility to ensure the safety and efficiency of the payments mechanism, but how that responsibility can be most effectively discharged. More particularly, should the Fed seek to achieve these public policy objectives by regulation alone? Should it act as a processor of last resort, taking on only those functions that others are unwilling to provide or unable to provide at reasonable prices and conditions? Or should it maintain a viable operational presence in the payments mechanism along the general lines that have prevailed for the past 70 years? From my perspective, the dictates of public policy point strongly in the direction of preserving the viable operational presence of the Fed in the payments mechanism—recognizing, of course, that the exact configuration of that presence need not, and probably will not, remain as it is today. In saying this, I should also stress that an operational presence for the central bank along the general lines of the Fed's current activities is not unique or even unusual among the industrialized countries of the world.

The concept of the processor of last resort is deceptively appealing but, in fact, is not workable. The Federal Reserve Banks could not maintain the standby facilities, equipment, and personnel that would be needed to function on an on-again, off-again basis or to step into those situations in which an adequate level of payments services might not be available nationwide at reasonable costs and terms. Moreover, even the simplest aspects of the payments mechanism require a continuity of expertise and working knowledge that would be very difficult to maintain in such an environment. Therefore, assigning to the Fed a role as processor of last resort is simply not viable. Stated differently, the processor of last resort must be a processor.

In my opinion, the United States has—taking account of the size of our economy—the most efficient payments system in the world. That fact cannot be attributed to technological superiority; it surely cannot be attributed to geography or the presence of a neat and clean banking and financial structure. While many factors may be involved, I would suggest that the side-by-side presence of the Federal Reserve and the private banking system has been one of the primary factors—if not the primary factor—that has permitted—indeed encouraged—the payments system in the United States to achieve this status. One can speculate whether the result would have been different had the historic role of the Fed been confined to that of a regulator. That speculation—however interesting—cannot alter 70 years of experience and it cannot alter where we are today. Let me cite a few contemporary examples that may help to illustrate my point.

- Is it reasonable to conclude that the book-entry system for U.S. government securities would have been developed as quickly as it was—if at all—if the Fed had been only a regulator rather than a participant in the payments mechanism?
- Is it reasonable to assume that one or more private entities could, or would even want to, displace the Fed's funds transfer network?
- On the other side of the coin, as late as 1979 the Federal Reserve attempted, in the form of a Board policy statement, to put a halt to remote disbursement of checks. But we probably have more remotely disbursed checks today than we did in 1979, and the Federal Reserve is now seeking to achieve through its operations what it could not achieve through the policy statement.

The point, of course, is that the payments mechanism is so complex, legally and operationally, that it is far from clear that public policy objectives could be achieved simply by writing regulations. Moreover, it is quite possible that absent the "hands on" working knowledge gained through operations, regulatory efforts would quickly take on an ivory-tower character that would be ineffective or would impair the efficiency of the payments mechanism, or both. There is no doubt in my mind that the Fed's operational presence in the payments mechanism is a better alternative than what otherwise would be a cumbersome and very costly regulatory apparatus.

While I am skeptical that regulation alone could provide a cost-effective and efficient method of ensuring the public policy objectives associated with the operation of the payments mechanism, there are other aspects of the Fed's operational presence that would be very difficult to duplicate if the Federal Reserve were simply a regulator of the payments system. For example, the Fed can be thought of as something of a neutral and trusted intermediary in the payments process. Its only interest is bringing together collectors and payors in the fastest and safest manner possible. It has no particular interest in whether a check is large or small, whether the collecting or paying institution is large or small, or whether the payor is a good customer otherwise. Indeed, the fact that the Reserve Banks have no relationships with bank customers is a feature that makes them an attractive source of payments services for many depository institutions. This role as a trusted and neutral intermediary is reinforced by the fact that the Fed is also the bankers' bank whose solvency is never in question. This feature permits the Fed to prudentially assume such risks as the intraday credit exposure on Fedwire or the correspondent for problem banks that others may be unable or unwilling to accept. In tandem, the neutral intermediary and the ever-solvent bankers' bank are aspects of the Fed's role in the payments mechanism that contribute in no small way to that essential public confidence in the payments system.

None of the above should be construed to mean that the Fed's operational presence should remain exactly what it is today. Technological developments, the advent of interstate banking, the creative efforts of individual banks, and a host of other factors will, no doubt, change that role over time. Indeed, on the basis of these hearings and subsequent hearings in the Senate, the Congress may wish to provide different or more specific guidance to the Federal Reserve, although I would suggest that any such move would be premature at this time.

The bottom line, as I see it, is that the financial system, the business community, and the public at large have been the clear beneficiaries of the Fed's role—in partnership with the banking community—in promoting the highly efficient and safe payments system that we enjoy in the United States.

The Monetary Control Act, it seems to me, has produced the result envisioned by the Congress in that it has—the transitional problems notwithstanding—fostered further strides in the direction of greater efficiencies in the payments mechanism. Our continuing goal should be to see that those achievements are not compromised and that we move forward in adapting our payments system to the needs of the future in a way that ensures that the public confidence in the payments system is solidified even further. □

Statement by Theodore E. Allison, Staff Director for Federal Reserve Bank Activities, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, June 22, 1983.

Thank you for the opportunity to appear today to convey the Federal Reserve's endorsement of a bill that would authorize the Bureau of Engraving and Printing (BEP) to print the back of the one-dollar note by the offset process.

The Federal Reserve's support for this proposal is grounded on the very favorable impact it would have both on the capacity of the BEP to produce currency and on its cost of printing one-dollar notes, which account for about half of the total notes that the Federal Reserve needs printed each year. We concur that there will be no appreciable risk to security from this change as the incidence of counterfeit one-dollar notes is extremely small, and the front of the note will continue to be printed by the intaglio process. Moreover, we are assured that there will be no degradation of the quality of the printing—that is, of its clarity, consistency, and overall visual appearance—as a result of the change to offset.

The principal issue behind this proposal is the need to increase the BEP's production capacity to serve the currency requirements of the public. To meet these requirements, the Federal Reserve must have new notes in sufficient quantity to establish and maintain a high quality of notes in circulation and to allow for the increase in circulating currency related to economic growth. The Federal Reserve System during the last 10 years has increased its orders for new notes at an average annual rate of about 5 percent. For the next 5 years, however, we project that our needs will grow at an average annual rate of about 10 percent, from just over 4 billion notes (in 1982) to about 6½ billion (in 1987).

The main factor in the sizable increase in our projected needs for new notes is our commitment to improving the quality of the nation's currency. Each year, the replacement of unfit notes accounts for the bulk of the Federal Reserve's new currency requirements from the BEP, and our needs for notes would grow even if our objective were only to maintain the current quality of our currency. To achieve the improvement in quality required by the public, caused in large measure by the growing use of machines that handle currency, we will need a greater number of new notes to replace the higher number of unfit notes that will be removed from circulation.

By way of background, let me turn briefly to the manner in which unfit notes are replaced by new currency. The public's needs for currency are met by withdrawals from accounts at depository institutions, which, in turn, replenish their supplies of vault cash by drawing down their reserve balances at Reserve Banks. Likewise, depository institutions dispose of excess currency by depositing it at Reserve Banks for credit to their reserve accounts. Thus there is a continuous flow of currency into and out of the Reserve Banks, in the process of which notes that are not fit for further circulation are removed and destroyed, and new notes are issued.

During the 1970s, the volume of currency handled by the Federal Reserve grew so rapidly that the practice of manual, note-by-note inspection for fitness was replaced by inspection of 100-note packages, the typical size unit deposited at the Reserve Banks. While that change enabled the Reserve Banks to improve processing productivity, it resulted in a decline in currency quality as notes of marginal quality were recirculated. The decline in the overall quality of the currency occurred at a time when the need for higher quality currency—for automated teller machines, fare machines, bill changers, and vending machines—was growing. The Federal Reserve set about to restore, and then further improve, quality by developing and installing new currency-processing equipment and procedures that would allow a return to note-by-note inspection for fitness. The last of these new machines will be installed later this year. These processors, together with a comprehensive program of quality measurement and monitoring, have already resulted in a noticeable—though not yet sufficient—improvement in quality of the currency.

In conclusion, the Federal Reserve is committed to a major program of improving and maintaining the appearance and quality of our nation's currency, particularly in view of the greater usage of machines that dispense and accept notes. With sufficient production capacity at the BEP to provide for consistently high quality currency, society will be able to take full advantage of the speed, convenience, and efficiencies that are afforded by the use of such machines. The Federal Reserve believes that the proposed legislation, and the resulting change to offset printing for the backs of one-dollar notes, is an appropriate response to the need for more currency production capacity, and we urge your passage of it. □

Statement by E. Gerald Corrigan, President, Federal Reserve Bank of Minneapolis, before the Subcommittee on Telecommunications, Consumer Protection, and Finance of the Committee on Energy and Commerce, U.S. House of Representatives, June 28, 1983.

I appreciate the opportunity to appear before this subcommittee and share with you some of my personal observations about emerging trends in the structure of our banking and financial system and their implications for public policy.

It seems to me that any discussion of this subject must start with an appreciation of the historic and ongoing role that banks have played in the day-to-day functioning of our financial and economic system. It also seems to me that as we grapple with this very complex and very important subject, we need a systematic and intellectually consistent framework for analysis within which we can find solutions that are reasonable and functional and that serve the public interest. As the subcommittee knows, I have attempted to provide one such framework for analysis in my essay, "Are banks special?"

Spurred by a variety of factors that need not be restated here, the pace of financial change and innovation in the United States and around much of the industrialized world has proceeded at nearly breakneck speed. Almost daily we read in the financial press of some event or some development that seems to challenge one or more aspects of existing law or regulation or that seems to undermine some aspect of the once conventional wisdom about the structure of our financial system. To put it somewhat more graphically, it is, indeed, very hard to tell the players without—or even with—a scorecard. It is in this environment that the legislative moratorium on the formation of nonbank banks (and related matters) suggested by the Federal Reserve seems to me to make very good sense. More generally, in this environment, with all of its competitive implications, it is not surprising to find a growing sense of urgency regarding the need to update some of our laws and regulations as they pertain to the structure of banking and the financial system.

I share in that sense of urgency, in part because I believe that banking functions in particular and financial activities more generally are too important to allow events to run helter-skelter in the hope that they will shake out in a manner that is consistent with the public interest. While that sense of urgency is understandable, I believe it is important that we not lose sight of the fact that for the past five decades our banking system has worked remarkably well. Indeed, over the past decade alone, the banking system has weathered a number of storms and, in the process, demonstrated a truly impressive degree of underlying strength and resiliency. The demonstrated capacity of the banking system to weather these storms also forcefully underscores the public's deeply entrenched confidence in the safety and soundness of the banking system. To some considerable, but admittedly unmeasurable, degree, public confidence in the banking system has its roots in the legislative and regulatory framework—much of it dating back to the 1930s—within which banks and other financial institutions operate. The point I am working toward should be obvious. Namely, as we proceed with the urgent task of reshaping the legislative and regulatory framework within which banks and other financial institutions operate, we must not lose sight of those characteristics of the present system that have permitted it to work so very well for 50 years.

In general, I believe most of us can agree on the broad objectives that should be served by the effort to reshape our banking laws and regulations in a manner that is more in keeping with the realities of the contemporary marketplace. We want a system that promotes—indeed encourages—fair and reasonable competition in the provision of banking and financial services; we want a system that provides consumers and businesses—small or large—with access to the most cost-effective means of conducting their financial affairs; we want a system that permits the monetary authorities to conduct monetary policy with a reasonable degree of efficiency; and, most of all, we want a safe and sound system that will preserve, if not solidify, the public's confidence in the banking system. These objectives—and others that could be added to the list—are easy to articulate and, taken individually, are easy to subscribe to. The problem arises, however, because specific objectives may often be in conflict with one another. To cite just one such conflict, the objective of competition may, at some point, be fundamentally in conflict with the objective of safety and soundness. Thus, the task at hand is one that inevitably entails the weighing and balancing of sometimes conflicting objectives in a manner that in the final analysis best serves the public interest.

The approach I have suggested in "Are banks special?" seeks to balance these considerations by looking first at the unique functions historically associated with banks. It identifies three such unique functions: (1) banks issue transaction accounts—that is, liabilities that in fact or perception are payable on demand at par and are readily transferable to third parties; (2) banks are the backup or standby source of liquidity and credit to all other institutions; and (3) the banking system is the transmission belt through which monetary policy is conducted. The essay suggests that in order for banks—or any class of institutions—to perform these functions, it is important that their financial condition—the quality of their assets, the depth and quality of their capital, and the like—justify public confidence in their strength and vitality. In turn, these considerations are, fundamentally, why it has been deemed in the public interest to have a public safety net in the form of deposit insurance, access to the discount window, and particular forms of supervision and regulation associated with banks.

This framework, while perhaps a bit more conservative than others, is not one that says that banks should be precluded from engaging in nonbanking activities nor that nonbank organizations should be precluded from engaging in banking activities. On the contrary, the analysis is quite compatible with those results. At the same time, however, it does suggest that just because a particular activity can be classified as financial in nature, it does not necessarily follow that such activity should be fair game for banking organizations. And it clearly suggests that the historic separation of banking and commerce more generally continues to make eminent good sense.

Within that framework, it seems to me that our efforts to decide which activities are appropriate for banks must start with a workable definition of a bank. The definition I have suggested is simply that a bank is any institution that issues liabilities that are payable on demand at par and are readily transferable to third parties; that is, banks issue transaction accounts. With that or some other definition as a point of departure, the activities appropriate for banking organizations can then be determined by the following guidelines:

First, I believe we must keep in mind that questions of bank powers and bank ownership are, in practice, one and the same. That is, if we say that a banking organization can engage in a particular set of nonbanking activities, it seems to me to follow, as a matter of logic and practicality, that another firm engaged exclusively in those same activities can own a bank, whereas a firm engaged in a still broader range of activities should not be permitted to own a bank.

Second, nonbank activities of banks should be financial in nature or closely related to banking, but they should also be activities that are not unduly risky; they should not be activities that can impair the impartiality of the credit decisionmaking process. These criteria suggest to me that while there is a wide range of financial activities that may be wholly appropriate for banking organizations, there may also be activities that—while unambiguously financial in nature—should not be engaged in by banking organizations.

Third, the bank holding company structure provides a vehicle that can help ensure that the pursuit of nonbanking activities by bank organizations does not impair the soundness of banks or the soundness and objectivity of their decisionmaking. Indeed, the separate capitalization of subsidiaries of bank holding companies and the restrictions against self-dealing contained in Section 23A of the Federal Reserve Act can be thought of as a fire wall providing a measure of protection against conflicts of interest and against the risk of loss in nonbank activities that could impair the financial condition of the bank itself. However, I, for one, am not persuaded that these protections can take on fail-safe characteristics, particularly since the strength of the fire wall is likely to be tested only in times of peril.

Let me state it differently. I think it may be asking too much to expect that banks can stand by with the same detached objectivity when faced with a failing or troubled affiliate as they might in the case of an unaffiliated firm. Similarly, I think it may be asking too much of even relatively sophisticated investors, much less small depositors, to expect that they can readily disassociate the problems of a subsidiary of a bank holding company from the bank itself. Partly for these reasons, I believe that we should take a very hard look at whether banks should be permitted to engage in activities that—while financial in nature—may entail excessive risk and may threaten the objectivity of the credit decisionmaking process. In time and under some circumstances, it may make sense to fold all financial activities into banking organizations, but for now I would strongly favor a tempered approach.

Regardless of where the line for permissible banking activities is drawn, the spread of combinations of banking and nonbank financial institutions is inevitable. In such a setting, I believe it is fair to speculate that the blending of financial institutions and financial functions will work in the direction of creating still greater interdependencies in what is already a highly interdependent and interconnected financial system domestically and worldwide. However, over a reasonably long period of time, it is not clear to me that broader powers for banks—in and of themselves—will produce a degree of interdependence materially different from what would occur in any event.

Thus, regardless of the causes, the reality of extraordinary financial interdependence does imply that the task of isolating and containing problems of a financial nature becomes more difficult, as we have seen during the past year or so. In this context, even if the blending of financial functions and financial institutions did not directly and materially make the degree of financial interdependence greater than it would otherwise have been, it might produce a situation in which it is more difficult to quickly identify the dimensions and reach of problems when they arise and to identify the circuit breakers that need to be thrown to prevent a particular problem from taking on systemic characteristics. None of this, in my judgment, need stand in the way of the expansion of banking activities and the associated blending of financial functions and institutions, but it does underscore the case for the tempered approach I suggested earlier.

As a related matter, the deregulation of banks—whether in the form of the de facto elimination of Regulation Q or the expansion of banking activities—produces an acute dilemma. That is, deregulated banks, at least at the margin, are more risky. In principle, therefore, these institutions should be more subject to the disciplines of the marketplace, including the ultimate discipline of failure. Yet, it is even more compelling that concerns about systemic risk and public confidence in the banking system mandate that we maintain a public safety net under the banking system.

Stated differently, one of the most difficult and important questions raised by banking deregulation relates to the task of dovetailing the evident need for greater market discipline on the part of banking organizations with the need to maintain public confidence in the banking system. We need a public safety net that is strong and effective, but also one that permits market discipline to play its natural role.

As I said earlier, I, like many others, look upon the current situation with a sense of urgency insofar as the need for legislative remedy is concerned. The tides of technology and the marketplace cannot be held back and, in a fundamental way, they should not be held back. These forces for change offer the potential for a more competitive, a more innovative, and a more vital banking and financial system. At the same time, however, they dramatically underscore the need for discipline and prudence in financial affairs generally and in banking activities in particular. The task at hand is formidable, yet manageable. As we proceed, however, it seems to me that the overriding consideration should be to preserve and maintain a strong banking system in which public confidence can safely reside.

Statement by John E. Ryan, Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Commerce, Consumer, and Monetary Affairs Subcommittee of the Committee on Government Operations, U.S. House of Representatives, June 28, 1983.

I appreciate the opportunity to appear before this subcommittee on behalf of the Federal Reserve System to discuss the role of the banking agencies in the government's efforts to identify and prosecute violations of criminal laws by officers, directors, or other bank employees.

The primary responsibility of the Federal Reserve's supervisory effort is to ensure that banking institutions under its supervision are operated in a sound and prudent manner and are complying with applicable laws and regulations. When violations of sound banking practices or laws and regulations are discovered, the Federal Reserve takes action to stop such activities and to protect the banking institution from their effects. Although the Federal Reserve has no authority for criminal prosecutions, it does refer possible criminal violations that are uncovered by examiners to appropriate authorities and provides such assistance as may be requested by those authorities.

The Federal Reserve has the primary federal supervisory responsibility for approximately 1,000 state member banks and for 4,500 bank holding companies. These responsibilities are fulfilled largely through the conduct of periodic on-site examinations during which examiners evaluate, among other things, the quality of loans and investments, liquidity, capital adequacy, and general financial condition. Examiners also review the activities of management and directors of banking organizations; the adequacy of internal systems and controls; any material transactions with or loans to officers, directors, policymaking employees, or other insiders; and compliance with a wide variety of laws and regulations affecting banks' relations with depositors, borrowers, investors, and their communities generally. This process is designed to determine that the institution is being operated soundly and in accord with laws and regulations.

Because abuses by insiders have historically been major contributing factors in bank problems and failures, examiners are instructed to review carefully any transactions involving the banking institution, its officers, directors, or principal shareholders. Insider abuses in banks became of concern to the Congress and resulted in the enactment of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). This law, which places restrictions on loans to insiders, together with the increased vigilance by examiners, has been useful in deterring abuses. However, there is no foolproof way to ensure that banks will not be adversely affected because of improper transactions with insiders, particularly when such transactions involve criminal acts.

As a practical matter, criminal violations that have had a materially adverse effect on an institution's financial condition have surfaced in the first instance in the form of inadequately documented loans, incomplete credit information concerning borrowers, and other forms of incomplete recordkeeping. Our experience indicates that when deficiencies in recordkeeping exist—and while they are not widespread, they are not uncommon—such deficiencies almost always are the result of lax procedures rather than criminal activities. In those few cases in which criminal activities are involved, extensive criminal investigations, lasting in some cases for years, are often necessary to prove criminal violations.

It should be emphasized, however, that the Federal Reserve does not wait until criminal prosecution is completed before taking action to protect the institution. In those cases in which evidence suggests that improper activities could harm the institution or the public, the Federal Reserve takes prompt action to stop those activities, to prevent the activities from recurring in the future, and to remedy the adverse conditions resulting from the improper activities. In most situations, bringing the matter to the attention of the institution's board of directors is sufficient as it normally is quick to replace individuals responsible for the activities. In those few cases when the directors do not act—often when the individual involved in misconduct is also a control-owner—there are a number of enforcement mechanisms available to the regulatory agencies. These include cease and desist authority, the assessment of civil money penalties, and the suspension and removal of an officer or director.

In 1981 and 1982, the Federal Reserve issued 27 cease and desist orders, entered into 35 written agreements, and assessed 22 civil money penalities. Twenty-three of these actions involved persons in their individual capacities as officers, directors, or other persons participating in the affairs of an institution. In 1981, the Federal Reserve also suspended and removed one officer who was indicted and convicted of a felony. In addition, over time there have been other occasions on which the actual or planned initiation of removal proceedings has resulted in resignations by individuals, thereby obviating the need to take further removal action. So far this year, we have completed 19 supervisory actions and currently have 17 actions pending completion. Of this latter figure, 7 involve pending actions against persons in their individual capacities.

As a procedural matter, when examiners uncover evidence or information suggesting the possible violation of a criminal statute in the process of conducting an on-site examination, a determination is made as to whether the bank itself has referred the violation to the appropriate enforcement authority. If the bank has not reported the violation or if it appears advisable for any other reason, the examiners will directly refer the possible violation to the local office of the U.S. Attorney. In such instances, examiners gather as much information as is reasonable in light of the individual circumstances, and the District Reserve Bank forwards a report to the appropriate enforcement authorities.

It is important to point out that the transfer of information from customer records by federal bank examiners to federal law enforcement agencies is subject to certain restrictions contained in the Right to Financial Privacy Act of 1978. This act establishes procedural safeguards and generally requires, with some exceptions, that a customer be notified whenever information from his or her financial records is transferred from one federal agency to another. This requirement applies to information from the individual financial records of bank officials and other insiders, as well as to financial information from the records of other bank customers.

The procedures for referring evidence of possible criminal violations uncovered during an examination to the proper law enforcement agencies were developed jointly by the staffs of the Federal Reserve and the Justice Department, and we believe that they have worked reasonably well.

Since the beginning of 1981, the Federal Reserve has referred, or determined that banks themselves have referred, information on 201 possible criminal violations involving amounts of more than $10,000 and an officer, director, or employee of a bank, and information on an additional 1,847 possible violations involving amounts of less than $10,000. Most of these violations have dealt with such misconduct as embezzlement and defalcations, theft, teller shortages, misapplication of bank funds, fraud, and alteration of bank records. The Federal Reserve believes that its current resources and the procedures worked out with the primary enforcement agencies will enable it to continue to ensure that referrals are made in a timely manner.

Because the judicial and procedural considerations pertaining to criminal investigations and prosecutions are different in many respects from considerations of safety and soundness, they require specialized expertise. Nonetheless, the banking agencies have participated in special investigations conducted under the direction of the enforcement agencies and have assisted the enforcement agencies in preparing cases by providing expertise in banking matters. Decisions on whether to indict or seek additional information are made by the primary law enforcement authorities. Generally, the Federal Reserve does not get involved in the process of indictment or prosecution, although System examiners have testified in criminal cases and have provided other assistance in the preparation of criminal cases.

The subcommittee has requested the views of the agencies on the public disclosure of supervisory actions against named officers and directors when violations are of a serious, nontechnical nature. In considering this question and the related broader issue of the disclosure of actions against institutions, it is important to keep in mind that, in practice, a certain amount of disclosure already takes place. For example, companies that are required to file public financial statements must also disclose enforcement actions that are deemed to be material. In addition, the banking agencies make public on an annual basis case-by-case summaries of supervisory enforcement actions. While these summaries do not identify specific companies or individuals, they do provide detail on the enforcement provisions of individual supervisory actions and the types of specific problems the actions are intended to correct. We believe the summaries serve to inform the public and the financial community that violations of law or sound banking practice will elicit a prompt and comprehensive supervisory response. Finally, the Federal Reserve has, in certain egregious cases, disclosed the names of individuals or companies subject to civil money penalties for engaging in improper conduct or violations of substantive banking regulations.

The question of whether there should be routine disclosure by supervisory agencies of all enforcement actions against named individuals or institutions requires the careful balancing of a number of important procedural, supervisory, and enforcement considerations. It can be argued that public disclosure may serve as a deterrent to those insiders who might be inclined to abuse their positions or otherwise engage in improper or self-serving activities. This could result over time in an increased level of compliance with laws and adherence to sound banking practices. On the other hand, public disclosure of supervisory actions in some instances may be counterproductive from a supervisory standpoint. For example, the immediate disclosure of a supervisory action could have a disruptive effect on a bank's funding or overall financial condition, thereby potentially aggravating a delicate situation that the supervisory action was intended to correct. In addition, our experience suggests that if it were understood that supervisory agencies would, as a matter of routine, fully disclose all information about any enforcement action, financial insitutions or individuals subject to enforcement proceedings would be more likely to refuse to consent voluntarily to the provisions of a corrective action. This would tend to frustrate expeditious correction of the problems.

We believe that these considerations need to be fully evaluated and the risks and benefits carefully weighed before making a final determination on the merits of routine public disclosure of enforcement actions against named individuals or institutions. On balance, we tend to believe that the considerations outlined above argue for a continuation of some supervisory discretion on the question of public disclosure of supervisory enforcement orders, and against across-the-board disclosures of all such actions.

The Federal Reserve, together with the other supervisory agencies, has a vital interest in ensuring that possible criminal misconduct in the nation's banks be uncovered, and it continues to support vigorous and timely prosecution and punishment of any bank officer, director, or other insider found to be engaged in criminal activities. We stand ready to assist in this process in any manner that is consistent with our statutory authority and our primary responsibility for the safety and soundness of the nation's banking system. □

Announcements

PROPOSED LEGISLATION: NEW NONBANKING POWERS FOR BANK AND THRIFT HOLDING COMPANIES

The Federal Reserve Board announced on July 8, 1983, its support of legislation transmitted to the Congress by the Treasury Department that would authorize new nonbanking powers for bank and thrift holding companies.

A letter was sent by the Board to the Chairmen of the Senate and House Banking Committees. A copy of the letter to the Chairman of the Senate Committee on Banking, Housing, and Urban Affairs follows.

July 5, 1983

The Honorable Jake Garn
Chairman
Committee on Banking,
Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Garn:

The Board has reviewed the draft bill prepared by the Treasury Department to authorize new nonbanking powers for bank and thrift holding companies. The bill would provide for the use of a holding company as the vehicle for the conduct of nonbanking activities by banking organizations. It would extend the existing nonbanking powers of these companies to include services of a financial nature as well as those closely related to banking. In addition, the bill would authorize certain securities services, insurance and real estate brokerage, real estate development (with limitations on the amount of capital investment) and insurance underwriting.

I have, in numerous public statements, expressed the Board's support for appropriate expansion of nonbanking activities of banks to allow more effective responses to market incentives, provided that these activities and the manner in which they were supervised are consistent with the public policy objectives flowing from the unique role that banks play in our economy. Accordingly, we have been concerned that, as part of the process of powers expansion, account should be taken of prudential considerations and of the need to maintain the basic separation of banking from commercial and industrial activities. Fulfillment of these objectives, and the overriding need to maintain confidence in our banking system requires, we believe, a certain degree of supervision and regulatory oversight.

The provisions of the Treasury bill recognize these objectives and have the support of the Board. In particular, the terms and conditions for the authorization of expanded powers, and the provisions for follow-on supervision and examination, are sufficient to meet our concerns while not unduly limiting the ability of bank holding companies to compete.

As to the powers themselves, while the Board will require additional time to consider fully whether or not any additional criteria for the insurance or real estate authorities might be appropriate, the Board is broadly in agreement with the additional powers contained in the Treasury bill.

Similarly, with respect to S&L holding company powers, the Treasury proposal is an appropriate and reasonable starting point. At this time we have no specific suggestions to improve them. However, we will be giving this matter further consideration, particularly with respect to assuring competitive balance in powers and benefits among institutions offering similar services.

In addition, there are other matters not included in the Treasury proposal on which the Board may wish to suggest legislative action. These subjects include the need for rules to maintain an appropriate degree of coordination between authorities granted under State and Federal law, the possibility of changes in the laws establishing geographic limitations on banking activities, as well as the need to consider, as part of any comprehensive definition of the term bank, authorizing reserve requirements for companies that offer transaction accounts. The Board intends to expedite its consideration of these issues and make recommendations to you in the near future.

In the past, I have often stressed the urgent requirement for positive banking legislation to address the fundamental need to adapt the banking and financial system to a rapidly changing world. To allow the time for Congress to act on permanent legislation, I have previously submitted draft legislation to avoid a preemption of Congressional discretion in this area.

In our view, the Administration's proposal provides a complementary comprehensive approach looking toward effective competition in the provision of financial services while maintaining the nation's basic interest in the soundness and stability of the banking system. I hope the Congress could act quickly on this comprehensive legislation with a view to completing Congressional action by the end of this year.

Sincerely,
Paul A. Volcker
Chairman
Board of Governors
of the Federal Reserve System

MINIMUM CAPITAL GUIDELINES: AMENDMENTS

The Comptroller of the Currency and the Federal Reserve Board on June 13, 1983, announced amendments to their minimum capital guidelines. The guidelines, which were originally made public in December 1981, are used by the two agencies in examining and supervising national banks, state chartered banks that are members of the Federal Reserve System, and bank holding companies. The amendments are effective immediately; however, the two agencies will continue to accept comments on the changes until August 12, 1983.

The revisions would (1) establish a 5 percent minimum ratio of primary capital to total assets for the 17 banking organizations designated by the agencies as multinationals; and (2) expand the definition of secondary capital in considering the capital adequacy of consolidated bank holding companies.

Definitions of primary and secondary capital are included in the revised guidelines.

The agencies noted that they had previously amended their policies to ensure that the capital positions of the 17 multinationals would be strengthened.[1] Over the past 18 months, the average primary capital ratio for these banking organizations increased from 4.63 percent to 5.35 percent through the issue of $450 million of common stock, $2.9 billion of preferred stock, and $1.3 billion of mandatory convertible securities. This substantial improvement means that most of these institutions are already in compliance or will not have far to go to come into compliance with the amended guidelines. In light of the progress made toward greater uniformity in the treatment of capital among banks and within the context of fostering continued improvement in bank capital ratios, the agencies are particularly interested in receiving comment on the question of whether a further step would now be advisable directed toward a closer alignment of capital ratios for all banking organizations regardless of size.

The guidelines for the multinationals are the same as those already used for regional banking organizations—companies with total assets exceeding $1 billion that are not designated as multinationals. The agencies recognized that the primary capital ratios of several multinationals currently have been below desired levels and emphasized that these organizations would be given a reasonable period of time to bring their ratios up to acceptable levels. The agencies noted that they will continue to administer the capital guidelines with appropriate flexibility and will take into consideration the unique characteristics of individual banks.

In the second major change, the agencies said that the unsecured long-term debt of the parent company and its nonbank affiliates could now be counted as secondary capital for purposes of evaluating the capital adequacy of the consolidated holding company. However, unlike bank-issued debt, the long-term debt of the parent company and its nonbank subsidiaries would not be required to be subordinated. Also, such long-term debt would not be limited to 50 percent of holding company primary capital, whereas bank subordinated debt is limited to 50 percent of bank primary capital. The agencies will retain the 50 percent limit for bank subordinated debt because

1. The 17 multinational organizations are the following: BankAmerica Corporation (Bank of America, NT&SA); Bank of Boston Corporation (The First National Bank of Boston); Bankers Trust New York Corporation (Bankers Trust Company); Chase Manhattan Corporation (Chase Manhattan Bank, N.A.); Chemical New York Corporation (Chemical Bank); Citicorp (Citibank, N.A.); Continental Illinois Corporation (Continental Illinois National Bank and Trust Company of Chicago); Crocker National Corporation (Crocker National Bank); First Chicago Corporation (The First National Bank of Chicago); First Interstate Bancorp (First Interstate Bank of California); Irving Bank Corporation (Irving Trust Company); Manufacturers Hanover Corporation (Manufacturers Hanover Trust Company); Marine Midland Banks, Inc. (Marine Midland Bank, N.A.); Mellon National Corporation (Mellon Bank, N.A.); Morgan, J. P. & Co., Incorporated (Morgan Guaranty Trust Company of New York); Security Pacific Corporation (Security Pacific National Bank); and Wells Fargo & Company (Wells Fargo Bank, N.A.).

lending limits of many banks are tied to capital, which includes subordinated debt.

In amending the capital guidelines program, the agencies reemphasized that banking organizations generally are expected to operate above the minimum primary capital ratios. The agencies also said that some banking organizations will be expected to hold additional primary capital to compensate for additional risk. Such banks would include those that have a higher-than-average percentage of their assets exposed to risk or a greater-than-average amount of off-balance-sheet risk. As techniques of financial analysis evolve, the agencies plan to review these guidelines and in particular will continue to review such issues as the level of intangibles, the role of debt as capital, and the possible need for a single capital standard for all banks.

BANKERS ACCEPTANCES: AMENDMENT TO REGULATION D, FINAL RULE, AND PROPOSED ACTION

The Federal Reserve Board took two final actions in connection with bankers acceptances. One of the final actions was an amendment to Regulation D (Reserve Requirements of Depository Institutions), dealing with the reservability of ineligible bankers acceptances. The other final action and the draft regulation issued for comment related to bankers acceptances under the Bank Export Services Act.

Regulation D now applies reserve requirements to ineligible acceptances only when the creating institution itself discounts and sells the acceptance.[1] Under the amendment to Regulation D adopted in final form by the Board:

> An ineligible bankers acceptance not held in portfolio by the creating bank will be treated as a reservable deposit regardless of whether the depository institution that created the ineligible bankers acceptance, or another, subsequently discounts and sells it.

The Board took this action in order to prevent the use of so-called agented acceptance arrangements with third parties from being used as a device to avoid reserve requirements.

The Bank Export Services Act (BESA) raised the limits on the aggregate amount of eligible bankers acceptances that may be granted by an individual member bank from 50 percent of the bank's capital stock and surplus (100 percent with the permission of the Board) to 150 percent of the bank's capital (200 percent with the permission of the Board). The act also applied these limits to U.S. branches and agencies of foreign banks when the parent bank has, or is controlled by, a company or companies with consolidated bank assets of more than $1 billion worldwide. These limits do not apply to nonmember banks.

The BESA also provided that any portion of an eligible bankers acceptance created by a member bank or by a U.S. branch or agency of a foreign bank covered by the BESA that is sold through a participation agreement to another covered bank should not be included in the calculation of the creating bank's limits on bankers acceptances.[2] Instead, the amount of the participation in the acceptance is to be applied to the limitations applicable to the covered bank that purchases the participation. The BESA also provided that eligible bankers acceptances, growing out of domestic transactions, are not to exceed 50 percent of the aggregate of all acceptances authorized for a covered bank.

In the other final rule, issued on June 21, 1983, the Board clarified the following:

- Eligible acceptances created by covered banks and sold through participations to *noncovered banks* (including Edge and Agreement corporations) are subject to the quantitative limitations of the selling covered banks.
- Eligible acceptances created by *noncovered banks* (including Edges) sold through participation agreements to covered banks are includ-

1. "Eligible" bankers acceptances are not subject to federal reserve requirements. They must meet criteria in section 13 of the Federal Reserve Act, including requirements that the acceptance (1) grow out of a trade transaction involving exporting, importing, or domestic shipment of goods or storage of readily marketable staples, and (2) have a maturity of less than six months; "ineligible" acceptances are those not meeting these requirements.

2. "Covered banks"—those subject in the BESA to quantitative limits on eligible acceptances—are member banks and U.S. branches and agencies of foreign banks whose parent foreign bank has or is controlled by a foreign company that has worldwide consolidated bank assets of $1 billion or more. All other institutions—"noncovered" banks—are not subject in the BESA to a quantitative limit on eligible acceptances.

ed in the quantitative limitations applicable to the purchasing covered banks.

- The parent of U.S. offices of foreign banks is defined as the institution that owns the U.S. branch or agency "most directly" and the capital of the parent is defined in accordance with procedures currently used for reporting to the Board on FR Y7.
- The 50 percent limitation on eligible acceptances growing out of domestic transactions is applied to the maximum permissible amount of eligible acceptances that a covered bank could create, not just outstandings.

In addition to these final rules, the Board has issued for comment a proposed definition of participations in bankers acceptances that would be eligible for the acceptance limitations in the Bank Export Services Act covered in the final rule issued on June 21, 1983.

The Board requested comment on the proposed definition by August 5, 1983.

PROPOSED ACTIONS

The Federal Reserve Board issued for comment proposed revisions to the fee structures for its definitive securities safekeeping and noncash collection services. The Board requested comment by August 8, 1983.

The Federal Reserve Board also announced that it intends to review its Regulation B (Equal Credit Opportunity). The Board asked for comment by August 30, 1983, to assist it in the review.

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board has announced that its Consumer Advisory Council met on July 20 and 21, 1983.

The Council, with 30 members who represent a broad range of consumer and creditor interests, advises the Board on its responsibilities regarding consumer credit protection legislation and regulation.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period June 7 through July 8, 1983.

Kansas

Topeka .... Columbia Trust Company
Pleasanton .... First State Bank

Texas

Irving .... First Bank/Las Colinas

Legal Developments

AMENDMENT TO REGULATION D

The Board of Governors has amended Regulation D to apply reserve requirements to bankers' acceptances ("BAs") that do not meet the criteria of section 13 of the Federal Reserve Act ("ineligible BAs") regardless of whether the instrument is discounted and resold by the depository institution that created it.

Effective June 20, 1983, the Board amends Regulation D as set forth below:

Part 204 — Reservé Requirements of Depository Institutions

Section 204.2 — Definitions

* * * * *

(a)(1) * * *

(viii) any liability of a depository institution that arises from the creation after June 20, 1983, of a bankers' acceptance that is not of the type described in paragraph 7 of section 13 of the Federal Reserve Act (12 U.S.C. 372) except any such liability held for the account of an entity specified in § 204.2(a)(1)(vii)(A).

* * * * *

(c)(1) * * *

(ii) borrowings, regardless of maturity, represented by a promissory note, an acknowledgement of advance, or similar obligation described in section 204.2(a)(1)(vii) that is issued to, or any bankers' acceptance of the depository institution held by, any office located outside the United States of another depository institution or Edge or agreement corporation organized under the laws of the United States, to any office located outside the United states of a foreign bank, or to institutions whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)); and

* * * * *

(f)(1) * * *

(v) a time deposit represented by a promissory note, an acknowledgement of advance, or a similar obligation described in section 204.2(a)(1)(vii) that is issued to, or any bankers' acceptance of the depository institution held by, any office located outside the United States of another depository institution or Edge or agreement corporation organized under the laws of the United States, to any office located outside the United States of a foreign bank, or to institutions whose time deposits are exempt from interest rate limitations under section 217.3(g) of Regulation Q (12 CFR 217.3(g)).

* * * * *

AMENDMENT TO REGULATION K

The Bank Export Services Act (Pub. L. 97–290, Title II (1982)) amended the Bank Holding Company Act of 1956 to permit bank holding companies, their subsidiary Edge or Agreement corporations, and bankers' banks to invest in export trading companies. The regulation implements and interprets this provision by establishing procedures for prior Board review of these investments and providing guidance on how the Board intends to administer the statute.

Effective July 8, 1983, the Board amends Regulation K by adding new Subpart C as set forth below:

Part 211 — International Banking Operations

Subpart A * * *

Subpart B * * *

Subpart C—Export Trading Companies

Section 211.31 Authority, purpose and scope

Section 211.32 Definitions

Section 211.33 Investments and extensions of credit

Section 211.34 Procedures for filing and processing notices

* * * * *

Subpart C — Export Trading Companies

Section 211.31 — Authority, Purpose and Scope

(a) *Authority*. This Subpart is issued by the Board of Governors of the Federal Reserve System ("Board") under the authority of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.) ("BHC Act"), and the Bank Export Services Act (Title II, Pub. L. 97–290, 96 Stat. 1235 (1982)) ("BESA").

(b) *Purpose and scope*. This Subpart is in furtherance of the purposes of the BHC Act and the BESA, the latter statute being designed to increase U.S. exports by encouraging investments and participation in export trading companies by bank holding companies and the specified investors. The provisions of this Subpart apply to: (1) bank holding companies as defined in section 2 of the BHC Act (12 U.S.C. § 1841(a)); (2) Edge and Agreement corporations, as described in section 211.1(b) of this Part, that are subsidiaries of bank holding companies but are not subsidiaries of banks; (3) bankers' banks as described in section 4(c)(14)(F)(iii) of the BHC Act (12 U.S.C. § 1843(c)(14)(F)(iii)); and (4) foreign banking organizations as defined in section 211.23(a)(2) of this Part. These entities are hereinafter referred to as "eligible investors."

Section 211.32 — Definitions

The definitions of section 211.2 in Subpart A apply to this Subpart subject to the following:

(a) "Export trading company" means a company that is exclusively engaged in activities related to international trade and, by engaging in one or more export trade services, derives more than one-half its revenues in each consecutive two-year period from the export of, or from facilitating the export of, goods and services produced in the United States by persons other than the export trading company or its subsidiaries. For purposes of this subsection, revenues shall include net sales revenues from exporting, importing, or third party trade in goods by the export trading company for its own account and gross revenues derived from all other activities of the export trading company.

(b) The terms "bank," "company" and "subsidiary" have the same meanings as those contained in section 2 of the BHC Act (12 U.S.C. § 1841).

Section 211.33 — Investments and Extensions of Credit

(a) *Amount of Investments*. In accordance with the procedures of section 211.34 of this Subpart, an eligible investor may invest no more than five per cent of its consolidated capital and surplus in one or more export trading companies, except that an Edge or Agreement corporation not engaged in banking may invest as much as 25 per cent of its consolidated capital and surplus but no more than five per cent of the consolidated capital and surplus of its parent bank holding company.

(b) *Extensions of credit*.

(1) *Amount*. An eligible investor in an export trading company or companies may extend credit directly or indirectly to the export trading company or companies in a total amount that at no time exceeds 10 per cent of the investor's consolidated capital and surplus.

(2) *Terms*. An eligible investor in an export trading company may not extend credit directly or indirectly to the export trading company or any of its customers or to any other investor holding 10 per cent or more of the shares of the export trading company on terms more favorable than those afforded similar borrowers in similar circumstances, and such extensions of credit shall not involve more than the normal risk of repayment or present other unfavorable features. For the purposes of this provision, an investor in an export trading company includes any affiliate of the investor.

(3) *Collateral requirements*. Covered transactions between a bank and an affiliated export trading company in which a bank holding company has invested pursuant to this Subpart are subject to the collateral requirements of section 23A of the Federal Reserve Act (12 U.S.C. § 371c), except where a bank issues a letter of credit or advances funds to an affiliated export trading company solely to finance the purchase of goods for which:

(i) the export trading company has a bona fide contract for the subsequent sale of the goods; and

(ii) the bank has a security interest in the goods or in the proceeds from their sale at least equal in value to the letter of credit or the advance.

Section 211.34 — Procedures for Filing and Processing Notices

(a) *Filing notice*.

(1) *Prior notice of investment*. An eligible investor shall give the Board 60 days' prior written notice of any investment in an export trading company.

(2) *Subsequent notice.* An eligible investor shall give the Board 60 days' prior written notice of changes in the activities of an export trading company that is a subsidiary of the investor if the export trading company expands its activities beyond those described in the initial notice to include: (i) taking title to goods; (ii) product research and design; (iii) product modification; or (iv) activities not specifically covered by the list of services contained in section 4(c)(14)(F)(ii) of the BHC Act. Such an expansion of activities shall be regarded as a proposed investment under this Subpart.

(b) *Time period for Board action.*

(1) A proposed investment that has not been disapproved by the Board may be made 60 days after the Reserve Bank accepts the notice for processing. A proposed investment may be made before the expiration of the 60-day period if the Board notifies the investor in writing of its intention not to disapprove the investment.

(2) The Board may extend the 60-day period for an additional 30 days if the Board determines that the investor has not furnished all necessary information or that any material information furnished is substantially inaccurate. The Board may disapprove an investment if the necessary information is provided within a time insufficient to allow the Board reasonably to consider the information received.

(3) Within three days of a decision to disapprove an investment, the Board shall notify the investor in writing and state the reasons for the disapproval.

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

Orders Under Section 3 of Bank Holding Company Act

Allied Bancshares, Inc., Houston, Texas

Order Approving Acquisition of Bank

Allied Bancshares, Inc., Houston, Texas ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. §1842(a)(3)) to acquire 100 percent of the voting shares of Town & Country Bank, Houston, 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 Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant, the seventh largest banking organization in Texas, controls 49 banking subsidiaries[1] with total deposits of approximately $4.5 billion, representing 3.7 percent of the total deposits in commercial banks in the state.[2] Bank, with deposits of $122.4 million, is the 56th largest commercial banking organization in Texas, and controls 0.1 percent of the total deposits in commercial banks in the state. Upon consummation of this transaction, Applicant would remain the seventh largest banking organization in the state, and would control 3.8 percent of the total deposits in commercial banks in the state. Thus, the Board concludes that the acquisition of Bank would have no significant effect on the concentration of banking resources in Texas.

Both Applicant and Bank compete in the Houston banking market.[3] Bank is the 22nd largest banking organization in that market, controlling approximately 0.4 percent of the total deposits in commercial banks in the market. Applicant is the third largest commercial banking organization in the Houston banking market, controlling approximately 9.8 percent of the total deposits in commercial banks in the market. Upon consummation of this transaction, Applicant would remain the third largest commercial banking organization in the market, and its share of the total deposits would increase to 10.2 percent.

Although consummation of this proposal would eliminate some existing competition between Applicant and Bank in the Houston banking market, certain facts of record mitigate the competitive effects of the transaction. The Houston banking market is not highly concentrated now and would not become a highly concentrated market after consummation of this proposal. The share of deposits held by the four largest commercial banking organizations in the market is 65.0 percent and would increase to 65.4 percent upon consummation of the proposal. The Herfindahl-Hirschman Index ("HHI") in the market is 1350 and would increase by only 7 points to 1357 upon consummation of the proposal.[4] In addition, numerous com-

1. This figure includes two acquisitions which have received Board approval, but which have not yet been consummated.

2. All banking data are as of June 30, 1982, and include acquisitions approved through March 31, 1983.

3. The Houston banking market is approximated by the Houston RMA, as defined by the Rand McNally & Company 1982 *Commercial Atlas and Marketing Guide*.

4. Under the Department of Justice merger guidelines, a market in which the post-merger HHI is between 1,000 and 1,800 is considered only moderately concentrated, and the Department is unlikely to challenge mergers in such markets unless the resulting increase in the HHI is greater than 100 points.

mercial banking organizations, including the state's largest, would remain in the market after consummation of the proposal.[5] In light of the above, the Board concludes that the acquisition would not have any significant adverse effects on competition in any relevant area.

The financial and managerial resources and future prospects of Applicant, its subsidiaries and Bank are regarded as generally satisfactory. Accordingly, considerations relating to banking factors are consistent with approval. Although consummation of the proposal would effect no immediate changes in the services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. Accordingly, the Board has determined that consummation of the transaction would be consistent with the public interest and that the application should be approved.

On the basis of the record, this 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 acting pursuant to delegated authority.

By order of the Board of Governors, effective June 13, 1983.

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

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

Dissenting Statement of Governors Teeters and Rice

We would deny this application because approval would further a disturbing trend toward concentration and the elimination of existing competition in the Houston banking market and toward a reduction in the number of sizable independent banks in the market.

Section 3(c) of the Bank Holding Company Act provides, in part, that the Board may not approve any proposed acquisition, the effect of which, in any section of the country, may be substantially to lessen competition or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Board finds that the anti-competitive effects of the transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Although the Houston banking market is not yet considered "highly concentrated" under the Department of Justice merger guidelines, section 3(c) of the Act does not require the Board to tolerate the development of undue concentration among banking organizations before it is empowered to intervene. Indeed, the Supreme Court stated in *Brown Shoe Co. v. United States*, 370 U.S. 294, 317–18 (1961), that agencies have the authority to arrest mergers at a time when the trend to a lessening of competition in a line of commerce is in its incipiency. We believe that such a trend is present in the Houston banking market and that denial of this application would "brake this force at its outset and before it gather(s) momentum." *Id.*, at 318.

While the market shares of Applicant and Bank in this case are relatively small, Applicant is the third largest banking organization in a market that has grown increasingly concentrated over the past several years. From 1970 through 1982, for example, the percent of total deposits held by the four largest banking organizations in the Houston banking market increased from 46.8 percent to 64.4 percent. Further, in the one-year period from 1981 to 1982, the four-firm concentration ratio increased by about seven percentage points from 57.2 to 64.4 percent, accelerating the trend toward a concentration of deposits among the top four banking institutions in the Houston banking market.

While the percent of deposits held by the four largest bank holding companies in the Houston market has risen rapidly, the share of deposits controlled by the medium-sized independent banks and one-bank holding companies in that market has steadily fallen. In 1971, these banking organizations controlled 26.5 percent of the total deposits in commercial banks in the Houston banking market. In 1982, their market share had decreased to only 5.5 percent. This substantial reduction in market share occurred even though the total number of commercial banks in the Houston banking market increased during this same period from 126 to 214, and the amount of deposits in the market increased from a total of $6.0 billion to $32.0 billion. Approval of this application will accelerate the anticompetitive trend toward concentration in the Houston banking market.

The anticompetitive effects of this application are exacerbated by the fact that Bank is one of only eight

5. A number of thrift institutions are headquartered in Houston, controlling about $7.4 billion in total deposits throughout the state. It is estimated that thrift institutions control less than 20 percent of the total deposits in the Houston market. Although thrift institutions in Texas have not historically engaged in commercial lending to any great extent, under provisions of the recently enacted Garn-St Germain Depository Institutions Act of 1982 the commercial lending powers of federal thrift institutions have been significantly expanded. Title III 96 Stat. 1469, 1499–1500

independent banks or one-bank holding companies with over $100 million in deposits remaining in the Houston banking market. In our view, the elimination of such medium- to large-sized banking organizations as competitors in the Houston banking market has greater competitive significance than the elimination of smaller banks in the market. Apart from the fact that the acquisition of medium- to large-sized banking organizations by large bank holding companies accelerates a trend toward concentration, the larger independent banks are more likely than the smaller banks to possess the capabilities for effective competition through acquisitions and through the provision of new banking services. Thus, these acquisitions eliminate banking organizations that could provide banking customers with feasible alternatives to the large multibank holding companies in the market.

In our view, the Board should not continue to permit the largest bank holding companies in the Houston banking market to continue the trend toward the concentration of banking resources by acquiring the few remaining medium- to large-sized independent banks in the market.

Accordingly, we dissent from the Board's decision to approve this application.

June 13, 1983

First Wisconsin Corporation, Milwaukee, Wisconsin

Order Approving Acquisition of Bank

First Wisconsin Corporation, Milwaukee, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares of Bank of Two Rivers, Two Rivers, Wisconsin ("Bank").

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

Applicant, the largest banking organization in Wisconsin, controls 19 banks with aggregate deposits of $3.05 billion, representing approximately 13.6 percent of total deposits in commercial banks in the state.[1] Bank, with deposits of $40.8 million, is the 135th largest bank in Wisconsin, holding 0.18 percent of total deposits in commercial banks in the state. Acquisition of Bank would have no appreciable effect upon the concentration of banking resources in Wisconsin.

Bank is the fifth largest of 13 banks in the relevant banking market, and holds 10.3 percent of deposits in commercial banks in that market.[2] Because none of Applicant's subsidiaries operate in this market, consummation of the proposed transaction will not eliminate any existing competition. The Board concludes that consummation of the proposal would not eliminate substantial probable future competition in the market because the market's three-firm concentration ratio is 60.3 percent, and therefore, the market is not highly concentrated under the Board's proposed guidelines.[3] Accordingly, the Board has determined that competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant, its subsidiaries and Bank are regarded as consistent with approval. Thus, considerations relating to banking factors are consistent with approval of the application. Considerations relating to the convenience and needs of the community to be served also are consistent with approval. Accordingly, it is the Board's judgment that consummation of the proposal to acquire Bank 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 acquisition of shares of Bank shall not be made before the thirtieth calendar day following the effective date of this Order or later than three months after that date, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective June 14, 1983.

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

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

1. All banking data are as of June 30, 1982.

2. The relevant banking market is approximated by all of Manitowoc County except the towns of Schleswig and Eaton.

3. Proposed "Policy Statement for Assessing Competitive Factors under the Bank Merger Act and the Bank Holding Company Act," 45 *Federal Register* 9017 (March 1982).

North Central Financial Services, Inc., Sioux Falls, Iowa

Order Approving Formation of Bank Holding Company

North Central Financial Services, Inc., Sioux Falls, South Dakota, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(l)) to become a bank holding company by acquiring 80 percent of the voting shares of First National Bank of Volga, Volga, South Dakota.

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

Applicant, a nonoperating corporation with no subsidiaries, was organized under the laws of South Dakota for the purpose of becoming a bank holding company by acquiring Bank, which controls deposits of $14.4 million.[1] Upon acquisition of Bank, Applicant would control the 60th largest of 132 banking organizations in South Dakota and approximately 0.21 percent of the total commercial bank deposits in the state.

Within the relevant banking market,[2] Bank is the fourth largest of ten banking organizations and holds 6.4 percent of total deposits in commercial banks.[3] While four of Applicant's principals are officers and minority shareholders of another banking organization in South Dakota, that organization does not compete in the relevant market. Thus, consummation of the proposal would have no adverse effect on competition or increase the concentration of banking resources in any relevant market. Accordingly, competitive considerations are consistent with approval.

The financial and managerial resources and future prospects of Applicant and Bank are considered generally satisfactory, particularly in light of Applicant's commitment to limit future borrowing[4] and to strengthen Bank's managerial resources. Thus, the Board concludes that considerations relating to banking factors are consistent with approval, as are considerations relating to the convenience and needs of the community to be served. Accordingly, based on the foregoing and other facts of record, the Board has determined that consummation of the transaction would be consistent with the public interest and that the application should be approved.

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

By order of the Board of Governors, effective June 22, 1983.

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

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

1. Banking data are as of September 30, 1982
2. The relevant banking market is approximated by Brookings County and the eastern half of Kingsbury County, South Dakota
3. Market data from June 30, 1982, Summary of Deposit.
4. Applicant would incur no debt in connection with consummation of this proposal.

Northwest Suburban Bancorp, Inc., Mount Prospect, Illinois

Order Approving Formation of a Bank Holding Company

Northwest Suburban Bancorp, Inc., Mount Prospect, Illinois, 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)) to form a bank holding company by acquiring 100 percent of the voting shares of First National Bank of Mount Prospect, Mount Prospect, Illinois ("Mount Prospect"); Countryside Bank, Mount Prospect, Illinois ("Countryside"); and First National Bank of Lake Zurich, Lake Zurich, Illinois ("Lake Zurich"), (collectively "Banks").

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 acquiring Banks, which hold deposits aggregating $187.3 million.[1] Upon acquiring Banks, Applicant would control 0.20 percent of total deposits held by commercial banks in the state. In light of the small share of the state's commercial bank deposits that would be controlled by Applicant, the Board concludes that consummation of the transaction would not have any serious adverse effects on the concentration of banking resources in Illinois.

1. All banking data are as of June 30, 1982

Banks all operate in the Chicago banking market.[2] Mount Prospect is the 60th largest banking organization in the relevant market, and controls approximately 0.21 percent of the total deposits in commercial banks therein. Countryside and Lake Zurich are the 203rd and 332nd largest banking organizations in the Chicago banking market, controlling approximately 0.07 and 0.02 percent, respectively, of total deposits in commercial banks in the market. Upon consummation, Applicant would become the 36th largest commercial banking organization in the Chicago banking market, controlling 0.30 percent of market deposits. Consummation of this proposal would eliminate some existing competition between Banks in the Chicago market.

The Chicago banking market, with a four-firm concentration ratio of 54 percent would not be considered highly concentrated after consummation of this proposal. In addition, the market contains numerous alternative banking organizations. In view of these factors, the absolute and relative sizes of the banks involved and the fact that Banks are commonly controlled by three individual shareholders, the Board concludes that the amount of existing competition that would be eliminated by consummation of this transaction is not significant.

The financial and managerial resources and future prospects of Applicant and Banks are considered generally satisfactory, especially in light of Applicant's commitment to provide additional capital to Mount Prospect and Lake Zurich. In this regard, Applicant would incur debt in connection with this proposal for the purpose of providing the capital injections and paying organizational expenses. However, based upon the relatively small amount of debt incurred and Banks' past earnings, Applicant appears to have sufficient financial flexibility to meet its annual debt servicing requirements while permitting all three banks to maintain adequate capital positions. Therefore, considerations relating to banking factors in regard to this proposal are consistent with approval.

Although consummation of this proposal would effect no immediate changes in the banking services offered by Banks, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. Accordingly, the Board has determined that consummation of the transaction would be 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 Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective June 14, 1983.

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

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

2. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties in Illinois.

Pennbancorp, Titusville, Pennsylvania

Order Denying the Merger of Bank Holding Companies

Pennbancorp, Titusville, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to merge with First Seneca Corporation, Oil City, Pennsylvania ("First Seneca"). As a result of the merger, Applicant would acquire all of the outstanding voting shares of First Seneca's subsidiary bank, First Seneca Bank, and ownership of between 5.52 percent and 11.54 percent of the outstanding voting shares of several other banks and bank holding companies in Pennsylvania.

Notice of this 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 has expired, and the Board has considered the application and all comments received, including those of the Antitrust Division of the Department of Justice and the Pennsylvania Department of Banking, in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the 26th largest banking organization in Pennsylvania, controls one bank with total deposits of $542.4 million, representing commercial banks in the state.[1] First Seneca, the 20th largest banking organization in the state, controls one bank with total deposits of $587.7 million, representing 0.86 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would become the fourteenth largest banking organization in

1. Deposit data are as of June 30, 1982.

the state and would control 1.66 percent of the total deposits in commercial banks in the state. In the Board's view, consummation of this proposal would not have a significant effect upon the concentration of banking resources in Pennsylvania.

Although Applicant's subsidiary bank ("Bank") operates 23 branches in 7 banking markets and First Seneca Bank operates 48 branches in 9 banking markets, the only relevant market area in which both Applicant and First Seneca maintain banking offices is in Venango County, Pennsylvania. Accordingly, consummation of the proposal would not have any substantial adverse effect on existing competition in any market area other than in Venango County.

Applicant operates one office and one drive-in facility in Venango County, both located in the city of Franklin. First Seneca Bank operates three offices in Venango County, two in the city of Oil City and one in Cranberry township. Franklin and Oil City are located approximately in the center of Venango County and are eight miles apart. Cranberry is about nine miles from Franklin and eight miles from Oil City.

Oil City and Franklin are the largest communities in Venango county and account for 21 and 12 percent, respectively, of the total population of the county. The Oil City-Franklin-Cranberry area is the economic center of the region, containing virtually all of the local industry. The rest of Venango County is primarily rural in nature.

Applicant contends that Oil City and Franklin are in separate banking markets, which are approximated by the service areas of Bank and First Seneca Bank,[2] and that consummation of the proposed merger would, therefore, have no adverse effect upon existing competition. Applicant bases its market definition on the following factors: that Bank and First Seneca Bank do not derive any significant banking business from each other's service area; that no significant commuting exists between the Franklin and Oil City areas for employment or shopping; that the banks and thrift institutions in Franklin and Oil City maintain different prices and services; and that residents in the two areas do not shift their banking business from one city to the other in response to changes in prices or services.

In determining the relevant banking market for the purpose of assessing the competitive effects of a merger, the Board has stated, in reliance on decisions of the Supreme Court, that "the relevant market must reflect the commercial and banking realities and should consist of the localized area where the banks involved offer their services and where local customers can practicably turn for alternatives.[3] The Supreme Court has indicated that, in determining a relevant geographic market, "the proper question is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate.[4]

Based upon all the facts of record, including the geographic proximity of Oil City and Franklin, and relevant shopping, commuting, banking and employment data, the Board concludes that the relevant geographic market within which to evaluate the competitive effects of this proposal is all of Venango County (except the four northern townships)[5] and the four westernmost townships in Clarion County.[6] The Board believes that this market accurately reflects the area where the banks involved operate and to which their customers can practicably and feasibly turn for alternative banking services.

In many cases the Board has used Ranally Metro Areas ("RMAs") as guides in defining relevant geographic banking markets,[7] because an RMA usually designates a defined geographic locality that is demographically and commercially integrated. A RMA is generally defined as a compact area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns.[8] By definition an RMA includes a central city or cities and all adjacent continuously built-up areas as well as certain other areas. These other areas are included in a given RMA if a minimum of 20 percent of the labor force of that area or 8 percent of the total population of that area commutes to the central city and its adjacent built up areas. The fact that Franklin and Oil City are in the same RMA, indicates that there is significant commuting for employment to Franklin and Oil City.

2. Applicant considers the service area to be the geographic area from which each banking office draws at least 80 percent of its deposits. Applicant has indicated that Oil City and Cranberry are in the same market and has combined First Seneca's Oil City and Cranberry branches into a joint service area. As noted, Oil City and Cranberry are eight miles apart, approximately the same distance apart as Franklin and Oil City.

3. *St. Joseph Valley Bank*, 68 FEDERAL RESERVE BULLETIN 673, 674 (1982).

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

5. These four townships are Plum, Cherry Tree, Oil Creek, and Allegheny. The record shows that these four townships are economically linked to the Titusville area in Crawford County. For example, 50 percent of the employed residents in these townships commute to Crawford County for employment.

6. These are Washington, Ashland, Salem, and Richland Townships. Commuting data indicate that over 30 percent of the employed residents of these four townships commute to Venango County for employment and most residents shop in Cranberry.

7. *St. Joseph's Valley Bank*, supra. n. 2; *Ellis Banking Corporation*, 64 FEDERAL RESERVE BULLETIN 884 (1978).

8. Rand McNally Company, *1981 Commercial Atlas & Marketing Guide*, p. 21 (1981).

The Board has also considered the geographic proximity of Franklin, Oil City, and Cranberry;[9] the fact that Franklin is the county seat and industrial center of Venango County; the daily public transportation between Franklin, Oil City, and Cranberry; newspaper circulation data indicating that a large number of Oil City residents subscribe to the Franklin newspaper and that a significant number of Franklin residents subscribe to the Oil City newspaper; and advertisement by businesses, including financial institutions operating in Franklin or Oil City in both newspapers.

In connection with its evaluation of the relevant geographic market, the Federal Reserve Bank of Cleveland conducted a survey of 204 businesses and 603 households to ascertain the banking, shopping, and employment practices of the residents of the Franklin and Oil City areas.[10] The survey results indicate that there is significant commuting between the Franklin and Oil City areas for employment, shopping, and banking.

With respect to employment, the survey results indicate that about 14 percent[11] of Franklin area[12] residents work in the Oil City area,[13] and that about 18 percent of the Oil City area residents work in the Franklin area. In this regard, the Board notes that about 22 percent of the individuals on the payroll of the largest employer in the County, which is located in Franklin, live in the eastern portion of the county where Oil City and Cranberry are located.

With respect to shopping, the survey results indicate that 63 percent of the Franklin area residents shop for clothing and 14.8 percent shop for household items in the Oil City area,[14] and that 14.9 percent of the Oil City area residents shop for clothing and 6.2 percent for household items in the Franklin area.

With respect to banking services, the survey results indicate that 15 percent of Franklin area residents have a banking relationship in the Oil City area and that, in addition, about 10 percent of the Franklin area residents would bank in the Oil City area if they were dissatisfied with banking services in the Franklin area. The survey indicates that 11 percent of the Oil City area residents have a banking relationship in the Franklin area and that, in addition, about 10 percent of the Oil City area residents would bank in the Franklin area if they were dissatisfied with banking services in the Oil City area.[15]

The Reserve Bank survey also indicates that financial institutions in one city are feasible, alternative sources of banking services for small businesses located in the other city. The survey indicates that a significant number of small businesses in one city shop for loan rates in the other city and were solicited for banking business by financial institutions in the other city. In addition, the survey revealed that a substantial percentage of the businesses surveyed would use a financial institution in the other city if they became dissatisfied with the banking services provided by financial institutions in their city.[16]

While the Board has considered Applicant's data on deposit and loan service area overlap between Bank and First Seneca Bank,[17] the Board does not believe that bank service areas are determinative of the relevant geographic market. A market definition based only on service area data would be inconsistent with the decisions of the Supreme Court referred to above regarding market definition because a service area may be too narrow to accurately reflect the competitive and economic forces in the market or the feasible alternative sources of banking services for locally limited customers. Moreover, the Board believes that the deposit and loan service area overlap data submitted for the Franklin and Oil City offices of Bank and First Seneca Bank indicate that financial institutions in

9. Franklin and Oil City are connected by a two-to-three lane highway for approximately four miles which becomes a divided four-lane highway for the remaining four miles. The trip between the cities takes approximately ten minutes.

10. Copies of the questionnaire and the survey results were provided in their entirety to Applicant. While Applicant questioned certain wording in the survey, Applicant did not provide any information that would provide a basis to discount the results of the survey.

11. These percentages as well as others which are cited in this Order are estimates based on surveys undertaken by the Reserve Bank and the Applicant.

12. The Franklin area includes Franklin City, Sugar Creek, Polk, Cooperstown, Oakland and the townships of French Creek, Jackson, Sandy Creek, and Mineral.

13. The Oil City area includes Oil City, Seneca, Reno, Rouseville, and the townships of Cranberry, Cornplanter, and Pine Grove.

14. The Board notes that Applicant has included Cranberry township, in which Cranberry Mall—the largest shopping area in the county—is located, in the Oil City area.

15. Applicant also conducted a survey of households and businesses to determine the banking practices in the Franklin and Oil City areas. Applicant's survey indicates that 12 percent of Franklin area residents with checking accounts have checking accounts in the Oil City area, 17.2 percent of the Franklin area households with direct loans acquired them in the Oil City area; over 8 percent of Oil City households have a banking relationship with a Franklin institution; 21 percent of the responding Franklin area households would consider using an Oil City area financial institution if they became dissatisfied with their current banking services; and 30 percent of the responding Oil City households would consider using a Franklin area institution if they became dissatisfied with their current banking services.

16. Similarly, Applicant's survey of businesses indicates that about 53 percent of the Franklin area respondents and about 27 percent of the Oil City area respondents would consider. using an institution in the the other city if they became dissatisfied with their current banking services.

17. Bank derives 3.3 percent of the deposits and 6.7 percent of the loans at its Franklin offices from First Seneca Bank's service area. First Seneca Bank derives 3.6 percent of the deposits and 13.7 percent of the loans at its Oil City area offices from Bank's Franklin service area.

one city are in fact alternative sources of banking services for residents in the other city.[18]

The Board has also considered Applicant's contention that prices and services differ between Oil City and Franklin financial institutions.[19] A survey conducted by the the overall or average price of providers of banking services. As noted, the record does not show any significant differences overall between the terms or interest rates paid on deposits or charged on loans by banks and savings and loan associations in the two cities.

The Board has also considered the comments of the Antitrust Division of the U.S. Department of Justice and the Pennsylvania Department of Banking concerning the relevant geographic market in this case. The Department of Justice has defined the relevant banking market as all of Venango County plus Titusville in Crawford County, a market that includes both Franklin and Oil City.[20] Based on record evidence indicating a lack of commuting and commercial interaction between Titusville and Oil City and Franklin, the Board has redefined the market to exclude Titusville.[21]

The Pennsylvania Department of Banking issued an opinion that Oil City and Franklin are separate and distinct geographical market areas on the basis of "topographical features that localize these communities." However, the Department did not describe these topographical features and the Reserve Bank survey did not reveal any such features that would substantiate a conclusion that these towns are in separate banking markets. As noted, the two areas are connected by a well-paved highway and commuting between the two areas is not obstructed in any manner.

Applicant is the third largest banking organization in the Oil City-Franklin banking market and controls 19.1 percent of the total deposits in commercial banks in the market.[22] First Seneca is the second largest banking organization in the market and holds 19.4 percent of the total deposits in commercial banks in the market. The Oil City-Franklin banking market is highly concentrated with the four largest commercial banking organizations controlling 86.6 percent of the commercial banking deposits in the market and a Herfindahl Hirschman-Index ("HHI") of 2317. Upon consummation of this proposal, Applicant would control 38.5 percent of the total deposits in commercial banks in the market; the percent of commercial banking deposits held by the four largest banking organizations in the market would increase to 93.8 percent; and the HHI would increase by 741 points to 3058.[23] The increase in market deposit concentration that would result from this proposal would make this transaction one that would be subject to challenge under the Department of Justice merger guidelines. Based on these and other facts of record, the Board concludes that consummation of this transaction is likely to substantially lessen competition in the Oil City-Franklin banking market.[24]

18. The deposit and loan service area data for Applicant and First Seneca are understated because Applicant has excluded the unincorporated town of Reno from the service area of both Applicant's Franklin office and First Seneca's Oil City office even though these offices directly compete with one another in Reno. Reno lies between Franklin and Oil City and is approximately 3 miles from Oil City and 5 miles from Franklin. Applicant has stated that Applicant and First Seneca each derive approximately $500,000 in deposits from Reno. In the Board's judgment, this competition between Applicant and First Seneca in Reno provides an additional indication that Franklin and Oil City financial institutions are located in one geographic market.

19. Applicant asserts that, when First Seneca became the only bank in Oil City and Franklin to offer free checking in September 1980, only 60 out of 700 new accounts were from Franklin residents; that First Seneca paid a higher rate on 3-½ year certificates of deposit between May and July 1982; and that Applicant failed to attract substantial IRA accounts from Oil City residents between January and April 1982, when Applicant alleges that no bank in Oil City aggressively promoted IRAs.

While First Seneca was the only institution in the market to offer zero balance free checking, the record shows that other institutions offered free checking or NOW accounts with small minimum balances ($200 and $100, respectively). The Board believes it significant that, even with this small price disparity, 9 percent of the free checking accounts opened by First Seneca's office in Oil City during 1981 were from Franklin consumers, thereby demonstrating that a number of Franklin residents viewed an Oil City institution as an alternative for banking services. Applicant's reliance on rate difference on 3-½ year certificates in early 1982 is misplaced because the rates on certificates are not comparable. The First Seneca certificates offered a floating rate, whereas the rates on certificates offered by other institutions were fixed. With regard to IRAs, the record shows that two other banks advertised for IRAs during early 1982 and that institutions in both cities currently pay similar rates on these accounts.

20. Applicant has a large branch in Titusville and, if Titusville were included in the market, Applicant's market share would be about 38 percent, while First Seneca would hold about 15.8 percent of the total deposits in commercial banks in the market. Based on these percentages, the Department of Justice concluded that the merger is substantially anticompetitive. The redefinition of the market to exclude Titusville reduces Applicant's share of market deposits from 38 percent to 19 percent. However, as discussed below, even on the basis of the redefined market, the proposed merger would exceed the Department of Justice's merger guidelines and be subject to judicial challenge under those guidelines.

21. Various employment, business, and census commuting data collected by the Reserve Bank indicate that economic interaction between the Titusville and Franklin-Oil City area is limited. Less than 7 percent of the residents in the Titusville area travel to Venango County for employment. Newspaper circulation data reveal that Titusville residents generally subscribe to the Titusville newspaper rather than the Franklin or Oil City newspapers.

22. Market data are as of June 30, 1981.

23. Under the Department of Justice merger guidelines in a market where the post-merger HHI exceeds 1800, the Department is likely to challenge a merger which produces an increase in the HHI of 100 points or more.

24. In previous cases, the Board has concluded that the divestiture of a banking office in a highly concentrated market, prior to or concurrent with the consummation of the proposal, was an effective means to eliminate significantly adverse effects on existing competition in a market. See *Barnett Banks of Florida*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *Hartford National Corporation*, 69 FEDERAL RESERVE BULLETIN 33 (1983).

In reaching this conclusion, the Board has considered Applicant's contention that thrift institutions should be included in the product market as full competitors of commercial banks. In a number of recent cases, the Board has, in its evaluation of the competitive effects of a bank merger, considered the recent expansion of the deposit and lending authority of thrift institutions and has concluded that, as a result of their expanded powers, thrift institutions have become, or at least have the potential to become, major competitors of commercial banks not only in the provision of consumer banking services but also in commercial banking services. However, in this case, the record shows that there are three savings and loan associations in the market that hold 23 percent of the total deposits in financial institutions in the market. If all thrift institutions are included in the market as full competitors of commercial banks, the market shares of Applicant and First Seneca would be 14.6 percent and 14.9 percent, respectively. The post-merger HHI would increase by 435 points to 2024 and the four-firm concentration ratio would increase to about 80 percent. On this basis, the Board would continue to regard the competitive effects of this merger as substantially adverse.[25]

Where, as here, consummation of the proposed transaction is likely substantially to lessen competition, section 3(c) of the Act requires the Board to deny the application unless the substantial adverse effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. The facts of record indicate that the banking needs of the communities to be served are being met by both Applicant and First Seneca. Although Applicant's proposal includes several improvements and expansions in the services and operations of the respective banks, it is the Board's view that these benefits, while lending some weight towards approval of the proposal, are not sufficient to outweigh the substantially adverse competitive effects of this proposal. Moreover, there is no claim that the merger is necessary on a financial or managerial basis, and the financial and managerial resources of Applicant and First Seneca are regarded as satisfactory and their future prospects appear favorable. Accordingly, the Board concludes that the substantial anticompetitive effects of this transaction are not outweighed by the convenience and needs of the community.

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

By order of the Board of Governors, effective June 10, 1983.

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

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

Concurring Statement of Chairman Volcker and Governors Martin and Rice

We concur in the result reached by the Board. We concur because we believe that the Oil City-Franklin banking market is a relevant geographic market in this case and, as we understand the manner in which the antitrust laws have heretofore been applied, the merger cannot be approved because it may tend substantially to lessen competition in that market. However, we agree with this decision reluctantly because we believe that the merger of Applicant and First Seneca could potentially have a positive effect on competition within the western portion of Pennsylvania. It would do this by strengthening the ability of banks below the first tier in Pennsylvania to compete with the largest banks in a number of markets.

Recent changes in the state's bank branching and merger laws have vastly increased opportunities for consolidation of banks in Pennsylvania, and a trend toward concentration is now evident as shown by the combination of some of the largest banks in the state. The ten largest banking organizations in Pennsylvania now hold 44.8 percent of the total deposits in commercial banks in the state, and, after consummation of the four mergers between the state's largest banking organizations recently approved by the Board, these banking organizations will hold 51.3 percent of the total deposits in commercial banks in the state. The size disparity between the ten largest banking organizations and the state's remaining banking organizations is increasing and is likely to increase further in the future.

We believe it is desirable to maintain effective competitive capability of a variety of banking organizations. If banking organizations such as Applicant

25. The Board has also considered the effect consummation of this proposal would have on probable future competition in the remaining separate 14 markets in which either Applicant and First Seneca compete. The Board has examined the concentration of banking resources in each market, the number of probable future entrants, the size of the bank to be acquired and the attractiveness of the market for entry on a de novo or foothold basis absent approval of the application. After consideration of these factors in the context of the specific facts of this case, the Board concludes that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

and First Seneca are to maintain their competitive vitality, they must be capable of offering the varied and specialized services and expertise that are available from the larger banking organizations. Based upon the statements made by Applicant, the proposed merger would apparently substantially strengthen the competitive capabilities of the combined companies.

Applicant has stated that this merger would enable the resulting organization to compete effectively with future entrants into the traditional rural markets that it and First Seneca have served in the past, and that the resulting organization would become a stronger competitor in the highly concentrated Pittsburgh banking market. Applicant further states that its affiliation with First Seneca will benefit the public greatly because the resulting organization will have the financial resources to improve the current level of services offered by these organizations and be able to meet the challenges of new technology and increasing competition from its larger competitors.

Nevertheless, the Bank Merger and Bank Holding Company Act standards have thus far been applied so as to disapprove mergers if they would have anticompetitive effects in any relevant geographic market. For the reasons we have outlined, and particularly in the developing situation in Pennsylvania, we would prefer to reach a decision that would result in a strengthening of the competitive position of the Applicant. In this case, however, we are unable to reach such a decision because the level of concentration in the Oil City-Franklin banking market—a four-firm ratio of 86.6 percent—is severe and, while this market is only a minor portion of the markets affected by the proposal, there have been no efforts to divest to mitigate or eliminate the anticompetitive effect. However, where, as here, a proposed merger would strengthen the diversity of market competitors, but where, in contrast to the present case, the level of concentration in the market is less severe or where there have been good faith, but unsuccessful, efforts to divest, consideration should be given to a broader interpretation of the Board's authority.

The 1966 Amendments to the Bank Holding Company Act and the Bank Merger Act permit the Board to approve an application if it finds that the anticompetitive effects of a proposal are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Thus, we would suggest that, in appropriate cases, the Board give more emphasis to balancing the public benefits that would be derived from encouraging the growth of a variety of effective competitors against the anticompetitive effects that may result in one of many relevant geographic markets affected by a merger proposal. We believe this approach would further one of the major objectives of the Bank Holding Company Act—avoidance of undue concentration of banking resources.

June 10, 1983

Walter E. Heller International Corporation, Chicago, Illinois

American National Corporation, Chicago, Illinois

Order Approving Acquisition of Banks

Walter E. Heller International Corporation, Chicago, Illinois, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire, through its wholly owned subsidiary, American National Corporation, Chicago, Illinois, also a bank holding company within the meaning of the Act, 100 percent of the voting shares of First National Bank of Libertyville, Libertyville, Illinois ("Libertyville Bank") and 100 percent of the voting shares of First American Bank of Bensenville, Bensenville, Illinois ("Bensenville Bank") (together, "Banks").

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act. The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.[1] Applicant, the fifth largest banking organization in Illinois, controls one banking subsidiary with total deposits of approximately $1.5 billion, representing 1.6 percent of the total deposits in commercial banks in the state.[2] Libertyville Bank, with deposits of $102.6 million, is the 130th largest commercial banking organization in Illinois, controlling 0.1 percent of the total deposits in commercial banks in the state. Bensenville Bank, the 154th largest commercial banking organization in the state, controls $91 million in deposits, representing approximately 0.1 percent of the total deposits in commercial banks in Illinois. Upon consummation of this transaction, Applicant would remain the fifth largest banking organization in the state and would control 1.8 percent of the total deposits in

1. Mr. Timothy J. Anderson, a shareholder of Libertyville Bank, submitted comments concerning Applicant's acquisition of Libertyville Bank. The Board has determined, however, that Mr. Anderson's comments do not raise issues that would warrant denial of the application.

2. All banking data are as of June 30, 1982

commercial banks in the state. Thus, the Board concludes that the acquisition of Banks would have no significant effect on the concentration of banking resources in Illinois.

Applicant and both Banks compete in the Chicago banking market.[3] Libertyville Bank is the 96th largest banking organization in that market, controlling approximately 0.16 percent of the total deposits in commercial banks in the market. Bensenville Bank is the 105th largest commercial banking organization in the relevant market and controls 0.14 percent of total deposits in commercial banks therein. Applicant is the fifth largest banking organization in the Chicago banking market, controlling approximately 2.3 percent of the total deposits in commercial banks in the market. Upon consummation of this transaction, Applicant would remain the fifth largest commercial banking organization in the market, and its share of the total deposits would increase to 2.6 percent.

Although consummation of this proposal would eliminate some existing competition between Applicant, Libertyville Bank, and Bensenville Bank in the Chicago banking market, the following and other facts of record mitigate the anticompetitive effects of the transaction. The Chicago banking market is not highly concentrated, with the four largest commercial banking organizations in the market holding 54.1 percent of the total deposits in commercial banks therein. In addition, numerous commercial banking organizations would remain in the market after consummation of the proposal. In light of the above, as well as the size of Banks and their small market shares, the Board concludes that the acquisitions would not have any significant adverse effects on competition or on the concentration of resources in any relevant area. The financial and managerial resources and future prospects of Applicant, its subsidiaries and Banks are regarded as generally satisfactory. Accordingly, considerations relating to banking factors are consistent with approval. Although consummation of the proposal would effect no immediate changes in the services offered by Banks, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. Accordingly, the Board has determined that consummation of the transaction would be consistent with the public interest and that the application should be approved.

On the basis of the record, this 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 Chicago acting pursuant to delegated authority.

By order of the Board of Governors, effective June 28, 1983.

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

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

3. The Chicago banking market is defined as Cook, DuPage, and Lake Counties in Illinois.

Orders Under Section 4 of Bank Holding Company Act

Citicorp, New York, New York

Order Approving Expansion of Activities and Acquisition of Branch Offices by Citicorp Savings, San Francisco, California

Citicorp, New York, New York, 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 C.F.R. § 225.4(b)(2)), to expand the powers of its subsidiary, Citicorp Savings, San Francisco, California, a federally chartered savings and loan association, to include the commercial lending and deposit taking powers authorized for federal savings and loan associations in the Garn-St Germain Depository Institutions Act of 1982. Citicorp also has applied under section 4(c)(8) and section 225.4(b)(2) of Regulation Y for approval to convert 15 California offices of Citicorp Person-to-Person Thrift, Inc., and Citicorp Person-to-Person Financial Center, Inc. ("PTPFC") (together, "Person-to-Person subsidiaries"), into branches of Citicorp Savings. In connection with this transaction, Citicorp Savings would acquire the lending and insurance agency activities currently engaged in by the Person-to-Person subsidiaries.

Notice of the applications, affording opportunity for interested persons to submit comments, has been duly published. (48 *Federal Register* 9372 (1983)). The time for filing comments has expired and the Board has considered the applications and all comments received, including those of the Conference of State Bank Supervisors and Option Advisory Services, Inc., in light of the factors set forth in section 4(c)(8) of the Act.

By Order dated September 28, 1982,[1] the Board approved Citicorp's application under section 4(c)(8) of the Act, to acquire Fidelity Federal Savings and Loan Association of San Francisco, San Francisco, California ("Fidelity"), the successor to a failed guarantee stock savings and loan association under the receivership of the Federal Savings and Loan Insurance Corporation ("FSLIC"). Citicorp later changed Fidelity's name to Citicorp Savings. In acting on the application, the Board relied upon the commitments offered by Citicorp and established certain conditions for the conduct of the activity. Included among these conditions was a requirement that Fidelity's activities be limited to those then permitted to federal savings and loan associations ("S&Ls") under the Home Owners' Loan Act (12 U.S.C. § 1464) ("HOLA"). The subject applications essentially request modification of this condition.

At the time the Board acted on Citicorp's application to acquire Fidelity, Congress was considering enactment of the Garn-St Germain Depository Institutions Act of 1982 and, as a result, the scope of future federal S&L powers was uncertain as was the effect of the proposed expanded commercial lending powers on the status of S&Ls under the BHC Act. Because of this uncertainty, the Board imposed the condition limiting Fidelity's powers to those then permitted.

Subsequent to the Board's approval of Citicorp's acquisition of Fidelity, Congress enacted the Garn-St Germain Act, which significantly expanded the commercial lending and other powers of federal S&Ls.[2] The Garn-St Germain Act also expressly exempts savings and loan associations the accounts of which are insured by the FSLIC from the definition of "bank" under the BHC Act.

In light of enactment of the Garn-St Germain Act, the Board has reexamined the continued need for the limitation on Citicorp Savings' lending and deposit powers. The Board concludes that the expanded commercial lending and deposit taking authority of federal S&Ls under the Garn-St Germain Act is consistent with the requirements of the BHC Act and the Board's Order approving the acquisition of Fidelity by Citicorp.[3]

The proposed expansion of Citicorp Savings' powers would not result in any potential adverse effects not previously considered by the Board in its order approving the acquisition of Fidelity. The other conditions in the Board's order of September 28, 1982, will remain in effect, including the condition that Citicorp Savings' activities be limited to those that are permissible for bank holding companies under section 4(c)(8) of the BHC Act.

The proposed transfer of assets of the Person-to-Person subsidiaries to Citicorp Savings also is consistent with the provisions of the Board's original order. That order permits Citicorp Savings to branch to the extent permissible for national and state banks in California. Citicorp Savings' establishment of branch offices at the location of the 15 Person-to-Person offices is authorized under state and federal law and, therefore, Citicorp Savings' acquisition of the Person-to-Person offices is permissible under the Board's original order.

In connection with the conversion of the Person-to-Person subsidiaries into branches of Citicorp Savings, Citicorp intends that these branches will engage in the sale of credit-related life, accident, health, and property and casualty insurance currently engaged in by Citicorp Person-to-Person Financial Center, Inc. ("PTPFC").[4] PTPFC currently engages in the sale of property and casualty insurance pursuant to the grandfather provisions of Title VI of the Garn-St Germain Act, which generally prohibited the sale of property and casualty insurance by bank holding companies and their subsidiaries.[5] The legislative history of this provision indicates that Congress intended to permit the transfer of grandfathered insurance activities to a parent bank holding company or to any of its nonbank subsidiaries if the transfer is for management or efficiency purposes.[6] Since the transfer of the Person-to-Person subsidiaries to Citicorp Savings has been proposed by Citicorp for management and internal efficiency purposes, it appears that the grandfathered property and casualty insurance activities of these subsidiaries may be permissibly transferred as part of the transaction.

In reviewing these proposals, the Board has taken into consideration the comments of the Conference of

1. 68 FEDERAL RESERVE BULLETIN 656 (1982).

2. For example, S&Ls are now permitted to accept demand deposits from commercial customers, make commercial real estate loans up to 40 percent of total assets, and make general commercial loans up to 5 percent of total assets until January 1, 1984, and 10 percent thereafter

3. The exercise of these expanded powers by Citicorp Savings does not raise a question under section 3 of the BHC Act because of the exclusion of federally insured S&Ls from the definition of "bank" in the BHC Act, enacted as part of the Garn-St Germain Act.

4. Citicorp contemplates that such activities would be performed by a service corporation subsidiary of Citicorp Savings since S&Ls are not authorized to perform such activities directly, although they may do so through a service corporation Citicorp does not seek approval at this time for Citicorp Savings to engage in the sale of property and casualty insurance at Citicorp Savings' 85 existing offices, although Citicorp has stated that it may do so in the future.

5. The sale of credit-related life, accident and health insurance is exempt from the prohibition of Title VI.

6. S Rep. No. 97-641 (Conference Report), 97th Cong., 2d Sess 91 (1982).

State Bank Supervisors ("CSBS") and Option Advisory Services, Inc. ("Option Advisory") objecting to the application. The comments of these organizations are substantially identical to their objections to Citicorp's original application to acquire Citicorp Savings. The Board held informal hearings on the original application at which both of these protestants testified, and the Board fully considered their comments. The Board determined that their objections did not warrant a formal hearing or denial of the application. The Board has reviewed the comments submitted by the protestants on the subject applications and has determined that they do not raise any new issues that warrant a hearing or denial of the applications.

The CSBS argues that the applications represent an attempt by Citicorp to circumvent the conditions imposed in the Board's original order. For the reasons indicated above, the Board has determined that the proposals are consistent with the Board's original order and would not significantly alter the balance of public interest factors relied on by the Board in its order. The CSBS argues that the new powers authorized by the Garn-St Germain Act "would move Citicorp Savings away from residential lending," contrary to the first condition in the Board's order requiring that Citicorp Savings have as its primary purpose the provision of residential housing credit. The Board notes that Citicorp has not requested relief from this condition and the Board expects Citicorp Savings to continue to conduct its operations in accordance with this condition.

On the basis of all the facts of record, the Board has determined that the expansion of Citicorp Savings' commercial lending and deposit activities to include those authorized by the Garn-St Germain Act and the transfer to Citicorp Savings of the assets and insurance activities of the Person-to-Person subsidiaries would not result in decreased or unfair competition, conflicts of interests, unsound banking practices, or undue concentration of resources.

Based on the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with the subject proposals can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors which the Board is required to consider under section 4(c)(8) of the Act is favorable. The applications are hereby approved and the conditions in the Board's order of September 28, 1982, are hereby modified accordingly.

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

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

By order of the Board of Governors, effective June 1, 1983.

Voting for this action: Vice Chairman Martin and Governors Wallich, Teeters, Rice, and Gramley. Absent and not voting: Chairman Volcker and Governor Partee. Governor Wallich took no part in the consideration of the insurance aspects of this application.

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

Citizens Fidelity Corporation, Louisville, Kentucky

Order Approving Acquisition of Limited Purpose National Bank

Citizens Fidelity Corporation, Louisville, Kentucky, 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 C.F.R. § 225.4(b)(2)), to acquire all of the voting shares of Citizens Fidelity (Ohio), N.A., Cincinnati, Ohio ("CFO"), a proposed limited purpose national bank that will engage in credit card operations.

Notice of the application, affording opportunity for interested persons to submit comments, has been duly published. (47 *Federal Register* 40237 (1982)). The time for filing comments has expired and the Board has considered the application and all comments received, including those of the Ohio Superintendent of Banks in opposition to the application, in light of the factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant is the second largest banking organization in Kentucky, operating one subsidiary bank with total deposits of $1.6 billion.[1] This application involves the transfer of the credit card operations of Applicant's bank subsidiary, Citizens Fidelity Bank & Trust, Louisville, Kentucky ("Kentucky Bank"), to CFO in view of Ohio's less restrictive policy regarding interest

1. Banking data are as of December 31, 1982.

rates. As a result of a recent Supreme Court decision permitting a national bank to charge its credit card customers interest rates allowed under the law of the state where the bank is located, regardless of the customer's location, a number of bank holding companies have transferred their credit card operations to certain states that permit higher interest rates and that have adopted specific laws providing for the establishment of banks in that state by out-of-state bank holding companies. Such proposals have been approved by the Board, and the Board has no objection to the transaction contemplated under Applicant's proposal standing by itself. However, this application raises a technical issue regarding CFO's status as a bank under the Act, and this technical issue has broad policy implications.

The other bank holding companies that have transferred their credit card operations to other states have applied to the Board under section 3 of the Act in reliance on state laws that have specifically invited entry by out-of-state banking organizations. Applicant, on the other hand, proposes to limit CFO's activities to avoid bank status and the interstate banking prohibitions contained in the Act. Thus, the application has been filed under section 4 of the Act pertaining to the acquisition of nonbank assets, rather than section 3, pertaining to the acquisition of banks, because of Applicant's assertion that CFO will not be a bank for the purposes of the Act because it will not accept demand deposits or make commercial loans. (12 U.S.C. 1841(c). Applicant proposed the following commitments regarding CFO's status under the Act: CFO would not accept demand deposits or any other form of transaction account. It would not offer savings accounts, and would not offer any time deposits to the general public, although it would accept time deposits of $100,000 or more from financial institutions such as banks and insurance companies. In addition, CFO would not make commercial loans of any type; purchase commercial paper, certificates of deposit, or bankers acceptances; or sell federal funds. Rather, CFO would engage solely in credit card operations for individuals. These limitations are contained in CFO's bylaws, which cannot be amended without approval of the Comptroller and the Board. Finally, CFO would not have the word "bank" in its name and its offices would be located on the third floor of an office building.

The Board has expressed concern about recent acquisitions by nonbanking companies of institutions that are chartered as banks but which limit their activities to avoid coverage under the "bank" definition in the Act. The Board has opposed such acquisitions of so-called "nonbank banks" that would undermine the separation of banking from commerce, the Glass-Steagall Act, and the Act's prudential rules limiting excessive risk in nonbanking activities. Consistent with Congressional intent and the Board's responsibilities for the administration of the Act, the Board has interpreted broadly the definition of "bank" in the Act to limit the potential for evasion of the fundamental purposes of Act through this device. Thus, the Board has ruled that, for purposes of the BHC Act, NOW accounts should be regarded as demand deposits and that commercial loans include such commercial loan substitutes as the purchase of commercial paper, bankers acceptances, and certificates of deposit, and the sale of federal funds.[2] In addition, the Board has recommended a temporary legislative halt to the chartering and acquisition of nonbank banks and bank-like thrift institutions by nondepository institutions pending action by the Congress on comprehensive legislation to define the appropriate nonbanking powers of banks and thrifts.

The Board has carefully reviewed Applicant's proposal in light of these considerations and the definition of bank in the Act. CFO's proposed activities conducted in accordance with the commitments that the Applicant has proposed will not meet the definition of the term bank as provided in the Act and as that term has been interpreted by the Board. Accordingly, the Board is constrained to conclude, on the basis of the specific facts of this case, that CFO will not be a bank for purposes of the Act.

As noted above, the Board has approved substantively similar proposals under section 3 of the Act to establish banks for the purpose of facilitating credit card operations and in this case, as in those cases, the Board believes the substance of the transaction is consonant with sound banking practice and not inconsistent with the policies underlying the Act. In different circumstances, where a proposal was contrary to the policies of the Act, the Board would necessarily have to take this into account as a significant adverse factor in making its analysis under section 4(c)(8). Accordingly, the present decision is confined to the special facts of this case and is not a precedent for expansion of activities beyond the limits of this decision. However, the evolution of the bank definition should not turn on specific responses to specific cases. Action is needed on the proposal submitted by the Board to Congress to assure that the fundamental rules governing banking behavior are established for the future by Congressional action.

Under section 4(c)(8) of the Act, the Board is authorized to permit bank holding companies to ac-

2. *First Bancorporation* (Beehive Thrift and Loan), 68 FEDERAL RESERVE BULLETIN 253 (1982); Letter dated December 16, 1982, to The Dreyfus Corporation.

quire shares of any company the activities of which the Board has determined to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board has previously determined by regulation that the making of loans by a credit card company is closely related to banking. (12 C.F.R. § 225.4(a)(1)). Similarly, the Board has determined that the acceptance of deposits through an industrial bank is closely related to banking.[3] Although the Board has not determined that the conduct of such activities through a national bank is closely related to banking, banks do perform both of these functions, and as such these activities are closely related to banking.

The proposed acquisition is essentially an internal reorganization that will not alter the number of firms or the structure of the market for bank credit card services. Applicant asserts that the current high cost of funds, coupled with provisions in Kentucky law setting an 18 percent revolving credit usury limit and prohibiting credit card fees, have made its existing credit card operations unprofitable. Applicant has represented that it will be forced to liquidate its credit card business or sell the business to an out-of-state money center bank if it is not permitted to move its credit card operations to Ohio. Accordingly, to the extent that the proposal would maintain the existence of a competitor in the market for credit card services, the proposal offers competitive benefits. Moreover, a number of other bank holding companies have taken advantage of specific laws that have invited entry by out-of-state banking organizations seeking to transfer their credit card operations to states allowing more favorable interest rates, and approval would allow Applicant to remain competitive with these organizations.

In its deliberations on this application, the Board has taken into consideration the views of the Ohio Superintendent of Banks that CFO will be a de facto branch of the Kentucky Bank contrary to Ohio law. The record of the application[4] and a long line of decisions by both the Board and the courts demonstrates that the mere fact of common ownership by a bank holding company is insufficient to make one subsidiary a branch of another. Consequently, the Board believes it inappropriate not to follow these precedents.[5] In addition, the Ohio Superintendent has asserted that this application is inconsistent with the interstate banking prohibitions of section 3(d) of the BHC Act. However, because of the Board's finding under existing law and interpretations that CFO is not a bank under the BHC Act, section 3(d) of the Act is not applicable to the proposal.

Accordingly, the Board has determined that approval of the proposal would not be inconsistent with state law and would be consistent with federal law. There is no evidence that consummation of the proposal would result in any undue concentration of resources, conflicts of interests, unsound banking practices, or other adverse effects.

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

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

By order of the Board of Governors, effective June 24, 1983.

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

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

3. *First Bancorporation*, 68 FEDERAL RESERVE BULLETIN 253 (1982).

4. CFO will have a separate corporate and capital structure, separate physical facilities, will have only one officer and director in common with the Kentucky Bank, will not be advertised as an arm of the Kentucky Bank, will not be substantially funded by Kentucky Bank, and will not accept deposits or pay checks on behalf of Kentucky Bank. Moreover, the sale of the Kentucky Bank's credit card business to CFO will at arm's length and at fair market value.

5. E.g., *Guaranty Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 39 (1983); *Michigan National Corporation*, 64 FEDERAL RESERVE BULLETIN 127 (1978). Accord, *Grandview Bank & Trust Co. v. Board of Governors*, 550 F.2d 415 (8th Cir.), cert. denied, 98 S. Ct. 64 (1977). The Ohio Superintendent also states that CFO's acquisition by Applicant would contravene Ohio's prohibition against deposit-taking in Ohio by banks chartered outside Ohio. However, since CFO's principal place of business will be in Ohio, it will not violate this prohibition.

Dissenting Statement of Governors Wallich, Teeters, and Rice

We dissent from the Board's decision on this application. This application raises a technical issue regarding CFO's status as a bank under the Act that has important policy implications. The technical issue relates to CFO's compliance with the terms of the BHC Act's bank definition. However, resolution of this issue will have a significant precedential impact on implementation of the purposes of the BHC Act and the potential for its evasion by so-called "nonbank banks" — institutions that are otherwise banks but either do not make commercial loans or do not take demand deposits. Although CFO will neither offer demand deposits nor make commercial loans within the meaning of the bank definition, this should not end the Board's inquiry, since its decision under section 4(c)(8) is not a mechanical analysis of technical definitions but a determination whether a proposed activity will produce public benefits that outweigh adverse effects.

CFO will have a full national bank charter empowering it to engage in a full range of commercial banking activities and its deposits will be insured by the FDIC. CFO will not be a limited purpose national bank of the type described in 12 U.S.C. § 27 that is confined to trust activities. In fact, for most of our Federal banking laws, including the National Bank Act, the Glass-Steagall Act, the McFadden Act, the Federal Reserve Act, and the Bank Merger Act, CFO would be regarded as a bank. CFO also would be a bank as that term is defined under Ohio law.

The Board has expressed concern about the chartering and acquisition of nonbank banks and bank-like thrifts by commercial enterprises as a device for taking deposits from the public, engaging in banking operations, and gaining access to the payments mechanism. The Board has stated that institutions engaged in these operations should be subject to the provisions of the Act that separate banking from commerce, aid in assuring adequate capital, prevent conflicts of interest, and limit the taking of excessive risks in nonbanking activities. Widespread use of this device for evading the Act seriously undermines the fundamental policies of the Act as established by Congress. Recent attempts by nonbanking organizations to utilize the nonbank loophole to evade these policies threaten to alter significantly the banking structure without Congressional action on the underlying policy issues. Accordingly, the Board has recommended a temporary legislative halt to the chartering or acquisition of nonbank banks and bank-like thrifts by nondepository institutions pending action by Congress on comprehensive legislation to define the appropriate nonbanking powers of banks and thrifts. In this context, we believe that approval of the present application would establish a precedent for the establishment of additional nonbank banks and that this is a seriously adverse factor that, in our judgment, requires denial of the application. While the Board has approved several proposals by bank holding companies to transfer their credit card operations to other states, each of these proposals was filed under section 3 of the Act and involved the acquisition of banks in states that specifically invited such entry. In contrast, this proposal seeks approval by an out-of-state bank holding company to acquire an institution that is chartered as a national bank without express authorization under Ohio law, and in the face of the opposition of the Ohio Superintendent of Banks. The Superintendent has opposed the application as contrary to the intent of Ohio law to exclude out-of-state banking organizations from conducting operations in the State and thus contrary to the Bank Holding Company Act's provisions against bank holding company acquisition of out-of-state banks against the wishes of the host state. The opposition to this proposal by Ohio authorities thus raises a serious adverse factor.

Citizens Fidelity asserts that approval of its application would yield competitive benefits by enabling it to continue as a competitor in offering credit card services. If it is not permitted to move its credit card operations to Ohio, Citizens Fidelity asserts that it will be forced to terminate its credit card business or sell the business to a large money center bank. However, the Kentucky usury law reflects an implicit determination by that State that any competitive benefits resulting from Citizens Fidelity's continued credit card operations would be outweighed by the harm to the Kentucky public associated with the charging of interest rates higher than those that the State has determined are consistent with public policy. While, as a general matter, we do not favor state imposed interest rate ceilings, we believe that state policy regarding interest rates is a relevant factor in the application of the public benefits standard under section 4(c)(8) of the Act, and that it is appropriate to take the effect of the present proposal in avoiding this state policy into account in the weighing process, particularly where approval of the application would create an undesirable precedent under the BHC Act.

Citizens Fidelity further maintains that it cannot transfer its credit card operations to a state such as Delaware or South Dakota that has invited entry by out-of-state bank holding companies due to capital and employee requirements and the difficulty of managing a credit card operation so far from Kentucky. The Board in the past has approved such transactions by bank holding companies establishing banks in such states to engage in credit card operations under section

3 of the Act. That section does not require that a proposal yield net public benefits and clearly permits such transactions.

We note that South Dakota recently amended its law to lower the applicable capital requirement and that Delaware has liberalized both its capital and employee requirements. Although Citizens Fidelity would not have close geographic proximity to its credit card operation if it transferred the operation to South Dakota or Delaware, an alternative method of accomplishing Applicant's objectives does exist without raising the serious precedential effects of the current proposal.

In making decisions under section 4(c)(8), the Board is required to determine whether a proposed activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. By virtue of this statutory provision, the Board is given broad discretion in applying this test so as not to approve activities that would not be in the public interest. In our opinion, approval of the subject proposal would not be in the public interest because of the adverse precedent that it would create. Because of these potential serious adverse effects on implementation of the policies of Congress established in the BHC Act, we would deny the present application. In reaching this conclusion, we would take into account the public policies of Ohio and Kentucky as expressed in their banking and usury laws as they affect this application. These serious adverse effects of the application outweigh any minor public benefits associated with preserving competition in the form proposed in the application, in our opinion.

June 24, 1983

Interstate Financial Corporation, Dayton, Ohio

Order Approving Acquisition of Green Machine Network Corporation

Interstate Financial Corporation, Dayton, Ohio, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 et seq.), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b) of the Board's Regulation Y (12 C.F.R. § 225.4(b)), to establish a joint venture with GEM Savings Association, Dayton, Ohio ("GEM"), to acquire the voting shares of the Green Machine Network Corporation, Dayton, Ohio ("Green Machine"). Applicant's lead bank, the Third National Bank and Trust Company ("Third"), currently owns and operates the Green Machine Network ("GMN"), which serves ATMs owned by Third and various other financial institutions.

Third would transfer its rights and obligations in the GMN to the newly formed corporation, Green Machine, and Third then would dividend its Green Machine stock to Applicant. Applicant would then sell 50 percent of Green Machine's shares to the EFT Network Corporation, Dayton, Ohio ("ENC"), which is a wholly-owned subsidiary of GEM. Green Machine would engage in the activities of providing data processing services to other financial institutions by operating an ATM network interchange and providing related data processing services.[1] The Board has found that providing the proposed data processing services are closely related to banking. (12 C.F.R §§ 225.4(a)(8)(i) and (ii)).

Notice of this application, affording opportunity for interested persons to submit comments and views has been duly published. (48 *Federal Register* 8131 (Feb. 25, 1983)). The time for filing comments and views has expired and the Board has considered the application and comments received in light of the factors set forth in section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)).

Applicant, the 15th largest commercial banking organization in Ohio, controls two banks with aggregate deposits of approximately $632 million, representing 1.5 percent of all commercial bank deposits in Ohio.[2] Through its nonbanking subsidiaries, Applicant is engaged in underwriting credit related life and accident and health insurance and operating a thrift institution. As described above, Applicant's subsidiary, Third National Bank and Trust Company, currently owns and operates the Green Machine; however, Applicant conducts no other data processing activities for any other financial institutions.

GEM, the fourth largest savings and loan association in Ohio, has total savings deposits of $1.15 billion, representing 3.3 percent of all savings deposits in the state.[3] GEM currently operates its own network of 25 ATMs, which are known as GEM Card Tellers. GEM

1. An ATM is a machine that performs many of the functions performed by a human bank teller. Other terms may be used to describe ATMs such as customer bank communications terminals ("CBCTs") or remote service units ("RSU"). Through an ATM, a customer of a financial institution may make deposits, withdraw funds from accounts, transfer funds from one account to another, or draw on pre-established lines of credit. An ATM may be located either at manned facilities of a bank or may stand by itself.
2. Banking data are as of September 30, 1982.
3. Savings and loan data are as of January 1, 1982.

also engages in certain nonbanking activities, including mortgage banking, real estate development and management consulting. No other financial institutions participate in the GEM Card Teller network and GEM provides no data processing services for other financial institutions.

ENC is a non-operating corporation whose sole activity would be to hold shares of Green Machine. Green Machine currently provides data processing services to Third and other unaffiliated financial institutions by operating as an automated teller machine network interchange.[4] Green Machine currently provides ATM network interchange services to Third and 26 other unaffiliated financial institutions, including national and state banks, federal and state S&Ls (but not GEM), and federal and state credit unions, in the Dayton banking market.[5] Green Machine does not own or intend in the future to own or provide any ATMs. Each ATM in Green Machine's ATM network would be owned by one of the member financial institutions. The member financial institutions that own the ATMs would be compensated for their use by customers of another financial institution on a transaction fee basis. Upon consummation, GEM would add its ATMs to Green Machine's ATM network. Further, Applicant proposes to expand Green Machine's ATM network interchange services throughout the states of Ohio, Indiana, and Kentucky. Finally, Green Machine would expand its data processing services to include other permissible non-ATM related data processing services.

The appropriate line of commerce for analyzing the competitive effects of consummation of this proposal is the provision to unaffiliated financial institutions of data processing services, particularly the operation of an ATM network exchange. As described above, except for the services provided through the Green Machine, neither Applicant nor GEM currently offers data processing services to other unaffiliated financial institutions. Accordingly, it is the Board's judgment that consummation of the proposal would not have any adverse effects on existing competition in any relevant product or geographic market.

The Board also has considered the effects of consummation of this Proposal on probable future competition in the relevant lines of commerce, particularly in light of the fact that this application involves the use of a joint venture to engage in the relevant activities. In this regard, GEM presumably could offer these services independently. However, GEM has not chosen to do so to date and does not appear to be a likely independent entrant absent this joint venture. Moreover, the market for data processing services is not regarded as concentrated. For example, there currently are at least 60 data processing firms, including several national concerns, operating in the Dayton market. Thus, the loss of one potential entrant into the market for data processing services does not raise any serious concern. Accordingly, the Board concludes that consummation of the proposed joint venture would not have significantly adverse effects upon probable future competition in any market.

The Board also has reviewed this proposal to insure that no unfair competitive practices, violations of law or other substantially adverse effects would result from consummation of this proposal. In this regard, the record indicates that the Green Machine would act merely as a clearinghouse or "switch" for transactions between linked ATMs. Thus, any financial institution meeting certain qualifications would be entitled to join the network and the affiliation between participating institutions would be defined by the rules of operation of the Green Machine interchange. Moreover, no other affiliation between the participating financial institutions is proposed and no participating financial institution would be empowered to sanction or veto the entry of any other financial institution into the Green Machine interchange. Finally, the opportunity for exclusionary or discriminatory practices in the operation of the network would be minimized, since there are several other competing ATM interchanges in the region.

The Board also has considered the effect of consummation of this proposal in light of state and federal laws governing the establishment of branches and the use of ATMs in a network. As described above, the Green Machine network would only provide data processing services for the interchange and would neither own nor provide ATMs. Moreover, membership in the network is not restricted and Applicant has stated that the institutional participants in the network would comply with all applicable federal and state branching and other statutes regarding establishment and use of ATMs in the network. Applicant further has committed to offer through the interchange only those

4. An ATM network interchange links various ATMs with the financial institutions whose customers use such ATMs. Also, the ATMs are linked with a central data processing center that acts as a clearinghouse or "switch" for transactions between the ATMs and the financial institutions belonging to the ATM network interchange. Any customer of a financial institution belonging to an ATM network interchange may use any ATM in the exchange, regardless of whether such ATM is owned by another financial institution, to conduct a banking transaction.

5. The Dayton banking market is defined as Montgomery, Green, and Miami Counties, Ohio; and the townships of Bethel and Mad River in Clark County, Ohio, and the townships of Clear Creek, Massie, and Wayne in Warren County, Ohio.

transactional services legally available to ATM customers of participating financial institutions under applicable federal and state laws.

It is the Board's view that approval of this application reasonably may be expected to produce substantial benefits to the public. Consummation of this proposal would allow individuals residing in the Greater Dayton area immediate access to a larger number of ATMs. In addition, expansion of the network throughout Ohio and into Kentucky and Indiana would introduce into those areas a new provider of data processing services and an alternative ATM network. In addition, the economies of scale that would result from operation of a combined network would accrue to all participating financial institutions. Finally, the joint venture would enable Applicant and GEM to share the costs of expanding and improving EFT services and would insure greater availability of funds for product research and development.

There is no evidence in the record of this case indicating consummation of the present proposal would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices or other adverse effects. Based upon the foregoing and other facts of record, the Board concludes that the balance of public interest factors it must consider under section 4(c)(8) of the Act favors approval of this application. In addition, the financial and managerial resources and future prospects of Applicant are considered consistent with approval.

Accordingly, the Board concludes that approval of this application is in the public interest and has determined that the application should be approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification and termination of the activities of a bank holding company or 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 evasions thereof.

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

By order of the Board of Governors, effective June 14, 1983.

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

JAMES MCAFEE,
Associate Secretary of the Board

[SEAL]

Newport Savings and Loan Association, Newport, Rhode Island

Order Approving Retention of a De Novo Branch

Newport Savings and Loan Association, Newport, Rhode Island, a Rhode Island mutual building-loan association, which is a bank holding company within the meaning of the Bank Holding Company Act (the "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)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(1)), to continue to engage in the activities of a mutual building-loan association at a branch office in Middletown, Rhode Island. Applicant engages primarily in accepting share deposits and making real estate mortgage loans. Applicant's accounts are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC").

The Board has not added the operation of a Rhode Island mutual building-loan association to the list of activities specified in section 225.4(a) of Regulation Y as generally permissible for bank holding companies. In 1972, however, the Board determined that the operation of such an institution is closely related to banking in Rhode Island and approved Applicant's proposal to become a bank holding company and to continue to engage in the activities of a mutual building-loan association.[1]

Notice of the application, affording opportunity for interested persons to submit comments, has been duly published (48 *Federal Register* 15186 (1983)). The time for filing comments has expired and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

Applicant (consolidated assets of $27.5 million) is a one bank holding company by virtue of its control of The Island Trust Company, Newport, Rhode Island (deposits of $1.8 million).[2] As of June 30, 1982, Applicant was the 12th largest commercial banking organization in Rhode Island.[3]

As noted above, the Board first approved Applicant's request to become a bank holding company and to continue to engage in the activities of a mutual building-loan association in Rhode Island in 1972. This

1. Newport Savings and Loan Association, 58 FEDERAL RESERVE BULLETIN 513 (1972). Under section 333 of the Garn-St Germain Depository Institutions Act of 1982, Applicant is not a "bank" within the meaning of section 2(c) of the Bank Holding Company Act because its accounts are insured by the Federal Savings and Loan Insurance Corporation.
2. As of December 31, 1982.
3. Deposit figures include the combined deposits of the thrift institution and the bank.

application requests Board approval of Applicant's retention of a branch office opened de novo on May 31, 1979, without the Board's prior approval. Upon examination of all the facts of the record and the circumstances of this application, it is the Board's view that the Applicant's action was inadvertent. In acting on this application, the Board has taken into consideration that Applicant, upon becoming aware of the requirement for Board approval to open the office, immediately consulted the Federal Reserve Bank of Boston to determine what actions would be necessary to comply with the Act. Applicant has also initiated a program to monitor compliance with the Act and the Board's regulations. Accordingly, the Board believes that an application to retain the office is appropriate and that Applicant's actions with respect to the office do not reflect adversely upon Applicant's managerial resources.

The Board has previously determined that the operation of a Rhode Island mutual building-loan association by a Rhode Island bank holding company is so closely related to banking as to be a proper incident thereto. In its 1972 approval of Applicant's application to become a bank holding company and to continue to engage in the activities of a mutual building-loan association, the Board determined that, "[i]n view of the history of close affiliation of mutual thrift institutions and commercial banks in Rhode Island . . . Applicant's continuing to engage in the activities of a thrift institution . . . is an activity so closely related to Rhode Island banking as to be a proper incident thereto."[4] The Board has recently considered whether banking conditions have changed in Rhode Island such that this statement would no longer be valid, and has determined that no evidence exists that would warrant a change in the Board's position at this time.[5] Accordingly, the Board confirms its finding that the operation of a mutual building-loan association is so closely related to banking in Rhode Island as to be a proper incident thereto.

Notwithstanding this general finding, the Board must also consider the particular facts of this case to determine whether the retention of this office can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Retention of this branch would have no significant adverse effect on competition because it is a de novo office. The Board views de novo entry as procompetitive and a positive public benefit because such entry provides an additional source of competition in a market.[6]

In considering similar applications involving the affiliation of commercial banks and thrift institutions, the Board has expressed its view that serious adverse effects may result from tandem operation of these two types of institutions.[7] The Board's concern in these cases is that such an affiliation would result in a subversion of the purpose of the interest rate differential between commercial banks and thrift institutions. However, the Board has recognized a longstanding and widespread integration of the operations of depository institutions in Rhode Island.[8] Every thrift of any size in Rhode Island now owns a commercial bank and each operates its thrift and bank offices in tandem. The unique historical and legal development of commercial bank and thrift affiliation in Rhode Island indicates that such affiliation results, at least partly, from Rhode Island's efforts to afford competitive equity among thrift institutions. On this basis, the Board has determined that the tandem operation of thrifts and commercial banks in Rhode Island should not be regarded as an adverse effect under the Act.

There is no evidence of any other potential adverse effects that might be associated with this proposal. Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors the Board is required to consider under section 4(c)(8) favors approval of Applicant's retention of this branch office. Accordingly, this application is approved.[9] This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective June 8, 1983.

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

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

4. *Newport Savings and Loan Association*, 58 FEDERAL RESERVE BULLETIN 313, 315 (1972).
5. *Old Colony Co-Operative Bank*, 69 FEDERAL RESERVE BULLETIN 377 (1983).
6. *Virginia National Bancshares, Inc.*, 66 FEDERAL RESERVE BULLETIN 668, 671 (1980).
7. *First Financial Group of New Hampshire, Inc.*, 66 FEDERAL RESERVE BULLETIN 594 (1980).
8. *Old Colony Co-Operative Bank*, 69 FEDERAL RESERVE BULLETIN 377 (1983); Old *Colony Co-Operative Bank*, 66 FEDERAL RESERVE BULLETIN 665, (1980).
9. In connection with this application, the Board hereby delegates authority to the Federal Reserve Bank of Boston to approve applications by Applicant to open additional de novo offices, pursuant to section 225.4(b)(1) of Regulation Y (12 C.F R. § 225.4(b)(1)).

Southeast Banking Corporation, Miami, Florida

Order Approving Proposal to Engage in Investment Advisory Services

Southeast Banking Corporation, Miami, Florida, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b) of the Board's Regulation Y (12 C.F.R. § 225.4(b)) to acquire, through its wholly owned subsidiary Southeast Investors Management Corporation, Miami, Florida ("SIMCO"), a 50 percent interest in Southeast/Gooch & Wagstaff, Miami, Florida ("Company"), a de novo company. The remaining interest in Company would be acquired by Gooch & Wagstaff, Inc., Lakeland, Florida, an affiliate of Gooch & Wagstaff, London, England, a United Kingdom chartered surveyor firm. Company would act as an investment adviser with respect to income-producing real property. The Board has determined that this activity is closely related to banking (12 C.F.R. § 225.4(a)(5)).

Notice of the application, affording interested persons an opportunity to submit comments on the public interest factors has been duly published (48 *Federal Register* 15713 (1983)). The time for filing comments has expired and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with consolidated deposits of approximately $5.5 billion,[1] is the second largest banking organization in Florida, and is engaged through subsidiaries in various nonbanking activities. Specifically, Applicant engages in mortgage banking, consumer finance, trust company, data processing and insurance activities. In addition, Applicant recently received approval to engage through SIMCO in investment advisory activities. At present, SIMCO's activities are limited to conducting preliminary market research and making contacts with developers.

Gooch & Wagstaff is a partnership of chartered surveyors with its principal office in London, England. In addition, Gooch & Wagstaff has established offices in Amsterdam, Holland; Frankfurt, West Germany; and Denver, Colorado. Gooch & Wagstaff is affiliated with G&W Architect, London, England, and, to a more limited extent, with PSI Limited, Amsterdam, Holland, a management firm with which Gooch & Wagstaff jointly manages a number of projects in Holland. As chartered surveyors, Gooch & Wagstaff provides various services with regard to land and buildings. For example, Gooch & Wagstaff acts as agent with respect to the sale and leasing of commercial property; furnishes investment advice concerning property; values property for various corporate purposes; and provides property management services. Gooch & Wagstaff's clientele consists primarily of foreign organizations including pension funds, financial institutions, banks, insurance companies and industrial corporations, although it also advises individual investors. In general, each office services clients with respect to properties located within that office's geographic area. The geographic scope of the Denver office is the State of Colorado.[2] Apart from this joint venture, Gooch & Wagstaff has no plans to open an office in the southeastern United States or Texas.

Company would provide investment advice related to income-producing real property located in the southeastern United States and Texas and would solicit primarily foreign investors from western Europe, Latin America, and the middle and far East, although Company also would serve U.S. investors. Once an investor decides to purchase a particular property, Company would assist the investor in implementing this decision, including locating available sources of financing. After an acquisition has been made, Company would monitor and make recommendations concerning the financial and technical aspects of the management of the property. For its European and Latin American clients Company would evaluate and advise on closed-end property funds. In addition, Company would publish periodic reports on real estate market conditions and trends for distribution in selected markets.

This proposal involves a de novo acquisition and normally consummation of the transaction would not have any adverse effects upon either existing or potential competition. However, since the proposal involves the use of a joint venture between a bank holding company and a nonbanking company, the Board has analyzed the proposal with respect to its effects on existing and potential competition between Applicant and Gooch & Wagstaff in the relevant market for investment advisory services.[3]

1. All banking data are as of December 31, 1982.

2. The Denver office has served as a consultant on a few isolated projects located in other parts of the United States, including the southeast.

3. The Board has previously expressed concerns regarding the potential for undue concentration of resources or other adverse effects that result from the combination in a joint venture of banking and nonbanking institutions. See, *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449 (1981); *BankAmerica Corporation*, 60 FEDERAL RESERVE BULLETIN 517 (1974).

Although Gooch & Wagstaff engages in a number of the proposed activities, it does not provide these services for properties located in the southeastern United States. Applicant does not currently engage in the proposed activities.[4] Accordingly, consummation of the proposed transaction would not eliminate any existing competition between Applicant and Gooch & Wagstaff.

With respect to potential competition, given its historical pattern of growth, Gooch & Wagstaff appears only moderately likely to establish an office in the southeastern United States. Applicant does not have the expertise for dealing with foreign investors and, absent affiliation with Gooch & Wagstaff, Applicant would be unlikely to have access to such investors. Moreover, there would remain numerous other competitors in the market, including commercial banks, real estate brokerage firms and insurance companies. Accordingly, the Board concludes that consummation of the proposed transaction would not have a significant impact on potential competition in any relevant market.

The Board also finds that consummation of the proposed transaction can be expected to result in public benefits. Consummation will allow Company to combine Applicant's knowledge of real estate in the southeastern United States with Gooch & Wagstaff's experience and knowledge of foreign investors. In addition, it appears that the de novo nature of this proposal will result in increased competition. The financial and managerial resources and future prospects of Applicant are consistent with approval of this proposal, and there is no evidence in the record to indicate that consummation of the proposal would result in undue concentration of resources, 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 concludes that the balance of public interest factors that it must consider under section 4(c)(8) of the Act favors approval. Accordingly, the application is approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of such activities as the Board finds necessary to assure compliance with the provisions and purposes of the Act, and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. In addition, the Board has determined that future applications to open additional offices of Company may be processed in the same manner as other de novo applications under the provisions of section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)), and authority to act on such applications is hereby delegated to the Federal Reserve Bank of Atlanta.

The proposed activity shall be commenced 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 Atlanta pursuant to delegated authority.

By order of the Board of Governors, effective June 15, 1983.

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

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

United Jersey Banks, Princeton, New Jersey

Order Approving Acquisition of Retail Discount Broker

United Jersey Banks, Princeton, New Jersey ("UJB"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841, et seq.) (the "Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire 100 percent of the voting shares of Richard Blackman & Co., Paramus, New Jersey ("Blackman"), a company that engages in discount retail securities brokerage activities.

Notice of the application, affording interested persons an opportunity to submit comments and views on the relation of the proposed activities to banking and on the balance of public interest factors regarding the application was duly published in the *Federal Register*.[1] 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 4(c)(8) of the Act.

4. Although SIMCO received approval to engage in investment advisory activities in late 1982, it has only commenced such operations in a preliminary manner. Upon approval of this proposal, SIMCO will cease its limited activities.

1. 48 *Federal Register* 8347 (February 28, 1983), corrected, 48 *Federal Register* 10471 (March 11, 1983).

UJB is a bank holding company by virtue of its control of eight banks located in New Jersey, including its lead bank, United Jersey Bank, Hackensack, New Jersey. UJB holds total consolidated assets of $2.9 billion,[2] and is the fourth largest commercial banking organization in New Jersey.[3] UJB also engages, through certain of its subsidiaries, in various permissible nonbank activities, including leasing, mortgage banking, consumer and commercial lending, and credit related insurance activities.

Blackman, a "discount" retail securities broker, is qualified as a broker/dealer under the laws of New Jersey and New York, and is registered with the Securities and Exchange Commission (the "SEC") pursuant to section 15 of the Securities Exchange Act of 1934.[4] Currently, Blackman operates from a single office in Paramus, New Jersey, and functions solely as an "introducing" broker, taking customer orders to purchase or sell securities and passing them on to other brokers for execution, clearing, and settlement. However, following consummation of this proposal, UJB intends to expand Blackman's activities to include clearing and settlement of its customers' securities transactions, extension of margin credit in conformity with the Board's Regulation T (12 C.F.R. § 220), carrying its customers' temporary credit balances awaiting investment (paying interest on some of them), and providing securities custodial services to its brokerage customers.[5] UJB would make these services available at UJB's banking subsidiaries' 118 branch offices throughout New Jersey. Blackman would not give investment advice, solicit orders to purchase or sell particular securities, engage in securities transactions for its own account, or engage in dealing, underwriting, or market making activities.

Section 4(c)(8) of the Act authorizes a bank holding company to engage in, or acquire shares of a company that engages in, an activity determined by the Board (by order or regulation) to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. By order dated January 7, 1983, approving an application by BankAmerica Corporation, San Francisco, California, to acquire the Charles Schwab Corporation, the Board determined that retail securities brokerage, including clearing and settlement of customers' securities transactions, and margin lending, carrying customers' brokerage accounts, and providing securities custodial services are "closely related to banking" within the meaning of section 4(c)(8) of the Act.[6] At the same time, the Board also determined that retail securities brokerage — purchasing and selling securities without recourse, solely upon the order and for the account of, customers — is not an activity prohibited to member bank affiliates by the provisions of the Glass-Steagall Act.[7] Accordingly, based upon its review of this application and the substantial similarity between the proposed activities and those previously approved by the Board, the Board adopts and reaffirms its prior determinations and concludes that the proposed securities brokerage, margin lending, and incidental activities involved in this application are closely related to banking and not proscribed by the provisions of the Glass-Steagall Act.

In determining whether the proposed activities are "a proper incident to banking or managing or controlling banks", section 4(c)(8) of the Act further requires the Board to consider whether performance of the proposed activity by an affiliate of a bank holding company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." (12 U.S.C. § 1843(c)(8)). On the basis of the record of the application, the Board finds that consummation of this proposal can reasonably be expected to produce significant public benefits in the form of increased competition, greater convenience, and increased efficiency in the provision of retail securities brokerage services, that outweigh possible adverse effects.

Based on the facts of record, it appears that the affiliation of Blackman with UJB may reasonably be expected to result in increased competition, consumer

2. Asset data are as of September 30, 1982.
3. Market ranking based on deposit data as of December 31, 1981.
4. 15 U.S.C. § 780.
5. These services are currently provided to Blackman's customers pursuant to an arrangement with Ernst & Company, a "specialist" securities firm.

6. See the Board's Order approving the application of *BankAmerica Corporation*, San Francisco, California to acquire the Charles Schwab Corporation, 69 FEDERAL RESERVE BULLETIN 105 (1983), petition for review pending sub nom. *Securities Industry Association v. Board of Governors of the Federal Reserve System*, et al. No. 83-4019 (2d Cir.). The Board also determined in that case that providing securities custodial services and carrying customer credit balances awaiting investment (and paying interest on some of them) were incidental to permissible securities brokerage and margin lending activities. On February 17, 1983, the Board decided to publish for comment a proposed rule that would add discount securities brokerage and securities credit lending to the list of nonbanking activities designated in Regulation Y as generally permissible for bank holding companies. (48 *Federal Register* 7746 (February 24, 1983)). As of this date, the proposal has not been adopted by the Board in final form.
7. See id., at 114–16. Section 20 of the Glass-Steagall Act prohibits the affiliation of any bank that is a member of the Federal Reserve System with any corporation or similar organization that is "engaged principally in the issue, flotation, underwriting, public sale, or distribution" of securities. (12 U.S.C. § 377).

convenience, and efficiency in the provision of retail securities brokerage services. By permitting Blackman, a very small brokerage firm with 22,000 customer accounts and a single office location, to utilize UJB's extensive office network and substantial managerial, technical, and capital resources, consummation of this proposal is likely to significantly strengthen Blackman as a competitor in the nationwide market for retail securities brokerage services, and to make discount brokerage services more conveniently available to the public.[8] Since Blackman's brokerage commissions are substantially below the publicly announced commission rates of the larger and better known "full-line" brokerage firms, strengthening Blackman as a competitor is likely to result in additional competitive pressure on full-line brokerage firms to "unbundle" their brokerage services from their research and advisory services and to lower their publicly announced brokerage commission rates. In addition, by permitting Blackman and UJB to share their respective marketing, managerial, and technical resources, consummation of the proposal may be expected to produce increased efficiency in their provision of brokerage and related financial services to the public.

Based on the facts of record, the Board finds that consummation of the proposal is not likely to produce significant adverse effects. Although UJB's banking subsidiaries engage in margin lending to a limited extent[9] and perform securities transaction services as an accomodation to their customers,[10] UJB does not actively promote these services and does not have a significant market share. Blackman does not currently engage in margin lending, but refers its customers desiring margin credit to Ernst & Company. In addition, as noted above, the proposed de novo expansion of Blackman's services, as to both the types of services it provides and the office locations at which its services would be made available, may be expected to have a significantly procompetitive effect.

Consummation of this proposal would not result in any undue concentration of resources in banking or any other relevant market. UJB is the fourth largest banking organization in New Jersey and this acquisition would not directly affect UJB's market ranking. Blackman has total assets of $211,000, and consummation of this proposal would not significantly increase UJB's resources. Neither Blackman nor UJB account for a significant share of the nationwide market for securities brokerage services.[11] Accordingly, the Board finds that consummation of this proposal would not have any significant adverse effect on competition or on the concentration of resources in any relevant market.[12]

Affiliation of Blackman with UJB is not likely to result in any unfair or anticompetitive practices. There is no evidence in the record that UJB or Blackman would engage in any unfair or anticompetitive practices. The record shows that UJB would maintain Blackman as a separate subsidiary that would continue to be subject to the rules and regulations of the SEC,[13] the Securities Investor Protection Corporation,[14] New Jersey and New York "blue sky" laws, and the rules and regulations of the various securities exchanges of which Blackman may in the future become a member.[15] In addition, UJB has taken measures to insure compliance by UJB personnel with the Bank Holding Company Act and Regulation Y prohibition of tie-ins between bank and nonbank services. Finally, UJB has indicated that in connection with this acquisition, it will take measures to prevent tie-ins between bank credit or other bank services and Blackman's securities brokerage services.[16]

In summary, there is no evidence in the record to indicate that approval of this application would result in an undue concentration of resources, decreased or unfair competition, unsafe or unsound banking prac-

8. The record indicates that following consummation of this proposal, UJB would make Blackman's discount brokerage services available at branches of its subsidiary banks located in several communities that are not currently served by a discount securities brokerage office.

9. The record indicates that as of September 30, 1982, UJB's subsidiaries had outstanding $225,000 in loans to purchase or carry securities, excluding loans to brokers or dealers, representing approximately 0.01 percent of UJB's total loan portfolio.

10. Applicant indicates that in 1981, UJB's subsidiary banks engaged in a total of 819 customer-directed securities transactions, for which the banks assessed fees totalling $24,950.

11. Based on data contained in the SEC's Staff Report on the Securities Industry in 1980 indicating that total retail securities brokerage commission revenues for 1980 were $4.234 billion, Applicant estimates that Blackman's 1980 commission revenues of $1.764 million represented 0.04 percent of national retail brokerage commissions.

12. In considering the competitive effects of this proposal the Board has reviewed provisions in Applicant's Plan and Agreement of Merger and in its Employment Agreement with Blackman's president that restrict the ability of Blackman's principals to compete with UJB following consummation of the acquisition. Having reviewed the details of the covenants not to compete in the contracts involved in this proposal, the Board finds that their provisions are reasonable in duration and in geographic scope and are consistent with the public interest. Accordingly, the Board concludes that the existence of such covenants does not require denial of the application. See *Orbanco, Inc.*, 59 FEDERAL RESERVE BULLETIN 367, 368 (1973).

13. See, e.g., 17 C.F.R. §§ 240.15b1-1–240.15c3-3a

14. The Securities Investor Protection Corporation ("SIPC") was established by section 3 of the Securities Investor Protection Act of 1970, Pub. L. 91-598, 84 Stat. 1636 (December 30, 1970), codified as amended at 15 U.S.C. § 78ccc.

15. Blackman is not currently a member of any securities exchange and has no present plans to become a member.

16. While the potential for conflicts of interests and unsafe banking practices may exist with respect to the credit decisions and trust department operations of UJB's subsidiary banks, the risk of such

tices, or any other adverse effects on the public interest in any market. In this regard, because Blackman would not deal in securities for its own account and would not actively promote any particular security through the provision of investment advice or otherwise, it would not have the "salesman's stake" or promotional interest in the success or failure of any particular issue of securities that led Congress to mandate a separation of banking from certain types of securities-related activities. Accordingly, the Board believes that performance of the limited types of securities-related activities involved in this proposal by a subsidiary of a bank holding company is consistent with the public interest and the Glass-Steagall and Bank Holding Company Acts.

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

This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)) and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

Because of the extensive consideration accorded to Blackman's securities brokerage, margin lending, and incidental activities in the context of this application, and having determined that the public interest considerations of section 4(c)(8) favor approval of UJB's proposal, the Board has determined that further applications by UJB to extend Blackman's retail discount securities brokerage, margin lending, and incidental activities to additional offices may be processed in the same manner as other de novo applications under the provisions of section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)). Authority is hereby delegated to the Federal Reserve Bank of New York to take action on such notices properly filed as prescribed in that section.

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

By order of the Board of Governors, effective June 2, 1983.

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

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

conflicts or practices is minimized by existing legal and regulatory restrictions and supervisory mechanisms applicable to Blackman, UJB, and UJB's banking and nonbanking subsidiaries, and by UJB's decentralized management structure.

Orders Under Section 3 and 4 of Bank Holding Company Act

BankAmerica Corporation, San Francisco, California

Order Approving Acquisition of Bank Holding Company

BankAmerica Corporation, San Francisco, California, a registered bank holding company, has applied for the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to acquire 100 percent of the voting shares of Seafirst Corporation, Seattle, Washington, which owns 100 percent of the voting shares of Seattle-First National Bank, Seattle, Washington, and Western National Bank, Bothell, Washington. BankAmerica Corporation has also applied for the Board's approval under sections 4(c)(8) and 4(c)(13) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8) & (13)) to acquire the following nonbanking and foreign banking subsidiaries of Seafirst Corporation: SF Leasing Corporation and SF Leasing Corporation of Delaware, Seattle, Washington, which engage in the leasing of property and equipment; Seafirst Insurance Corporation, Seafirst Life Insurance Company and SFC Insurance Company, all of Seattle, Washington, which act as agent, underwriter, or reinsurer of credit life, accident and health, and property damage insurance directly related to extensions of credit by Seafirst Corporation; Seafirst Commercial Corporation, which engages in financing and commercial lending through offices in Lakewood, Colorado, Sacramento, California, St. Paul, Minnesota, Dallas and Houston, Texas, Metairie, Louisiana, Oklahoma City, Oklahoma, Bellevue, Washington, and Anchorage, Alaska; Seafirst Community Banking Corporation, Seattle, Washington, which owns and operates industrial banks, including Seafirst Industrial Bank, Seafirst University Hills Industrial Bank, and Seafirst Belcaro Industrial Bank, all of Denver, Colorado, all of which engage in industrial banking activities and various permissible insurance activities;[1] Seafirst Venture Capital Corporation, Seattle, Washington, an investment company that does not control voting securities; Seafirst Payment Services Corporation, Seattle Washington, which issues and sells travelers checks; Seafirst Mortgage of California, which engages in mortgage banking through offices in Walnut Creek and Irvine, California; Sutter Trust Company, which makes, services, and acquires real estate loans and other extensions of credit for its own account and the accounts of others through offices in Phoenix and Mesa, Arizona, and Las Vegas, Nevada; Seafirst Dealer Banking Corporation, and Seafirst Nominees, Ltd., London, England, and Seafirst Overseas Finance Corporation, Curacao, Netherland Antilles, which are inactive corporations; as well as Seattle-First National Bank (Switzerland) Zurich, Zurich, Switzerland, Seattle-First Asia Limited, Hong Kong, and Seattle-First Bank (Canada), with offices in Edmonton, Alberta, Vancouver, British Columbia, and Calgary, Alberta, Canada, all of which engage in commercial banking outside the United States. BankAmerica Corporation also proposes to acquire Seattle-First International Corporation, Seattle, Washington, and Seattle-First International Bank, Seattle, Washington, and Portland, Oregon, which are corporations organized pursuant to the Edge Act (12 U.S.C. § 611 et seq.).

Notice of the applications, affording interested persons opportunity to submit comments, has been given in accordance with sections 3 and 4 of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, including comments submitted by various shareholders and on behalf of Rainier Bancorporation, Inc., Seattle, Washington, in light of the factors set forth in section 3(c) of the Act, the considerations specified in section 4 of the Act, and the purposes of the Edge Act.[2]

Under section 3(d) of the Act, "the Douglas Amendment," the Board is prohibited from granting approval to an application that will permit a bank holding company to acquire directly or indirectly voting shares of a bank located outside of the state in which the operations of the banking subsidiaries of the bank holding company are principally conducted, unless such interstate acquisition is specifically authorized by the state in which the bank is located. (12 U.S.C. § 1842(d)(1)). The Washington State banking laws were amended in April, 1983, to provide specifically that a bank holding company that conducts its operations principally outside of the State of Washington may acquire a bank operating principally within the State of Washington, provided the out-of-state bank holding company obtains the express written approval of the Washington State Supervisor of Banking. (Revised Code of Washington § 30.04.230(9), as amended by 1983 Wash. Laws Chap. 157).

The Supervisor of Banking in Washington has reviewed the application submitted by BankAmerica Corporation and Seafirst Corporation in accordance with the Washington banking statute and the appropriate regulations thereunder. By order dated June 2, 1983, the Supervisor determined that Seafirst Corporation and BankAmerica Corporation met the conditions set forth in section 9(4) of the Washington banking law, and issued to BankAmerica Corporation the Supervisor's express written approval under section 9 of the Washington banking law to acquire Seafirst Corporation and its banking subsidiaries. Based on the entire record, it is the Board's judgment that the Washington banking statute authorizes, expressly and not by implication, the acquisition of a bank in Washington State by an out-of-state bank holding company when the approval of the Washington State Banking Supervisor has been obtained. Accordingly, the Board believes that approval of this application is consistent with the requirements of Washington State law and is not prohibited by the interstate banking provision of section 3(d) of the Act.

BankAmerica Corporation, with total consolidated assets of $119.7 billion, is the largest commercial banking organization in California, and the second largest banking institution in the United States.[3] BankAmerica Corporation operates one subsidiary bank, Bank of America N.T. & S.A., San Francisco, California, which controls domestic deposits of $55.5 billion

1. The industrial banks owned or controlled by Seafirst Corporation do not offer demand deoosits, NOW accounts or other transaction accounts, and are therefore not "banks" for purposes of the BHC Act. Accordingly, this portion of the application was processed under section 4 of the BHC Act.

2. The Board has reviewed the comments submitted by shareholders and has determined that these comments do not warrant disapproval of the proposed acquisition. The Board has also reviewed the comments submitted on behalf of Rainier Bancorporation requesting the Board to consider carefully whether the proposed acquisition is permissible under section 3(d) of the Bank Holding Company Act and complies with section 30.04.230(9) of the Washington State Code. As discussed below, the Board finds that consummation of this proposal is consistent with the Washington State statute and section 3(d) of the BHC Act.

The Board has also received a request from the Legal Aid Society of Alameda County, Oakland, California that Board action be deferred. This comment was untimely. Moreover, the Board has determined that the requested deferral of action on this application is not warranted and that the record of BankAmerica Corporation under the Community Reinvestment Act is consistent with approval.

3. All banking data are as of March 31, 1983.

representing 36 percent of the total deposits in commercial banks in California, and is the largest commercial bank in the United States. BankAmerica Corporation also operates numerous nonbanking subsidiaries located throughout the United States and abroad, including subsidiaries engaged in consumer and commercial lending, mortgage banking, leasing, data processing, investment advisory services, certain retail discount securities brokerage activities, and certain credit related insurance underwriting and insurance agency activities in California.

Seafirst Corporation, with consolidated total assets of $9.6 billion, is the largest commercial banking organization in the State of Washington. The banking subsidiaries of Seafirst Corporation are Seattle-First National Bank and Western National Bank. Seattle-First National Bank, with total assets of $9.4 billion and total domestic deposits of $6.5 billion, is the largest commercial bank in the State of Washington, controlling approximately 34 percent of the total deposits in commercial banking institutions statewide. Western National Bank has total assets of $3.6 million and total deposits of $2.8 million, and is one of the smaller commercial banking institutions in the state.

This application involves the combination of the largest banking organization in California and the largest banking organization in Washington and will increase BankAmerica Corporation's share of deposits in commercial banks in the United States from 4.0 percent to 4.6 percent. In reviewing the effects of this proposal on the concentration of resources, the Board has considered the serious financial condition of Seafirst Corporation as evidenced by its reported loan losses, the erosion of its capital, and other facts of record. The Board has also considered the commitment by BankAmerica Corporation to contribute $150 million to the capital of Seafirst Corporation and the benefits to the convenience and needs of the communities in Washington of maintaining Seafirst Corporation as a viable competitor in Washington. The Board believes that these public benefits are substantial and mitigate the effects of any increase in concentration of resources resulting from the proposed acquisition.

BankAmerica Corporation and Seafirst Corporation do not operate subsidiary banks in the same markets. Therefore, consummation of the proposed transaction would have no adverse effects on existing competition in any relevant market. BankAmerica Corporation is prohibited under the Washington State banking code and, consequently, under section 3(d) of the Bank Holding Company Act, from establishing a banking subsidiary de novo in Washington at this time. Accordingly, consummation of the proposed transaction would not have a significantly adverse effect on probable future competition in any relevant market. In this regard, the Antitrust Division of the U.S. Department of Justice has advised the Board of the Department's opinion that consummation of this proposal would not have a significantly adverse effect on competition in any relevant geographic market.

In previous cases involving expansion of large multinational banking organizations, such as BankAmerica Corporation, the Board has indicated that such expansion should be effected consistent with the attainment of an adequate capital position. This is particularly the case with an acquisition involving a company of the size and in the financial condition of Seafirst Corporation. In this case, the Board noted as a favorable factor the improvement in BankAmerica Corporation's capital position in the past 12-month period, during which time it has increased its primary capital by $930 million. In this regard, the Board has received a written commitment from BankAmerica Corporation regarding its intention to achieve a 5 percent primary capital ratio within the next twelve months and to submit to the Board a written plan to accomplish this objective.

In acting on this application the Board relied upon BankAmerica Corporation's stated intention to increase its capital position to a level consistent with the Board's recently issued capital adequacy guidelines. Based on these factors and all of the facts of record, the Board concludes that the financial and managerial resources of Applicant and its future prospects are consistent with approval of this application. Moreover, in view of Applicant's commitment to increase the capital of Seafirst Corporation and Seattle-First National Bank, the financial and managerial resources and future prospects of Seafirst Corporation and its subsidiary banks are consistent with approval of this application.

BankAmerica Corporation has also applied, pursuant to sections 4(c)(8) and 4(c)(13) of the Act, to acquire the nonbanking subsidiaries of Seafirst Corporation. BankAmerica Corporation and Seafirst Corporation operate various nonbank subsidiaries with offices in the same markets. Those subsidiaries are engaged in mortgage banking, consumer finance, leasing, commercial lending, operating industrial banks, and certain discount securities brokerage activities. In each case, the overlapping market share is insignificant in comparison with the total market volume. Moreover, there are a large number of competitors in each of the overlapping markets, and elimination of Applicant or Seafirst Corporation as a competitor would not have any significant adverse effects. There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other effects adverse to the public interest. Accordingly, the Board has determined that considerations relating to the public interest factors under section 4 of the Act are consistent with approval of this application.[4]

The financial and managerial resources of BankAmerica Corporation are consistent with its acquisition of Seafirst Corporation's Edge Corporations. The acquisition of Seafirst Corporation by BankAmerica Corporation would result in the continuation of the international services currently provided, and is consistent with the purposes of the Edge Act. Accordingly, the Board finds that the retention of Seattle-First International Corporation, Seattle, Washington, and Seattle-First International Bank, Seattle, Washington, and Portland, Oregon, would be in the public interest.

Based on the foregoing and all of the facts of record, the Board has determined that the applications under section 3 and 4 of the Act should be and hereby are approved.

In view of all of the facts of record and the findings by the Washington Supervisor of Banking, the Board has determined that the conditions specified in section 11(b) of the Act for consummation of a proposal on or after the fifth calendar day after Board approval are present in this case. Accordingly, consummation of this transaction may take place on or after the fifth calendar day following the effective date of this order.[5] The transaction, including the acquisition of the nonbanking subsidiaries, shall not be consummated later than three months after the effective date of this Order unless the period for consummation is extended for good cause by the Board or the Federal Reserve Bank of San Francisco under delegated authority. The determination as to the acquisition by BankAmerica Corporation of the nonbank subsidiaries of Seafirst Corporation is subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R.§ 225.4(c)) and to the Board's authority to require such 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 22, 1983.

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

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

Concurring Statement of Governor Teeters

I concur with the decision of the Board. However, it is my opinion that the combination of the largest bank holding company in California and the largest bank holding company in Washington represents a significant increase in the concentration of banking resources in the Pacific Northwest. In my view, this increase in concentration of resources would, under ordinary circumstances, have a detrimental effect on competition among commercial banks in the banking markets in that area of the country. However, in view of the financial condition of Seafirst Corporation and the other facts and circumstances of this case, this increase does not warrant denial of this application.

June 22, 1983

Cedaredge Financial Services, Inc., Denver, Colorado

Order Approving Formation of a Bank Holding Company and Commencement of General Insurance Agency Activities

Cedaredge Financial Services, Inc., Denver, Colorado, has applied for the Board's approval under sections 3(a)(1) and 4(c)(8) of the Bank Holding Company Act (12 U.S.C. §§ 1842(a)(1) and 1843(c)(8)) to become a bank holding company by acquiring The First National Bank of Cedaredge, Cedaredge, Colorado ("Bank"), and to commence general insurance agency activities in Cedaredge, a town of less than 5,000 population.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3(b) and 4(c)(8) 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

4. BankAmerica Corporation has applied to engage in the sale of property and casualty insurance in Washington through Seafirst Corporation. Under Title VI of the Garn-St Germain Act, Seafirst Corporation is entitled to continue to engage in the sale of credit-related property and casualty insurance in Washington and in certain other states because Seafirst Corporation obtained the Board's approval for such activity under the BHC Act before May 1, 1982. The Board concludes that, under Title VI of the Garn-St Germain Act, Seafirst Corporation may continue to engage in the insurance agency activity in these states after its acquisition by BankAmerica Corporation. Seafirst Corporation will remain an independent and separate subsidiary of BankAmerica Corporation. BankAmerica Corporation does not seek approval at this time for BankAmerica Corporation or its present subsidiaries to engage in these activities through existing offices of BankAmerica Corporation or its subsidiaries.

5. The Board has considered the request by Rainier Bancorporation that action on this application be deferred and has determined that, under the circumstances of this case, deferral is not warranted

forth in sections 3(c) and 4(c)(8) of the Act (12 U.S.C. §§ 1842(c) and 1843(c)(8)).

Applicant is a nonoperating corporation organized for the purpose of acquiring Bank, which holds deposits of $8.2 million.[1] Upon acquisition of Bank, Applicant would control the 272nd largest banking organization in Colorado and less than 1 percent of the total deposits in commercial banks in the state.[2]

Bank is the 5th largest of 6 banks competing in the Delta banking market[3] and holds approximately 6.0 percent of the total deposits in commercial banks in that market. Although three of Applicant's principals are associated with six other depository institutions in Colorado and Wyoming, none of those other depository institutions competes in the Delta banking market. Since Applicant has no other subsidiaries, consummation of the proposed transaction would have no adverse effect on competition or on the concentration of banking resources in any relevant area. Thus, the Board concludes that competitive considerations are consistent with approval of the application.

Applicant's managerial and financial resources are considered satisfactory, and its future prospects appear favorable, particularly in light of commitments by Applicant's principals to maintain Bank's capital at adequate levels. Applicant's principals have satisfactory records managing other banks, including Applicant's president, who will become president of Bank upon consummation of this proposal. It is anticipated that affiliation with Applicant will result in improvements in Bank's overall operations. Thus, Bank's financial and managerial resources and future prospects are consistent with approval. While Applicant will incur debt in connection with this proposal, Applicant appears to have sufficient financial flexibility to meet its debt servicing requirements while maintaining Bank's capital at acceptable levels. Therefore, based on these and other facts of record, the Board concludes that considerations relating to banking factors lend weight for approval of the application.

Although consummation of the proposal would effect no immediate changes in the services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

In connection with Applicant's proposal under section 4(c)(8) of the Act (12 U.S.C § 1843(c)(8)) to engage de novo in general insurance activities, the Board has concluded that consummation of this proposal can reasonably be expected to produce significant public benefits in the form of increased competition, efficiency, and convenience in the provision of insurance services to the Cedaredge community, with no significant adverse effects.[4] Accordingly, the Board has 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. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The acquisition of Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order and neither the acquisition of Bank nor the commencement of general insurance agency activities shall take place 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 May 31, 1983.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, and Gramley. Absent and not voting: Governor Teeters. Governor Wallich abstains from voting on the application to engage in insurance agency activities.

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

1. Deposit data are as of December 31, 1982.
2. State and market shares and rankings are based on deposit data as of December 31, 1981.
3. The Delta banking market is approximated by Delta County, Colorado

4. The Board's determination that general insurance agency activities in towns with populations not exceeding 5,000 are closely related to banking (section 225.4(a)(9)(ii) of Regulation Y) (12 C.F.R. § 225.4(a)(9)(ii))) was undisturbed by the Garn-St Germain Depository Institutions Act of 1982. See Pub. L. 97-290, Title VI, § 601, 96 Stat. 1536 (October 15, 1982)

Legal Developments continued on next page.

Orders Approved Under Bank Holding Company Act

By the Board of Governors

During June 1983 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
Barnett Banks of Florida, Inc., Jacksonville, Florida	Boulevard Bank, Key West, Florida	June 27, 1983
Broadway Bancshares, Inc., San Antonio, Texas	Eisenhower National Bank, San Antonio, Texas	June 29, 1983
Dairyland Bancshares, Inc., Marshfield, Wisconsin	Citizens National Bank and Trust, Marshfield, Wisconsin	June 27, 1983
Farmers Investment Corporation, Little Rock, Arkansas	Farmers Bank and Trust Company, Clarksville, Arkansas	June 7, 1983
Texas Commerce Bancshares Inc., Houston, Texas	Texas Commerce Bank-Sugarland, N.A., Houston, Texas	June 8, 1983

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies of the orders are available upon request to the Reserve Banks.

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Albank Corporation, Chicago, Illinois	Albany Bank and Trust Company N.A., Chicago, Illinois	Chicago	June 6, 1983
Alexander City Bancshares, Inc., Alexander City, Alabama	Alexander City Bank, Alexander City, Alabama	Atlanta	May 27, 1983
BancTexas Group, Inc., Dallas, Texas	The Standard Bank, Houston, Texas	Dallas	June 7, 1983
Butler Bancorp, Inc., Butler, Missouri	The First National Bank of Butler, Butler, Missouri	Kansas City	May 26, 1983
Byers Bancshares, Inc., Byers, Texas	First National Bank of Byers, Byers, Texas	Dallas	May 27, 1983
Central Shares, Inc., Lebanon, Missouri	Central Bank, Lebanon, Missouri	St. Louis	May 27, 1983
Centre 1 Bancorp, Inc., Beloit, Wisconsin	The First National Bank and Trust Company of Beloit, Beloit, Wisconsin	Chicago	June 15, 1983

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Commercial Bancshares, Inc., Jersey City, New Jersey	Fidelity Bank & Trust Company of New Jersey, Pennsauken, New Jersey	New York	June 14, 1983
Consolidated Bancorp, Inc., Hewitt, Texas	Farmers & Merchants State Bank, Ferris, Texas	Dallas	May 25, 1983
Davis County Bancorporation, Salt Lake City, Utah	Davis County Bank, Farmington, Utah	San Francisco	May 31, 1983
Dawson Bancshares, Inc., Dawson, Texas	First Bank & Trust Company, Dawson, Texas	Dallas	June 8, 1983
Dixie Bancshares, Inc., Dukedom, Tennessee	Dukedom Bank, Dukedom, Tennessee	St. Louis	June 17, 1983
Energy Banks, Casper, Wyoming,	Security Bank of Glenrock, Glenrock, Wyoming	Kansas City	May 27, 1983
Faulkner County Bankshares, Inc., Conway, Arkansas,	The First National Bank of Conway, Conway, Arkansas	St. Louis	May 25, 1983
lst Columbia Corp., Columbus, Wisconsin	The First National Bank of Columbus, Columbus, Wisconsin	Chicago	June 1, 1983
First Farmers Investment Corporation, Inc., Greenfield, Illinois	Bank of Pawnee, Pawnee, Illinois	St. Louis	June 14, 1983
First Mabel BanCorporation, Inc., Mabel, Minnesota	First National Bank of Crosby, Crosby, Minnesota	Minneapolis	June 14, 1983
First Menasha Bancshares, Inc., Menasha, Wisconsin	The First National Bank of Menasha, Menasha, Wisconsin	Chicago	May 26, 1983
First Mulberry Bancshares, Inc., Mulberry, Arkansas	Bank of Mulberry, Mulberry, Arkansas	St. Louis	May 25, 1983
First Railroad & Banking Company of Georgia, Augusta, Georgia	Commercial Bankshares, Inc., Griffin, Georgia	Atlanta	May 27, 1983
First State Holding Company, Inc., Joplin, Missouri	Butler Bancorp, Inc., Butler, Missouri	Kansas City	May 26, 1983
Firstmondovi, Inc., Mondovi, Wisconsin	The First National Bank of Mondovi, Mondovi, Wisconsin	Minneapolis	May 27, 1983
GenBanc, Inc., Genoa, Ohio	The Genoa Banking Company, Genoa, Ohio	Cleveland	May 27, 1983
Gulfcoast Bancshares, Inc., Palmetto, Florida	The County Bank, Palmetto, Florida	Atlanta	June 10, 1983
Halbur Bancshares, Inc., Halbur, Iowa	Farmers Savings Bank, Halbur, Iowa	Chicago	June 22, 1983
HomeBanc Corporation, Guntersville, Alabama	The Home Bank, Guntersville, Alabama	Atlanta	June 3, 1983

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
I.S.B. Financial Corp., Midlothian, Illinois	Interstate Bank of Oak Forest, Oak Forest, Illinois	Chicago	June 17, 1983
Independent Banks of Virginia, Inc., Norfolk, Virginia	Heritage Bank & Trust, Norfolk, Virginia	Richmond	May 31, 1983
Lakeland Financial Corporation, Warsaw, Indiana	Lake City Bank, Warsaw, Indiana	Chicago	June 1, 1983
Lindell Bancshares, Inc., Cold Spring, Minnesota	State Bank of Cold Spring, Cold Spring, Minnesota	Minneapolis	June 21, 1983
Memphis Bancshares, Inc., Memphis, Texas	First State Bank, Memphis, Texas	Dallas	June 3, 1983
Metropolitan Bancshares, Inc., Farmers Branch, Texas	Metropolitan National Bank, Farmers Branch, Texas Metropolitan National Bank-Richardson, Richardson, Texas	Dallas	June 20, 1983
Northeastern Bancorp, Inc., Scranton, Pennsylvania	The Cement National Bank, Northampton, Pennsylvania	Philadelphia	June 17, 1983
Northern Wisconsin Bank Holding Company, Laona, Wisconsin	Laona State Bank, Laona, Wisconsin	Minneapolis	May 27, 1983
Oklahoma Bancorporation, Inc., Clinton, Oklahoma	Oklahoma Bank and Trust Company, Clinton, Oklahoma	Kansas City	May 20, 1983
Peoples National Corporation, Columbus Junction, Iowa	Community National Bank of Muscatine, Muscatine, Iowa	Chicago	June 10, 1983
Pickens County Bancshares, Inc., Reform, Alabama	Bank of Reform, Reform, Alabama	Atlanta	June 3, 1983
Pilot Bancorp, Inc., Pilot Grove, Iowa	Pilot Grove Savings Bank, Pilot Grove, Iowa	Chicago	May 27, 1983
Pioneer Bankshares, Inc., North Branch, Michigan	Pioneer Bank, North Branch, Michigan	Chicago	June 14, 1983
Platte Valley National Company, Inc., Schuyler, Nebraska	Platte Valley National Bank, Columbus, Nebraska	Kansas City	May 20, 1983
Plymouth Investment Company, Plymouth, Nebraska	Farmers State Bank, Plymouth, Nebraska	Kansas City	June 8, 1983
Sequatchie Valley Bancshares, Inc., Dunlap, Tennessee	Citizens Bank of Dunlap, Dunlap, Tennessee	Atlanta	June 21, 1983
Skylake Bankshares, Inc., North Miami Beach, Florida	Skylake State Bank, North Miami Beach, Florida	Atlanta	June 2, 1983
South Suburban Bancorp, Inc., Olympia Fields, Illinois	First Suburban Bank of Olympia Fields, Olympia Fields, Illinois	Chicago	May 27, 1983
Southern Bancshares Corp., St. Louis, Missouri	Southern Commercial Bank, St. Louis, Missouri	St. Louis	June 2, 1983

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Southern Bancshares, Inc., Bremond, Texas	Moulton State Bank, Moulton, Texas	Dallas	June 16, 1983
Southern National Banks, Inc., Fort Walton Beach, Florida	First National Bank of Okaloosa County, Fort Walton Beach, Florida	Atlanta	June 14, 1983
Southwest Florida Banks, Inc., Fort Myers, Florida	Palm State Bank, Palm Harbor, Florida	Atlanta	June 3, 1983
State Bancorp, Inc., Washington, Indiana	The State Bank of Washington, Washington, Indiana	St. Louis	May 27, 1983
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	Citizens National Bank and Trust Company of Waynesboro, Waynesboro, Pennsylvania	Philadelphia	June 17, 1983
Texana Bancshares, Inc., Hamilton, Texas	Texana National Bank of College Station, College Station, Texas	Dallas	May 27, 1983
Thorndale Bancshares, Inc., Thorndale, Texas	Thorndale State Bank, Thorndale, Texas	Dallas	May 27, 1983
Union of Texas Bancshares, Inc., Houston, Texas	Union Bank of Houston, Houston, Texas	Dallas	May 31, 1983
United Central Bancshares, Inc., Des Moines, Iowa	Plaza State Bank, Urbandale, Iowa	Chicago	June 7, 1983
United Midwest Bancorporation, Ltd., West Bloomfield, Michigan	Liberty Bank—Oakland, Troy, Michigan	Chicago	June 15, 1983
Universal Bancshares, Inc., Kansas City, Kansas	The Fidelity State Bank, Kansas City, Kansas	Kansas City	May 27, 1983
Upper Cumberland Bancshares, Inc., Byrdstown, Tennessee	Peoples Bank and Trust of Pickett County, Byrdstown, Tennessee	Atlanta	June 14, 1983
V.B.T. Holding Corporation, Valparaiso, Florida	The Valparaiso Bank and Trust Company, Valparaiso, Florida Bank of Mary Esther, Mary Esther, Florida	Atlanta	June 16, 1983
Victoria Bankshares, Inc., Victoria, Texas	American National Bank of Bay City, Bay City, Texas Cibolo State Bank, Cibolo, Texas	Dallas	May 31, 1983
W.B.T. Holding Company, Memphis, Tennessee	Central Trade Bank, Memphis, Tennessee	St. Louis	June 23, 1983
Western Bancshares of Albuquerque, Inc., Albuquerque, New Mexico	Citizens Bank, Albuquerque, New Mexico Western Bank, Albuquerque, New Mexico	Kansas City	June 9, 1983

Section 4

Applicant	Nonbanking company	Reserve Bank	Effective date
F & M Financial Services Corporation, Menomonee Falls, Wisconsin	Leasenu, Inc., Menomonee Falls, Wisconsin	Chicago	June 21, 1983
Slater Bancshares, Inc., Slater, Missouri	Miller & Boyd Insurance Agency, Slater, Missouri	Kansas City	June 1, 1983
Southern Bancorporation, Inc., Greenville, South Carolina	Bibb Investment Company, Macon, Georgia	Richmond	June 2, 1983
Southern Bancorporation, Inc., Greenville, South Carolina	Master Loan Service of Longview, Inc., Beaumont, Texas	Richmond	May 25, 1983

Sections 3 and 4

Applicant	Bank(s)/Nonbanking company	Reserve Bank	Effective date
The Home State Building, Inc., Lewis, Kansas	Home State Bank, Lewis, Kansas Lewis Insurance Service, Inc., Lewis, Kansas	Kansas City	June 7, 1983
SSB Bancorp, Shipshewana, Indiana	Shipshewana State Bank, Shipshewana, Indiana Shipshewana Insurance Agency, Inc., Shipshewana, Indiana	Chicago	May 26, 1983

ORDERS APPROVED UNDER BANK MERGER ACT

By the Board of Governors

Applicant	Bank	Effective date
Hempstead Bank, Hempstead, New York	Nassau Trust Company, Glen Cove, New York	June 1, 1983

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Heritage Interim Bank, Norfolk, Virginia	Heritage Bank & Trust, Norfolk, Virginia	Richmond	May 31, 1983

Pending Cases Involving the Board of Governors

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Independent Insurance Agents of America, Inc. and Independent Insurance Agents of Missouri, Inc. v. *Board of Governors,* filed June 1983, U.S.C.A. for the Eighth Circuit (two cases).

The Committee for Monetary Reform, et al., v. *Board of Governors,* filed June 1983, U.S.D.C. for the District of Columbia.

*Dakota Bankshares, Inc.*v. *Board of Governors,* filed May 1983, U.S.C.A. for the Eighth Circuit.

Jet Courier Services, Inc., et al. v. *Federal Reserve Bank of Atlanta, et al.,* filed February 1983, U.S.C.A. for the Sixth Circuit.

Securities Industry Association v. *Board of Governors, et al.,* filed February 1983, U.S.C.A. for the Second Circuit.

Flagship Banks, Inc. v. *Board of Governors,* filed January 1983, U.S.D.C. for the District of Columbia.

Flagship Banks, Inc. v. *Board of Governors,* filed October 1982, U.S.D.C. for the District of Columbia.

Association of Data Processing Service Organizations, Inc., et al. v. *Board of Governors,* filed August 1982, U.S.C.A. for the District of Columbia.

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1982			1983	1983				
	Q2	Q3	Q4	Q1	Jan	Feb	Mar	Apr	May
Reserves of depository institutions									
1 Total	4.8	5.1	11.0	1.1	19.5	6.6	19.7	8.8	-1.9
2 Required	5.3	4.9	10.1	.8	-21.2	10.2	20.0	7.6	-1.1
3 Nonborrowed	8.5	11.5	12.7	.6	-16.7	5.1	13.6[r]	2.5[r]	-.2
4 Monetary base[2]	7.7	6.8	8.0	8.6	4.7	11.4	15.0	6.9	10.4
Concepts of money and liquid assets[3]									
5 M1	3.2	6.1	13.1	14.1	9.8	22.4	15.9	-2.7	26.3
6 M2	7.0	10.9	9.3	20.3	30.9	24.4	11.2	3.0[r]	12.8
7 M3	8.5	12.5	9.5	10.2	13.0	13.6	8.2	3.5[r]	11.3
8 L	10.5	12.1	8.8	n.a.	13.0	11.1	n.a.	n.a.	n.a.
Time and savings deposits									
Commercial banks									
9 Total	13.4	18.2	3.2	12.4	27.9	8.8	2.9	6.8	-3.0
10 Savings[4]	1.7	-1.8	13.4	-43.4	-85.9	-55.4	-19.9	-12.6	0
11 Small-denomination time[5]	-17.0	18.7	-.5	-48.5	83.0	-63.9	-38.7	-19.5	-10.5
12 Large-denomination time[6]	17.0	26.8	6.8	-58.5	-97.1	-60.9	-27.7	.8	-37.7
13 Thrift institutions[7]	4.1	6.5	6.2	12.1	10.8	21.3	17.2	16.9[r]	11.9
14 Total loans and securities at commercial banks[8]	-6.7	6.0	5.5	9.8	12.8	7.6	11.2	8.7	10.7
	Interest rates (levels, percent per annum)								
	1982		1983		1983				
	Q3	Q4	Q1	Q2	Feb	Mar	Apr	May	June
Short-term rates									
15 Federal funds[9]	11.01	9.28	8.65	8.80	8.51	8.77	8.80	8.63	8.98
16 Discount window borrowing[10]	10.83	9.25	8.50	8.50	8.50	8.50	8.50	8.50	8.50
17 Treasury bills (3-month, secondary market)[11]	9.32	7.90	8.11	8.40	8.11	8.35	8.21	8.19	8.79
18 Commercial paper (3-month)[11,12]	11.15	8.80	8.34	8.62	8.34	8.52	8.53	8.33	9.00
Long-term rates									
Bonds									
19 U.S. government[13]	12.94	10.72	10.87	10.81	11.03	10.80	10.63	10.67	11.12
20 State and local government[14]	11.39	9.90	9.43	9.23	9.58	9.20	9.05	9.11	9.52
21 Aaa utility (new issue)[15]	14.25	12.10	11.89	11.46	12.08	11.70	11.41	11.32	11.87
22 Conventional mortgages[16]	15.65	13.79	13.26	n.a.	13.18	13.17	13.02	13.09	n.a.

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

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

3. M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks, (2) traveler's checks of nonbank issuers, (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float, and (4) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

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

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

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

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

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

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

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

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

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

10. Rate for the Federal Reserve Bank of New York.

11. Quoted on a bank-discount basis.

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

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

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

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

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

NOTE. Revisions in reserves of depository institutions reflect the transitional phase-in of reserve requirements as specified in the Monetary Control Act of 1980.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1983			1983						
	Apr.	May	June	May 18	May 25	June 1	June 8	June 15	June 22p	June 29p
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**159,250**	**160,130**	**162,306**	**159,993**	**159,716**	**160,326**	**160,424**	**161,349**	**163,332**	**162,748**
2 U.S. government securities[1]	137,877	139,481	141,484	139,806	140,400	140,446	140,540	140,921	142,427	141,615
3 Bought outright	137,453	139,362	141,177	139,806	140,400	139,770	140,540	140,921	141,953	141,615
4 Held under repurchase agreements	424	119	307	0	0	676	0	0	474	0
5 Federal agency securities	8,931	8,916	8,922	8,908	8,908	8,948	8,908	8,893	8,937	8,890
6 Bought outright	8,910	8,908	8,895	8,908	8,908	8,908	8,908	8,893	8,890	8,890
7 Held under repurchase agreements	21	8	27	0	0	40	0	0	47	0
8 Acceptances	72	22	38	0	0	50	0	0	83	0
9 Loans	995	907	1,716	1,073	951	1,118	907	1,811	1,715	2,102
10 Float	1,996	2,096	1,843	1,522	1,626	1,717	2,058	1,486	1,682	1,633
11 Other Federal Reserve assets	9,379	8,708	8,303	8,684	7,831	8,047	8,012	8,238	8,488	8,509
12 Gold stock	11,137	11,133	11,131	11,132	11,132	11,132	11,132	11,131	11,131	11,131
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
15 Currency in circulation	155,354	157,143	159,177	157,365	157,004	158,151	159,246	159,391	159,068	158,833
16 Treasury cash holdings	514	532	536	533	533	533	538	540	535	533
Deposits, other than reserves, with Federal Reserve Banks										
17 Treasury	3,841	3,521	3,525	3,131	2,966	2,883	2,648	3,131	3,838	3,858
18 Foreign	254	244	219	272	214	273	202	221	213	221
19 Other	642	565	541	560	535	562	527	543	516	575
20 Required clearing balances	625	693	754	697	702	716	735	750	760	772
21 Other Federal Reserve liabilities and capital	4,995	4,959	5,107	4,867	4,985	4,978	4,994	5,046	5,206	5,197
22 Reserve accounts[2]	22,565	22,010	21,981	22,105	22,312	21,764	21,069	21,261	22,729	22,294

Factors	End-of-month figures			Wednesday figures						
	1983			1983						
	Apr	May	June	May 18	May 25	June 1	June 8	June 15	June 22	June 29
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**161,866**	**160,828**	**164,075**	**161,986**	**161,531**	**166,123**	**161,304**	**163,582**	**165,347**	**162,170**
24 U.S. government securities[1]	141,550	141,180	141,673	141,297	140,750	144,324	141,063	139,998	143,456	140,729
25 Bought outright	137,864	141,180	140,511	141,297	140,750	139,594	141,063	139,998	142,137	140,729
26 Held under repurchase agreements	3,686	0	1,162	0	0	4,730	0	0	1,319	0
27 Federal agency securities	9,156	8,908	9,105	8,908	8,908	9,186	8,908	8,890	9,032	8,890
28 Bought outright	8,908	8,908	8,890	8,908	8,908	8,908	8,908	8,890	8,890	8,890
29 Held under repurchase agreements	248	0	215	0	0	278	0	0	142	0
30 Acceptances	704	0	203	0	0	351	0	0	272	0
31 Loans	848	1,260	3,610	2,028	1,548	2,124	803	4,412	1,900	2,080
32 Float	−1,124	850	1,058	1,951	2,225	1,966	2,241	1,444	2,047	1,638
33 Other Federal Reserve assets	10,732	8,630	8,426	7,802	8,100	8,172	8,289	8,838	8,640	8,833
34 Gold stock	11,135	11,132	11,131	11,132	11,132	11,132	11,131	11,131	11,131	11,131
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
37 Currency in circulation	155,307	158,634	160,457	157,546	157,627	159,091	159,748	159,600	159,086	159,945
38 Treasury cash holdings	524	532	533	534	532	535	539	538	533	531
Deposits, other than reserves, with Federal Reserve Banks										
39 Treasury	6,015	4,372	8,764	2,673	2,809	2,670	3,067	3,170	3,379	4,026
40 Foreign	322	445	279	250	240	278	177	271	180	241
41 Other	796	679	470	517	684	633	514	620	453	443
42 Required clearing balances	641	711	775	697	705	711	737	748	760	772
43 Other Federal Reserve liabilities and capital	5,253	5,144	5,111	4,696	4,798	5,014	4,899	4,900	5,053	5,038
44 Reserve accounts[2]	22,547	19,847	17,220	24,609	23,672	26,727	21,157	23,269	25,438	20,708

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

2. Excludes required clearing balances.

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages of daily figures									
	1981	1982			1983					
	Dec	Oct	Nov.	Dec	Jan	Feb	Mar.	Apr.	May	June[p]
1 Reserve balances with Reserve Banks[1]	26,163	24,252	24,604	24,804	24,431	23,530	22,168	22,565	22,010	21,981
2 Total vault cash (estimated)	19,538	19,578	19,807	20,392	21,454	20,035	19,484	19,569	19,710	20,094
3 Vault cash at institutions with required reserve balances[2]	13,577	13,658	13,836	14,292	14,602	13,705	13,027	13,246	13,339	13,693
4 Vault cash equal to required reserves at other institutions	2,178	2,677	2,759	2,757	2,829	2,562	2,844	2,839	2,933	2,912
5 Surplus vault cash at other institutions[3]	3,783	3,243	3,212	3,343	4,023	3,768	3,613	3,484	3,438	3,489
6 Reserve balances + total vault cash[4]	45,701	43,830	44,411	45,196	45,885	43,565	41,652	42,134	41,720	42,075
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	41,918	40,587	41,199	41,853	41,862	39,797	38,039	38,650	38,282	38,586
8 Required reserves (estimated)	41,606	40,183	40,797	41,353	41,316	39,362	37,602	38,174	37,833	37,943
9 Excess reserve balances at Reserve Banks[4,6]	312	404	402	500	546	435	437	476	449	643
10 Total borrowings at Reserve Banks	642	455	579	697	500	557	852	993	902	1,716
11 Seasonal borrowings at Reserve Banks	53	86	47	33	33	39	53	82	98	121
12 Extended credit at Reserve Banks	149	141	188	187	156	277	318	407	514	964
	Weekly averages of daily figures for week ending									
	1983									
	Apr. 27	May 4	May 11	May 18	May 25	June 1	June 8	June 15	June 22[p]	June 29[p]
13 Reserve balances with Reserve Banks[1]	22,822	22,851	21,345	22,105	22,312	21,764	21,069	21,261	22,729	22,294
14 Total vault cash (estimated)	19,630	20,244	20,307	19,516	18,877	19,856	20,136	20,477	19,615	20,202
15 Vault cash at institutions with required reserve balances[2]	13,417	13,709	13,512	13,081	13,123	13,445	13,427	13,324	13,819	13,982
16 Vault cash equal to required reserves at other institutions	2,832	2,977	3,123	2,947	2,635	3,010	3,148	3,343	2,564	2,809
17 Surplus vault cash at other institutions[3]	3,381	3,558	3,672	3,488	3,119	3,401	3,561	3,810	3,232	3,411
18 Reserve balances + total vault cash[4]	42,452	43,095	41,652	41,621	41,189	41,620	41,205	41,738	42,344	42,496
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	39,071	39,537	37,980	38,133	38,070	38,219	37,644	37,928	39,112	39,085
20 Required reserves (estimated)	38,612	38,935	37,572	37,755	37,620	37,743	37,020	37,578	38,594	38,566
21 Excess reserve balances at Reserve Banks[4,6]	459	602	408	378	450	476	624	350	518	519
22 Total borrowings at Reserve Banks	1,171	925	707	1,073	951	1,118	907	1,811	1,715	2,102
23 Seasonal borrowings at Reserve Banks	90	101	91	91	104	108	107	110	125	143
24 Extended credit at Reserve Banks	484	493	506	519	511	530	453	1,096	1,061	1,262

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1983, week ending Wednesday								
	May 4	May 11	May 18	May 25	June 1	June 8	June 15	June 22	June 29
One day and continuing contract									
1 Commercial banks in United States	59,065	63,386	61,792	58,724	59,750	64,366	62,554	59,083	55,811
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	30,120	29,157	29,147	29,120	28,042	26,878	26,422	25,715	24,115
3 Nonbank securities dealers	5,067	4,518	5,046	6,496	7,282	5,958	5,925	6,110	5,614
4 All other	26,907	27,172	26,420	26,906	25,604	25,710	26,898	26,962	27,406
All other maturities									
5 Commercial banks in United States	4,883	4,776	4,849	5,142	5,214	5,228	5,558	5,729	5,630
6 Other depository institutions, foreign banks and foreign official institutions, and U S government agencies	9,781	9,337	9,351	9,534	9,909	10,414	10,326	10,104	10,479
7 Nonbank securities dealers	6,263	6,227	6,422	6,442	6,301	5,402	5,891	6,456	6,072
8 All other	8,584	9,352	9,616	9,558	9,173	8,701	8,724	8,708	9,548
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	25,686	24,544	24,315	22,909	25,364	22,770	22,729	24,732	23,767
10 Nonbank securities dealers	4,332	3,932	3,858	4,234	4,395	4,560	4,097	4,231	4,187

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit			Extended credit[1]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 6/30/83	Effective date	Previous rate	Rate on 6/30/83	Previous rate	Rate on 6/30/83	Previous rate	Rate on 6/30/83	Previous rate	
Boston	8½	12/14/82	9	8½	9	9½	10	10½	11	12/14/82
New York		12/15/82								12/15/82
Philadelphia		12/17/82								12/17/82
Cleveland		12/15/82								12/15/82
Richmond		12/15/82								12/15/82
Atlanta		12/14/82								12/14/82
Chicago		12/14/82								12/14/82
St. Louis		12/14/82								12/14/82
Minneapolis		12/14/82								12/14/82
Kansas City		12/15/82								12/15/82
Dallas		12/14/82								12/14/82
San Francisco	8½	12/14/82	9	8½	9	9½	10	10½	11	12/14/82

Range of rates in recent years[2]

Effective date	Range (or level)—All F R Banks	F R Bank of N Y
In effect Dec. 31, 1973	7½	7½
1974— Apr 25	7½–8	8
30	8	8
Dec 9	7¾–8	7¾
16	7¾	7¾
1975— Jan 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan 19	5½–6	5½
23	5½	5½
Nov 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept 2	5¾	5¾
Oct 26	6	6
1978— Jan 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7

Effective date	Range (or level)—All F R Banks	F R Bank of N Y
1978— July 3	7–7¼	7¼
10	7¼	7¼
Aug 21	7¾	7¾
Sept 22	8	8
Oct 16	8–8½	8½
20	8½	8½
Nov 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug 17	10–10½	10½
20	10½	10½
Sept 19	10½–11	11
21	11	11
Oct 8	11–12	12
10	12	12
1980— Feb 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov 17	12	12
Dec. 5	12–13	13
8	13	13

Effective date	Range (or level)—All F.R Banks	F R Bank of N Y
1981— May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec 14	8½–9	9
15	8½–9	8½
17	8½	8½
In effect June 30, 1983	8½	8½

1. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. See section 201 3(b)(2) of Regulation A.

2. Rates for short-term adjustment credit For description and earlier data see the following publications of the Board of Governors. *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*, *Annual Statistical Digest, 1970–1979, 1980*, and *1981*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter A 3 percent surcharge was in effect from Mar 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted, the surcharge was subsequently raised to 3 percent on Dec 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept 22, 1981, and to 2 percent effective Oct. 12 As of Oct 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov 17, 1981

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act	
	Percent	Effective date
Net demand[2]		
$0 million–$2 million	7	12/30/76
$2 million–$10 million	9½	12/30/76
$10 million–$100 million	11¾	12/30/76
$100 million–$400 million	12¾	12/30/76
Over $400 million	16¼	12/30/76
Time and savings[2,3]		
Savings	3	3/16/67
Time[4]		
$0 million–$5 million, by maturity		
30–179 days	3	3/16/67
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75
Over $5 million, by maturity		
30–179 days	6	12/12/74
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
$0–$26.3 million	3	12/30/82
Over $26.3 million	12	12/30/82
Nonpersonal time deposits[9]		
By original maturity		
Less than 2½ years	3	3/31/83
2½ years or more	0	3/31/83
Eurocurrency liabilities		
All types	3	11/13/80

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

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

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

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

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

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

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

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

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

5. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. Effective Dec. 9, 1982, the amount of the exemption was established at $2.1 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) authorized under 12 CFR section 1204.122; (2) net NOW accounts (NOW accounts less allowable deductions); (3) net other transaction accounts, and (4) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

6. For nonmember banks and thrift institutions that were not members of the Federal Reserve System on or after July 1, 1979, a phase-in period ends Sept. 3, 1987. For banks that were members on or after July 1, 1979, but withdrew on or before Mar. 31, 1980, the phase-in period established by Public Law 97–320 ends on Oct. 24, 1985. For existing member banks the phase-in period is about three years, depending on whether their new reserve requirements are greater or less than the old requirements. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of $50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules of the Depository Institutions Deregulation Committee (DIDC) that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from $25 million to $26 million; and effective Dec. 30, 1982, to $26.3 million.

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

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

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

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks (thrift institutions)			
	In effect June 30, 1983		Previous maximum		In effect June 30, 1983		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts[2]	5¼	12/31/80	5	1/1/74	5¼	12/31/80	5	1/1/74
Time accounts[3]								
Fixed ceiling rates by maturity[4]								
3 14–89 days[5]	5¼	8/1/79	5	7/1/73	(6)	.	(6)	.
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years[7]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years[7]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years[7]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years[8]	7¼	11/1/73	(9)		7½	11/1/73	(9)	.....
9 6 to 8 years[8]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more[8]	7¾	6/1/78	(6)	......	8	6/1/78	(6)	. .
11 Issued to governmental units (all maturities)[10]	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 IRAs and Keogh (H R. 10) plans (3 years or more)[10,11]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77

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

2 Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan 1, 1974 Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb 27, 1976, New York State on Nov 10, 1978, New Jersey on Dec 28, 1979, and to similar institutions nationwide effective Dec 31, 1980 Effective January 5, 1983, the interest rate ceiling is removed for NOW accounts with an initial balance and average maintenance balance of $2,500.

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

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

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

6 No separate account category.

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

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

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

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

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

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

For deposits subject to variable ceiling rates and deposits not subject to interest rate ceilings see page A10.

1.16 Continued

TIME DEPOSITS SUBJECT TO VARIABLE CEILING RATES

91-day time deposits Effective May 1, 1982, depository institutions were authorized to offer time deposits that have a minimum denomination of $7,500 and a maturity of 91 days. Effective Jan 5, 1983, the minimum denomination required for this deposit is reduced to $2,500 The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 91-day Treasury bills for thrift institutions and the discount rate minimum 25 basis points for commercial banks The rate differential ends 1 year from the effective date of these instruments and is suspended at any time the Treasury bill discount rate is 9 percent or below for four consecutive auctions The maximum allowable rates in June 1983 (in percent) for commercial banks and thrifts were as follows May 28, 8.65; June 7, 8.64, June 14, 8.73, June 21, 8.98, and June 28, 9.09

Six-month money market time deposits Effective June 1, 1978, commercial banks and thrift institutions were authorized to offer time deposits with a maturity of exactly 26 weeks and a minimum denomination requirement of $10,000. Effective Jan. 5, 1983, the minimum denomination required for this deposit is reduced to $2,500. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 26-week U S Treasury bills. Interest on these certificates may not be compounded. Effective for all 6-month money market certificates issued beginning Nov 1, 1981, depository institutions may pay rates of interest on these deposits indexed to the higher of (1) the rate for 26-week Treasury bills established immediately before the date of deposit (bill rate) or (2) the average of the four rates for 26-week Treasury bills established for the 4 weeks immediately before the date of deposit (4-week average bill rate) Ceilings are determined as follows

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

The maximum rates in June 1983 for commercial banks based on the bill rate were as follows: May 28, 8.92, June 7, 9.04, June 14, 9.08, June 21, 9.27, and June 28, 9.39, and based on the 4-week average bill rate were as follows May 28, 8.60, June 7, 8.77, June 14, 8.94, June 21, 9.08, and June 28, 9.19 The maximum allowable rates in June 1983 for thrifts based on the bill rate were as follows May 28, 9.00; June 7, 9.04, June 14, 9.08; June 21, 9.27, and June 28, 9.39, and based on the 4-week average bill rate were as follows. May 28, 8.85; June 7, 9.00, June 14, 9.00; June 21, 9.08, and June 28, 9.19.

12-month all savers certificates. Effective Oct. 1, 1981, depository institutions are authorized to issue all savers certificates (ASCs) with a 1-year maturity and an annual investment yield equal to 70 percent of the average investment yield for 52-week U S Treasury bills as determined by the auction of 52-week Treasury bills held immediately before the calendar week in which the certificate is issued. A maximum lifetime exclusion of $1,000 ($2,000 on a joint return) from gross income is generally authorized for interest income from ASCs. The annual investment yield for ASCs issued in December 1982 (in percent) was as follows Dec 26, 6.26

1½-year to less than 2½-year time deposits Effective Aug 1, 1981, commercial banks are authorized to pay interest on any variable ceiling nonnegotiable time deposit with an original maturity of 2½ years to less than 4 years at a rate not to exceed ¼ of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit Effective May 1, 1982, the maximum maturity for this category of deposits was reduced to less than 3½ years Effective Apr 1, 1983, the maximum maturity for this category of deposits was reduced to less than 2½ years and the minimum maturity was reduced to 1½ years Thrift institutions may pay interest on these certificates at a rate not to exceed the average 1½-year yield for Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. If the announced average 1½-year yield for Treasury securities is less than 9.50 percent, commercial banks may pay 9.25 percent and thrift institutions 9.50 percent for these deposits These deposits have *no required minimum denomination, and interest may be compounded on them* The ceiling rates of interest at which they may be offered vary biweekly The maximum allowable rates in June 1983 (in percent) for commercial banks were as follows. June 7, 9.55; and June 21, 9.65, and for thrift institutions· June 7, 9.80, and June 21, 9.90.

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

TIME DEPOSITS NOT SUBJECT TO INTEREST RATE CEILINGS

Money market deposit account Effective Dec 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days' notice before withdrawals When the average balance is less than $2,500, the account is subject to the *maximum ceiling rate of interest for NOW accounts, compliance with the average* balance requirement may be determined over a period of one month Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month. No more than six preauthorized, automatic, or other third-party transfers are permitted per month, of which no more than three can be checks Telephone transfers to third parties or to another account of the same depositor are regarded as preauthorized transfers

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

Time deposits of 7 to 31 days Effective Sept 1, 1982, depository institutions were authorized to issue nonnegotiable time deposits of $20,000 or more with a maturity or required notice period of 7 to 31 days The maximum rate of interest payable by thrift institutions was the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately before the date of deposit or renewal ("bill rate"). *Commercial banks could pay the bill rate minus 25 basis points. The interest rate* ceiling was suspended when the bill rate is 9 percent or below for the four most recent auctions held before the date of deposit or renewal Effective January 5, 1983, the minimum denomination required for this deposit was reduced to $2,500 and the interest rate ceiling was removed.

Time deposits of 2½ years or more Effective May 1, 1982, depository institutions were authorized to offer negotiable or nonnegotiable time deposits with a minimum original maturity of 3½ years or more that are not subject to interest rate ceilings Such time deposits have no minimum denomination, but must be made available in a $500 denomination Additional deposits may be made to the account during the first year without extending its maturity Effective Apr 1, 1983, the minimum maturity period for this category of deposits was reduced to 2½ years

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1980	1981	1982	1982		1983				
				Nov	Dec	Jan	Feb	Mar	Apr	May
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	7,668	13,899	17,067	2,552	1,897	0	1,456	1,259	2,880	516
2 Gross sales	7,331	6,746	8,369	0	731	1,983	934	0	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,389	1,816	3,000	0	200	900	300	0	0	0
Others within 1 year										
5 Gross purchases	912	317	312	88	0	0	0	0	0	173
6 Gross sales	0	23	0	0	0	0	0	0	0	0
7 Maturity shift	12,427	13,794	17,295	2,819	906	558	4,564	1,198	826	1,795
8 Exchange	−18,251	−12,869	−14,164	−1,924	−943	−544	−2,688	−900	0	1,842
9 Redemptions	0	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,138	1,702	1,797	485	0	0	0	0	0	595
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−8,909	−10,299	−14,524	−2,204	−906	553	−4,564	−1,198	−684	−41
13 Exchange	13,412	10,117	11,804	1,515	943	544	1,599	900	0	1,367
5 to 10 years										
14 Gross purchases	703	393	388	194	0	0	0	0	0	326
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	−3,092	−3,495	−2,172	−616	0	−5	229	0	−142	−1,754
17 Exchange	2,970	1,500	2,128	250	0	0	650	0	0	300
Over 10 years										
18 Gross purchases	811	379	307	132	0	0	0	0	0	108
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−426	0	−601	0	0	0	−229	0	0	0
21 Exchange	1,869	1,253	234	159	0	0	439	0	0	175
All maturities										
22 Gross purchases	12,232	16,690	19,870	3,452	1,897	0	1,456	1,259	2,880	1,719
23 Gross sales	7,331	6,769	8,369	0	731	1,983	934	0	0	0
24 Redemptions	3,389	1,816	3,000	0	200	900	300	0	0	0
Matched transactions										
25 Gross sales	674,000	589,312	543,804	39,579	72,123	59,398	35,234	47,892	37,873	43,404
26 Gross purchases	675,496	589,647	543,173	41,724	69,088	59,043	38,204	47,724	36,205	45,001
Repurchase agreements										
27 Gross purchases	113,902	79,920	130,774	4,161	15,229	6,747	6,697	3,526	7,671	0
28 Gross sales	113,040	78,733	130,286	4,161	11,525	10,451	6,697	3,526	3,984	3,687
29 Net change in U.S. government securities	3,869	9,626	8,358	5,596	1,636	−6,943	3,192	1,090	4,899	−371
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	668	494	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	145	108	189	*	6	9	5	8	7	*
Repurchase agreements										
33 Gross purchases	28,895	13,320	18,957	739	2,566	452	276	379	340	0
34 Gross sales	28,863	13,576	18,638	739	1,978	1,040	276	379	92	248
35 Net change in federal agency obligations	555	130	130	*	582	−596	−5	−8	241	−248
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	73	−582	1,285	0	1,480	−1,480	0	0	704	−704
37 Total net change in System Open Market Account	**4,497**	**9,175**	**9,773**	**5,596**	**3,697**	**−9,019**	**3,187**	**1,082**	**5,844**	**−1,322**

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday 1983					End of month 1983		
	June 1	June 8	June 15	June 22	June 29	Apr	May	June
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,132	11,131	11,131	11,131	11,131	11,135	11,132	11,131
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	397	396	401	398	387	452	403	382
Loans								
4 To depository institutions	2,124	803	4,412	1,900	2,080	848	1,260	3,610
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	351	0	0	272	0	704	0	203
Federal agency obligations								
7 Bought outright	8,908	8,908	8,890	8,890	8,890	8,908	8,908	8,890
8 Held under repurchase agreements	278	0	0	142	0	248	0	215
U.S. government securities								
Bought outright								
9 Bills	57,209	58,678	57,700	59,839	58,431	56,682	58,795	58,213
10 Notes	63,107	63,107	63,107	63,107	63,107	62,187	63,107	63,107
11 Bonds	19,278	19,278	19,191	19,191	19,191	18,995	19,278	19,191
12 Total[1]	139,594	141,063	139,998	142,137	140,729	137,864	141,180	140,511
13 Held under repurchase agreements	4,730	0	0	1,319	0	3,686	0	1,162
14 Total U.S government securities	144,324	141,063	139,998	143,456	140,729	141,550	141,180	141,673
15 Total loans and securities	**155,985**	**150,774**	**153,300**	**154,660**	**151,699**	**152,258**	**151,348**	**154,591**
16 Cash items in process of collection	12,318	8,818	9,123	9,125	8,475	6,354	6,607	8,211
17 Bank premises	558	554	554	554	553	552	553	553
Other assets								
18 Denominated in foreign currencies[2]	4,379	4,384	4,394	4,396	4,400	4,957	4,376	4,322
19 All other[3]	3,235	3,351	3,890	3,690	3,880	5,223	3,701	3,551
20 Total assets	**192,622**	**184,026**	**187,411**	**188,572**	**185,143**	**185,549**	**182,738**	**187,359**
LIABILITIES								
21 Federal Reserve notes	146,237	146,898	146,754	146,231	147,078	142,497	145,783	147,587
Deposits								
22 Depository institutions	27,441	21,898	24,027	26,204	21,487	23,193	20,567	18,004
23 U.S. Treasury—General account	2,670	3,067	3,170	3,379	4,026	6,015	4,372	8,764
24 Foreign—Official accounts	278	177	271	180	241	322	445	279
25 Other	630	510	610	447	436	791	670	461
26 Total deposits	**31,019**	**25,652**	**28,078**	**30,210**	26,190	**30,321**	**26,054**	**27,508**
27 Deferred availability cash items	10,352	6,577	7,679	7,078	6,837	7,478	5,757	7,153
28 Other liabilities and accrued dividends[4]	1,961	1,785	1,787	1,937	1,927	2,069	1,849	2,021
29 Total liabilities	**189,569**	**180,912**	**184,298**	**185,456**	**182,032**	**182,365**	**179,443**	**184,269**
CAPITAL ACCOUNTS								
30 Capital paid in	1,414	1,414	1,416	1,420	1,421	1,407	1,413	1,421
31 Surplus	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359
32 Other capital accounts	280	341	338	337	331	418	523	310
33 Total liabilities and capital accounts	**192,622**	**184,026**	**187,411**	**188,572**	**185,143**	**185,549**	**182,738**	**187,359**
34 MEMO: Marketable U.S government securities held in custody for foreign and international account	110,083	110,145	110,228	108,667	110,758	109,843	110,198	110,889
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	163,568	164,106	164,980	166,001	166,482	161,327	163,394	166,397
36 LESS. Held by bank[5]	17,331	17,208	18,226	19,770	19,404	18,830	17,611	18,810
37 Federal Reserve notes, net	146,237	146,898	146,754	146,231	147,078	142,497	145,783	147,587
Collateral for Federal Reserve notes								
38 Gold certificate account	11,132	11,131	11,131	11,131	11,131	11,135	11,132	11,131
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	130,487	131,149	131,005	130,482	131,329	126,744	130,033	131,838
42 Total collateral	**146,237**	**146,898**	**146,754**	**146,231**	**147,078**	**142,497**	**145,783**	**147,587**

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

2 Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies and foreign currencies warehoused for the U.S. Treasury. Assets shown in this line are revalued monthly at market exchange rates.

3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.

4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments

5. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1983					1983		
	June 1	June 8	June 15	June 22	June 29	Apr. 29	May 31	June 30
1 Loans—Total	2,124	803	4,412	1,900	2,080	848	1,260	3,610
2 Within 15 days	2,061	730	4,367	1,851	2,039	805	1,220	3,561
3 16 days to 90 days	63	73	45	49	41	43	40	49
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	351	0	0	272	0	704	0	203
6 Within 15 days	351	0	0	272	0	704	0	203
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	144,324	141,063	139,998	143,456	140,729	141,550	141,180	141,673
10 Within 15 days[1]	11,524	8,276	8,282	7,736	5,960	4,947	4,011	3,767
11 16 days to 90 days	28,286	28,947	28,659	31,000	30,096	30,724	32,654	30,111
12 91 days to 1 year	42,680	42,006	41,223	42,886	42,839	44,296	42,680	46,442
13 Over 1 year to 5 years	33,067	33,067	33,067	33,067	33,067	31,972	33,067	32,586
14 Over 5 years to 10 years	11,700	11,700	11,700	11,700	11,700	12,828	11,700	11,700
15 Over 10 years	17,067	17,067	17,067	17,067	17,067	16,783	17,068	17,067
16 Federal agency obligations—Total	9,186	8,908	8,890	9,032	8,890	9,156	8,908	9,105
17 Within 15 days[1]	406	128	28	301	192	484	188	406
18 16 days to 90 days	585	651	702	571	582	499	585	583
19 91 days to 1 year	2,022	1,969	1,976	1,976	2,012	2,026	1,977	2,012
20 Over 1 year to 5 years	4,465	4,452	4,501	4,501	4,421	4,499	4,450	4,421
21 Over 5 years to 10 years	1,190	1,190	1,165	1,165	1,165	1,130	1,190	1,165
22 Over 10 years	518	518	518	518	518	518	518	518

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1979 Dec.	1980 Dec.	1981 Dec	1982			1983					
				Oct	Nov.	Dec.	Jan.	Feb	Mar.	Apr.	May	June
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves[2]**	**34.23**	**36.23**	**37.93**	**39.93**	**40.41**	**40.78**	**40.12**	**40.34**	**41.00**	**41.31**	**41.27**	**41.77**
2 Nonborrowed reserves	32 76	34.54	39 45	39.45	39 79	40.15	39 59	39.76	40.21	40.30	40.32	40 19
3 Required reserves	33 91	35.71	39.53	39.53	40 01	40.28	39 57	39.91	40.57	40 83	40.80	41.24
4 Monetary base[3]	142 8	154.9	173 2	173 2	174 3	175.6	176 3	178.0	180.2	181 2	182.9	184 4
	Not seasonally adjusted											
5 **Total reserves[2]**	**37.24**	**37.24**	**40.00**	**40.00**	**40.68**	**41.56**	**42.23**	**40.23**	**40.23**	**41.05**	**40.74**	**40.89**
6 Nonborrowed reserves	35.55	35 55	39.52	39.52	40.06	40.93	41.69	39.64	39.44	40.04	39.78	39.31
7 Required reserves	36.72	36.72	39.59	39 59	40.28	41 06	41.67	39.79	39.80	40.58	40 27	40.36
8 Monetary base[3]	158 2	158.2	173.2	173.2	175 4	178.9	177.7	175.9	177.7	180.3	181 8	183.6
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[4]												
9 **Total reserves[2]**	**40.66**	**40.66**	**40.59**	**40.59**	**41.20**	**41.85**	**41.86**	**39.80**	**38.04**	**38.65**	**38.31**	**34.47**
10 Nonborrowed reserves	38.97	38.97	40.11	40 11	40.58	41.22	41.33	39 22	37.24	37.65	37.36	36.89
11 Required reserves	40.15	40 15	40.18	40.18	40.80	41 35	41.32	39 36	37.60	38.18	37 84	37.94
12 Monetary base[3]	162.5	162.5	173.8	173.8	176.0	179.3	177.9	176.0	175 9	178.4	179.9	181.7

1. Reserve aggregates include required reserves of member banks and Edge Act corporations and other depository institutions. Discontinuities associated with the implementation of the Monetary Control Act, the inclusion of Edge Act corporation reserves, and other changes in Regulation D have been removed. Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to international banking facilities (IBFs). On the basis of reports of liabilities transferred to IBFs by U S commercial banks and U.S. agencies and branches of foreign banks, it is estimated that required reserves were lowered on average $10 millon to $20 million in December 1981 and $40 million to $70 million in January 1982.

2. Reserve balances with Federal Reserve Banks (which exclude required clearing balances) plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

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

4. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustments to eliminate the effect of changes in Regulation D including changes associated with the implementation of the Monetary Control Act. Includes required reserves of member banks and Edge Act corporations and beginning November 13, 1980, other depository institutions. Under the transitional phase-in program of the Monetary Control Act of 1980, the net changes in required reserves of depository institutions have been as follows: Effective November 13, 1980, a reduction of $2 9 billion, February 12, 1981, an increase of $245 million; March 12, 1981, an increase of $75 million, May 14, 1981, an increase of $245 million; September 3, 1981, a reduction of $1 1 billion, November 12, 1981, an increase of $210 million, January 14, 1982, a reduction of $60 million; February 11, 1982 an increase of $170 million, March 4, 1982, an estimated reduction of $2 0 billion; May 13, 1982, an estimated increase of $150 million; August 12, 1982 an estimated increase of $140 million, and September 2, 1982, an estimated reduction of $1 2 billion; October 28, 1982 an estimated reduction of $100 million; December 23, 1982 an estimated reduction of $800 million, and March 3, 1983 an estimated reduction of $2.1 billion Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to IBFs. On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U S agencies and branches of foreign banks, it is estimated that required reserves were lowered on average by $60 million to $90 million in December 1981 and $180 million to $230 million in January 1982, mostly reflecting a reduction in reservable Eurocurrency transactions.

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

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1979 Dec.	1980 Dec	1981 Dec.	1982 Dec.	1983 Feb	1983 Mar.	1983 Apr.	1983 May
	Seasonally adjusted							
MEASURES[1]								
1 M1	389 0	414 1	440 6	478 2	491.1	497.6	496.5	507 4
2 M2	1,497 5	1,630.3	1,794.9	1,959.5	2,050.8	2,070.0	2,075 1r	2,097.3
3 M3	1,758 4	1,936 7	2,167 9	2,377 6	2,430 6	2,447.3	2,454.5r	2,477 6
4 L[2]	2,131 8	2,343.6	2,622.0	2,896 8r	n.a.	n.a.	n.a.	n.a
SELECTED COMPONENTS								
5 Currency	106 5	116.2	123.2	132.8	135.6	137.0	138.0	139.3
6 Traveler's checks[3]	3 7	4 1	4 5	4 2	4 3	4.5	4.6	4 7
7 Demand deposits	262 0	266 8	236.4	239.8	238.7	240.1	238 9	242.5
8 Other checkable deposits[4]	17 0	26.9	76.6	101.3	112 5	116.0	115.0	120 9
9 Savings deposits[5]	423.1	400 7	344.4	359.3r	325 7	322.8	321 9	323.4
10 Small-denomination time deposits[6]	635 9	731 7	828 6	859 1	755.1	733.8	725.7	720.1
11 Large-denomination time deposits[7]	222 2	258 9	302 6	333 8	297 9	296.3	300 4r	299 2
	Not seasonally adjusted							
MEASURES[1]								
12 M1	398.8	424.7	452.1	491.0	480 7r	489.2	504.4	499.8
13 M2	1,502 1	1,635.0	1,799.6	1,964.5	2,042 5	2,066 0	2,088.8r	2,093.9
14 M3	1,766.1	1,944.9	2,175.9	2,385.3	2,427.0r	2,446.0	2,466 0r	2,472 8
15 L[2]	2,138 9	2,350 8	2,629 7	2,904.7r	n.a.	n.a.	n.a.	n.a
SELECTED COMPONENTS								
16 Currency	108 2	118 3	125 4	135 2	133.7	135.4	137.4	138 9
17 Traveler's checks[3]	3.5	3.9	4.3	4 0	4.1	4.3	4.4	4 5
18 Demand deposits	270.1	275.2	244.0	247.7	232.8	235 2	242.4	238.1
19 Other checkable deposits[4]	17 0	27 2	78 4	104 0r	110.0r	114.3r	120.3r	118.2
20 Overnight RPs and Eurodollars[8]	21 2	28.4	36.1	44.3	48 8r	48.7r	50.6r	56.3
21 Savings deposits[5]	420 7	398.3	342.1	356 7r	324 5r	323 3r	324.7r	325.0
22 Money market deposit accounts	n.a	n a.	n a.	43 2r	277.7r	320.5r	341.2r	356.8
23 Small-denomination time deposits[6]	633 1	728 3	824 1	853 9	758 5	737 7	728.6r	722.7
Money market mutual funds								
24 General purpose and broker/dealer	33 4	61.4	150.9	182.2	159 6r	154 0	146.7	140.9
25 Institution only	9.5	14.9	36 0	47.6	45.2	43.5	41.0	40 4
26 Large-denomination time deposits[7]	226.0	262.4	305.9	336.5	302.6	299.0r	298.2r	298 0

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

M1 Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks, (2) traveler's checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

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

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

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

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

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

5 Excludes NOW and ATS accounts at commercial banks and thrift institutions and CUSDs at credit unions and all money market deposit accounts (MMDAs).

6. Issued in amounts of less than $100,000 and includes retail RPs

7 Issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1980[1]	1981[1]	1982[1]	1982	1983				
				Dec	Jan.	Feb	Mar	Apr.	May
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	62,757.8	80,858 7	90,914.4	97,748 5	103,333.1	102,743 5	102,206.1	103,022 3	107,273.3
2 Major New York City banks	25,156.1	33,891 9	37,932.9	42,104.4	46,353.0	45,133.2	44,327.4	46,025.6	46,891.2
3 Other banks	37,601.7	46,966.9	52,981 6	55,644.1	56,980 1	57,610.3	57,878.7	56,996 7	60,382.1
4 ATS-NOW accounts[3]	159.3	743 4	1,036.2	1,448.1	1,262.3	1,286.4	1,369.4	1,202.2	1,371.5
5 Savings deposits[4]	670 0	672.7	721 4	889.3	904 3	827.9	803 2	714.9	743 1
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	198 7	285.8	324.2	342 6	361.1	361 3	356 1	359.7	370.4
7 Major New York City banks	803.7	1,105.1	1,287 6	1,381.2	1,462 3	1,462.5	1,437 4	1,502.8	1,471.5
8 Other banks	132.2	186.2	211 1	218 3	223.9	227.2	225 9	222.9	234 3
9 ATS-NOW accounts[3]	9.7	14.0	14.5	18 4	15.8	15 1	15.6	13.9	15.2
10 Savings deposits[4]	3.6	4 1	4 5	4.7	6.0	5 8	5.7	5 1	5.4
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	63,124.4	81,197 9	91,031.9	107,454 9	101,566.1	92,654 1	109,166.3	100,117 1	103,947.8
12 Major New York City banks	25,243 1	34,032 0	38,001.0	47,576 3	45,657.2	40,937 3	47,496.6	43,678.9	44,942 5
13 Other banks	37,881.3	47,165.9	53,030.9	59,878.6	55,908.8	51,716.8	61,669 7	56,438.1	59,005.4
14 ATS-NOW accounts[3]	158.0	737 6	1,027.1	1,411.9	1,525 5	1,198 7	1,398.4	1,405.3	1,353.1
15 MMDA[5]	0	0	0	0	278 4	324.7	454 9	545.8	505.6
16 Savings deposits[4]	669.8	672.9	720 0	878.0	980 4	754.3	820 4	779 9	722.2
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	202 3	286.1	325 0	367 2	346 1	334.8	391.8	347.9	368 1
18 Major New York City banks	814 8	1,114.2	1,295 7	1,540.7	1,368.1	1,366.7	1,561 1	1,446.9	1,471.0
19 Other banks	134 8	186.2	211 5	228.8	215 0	209.5	248 5	219 1	234.3
20 ATS-NOW accounts[3]	9.7	14.0	14.3	17.5	18.6	14.4	16.2	15.6	15 3
21 MMDA[5]	0	0	0	0	2.4	2 0	2.4	2.8	2.4
22 Savings deposits[4]	3.6	4 1	4.5	4 7	6.6	5 3	5.8	5.6	5 2

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3 Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4 Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money Market Deposit Accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSA's that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1981	1982	1983				1981	1982	1983			
	Dec.[2]	Dec.	Feb.[3]	Mar	Apr	May	Dec.[2]	Dec.	Feb.[3]	Mar	Apr	May
	Seasonally adjusted						Not seasonally adjusted					
1 **Total loans and securities[4]**	**1,316.3**	**1,412.1**	**1,436.5**	**1,450.2**	**1,460.6**	**1,474.4**	**1,326.1**	**1,422.5**	**1,432.2**	**1,445.0**	**1,460.0**	**1,468.1**
2 U.S. Treasury securities	111.0	130.9	144.5	151.0	157.8	166.1	111.4	131.5	145.1	153.2	160.6	165.3
3 Other securities	231.4	239.1	243.2	242.8	243.4	245.0	232.8	240.6	242.6	242.3	243.3	245.2
4 Total loans and leases[4]	973.9	1,042.0	1,048.8	1,056.3	1,059.5	1,063.3	981.8	1,050.4	1,044.4	1,049.5	1,056.0	1,057.6
5 Commercial and industrial loans	358.0	392.4	394.9	396.2	392.8	393.0	360.1	394.7	393.4	395.1	395.2	393.1
6 Real estate loans	285.7	303.2	307.6	309.5	311.4	313.6	286.8	304.1	307.3	308.6	310.4	312.4
7 Loans to individuals	185.1	191.8	192.9	194.8	196.0	197.9	186.4	193.1	192.3	193.0	194.7	196.7
8 Security loans	21.9	24.7	22.2	22.6	22.9	23.4	22.7	25.5	21.5	22.0	22.9	22.5
9 Loans to nonbank financial institutions	30.2	31.1	31.6	32.0	31.6	31.1	31.2	32.1	31.7	31.6	31.3	30.7
10 Agricultural loans	33.0	36.1	36.7	37.1	37.2	36.9	33.0	36.1	36.1	36.3	36.6	36.7
11 Lease financing receivables	12.7	13.1	13.3	13.1	13.1	13.1	12.7	13.1	13.3	13.1	13.1	13.1
12 All other loans	47.2	49.7	49.6	51.0	54.3	54.4	49.2	51.7	48.8	49.8	51.9	52.4
MEMO:												
13 **Total loans and securities plus loans sold[4,5]**	**1,319.1**	**1,415.0**	**1,439.4**	**1,453.1**	**1,463.6**	**1,477.2**	**1,328.9**	**1,425.4**	**1,435.1**	**1,448.0**	**1,462.9**	**1,470.9**
14 Total loans plus loans sold[4,5]	976.7	1,045.0	1,051.7	1,059.3	1,062.4	1,066.1	984.7	1,053.3	1,047.4	1,052.5	1,059.0	1,060.4
15 Total loans sold to affiliates[4,5]	2.8	2.9	3.0	3.0	3.0	2.8	2.8	2.9	3.0	3.0	3.0	2.8
16 Commercial and industrial loans plus loans sold[5]	360.2	394.6	397.2	398.6	395.3	395.1	362.3	396.9	395.8	397.4	397.5	395.3
17 Commercial and industrial loans sold[5]	2.2	2.3	2.3	2.4	2.4	2.2	2.2	2.3	2.3	2.4	2.4	2.2
18 Acceptances held	8.9	8.5	8.2	8.9	8.9	8.2	9.8	9.5	8.4	8.5	8.2	7.7
19 Other commercial and industrial loans	349.1	383.8	386.7	387.3	384.0	384.8	350.3	385.2	385.1	386.6	386.9	385.4
20 To U.S. addressees[6]	334.9	373.5	374.5	375.0	372.1	371.8	334.3	372.7	372.8	374.4	375.1	373.4
21 To non-U.S. addressees	14.2	10.3	12.2	12.3	11.9	13.0	16.1	12.4	12.3	12.2	11.8	12.0
22 Loans to foreign banks	19.0	13.5	14.3	14.9	15.2	15.1	20.0	14.5	14.1	14.6	14.6	14.5

1. Includes domestically chartered banks, U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Beginning December 1981, shifts of foreign loans and securities from U.S. banking offices to international banking facilities (IBFs) reduced the levels of several items. Seasonally adjusted data that include adjustments for the amounts shifted from domestic offices to IBFs are available in the Board's G.7 (407) statistical release (available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551).

3. Due to loan reclassifications, several categories have breaks in series. beginning Jan. 12, 1983, real estate loans increased $0.4 billion and loans to individuals decreased $0.2 billion. As of Jan. 26, 1983, other securities increased $0.2 billion and total loans and commercial and industrial loans decreased $0.2 billion. As of Feb. 2, 1983, real estate loans increased $0.5 billion and commercial and industrial loans decreased $0.5 billion.

4. Excludes loans to commercial banks in the United States.

5. 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.

6. United States includes the 50 states and the District of Columbia.

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1981	1982						1983				
	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan	Feb	Mar	Apr.	May
Total nondeposit funds												
1 Seasonally adjusted[2]	96.0	85.0	81.7	78.4	80.6	86.7	82.1	72.3	75.6	75.7	80.2	90.8
2 Not seasonally adjusted	97.5	86.7	85.4	80.8	82.8	88.7	83.5	73.8	76.5	76.4	78.7	90.3
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	111.5	119.3	120.2	121.6	126.1	129.1	127.3	131.6	134.6	134.7	139.1	145.2
4 Not seasonally adjusted	113.0	121.0	123.9	124.0	128.3	131.1	128.8	133.1	135.5	135.3	137.7	144.7
5 Net balances due to foreign-related institutions, not seasonally adjusted	−18.2	−37.3	−41.3	−46.3	−48.0	−44.8	−48.1	−62.4	−62.0	−61.9	−61.8	−56.9
6 Loans sold to affiliates, not seasonally adjusted[4]	2.8	2.8	2.8	2.8	2.8	2.9	2.9	3.0	3.0	3.0	3.0	2.8
MEMO												
7 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[5]	−22.5	−33.1	−34.5	−39.0	−40.3	−38.3	−39.8	−50.1	−50.5	−52.8	−52.4	−48.4
8 Gross due from balances	54.9	60.7	65.2	68.8	69.6	69.9	72.4	79.3	78.8	79.8	79.9	76.0
9 Gross due to balances	32.4	27.6	30.8	29.7	29.4	31.6	32.6	29.2	28.3	26.9	27.5	27.6
10 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[6]	4.3	−4.3	−6.9	−7.3	−7.8	−6.5	−8.3	−12.3	−11.5	−9.0	−9.4	−8.5
11 Gross due from balances	48.1	52.9	53.8	54.6	54.1	53.7	54.9	57.6	56.1	56.1	55.9	55.7
12 Gross due to balances	52.4	48.6	46.9	47.3	46.4	47.2	46.6	45.3	44.6	47.1	46.6	47.2
Security RP borrowings												
13 Seasonally adjusted[7]	59.0	61.9	65.2	65.0	69.0	71.5	71.0	72.2	74.3	74.7	79.3	84.6
14 Not seasonally adjusted	59.2	62.2	67.5	66.0	69.8	72.1	71.1	72.2	73.7	73.9	76.3	82.6
U.S. Treasury demand balances[8]												
15 Seasonally adjusted	12.2	9.0	10.1	11.1	14.4	10.6	11.9	15.7	8.8	12.5	13.5	11.2
16 Not seasonally adjusted	11.1	8.2	8.1	12.3	16.4	7.8	10.8	16.3	10.2	13.2	14.2	12.3
Time deposits, $100,000 or more[9]												
17 Seasonally adjusted	324.1	360.3	367.1	366.7	376.6	360.6	347.3	319.2	303.0	296.0	296.2	287.0
18 Not seasonally adjusted	330.4	350.6	359.3	361.8	364.9	361.7	353.9	325.4	310.4	300.7	292.9	285.0
IBF ADJUSTMENTS FOR SELECTED ITEMS[10]												
19 Items 1 and 2	22.4	32.2	32.5	32.8	33.1	33.3	33.9	34.2	...	...	...	...
20 Items 3 and 4	1.7	2.4	2.4	2.4	2.4	2.4	2.4	2.4	...	...	...	...
21 Item 5	20.7	29.8	30.1	30.4	30.7	30.9	31.5	31.8	...	...	...	...
22 Item 7	3.1	5.1	5.3	5.4	5.4	5.5	5.8	5.8	...	...	...	...
23 Item 10	17.6	24.7	24.9	25.0	25.3	25.4	25.7	26.0	...	...	...	...

1 Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.

4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.

5. Averages of daily figures for member and nonmember banks.

6. Averages of daily data.

7 Based on daily average data reported by 122 large banks

8 Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

9 Averages of Wednesday figures.

10 Estimated effects of shifts of foreign assets from U.S. banking offices to international banking facilities (IBFs)

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

Billions of dollars except for number of banks

Account	1982					1983					
	Aug.	Sept.	Oct	Nov	Dec.	Jan	Feb.	Mar.	Apr	May	June
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,318.8	1,337.1	1,343.0	1,347 0	1,370.4	1,370.8	1,373 7	1,392.2	1,404.0	1,411 9	1,435.4
2 Loans, excluding interbank	970.6	985 9	988.5	990.4	1,000.8	993.3	991.4	1,001.7	1,004 6	1,006.9	1,025.2
3 Commercial and industrial	346.2	354.4	355 8	355.4	357 9	355.6	356.3	358.6	358.5	357 3	360 7
4 Other	624.4	631 5	632.7	635.0	642.9	638 2	635.8	643.7	646 8	650.8	664.5
5 U.S. Treasury securities	113.7	115.0	119 4	122.2	129.0	136.0	141.4	150.6	155.5	160.9	166 0
6 Other securities	234 5	236.2	235 1	234.4	240.5	241.6	240 8	239.9	243.9	244 1	244.1
7 Cash assets, total	160.8	157.4	162.1	169.7	184.4	167.8	184.7	168.9	170 1	164.5	176.9
8 Currency and coin	20.3	20 4	20.5	19.0	23 0	20.4	20.3	19.9	20.4	20.3	21 3
9 Reserves with Federal Reserve Banks	26.1	17.0	23.5	22.0	25.4	23.9	25.3	20.5	23 9	22.4	18.8
10 Balances with depository institutions	58.8	60 4	61.3	64.6	67.6	67 7	71.6	67 1	66 1	65.6	69.7
11 Cash items in process of collection	55.5	59.6	56.8	64.1	68.4	55.9	67.5	61.5	59.6	56 3	67 1
12 Other assets[2]	231.3	234.9	237.0	241 8	265.3	260.1	263.6	257.9	252 4	248 3	253.1
13 Total assets/total liabilities and capital	**1,710.9**	**1,729.3**	**1,742.1**	**1,758.6**	**1,820.1**	**1,798.7**	**1,822.0**	**1,818.9**	**1,826.3**	**1,824.9**	**1,865.4**
14 Deposits	1,279.1	1,290.7	1,300.2	1,316.9	1,361.8	1,340 6	1,368.3	1,374 2	1,368.0	1,370.8	1,402 9
15 Demand	315.5	323.0	326.5	338 1	363.9	324 0	337.9	333.4	329 2	324.5	344.4
16 Savings	229.5	230 9	238.2	244 9	296.4	361 5	395.2	419.2	426 9	440.2	445 4
17 Time	734 1	736.8	735.4	733.9	701.5	655.1	635 2	621.6	611.9	606 1	613.2
18 Borrowings	196.0	202.8	203.7	198.1	215 1	221.6	218 0	211 3	224.0	214 1	221.2
19 Other liabilities	103.9	103 4	106.2	109 3	109.2	106.4	106.0	103.5	102 3	104.7	104.2
20 Residual (assets less liabilities)	131.9	132 5	132.0	134.3	133.9	130.1	129.6	130.0	132.0	135.1	137.1
MEMO:											
21 U.S. Treasury note balances included in borrowing	5.9	17 0	11.7	2 4	10.7	17.1	7.0	9.6	17.8	2 7	19.3
22 Number of banks	14,770	14,785	14,797	14,782	14,787	14,780	14,812	14,819	14,823	14,817	14,826
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	1,376.6	1,397.3	1,401.7	1,413.7	1,429.8	1,427 5	1,429.8	1,451.3	1,461 0	1,467.6	1,491 8
24 Loans, excluding interbank	1,024 7	1,042.4	1,042 3	1,052 1	1,054.9	1,044.8	1,042.3	1,054.5	1,055.2	1,055 9	1,074 8
25 Commercial and industrial	384.5	395.0	393 7	398.9	396.5	393.0	392.9	396.5	394.1	392.3	396.0
26 Other	640.2	647 4	648.6	653.2	658.4	652.4	650.0	658.6	661.8	664.7	678.8
27 U.S. Treasury securities	115.8	117.2	122 7	125.7	132.8	139.5	145 1	155.3	160.3	166 1	171 3
28 Other securities	236 1	237.7	236 7	235.9	242.1	243.2	242 4	241.5	245.5	245 8	245.7
29 Cash assets, total	176.2	173.7	178.7	181 2	200.7	183 7	200.5	185.5	186 3	180.3	193.5
30 Currency and coin	20 4	20.4	20 5	19.0	23 0	20.4	20 3	19.9	20 4	20.3	21.3
31 Reserves with Federal Reserve Banks	27.5	18.4	25.0	23.4	26.8	25 3	26.7	22.0	25.4	23.8	20 0
32 Balances with depository institutions	71.8	74 2	75.3	74.4	81.4	81.1	84.9	81 0	79 8	78.9	84.0
33 Cash items in process of collection	56 5	60 6	57.8	64.3	69.4	56.9	68.6	62.6	60 7	57.3	68.2
34 Other assets[2]	306.8	310.3	313.9	323.3	341.7	333.2	330.2	325 4	317.7	309.5	318.0
35 Total assets/total liabilities and capital	**1,859.6**	**1,881.3**	**1,894.2**	**1,918.2**	**1,972.2**	**1,944.4**	**1,960.4**	**1,962.2**	**1,964.9**	**1,957.5**	**2,003.3**
36 Deposits	1,321.7	1,335.5	1,345.2	1,358 1	1,409.7	1,385 4	1,412.6	1,419.5	1,411.0	1,413.1	1,444 0
37 Demand	327 7	335 1	338.9	344.9	376.2	335.9	350.2	345.7	341 1	336.4	356.5
38 Savings	229.7	231.1	238.5	245.1	296.7	361.9	395.6	419.7	427.3	440 7	445 8
39 Time	764 3	769 2	767.8	768.0	736.7	687 7	666.8	654.1	642.6	636.0	641.7
40 Borrowings	260.0	267.6	268.3	267.0	278 3	283.5	276.0	269.9	281.3	269 5	278 2
41 Other liabilities	144.1	143.8	146 9	156.6	148.4	143.5	140 4	141.1	138.7	137 9	142.2
42 Residual (assets less liabilities)	133.8	134.4	133 9	136.6	135 8	132.0	131.5	131.9	133.9	137 0	139.0
MEMO:											
43 U.S. Treasury note balances included in borrowing	5.9	17.0	11 7	2.4	10 7	17.1	7.0	9.6	17.8	2.7	19.3
44 Number of banks	15,289	15,311	15,330	15,318	15,329	15,332	15,366	15,376	15,390	15,385	15,396

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

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

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

Millions of dollars, Wednesday figures

Account	1983								
	May 4	May 11	May 18	May 25	June 1p	June 8p	June 15p	June 22p	June 29p
1 Cash items in process of collection	52,638	47,625	50,227	44,192	69,150	44,415	58,469	47,554	53,934
2 Demand deposits due from banks in the United States	7,287	6,566	7,002	6,896	8,938	6,618	7,548	7,082	7,850
3 All other cash and due from depository institutions	31,989	32,358	35,159	34,110	37,721	33,363	34,312	37,036	33,052
4 Total loans and securities	**666,354**	**661,926**	**660,389**	**657,796**	**670,550**	**665,318**	**668,602**	**662,783**	**665,320**
Securities									
5 U.S. Treasury securities	52,444	53,296	53,484	52,492	54,352	55,367	55,197	54,477	53,742
6 Trading account	10,224	10,014	9,236	9,460	10,467	11,093	10,974	10,958	10,317
7 Investment account, by maturity	42,220	43,281	44,248	43,032	43,885	44,274	44,224	43,519	43,425
8 One year or less	13,414	13,976	13,940	13,718	14,960	15,231	15,068	15,101	15,231
9 Over one through five years	26,075	26,574	27,524	26,642	26,608	26,694	26,801	26,048	25,837
10 Over five years	2,731	2,730	2,784	2,673	2,317	2,350	2,355	2,370	2,357
11 Other securities	84,563	83,477	83,492	83,434	83,627	84,544	83,672	83,206	83,204
12 Trading account	7,365	6,031	5,938	5,762	6,063	6,921	6,218	5,881	5,832
13 Investment account	77,198	77,446	77,554	77,672	77,563	77,623	77,453	77,325	77,372
14 U.S. government agencies	16,766	16,865	16,867	16,866	16,750	16,724	16,587	16,549	16,485
15 States and political subdivisions, by maturity	56,988	57,150	57,221	57,318	57,372	57,449	57,479	57,367	57,466
16 One year or less	7,036	7,226	7,159	7,133	7,184	7,237	7,207	7,100	7,422
17 Over one year	49,952	49,924	50,062	50,185	50,188	50,212	50,272	50,267	50,043
18 Other bonds, corporate stocks and securities	3,444	3,431	3,466	3,488	3,441	3,450	3,387	3,409	3,421
Loans									
19 Federal funds sold[1]	42,880	42,482	40,508	40,850	43,119	40,290	42,642	39,935	39,600
20 To commercial banks	31,123	31,836	30,350	30,266	32,843	29,590	31,271	30,106	28,603
21 To nonbank brokers and dealers in securities	8,569	8,122	7,555	7,882	7,333	7,637	7,762	6,795	8,021
22 To others	3,188	2,524	2,603	2,702	2,942	3,062	3,609	3,034	2,976
23 Other loans, gross	499,814	496,059	496,286	494,515	502,862	498,652	500,603	498,665	502,245
24 Commercial and industrial	216,168	214,181	213,094	212,573	214,470	212,916	213,564	214,197	213,329
25 Bankers acceptances and commercial paper	4,730	4,485	3,885	3,508	3,956	3,964	4,094	4,429	4,446
26 All other	211,438	209,696	209,209	209,065	210,513	208,952	209,470	209,768	208,883
27 U.S addressees	204,481	202,874	202,372	202,218	203,654	202,012	202,620	202,894	202,120
28 Non-U.S. addressees	6,957	6,822	6,837	6,847	6,860	6,940	6,850	6,874	6,763
29 Real estate	133,981	133,919	134,207	134,240	134,358	134,272	134,614	134,605	134,860
30 To individuals for personal expenditures	75,532	75,398	75,374	75,500	75,691	75,736	76,065	76,382	76,859
To financial institutions									
31 Commercial banks in the United States	8,242	7,680	8,031	7,727	8,079	7,480	7,402	6,956	7,186
32 Banks in foreign countries	7,469	7,372	7,416	7,489	8,440	7,933	7,881	7,884	8,006
33 Sales finance, personal finance companies, etc	9,393	9,238	9,148	9,248	9,722	9,220	9,522	9,068	9,500
34 Other financial institutions	16,239	16,155	15,872	15,668	16,301	16,303	16,045	15,621	15,883
35 To nonbank brokers and dealers in securities	8,215	7,568	8,028	7,058	9,174	9,237	9,199	8,305	9,744
36 To others for purchasing and carrying securities[2]	2,881	2,917	2,930	2,845	2,846	2,935	2,933	2,932	2,990
37 To finance agricultural production	6,857	6,843	6,869	6,900	6,950	6,972	7,005	7,050	7,050
38 All other	14,836	14,787	15,317	15,266	16,830	15,648	16,371	15,665	16,807
39 LESS: Unearned income	5,215	5,212	5,191	5,216	5,097	5,130	5,134	5,142	5,158
40 Loan loss reserve	8,131	8,175	8,191	8,280	8,313	8,404	8,378	8,359	8,312
41 Other loans, net	486,468	482,672	482,905	481,019	489,451	485,118	487,090	485,164	488,774
42 Lease financing receivables	11,082	11,068	11,025	11,015	11,039	11,029	11,034	10,996	11,052
43 All other assets	144,303	142,531	139,440	134,400	139,334	138,660	140,644	139,664	140,941
44 Total assets	**913,653**	**902,074**	**903,242**	**888,409**	**936,732**	**899,404**	**920,608**	**905,115**	**912,150**
Deposits									
45 Demand deposits	180,005	172,010	174,279	166,111	201,731	171,233	192,814	171,933	180,687
46 Mutual savings banks	730	608	683	582	832	630	777	624	592
47 Individuals, partnerships, and corporations	132,125	132,138	130,807	126,686	150,310	132,047	142,778	130,551	134,190
48 States and political subdivisions	5,924	4,594	4,771	4,621	5,482	4,417	5,925	5,166	5,510
49 U S. government	3,472	2,107	2,757	1,536	1,134	2,214	8,392	2,293	2,031
50 Commercial banks in the United States	20,718	17,870	19,913	18,688	25,867	18,150	19,542	18,874	20,667
51 Banks in foreign countries	5,759	5,768	5,502	5,624	6,681	5,792	5,761	5,959	6,254
52 Foreign governments and official institutions	961	1,016	974	987	997	855	1,153	1,100	1,190
53 Certified and officers' checks	10,316	7,908	8,871	7,386	10,427	7,129	8,485	7,366	10,254
54 Time and savings deposits	409,703	409,531	408,680	409,677	411,391	413,687	412,712	413,033	414,176
55 Savings	169,403	170,174	171,436	172,066	174,821	175,700	175,747	173,747	173,545
56 Individuals and nonprofit organizations	152,279	152,792	153,684	154,224	156,511	157,311	157,247	155,225	154,838
57 Partnerships and corporations operated for profit	15,939	16,218	16,555	16,682	17,073	17,237	17,240	17,372	17,454
58 Domestic governmental units	1,087	1,072	1,107	1,072	1,140	1,059	1,177	1,087	1,177
59 All other	98	92	90	89	97	93	84	62	76
60 Time	240,300	239,357	237,244	237,610	236,570	237,987	236,964	239,286	240,631
61 Individuals, partnerships, and corporations	209,312	208,417	207,108	207,456	207,807	209,035	208,745	210,984	212,469
62 States and political subdivisions	18,655	18,838	18,646	18,684	18,305	18,233	17,599	17,545	17,412
63 U.S. government	526	349	350	357	340	332	325	380	402
64 Commercial banks in the United States	8,287	8,216	7,707	7,745	6,882	7,056	6,954	6,964	6,986
65 Foreign governments, official institutions, and banks	3,520	3,538	3,433	3,368	3,235	3,332	3,341	3,413	3,361
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	145	543	1,222	659	1,166	18	3,493	728	992
67 Treasury tax-and-loan notes	11,513	9,163	6,956	1,625	5,862	698	1,055	14,000	14,190
68 All other liabilities for borrowed money[3]	170,014	169,892	169,779	166,257	171,602	171,125	168,324	161,915	158,350
69 Other liabilities and subordinated notes and debentures	81,988	80,426	81,987	83,842	84,382	81,957	81,843	83,128	83,501
70 Total liabilities	**853,369**	**841,566**	**842,903**	**828,171**	**876,135**	**838,718**	**860,241**	**844,737**	**851,896**
71 Residual (total assets minus total liabilities)[4]	60,284	60,509	60,339	60,238	60,596	60,686	60,367	60,378	60,253

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

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

Millions of dollars, Wednesday figures

Account	1983								
	May 4	May 11	May 18	May 25	June 1p	June 8p	June 15p	June 22p	June 29p
1 Cash items in process of collection	49,578	44,959	47,362	41,627	65,267	41,762	54,922	44,622	51,061
2 Demand deposits due from banks in the United States	6,767	6,058	6,429	6,352	8,328	6,086	6,901	6,422	7,120
3 All other cash and due from depository institutions	29,306	29,508	32,317	31,098	34,776	30,633	31,316	33,936	30,203
4 **Total loans and securities**	**619,094**	**615,204**	**613,832**	**611,966**	**623,684**	**618,553**	**621,881**	**616,506**	**618,702**
Securities									
5 U.S. Treasury securities	48,032	48,889	48,967	48,041	49,837	50.716	50,586	49,768	48,952
6 Trading account	10,025	9,883	9,071	9,304	10,324	10,928	10,818	10,796	10,116
7 Investment account, by maturity	38,007	39,006	39,896	38,737	39,513	39,788	39,768	38,972	38,836
8 One year or less	11,676	12,209	12,155	11,951	13,144	13,353	13,258	13,254	13,435
9 Over one through five years	23,835	24,302	25,193	24,340	24,270	24,314	24,372	23,580	23,294
10 Over five years	2,496	2,495	2,549	2,446	2,098	2,120	2,137	2,138	2,107
11 Other securities	76,930	75,903	75,798	75,766	75,920	76,887	75,962	75,552	75,508
12 Trading account	7,182	5,875	5,684	5,572	5,848	6,754	5,970	5,695	5,665
13 Investment account	69,748	70,028	70,114	70,194	70,072	70,133	69,992	69,856	69,843
14 U.S. government agencies	15,192	15,298	15,298	15,285	15,159	15,128	14,998	14,958	14,865
15 States and political subdivisions, by maturity	51,506	51,667	51,721	51,802	51,842	51,929	51,970	51,849	51,909
16 One year or less	6,226	6,409	6,341	6,315	6,354	6,449	6,437	6,336	6,730
17 Over one year	45,280	45,258	45,380	45,487	45,488	45,480	45,533	45,513	45,178
18 Other bonds, corporate stocks and securities	3,050	3,063	3,096	3,107	3,071	3,075	3,024	3,050	3,070
Loans									
19 Federal funds sold[1]	37,492	37,591	36,100	37,030	38,585	35,852	38,370	36,213	35,768
20 To commercial banks	26,352	27,493	26,466	26,975	28,827	25,683	27,584	26,867	25,315
21 To nonbank brokers and dealers in securities	7,989	7,596	7,050	7,390	6,838	7,142	7,199	6,337	7,502
22 To others	3,152	2,502	2,584	2,683	2,920	3,027	3,587	3,008	2,950
23 Other loans, gross	468,977	465,195	465,328	463,606	471,731	467,608	469,441	467,439	470,919
24 Commercial and industrial	204,453	202,422	201,323	200,857	202,744	201,206	201,853	202,497	201,617
25 Bankers acceptances and commercial paper	4,304	4,035	3,425	3,059	3,527	3,554	3,702	4,053	4,116
26 All other	200,148	198,387	197,899	197,798	199,217	197,652	198,151	198,444	197,501
27 U.S. addressees	193,302	191,678	191,180	191,070	192,476	190,834	191,417	191,687	190,857
28 Non-U.S. addressees	6,846	6,709	6,718	6,728	6,740	6,818	6,733	6,756	6,644
29 Real estate	125,814	125,735	126,002	126,036	126,149	126,035	126,301	126,290	126,517
30 To individuals for personal expenditures	67,158	67,012	66,984	67,080	67,213	67,242	67,518	67,812	68,230
To financial institutions									
31 Commercial banks in the United States	7,842	7,297	7,632	7,329	7,603	7,026	7,014	6,512	6,737
32 Banks in foreign countries	7,398	7,301	7,344	7,417	8,349	7,852	7,798	7,808	7,924
33 Sales finance, personal finance companies, etc	9,224	9,066	8,974	9,063	9,543	9,027	9,335	8,894	9,325
34 Other financial institutions	15,570	15,489	15,220	15,028	15,652	15,654	15,393	14,958	15,206
35 To nonbank brokers and dealers in securities	8,168	7,530	7,986	7,023	9,123	9,189	9,154	8,257	9,724
36 To others for purchasing and carrying securities[2]	2,644	2,679	2,692	2,606	2,609	2,698	2,693	2,685	2,743
37 To finance agricultural production	6,656	6,639	6,662	6,697	6,748	6,768	6,801	6,844	6,844
38 All other	14,050	14,025	14,509	14,471	15,998	14,909	15,581	14,881	16,051
39 LESS: Unearned income	4,617	4,614	4,590	4,616	4,505	4,536	4,538	4,542	4,560
40 Loan loss reserve	7,720	7,761	7,772	7,860	7,884	7,973	7,940	7,923	7,885
41 Other loans, net	456,640	452,820	452,966	451,130	459,342	455,098	456,963	454,974	458,474
42 Lease financing receivables	10,675	10,664	10,627	10,617	10,635	10,622	10,628	10,592	10,648
43 All other assets	140,109	138,452	135,344	130,365	135,300	134,362	136,233	135,369	136,540
44 **Total assets**	**855,528**	**844,845**	**845,912**	**832,027**	**877,990**	**842,018**	**861,881**	**847,446**	**854,275**
Deposits									
45 Demand deposits	167,112	159,800	161,896	154,247	187,926	158,933	179,056	159,456	168,307
46 Mutual savings banks	694	579	649	553	790	605	749	595	563
47 Individuals, partnerships, and corporations	122,190	122,507	121,184	117,284	139,611	122,199	132,511	120,878	124,425
48 States and political subdivisions	5,348	4,076	4,170	4,150	4,888	3,981	5,172	4,468	4,940
49 U.S. government	3,164	1,958	2,513	1,421	1,012	1,998	7,611	2,002	1,827
50 Commercial banks in the United States	19,059	16,319	18,391	17,202	23,914	16,653	17,950	17,400	19,142
51 Banks in foreign countries	5,714	5,726	5,456	5,580	6,627	5,750	5,717	5,920	6,213
52 Foreign governments and official institutions	960	1,015	973	986	996	854	1,148	1,095	1,189
53 Certified and officers' checks	9,982	7,620	8,559	7,070	10,087	6,894	8,199	7,098	10,007
54 Time and savings deposits	380,647	380,474	379,601	380,449	381,818	383,910	382,830	383,120	384,245
55 Savings	156,819	157,560	158,744	159,356	161,877	162,659	162,648	160,851	160,650
56 Individuals and nonprofit organizations	141,110	141,611	142,444	142,975	145,047	145,765	145,685	143,857	143,473
57 Partnerships and corporations operated for profit	14,610	14,868	15,187	15,301	15,676	15,827	15,787	15,927	16,021
58 Domestic governmental units	1,010	994	1,028	995	1,061	978	1,095	1,007	1,082
59 All other	90	87	85	84	94	89	82	60	74
60 Time	223,828	222,914	220,857	221,093	219,941	221,251	220,182	222,269	223,594
61 Individuals, partnerships, and corporations	195,007	194,140	192,861	193,103	193,297	194,396	193,970	195,998	197,482
62 States and political subdivisions	16,752	16,945	16,782	16,798	16,459	16,401	15,842	15,770	15,642
63 U.S. government	446	258	258	262	249	244	237	289	293
64 Commercial banks in the United States	8,102	8,034	7,522	7,561	6,700	6,878	6,792	6,800	6,816
65 Foreign governments, official institutions, and banks	3,520	3,538	3,433	3,368	3,235	3,332	3,341	3,413	3,361
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	145	543	1,215	643	1,159	18	3,479	728	985
67 Treasury tax-and-loan notes	10,868	8,622	6,539	1,529	5,594	628	963	13,334	13,467
68 All other liabilities for borrowed money[3]	160,284	160,312	160,190	156,924	162,353	161,726	159,102	153,012	149,364
69 Other liabilities and subordinated notes and debentures	80,025	78.422	79,959	81,817	82,400	79,980	79,873	81,198	81,501
70 **Total liabilities**	**799,080**	**788,174**	**789,399**	**775,609**	**821,251**	**785,194**	**805,304**	**790,849**	**797,870**
71 Residual (total assets minus total liabilities)[4]	56,448	56.671	56,513	56,418	56,739	56,824	56,577	56,598	56,405

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1 13
4. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses

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

Millions of dollars, Wednesday figures

Account	1983								
	May 4	May 11	May 18	May 25	June 1p	June 8p	June 15p	June 22p	June 29p
1 Cash items in process of collection	17,214	16,302	18,229	14,489	24,749	14,670	21,142	15,756	20,426
2 Demand deposits due from banks in the United States	1,257	1,020	1,245	1,212	1,593	950	999	952	1,114
3 All other cash and due from depository institutions	7,298	6,167	6,518	5,880	6,131	6,631	6,295	7,187	5,778
4 Total loans and securities[1]	**142,754**	**142,088**	**144,466**	**142,980**	**148,649**	**143,459**	**144,793**	**142,005**	**144,238**
Securities									
5 U.S. Treasury securities[2]	...	...	...	...	...	...	...	...	...
6 Trading account[2]	...	...	...	...	...	...	...	...	...
7 Investment account, by maturity	9,718	10,485	10,685	9,555	9,529	9,476	9,488	9,088	9,094
8 One year or less	1,817	2,368	2,363	2,248	2,453	2,532	2,539	2,456	2,571
9 Over one through five years	7,360	7,574	7,814	6,799	6,569	6,478	6,508	6,182	6,080
10 Over five years	541	543	508	508	508	466	442	450	442
11 Other securities[2]	...	...	...	...	...	...	...	...	...
12 Trading account[2]	...	...	...	...	...	...	...	...	...
13 Investment account	13,916	14,085	14,151	14,133	14,151	14,179	14,213	14,166	14,252
14 U.S. government agencies	1,458	1,450	1,528	1,522	1,532	1,520	1,556	1,556	1,525
15 States and political subdivisions, by maturity	11,630	11,792	11,805	11,800	11,813	11,849	11,858	11,804	11,922
16 One year or less	1,466	1,609	1,562	1,528	1,517	1,509	1,519	1,473	1,506
17 Over one year	10,164	10,183	10,244	10,271	10,296	10,340	10,338	10,331	10,416
18 Other bonds, corporate stocks and securities	827	843	818	811	806	810	799	804	806
Loans									
19 Federal funds sold[3]	10,108	10,065	12,383	13,051	13,751	11,749	11,715	10,467	11,594
20 To commercial banks	4,584	5,129	7,433	7,643	8,687	6,758	6,048	5,759	6,238
21 To nonbank brokers and dealers in securities	4,085	4,105	3,955	4,220	3,820	3,660	4,004	3,352	4,110
22 To others	1,438	831	995	1,187	1,244	1,331	1,663	1,356	1,246
23 Other loans, gross	112,948	111,398	111,182	110,233	115,196	112,070	113,366	112,276	113,322
24 Commercial and industrial	58,283	57,536	57,051	56,786	58,094	57,088	57,730	58,258	57,242
25 Bankers' acceptances and commercial paper	1,165	1,171	917	908	1,111	1,076	916	1,189	1,024
26 All other	57,118	56,365	56,133	55,879	56,983	56,012	56,814	57,069	56,218
27 U.S. addressees	55,616	54,856	54,655	54,403	55,480	54,395	55,203	55,447	54,668
28 Non-U.S. addressees	1,502	1,508	1,479	1,476	1,503	1,617	1,610	1,622	1,550
29 Real estate	19,533	19,419	19,586	19,574	19,557	19,407	19,440	19,480	19,482
30 To individuals for personal expenditures	11,620	11,612	11,555	11,560	11,575	11,574	11,634	11,681	11,761
To financial institutions									
31 Commercial banks in the United States	2,377	2,201	2,238	2,105	2,314	1,862	1,739	1,470	1,496
32 Banks in foreign countries	2,758	2,726	2,613	2,712	3,153	2,735	2,790	2,914	2,868
33 Sales finance, personal finance companies, etc.	3,864	3,800	3,747	3,725	3,959	3,622	3,890	3,638	3,891
34 Other financial institutions	4,918	4,616	4,543	4,498	4,739	4,580	4,557	4,400	4,475
35 To nonbank brokers and dealers in securities	4,881	4,805	4,829	4,146	5,968	5,895	6,140	5,238	6,325
36 To others for purchasing and carrying securities[4]	587	564	540	551	543	620	617	626	661
37 To finance agricultural production	467	458	472	474	466	472	471	473	468
38 All other	3,660	3,661	4,008	4,101	4,827	4,215	4,356	4,098	4,652
39 LESS: Unearned income	1,404	1,409	1,396	1,405	1,392	1,400	1,403	1,415	1,428
40 Loan loss reserve	2,531	2,537	2,539	2,587	2,586	2,615	2,586	2,578	2,596
41 Other loans, net	109,013	107,452	107,247	106,242	111,217	108,055	109,376	108,284	109,298
42 Lease financing receivables	2,032	2,032	2,012	2,012	2,017	2,002	2,014	2,001	2,001
43 All other assets[5]	63,432	62,693	59,580	55,475	58,847	59,365	61,515	61,628	61,121
44 Total assets	**233,988**	**230,302**	**232,049**	**222,048**	**241,986**	**227,346**	**236,758**	**229,529**	**234,678**
Deposits									
45 Demand deposits	49,174	46,818	48,946	44,860	60,696	46,106	54,164	47,190	52,236
46 Mutual savings banks	302	262	311	246	374	282	419	300	255
47 Individuals, partnerships, and corporations	30,471	31,525	31,857	30,007	40,117	31,590	35,587	31,662	33,029
48 States and political subdivisions	1,103	727	688	680	833	811	1,185	927	908
49 U.S. government	854	586	630	419	210	562	2,603	506	457
50 Commercial banks in the United States	5,485	4,300	5,529	4,739	7,356	4,342	4,900	4,674	6,060
51 Banks in foreign countries	4,432	4,437	4,200	4,199	5,256	4,426	4,361	4,668	4,977
52 Foreign governments and official institutions	772	816	768	794	801	659	932	888	949
53 Certified and officers' checks	5,753	4,165	4,961	3,775	5,749	3,433	4,176	3,564	5,601
54 Time and savings deposits	72,126	72,063	72,283	72,466	73,003	73,018	72,560	72,194	72,436
55 Savings	27,537	27,899	28,428	28,705	29,333	29,606	29,834	29,591	29,684
56 Individuals and nonprofit organizations	25,049	25,360	25,752	26,032	26,395	26,663	26,798	26,572	26,651
57 Partnerships and corporations operated for profit	2,205	2,265	2,389	2,411	2,673	2,710	2,763	2,784	2,764
58 Domestic governmental units	220	214	228	203	196	177	217	201	231
59 All other	62	60	59	58	68	57	56	34	38
60 Time	44,590	44,164	43,856	43,761	43,669	43,412	42,727	42,603	42,752
61 Individuals, partnerships, and corporations	36,537	36,383	36,576	36,231	37,070	36,489	35,834	35,783	35,990
62 States and political subdivisions	2,196	2,201	2,188	2,220	2,121	2,131	2,094	2,018	2,028
63 U.S. government	230	39	39	39	39	39	41	83	90
64 Commercial banks in the United States	4,184	4,073	4,233	3,305	3,128	3,378	3,342	3,246	3,225
65 Foreign governments, official institutions, and banks	1,444	1,467	1,420	1,366	1,311	1,374	1,416	1,474	1,420
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	...	400	1,120	...	...	...	1,375	...	...
67 Treasury tax-and-loan notes	2,578	2,184	1,707	479	1,249	110	148	3,120	3,335
68 All other liabilities for borrowed money[6]	58,664	58,191	55,750	51,149	53,007	55,683	55,969	53,989	52,754
69 Other liabilities and subordinated notes and debentures	32,124	31,137	32,773	33,654	34,444	32,782	32,985	33,478	34,563
70 Total liabilities	**214,666**	**210,792**	**212,579**	**202,608**	**222,398**	**207,700**	**217,201**	**209,971**	**215,325**
71 Residual (total assets minus total liabilities)[7]	19,322	19,510	19,470	19,440	19,587	19,646	19,557	19,558	19,353

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

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1983								
	May 4	May 11	May 18	May 25	June 1p	June 8p	June 15p	June 22p	June 29p
BANKS WITH ASSETS OF $750 MILLION OR MORE									
1 Total loans (gross) and securities adjusted[1]	640,336	635,798	635,389	633,298	643,038	641,782	643,441	639,222	643,001
2 Total loans (gross) adjusted[1]	503,330	499,026	498,413	497,372	505,058	501,871	504,572	501,538	506,056
3 Demand deposits adjusted[2]	103,178	104,407	101,382	101,694	105,580	106,455	106,410	103,212	104,055
4 Time deposits in accounts of $100,000 or more	145,043	144,473	142,564	143,197	141,870	143,009	141,773	143,895	144,828
5 Negotiable CDs	97,203	96,545	94,601	95,134	94,270	94,942	93,840	95,700	96,139
6 *Other time deposits*	47,839	47,928	47,963	48,063	47,600	48,067	47,933	48,196	48,688
7 Loans sold outright to affiliates[3]	2,790	2,808	2,808	2,757	2,735	2,777	2,792	2,721	2,775
8 Commercial and industrial	2,172	2,189	2,189	2,145	2,130	2,173	2,161	2,149	2,202
9 Other	617	619	619	611	606	604	631	572	573
BANKS WITH ASSETS OF $1 BILLION OR MORE									
10 Total loans (gross) and securities adjusted[1]	597,238	592,789	592,095	590,157	599,642	598,352	599,760	595,592	599,095
11 Total loans (gross) adjusted[1]	472,276	467,997	467,330	466,350	473,885	470,750	473,213	470,273	474,634
12 Demand deposits adjusted[2]	95,311	96,564	93,629	93,997	97,733	98,520	98,574	95,432	96,277
13 Time deposits in accounts of $100,000 or more	137,123	136,598	134,724	135,210	133,796	134,824	133,590	135,523	136,463
14 Negotiable CDs	92,909	92,282	90,381	90,820	89,834	90,399	89,308	91,012	91,431
15 Other time deposits	44,214	44,316	44,343	44,391	43,961	44,425	44,282	44,511	45,032
16 Loans sold outright to affiliates[3]	2,734	2,753	2,755	2,704	2,683	2,726	2,738	2,666	2,720
17 Commercial and industrial	2,128	2,145	2,146	2,104	2,089	2,132	2,117	2,105	2,158
18 Other	606	608	609	600	594	594	621	562	562
BANKS IN NEW YORK CITY									
19 Total loans (gross) and securities adjusted[1,4]	139,728	138,703	138,730	137,223	141,628	138,854	140,995	138,768	140,528
20 Total loans (gross) adjusted[1]	116,094	114,133	113,894	113,535	117,947	115,199	117,293	115,514	117,182
21 Demand deposits adjusted[2]	25,620	25,630	24,557	25,212	28,380	26,531	25,518	26,254	25,292
22 Time deposits in accounts of $100,000 or more	33,830	33,639	33,471	33,438	33,260	32,957	32,265	32,237	32,353
23 Negotiable CDs	23,774	23,639	23,362	23,408	23,098	22,751	22,061	22,083	22,165
24 Other time deposits	10,056	10,000	10,109	10,031	10,162	10,206	10,205	10,154	10,188

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

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

Millions of dollars, Wednesday figures

	Account	1983								
		May 4	May 11	May 18	May 25	June 1p	June 8p	June 15p	June 22p	June 29p
1	Cash and due from depository institutions	8,138	7,076	7,448	6,873	7,114	7,161	7,006	7,287	7,530
2	Total loans and securities	40,957	40,458	40,832	39,972	41,550	41,889	40,880	41,272	42,019
3	U.S. Treasury securities	4,148	4,068	3,985	4,282	4,353	4,366	4,336	4,337	4,425
4	Other securities	844	887	918	923	875	858	850	855	860
5	Federal funds sold[1]	2,491	1,838	2,588	2,152	3,132	2,991	1,718	2,312	2,862
6	To commercial banks in United States	2,093	1,593	2,430	2,058	2,960	2,806	1,595	2,296	2,737
7	To others	399	245	157	94	172	185	123	16	126
8	Other loans, gross	33,474	33,665	33,342	32,615	33,190	33,674	33,976	33,767	33,871
9	Commercial and industrial	17,264	17,596	17,461	17,210	17,453	17,748	17,728	17,460	17,243
10	Bankers acceptances and commercial paper	2,482	2,570	2,500	2,452	2,521	2,611	2,571	2,659	2,849
11	All other	14,782	15,026	14,961	14,759	14,932	15,137	15,156	14,801	14,394
12	U.S. addressees	12,890	13,174	13,184	12,966	13,086	13,273	13,326	12,890	12,687
13	Non-U.S. addressees	1,892	1,852	1,776	1,793	1,846	1,864	1,830	1,911	1,706
14	To financial institutions	12,247	12,349	12,093	11,717	11,849	11,868	12,139	12,256	12,358
15	Commercial banks in United States	9,293	9,357	9,144	8,880	8,844	9,126	9,448	9,695	9,843
16	Banks in foreign countries	2,387	2,415	2,385	2,260	2,372	2,166	2,100	1,955	1,948
17	Nonbank financial institutions	567	578	565	576	632	576	590	605	567
18	For purchasing and carrying securities	457	236	193	224	221	444	328	362	449
19	All other	3,506	3,484	3,595	3,463	3,667	3,613	3,781	3,689	3,821
20	Other assets (claims on nonrelated parties)	10,645	10,729	9,797	9,929	9,768	10,007	10,234	10,085	10,309
21	Net due from related institutions	13,100	13,444	12,056	11,370	11,355	10,351	10,753	9,778	10,166
22	Total assets	72,840	71,707	70,134	68,143	69,787	69,409	68,872	68,422	70,024
23	Deposits or credit balances[2]	21,851	21,980	22,198	21,072	21,459	21,819	21,214	20,974	21,132
24	Credit balances	207	178	204	203	207	160	268	186	206
25	Demand deposits	2,253	1,815	2,616	1,820	2,010	1,820	1,912	1,981	2,038
26	Individuals, partnerships, and corporations	843	768	1,047	900	977	814	961	888	915
27	Other	1,411	1,048	1,568	920	1,033	1,006	951	1,092	1,123
28	Total time and savings	19,391	19,987	19,378	19,048	19,241	19,839	19,034	18,807	18,888
29	Individuals, partnerships, and corporations	16,604	17,286	16,516	16,179	16,582	16,834	16,148	15,810	16,190
30	Other	2,787	2,701	2,862	2,869	2,660	3,004	2,886	2,997	2,699
31	Borrowings[3]	30,776	30,914	28,621	29,429	29,582	28,564	28,914	28,285	28,928
32	Federal funds purchased[4]	11,197	11,466	9,762	10,387	9,585	8,685	8,685	8,146	7,692
33	From commercial banks in United States	9,421	9,554	7,930	8,367	8,035	7,274	7,276	6,717	6,310
34	From others	1,776	1,912	1,832	2,020	1,550	1,411	1,410	1,429	1,382
35	Other liabilities for borrowed money	19,579	19,448	18,859	19,042	19,997	19,879	20,228	20,139	21,236
36	To commercial banks in United States	16,802	16,717	16,245	16,424	17,104	16,887	17,271	17,300	18,373
37	To others	2,776	2,731	2,614	2,618	2,892	2,992	2,957	2,839	2,863
38	Other liabilities to nonrelated parties	11,586	11,591	11,342	11,248	10,996	11,199	11,121	11,003	11,245
39	Net due to related institutions	8,627	7,221	7,973	6,394	7,750	7,826	7,623	8,160	8,719
40	Total liabilities	72,840	71,707	70,134	68,143	69,787	69,409	68,872	68,422	70,024
	MEMO									
41	Total loans (gross) and securities adjusted[5]	29,571	29,508	29,258	29,033	29,746	29,956	29,837	29,280	29,439
42	Total loans (gross) adjusted[5]	24,579	24,553	24,356	23,828	24,518	24,732	24,651	24,088	24,153

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

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

Billions of dollars, estimated daily-average balances

Type of holder	1978 Dec.	1979[2] Dec.	1980 Dec.	1981 June[3]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.	1982 Dec.
Commercial banks										
1 **All holders—Individuals, partnerships, and corporations**	***294.6***	***302.2***	***315.5***		***277.5***	***288.9***	***268.9***	***271.5***	***276.7***	***295.4***
2 Financial business	27.8	27.1	29.8		28.2	28.0	27.8	28.6	31.9	35.5
3 Nonfinancial business	152.7	157.7	162.3	n.a.	148.6	154.8	138.7	141.4	142.9	151.7
4 Consumer	97.4	99.2	102.4		82.1	86.6	84.6	83.7	83.3	88.1
5 Foreign	2.7	3.1	3.3		3.1	2.9	3.1	2.9	2.9	3.0
6 Other	14.1	15.1	17.2		15.5	16.7	14.6	15.0	15.7	17.1
Weekly reporting banks	1978 Dec.	1979[4] Dec.	1980 Dec.	1981 June[3]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.	1982 Dec.
7 **All holders—Individuals, partnerships, and corporations**	**147.0**	**139.3**	**147.4**		**131.3**	**137.5**	**126.8**	**127.9**	**132.1**	**144.0**
8 Financial business	19.8	20.1	21.8	n.a.	20.7	21.0	20.2	20.2	23.4	26.7
9 Nonfinancial business	79.0	74.1	78.3		71.2	75.2	67.1	67.7	68.7	74.2
10 Consumer	38.2	34.3	35.6		28.7	30.4	29.2	29.7	29.6	31.9
11 Foreign	2.5	3.0	3.1		2.9	2.8	2.9	2.8	2.7	2.9
12 Other	7.5	7.8	8.6		7.9	8.0	7.3	7.5	7.7	8.4

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8, and other, 15.1.

3. Demand deposit ownership survey estimates for June 1981 are not available due to unresolved reporting errors.

4. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel, financial business, 18.2, nonfinancial business, 67.2; consumer, 32.8, foreign, 2.5, other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1977 Dec.	1978 Dec	1979[1] Dec	1980 Dec	1981 Dec.	1982 Dec[2r]	1983 Jan.[r]	1983 Feb[r]	1983 Mar.[r]	1983 Apr.[r]	1983 May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**65,051**	**83,438**	**112,803**	**124,374**	**165,455**	**166,208**	**165,257**	**168,562**	**167,665**	**170,659**	**169,503**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	8,796	12,181	17,359	19,599	29,904	34,067	35,444	37,593	36,255	37,481	38,645
3 Bank-related (not seasonally adjusted)	2,132	3,521	2,784	3,561	6,045	2,516	2,660	2,604	2,030	1,950	1,954
Directly placed paper[5]											
4 Total	40,574	51,647	64,757	67,854	81,715	84,183	82,948	84,932	85,773	87,831	87,238
5 Bank-related (not seasonally adjusted)	7,102	12,314	17,598	22,382	26,914	32,034	31,691	31,661	32,951	32,495	32,943
6 Nonfinancial companies[6]	15,681	19,610	30,687	36,921	53,836	47,958	46,865	46,037	45,637	45,347	43,620
	Bankers dollar acceptances (not seasonally adjusted)										
7 **Total**	**25,450**	**33,700**	**45,321**	**54,744**	**69,226**	**79,543**	**77,529**	**73,706**	**70,843**	**70,389**	
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	10,857	10,910	10,249	9,567	10,518	9,494	
9 Own bills	8,915	7,653	8,327	8,963	9,743	9,471	9,067	8,258	9,083	7,951	
10 Bills bought	1,519	927	1,538	1,601	1,115	1,439	1,182	1,308	1,435	1,543	
Federal Reserve Banks											
11 Own account	954	587	704	776	195	1,480	0	0	0	0	n.a.
12 Foreign correspondents	362	664	1,382	1,791	1,442	949	965	1,003	758	778	
13 Others	13,700	23,870	33,370	41,614	56,926	66,204	66,315	63,136	59,568	60,118	
Basis											
14 Imports into United States	6,378	8,574	10,270	11,776	14,765	17,683	15,803	14,976	14,217	14,418	
15 Exports from United States	5,863	7,586	9,640	12,712	15,400	16,328	17,931	17,633	16,826	17,124	
16 All other	13,209	17,540	25,411	30,257	39,061	45,532	43,794	41,097	39,800	38,848	

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Effective December 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
3. 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.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1981—Nov. 17	16.50–	1982—Aug. 2	15.00	1982—Jan.	15.75	1982—Nov.	11.85
	17.00	16	14.50	Feb.	16.56	Dec.	11.50
20	16.50	18	14.00	Mar.	16.50		
24	16.00	23	13.50	Apr.	16.50	1983—Jan.	11.16
Dec. 1	15.75	Oct. 7	13.00	May	16.50	Feb.	10.98
		14	12.00	June	16.50	Mar.	10.50
1982—Feb. 18	17.00	Nov. 22	11.50	July	16.26	Apr.	10.50
23	16.50			Aug.	14.39	May	10.50
July 20	16.00	1983—Jan. 11	11.00	Sept.	13.50	June	10.50
29	15.50	Feb. 28	10.50	Oct.	12.52		

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 2–6, 1983

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)	38,047,964	1,048,221	837,763	1,107,318	2,190,699	1,043,487	31,820,476
2 Number of loans	200,351	139,058	25,163	17,304	12,665	1,580	4,581
3 Weighted-average maturity (months)	1.4	4.0	4.2	4.5	4.9	3.3	.8
4 With fixed rates	9	3.4	3.7	3.3	4.7	1.9	5
5 With floating rates	2.2	5.5	5.3	5.9	5.1	4.1	1.5
6 Weighted-average interest rate (percent per annum)	10.30	13.86	13.68	12.62	11.87	11.34	9.87
7 Interquartile range[1]	9.55–10.50	12.68–14.49	12.34–14.11	11.57–13.80	11.02–12.47	10.92–12.10	9.52–9.96
8 With fixed rates	10.21	14.39	14.36	13.29	11.86	10.73	9.80
9 With floating rates	10.43	12.96	12.55	12.00	11.87	11.58	9.99
Percentage of amount of loans							
10 With floating rate	41.0	36.6	37.6	51.9	63.4	71.6	38.3
11 Made under commitment	65.0	39.5	37.9	61.3	54.2	70.4	67.3
12 With no stated maturity	13.2	12.7	18.1	16.9	29.8	32.3	11.2
13 With one-day maturity	37.1	1	0	1	.4	2.1	44.3
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS		1–99					
14 Amount of loans (thousands of dollars)	4,204,614	776,312			420,291	180,470	2,827,541
15 Number of loans	38,494	35,845			1,997	265	387
16 Weighted-average maturity (months)	56.6	33.4			35.6	44.6	66.8
17 With fixed rates	44.0	36.9			22.0	58.1	55.4
18 With floating rates	62.7	26.3			46.3	42.0	70.1
19 Weighted-average interest rate (percent per annum)	11.41	14.52			12.86	11.92	10.31
20 Interquartile range[1]	9.71–12.19	12.13–14.93			11.73–14.00	11.19–12.68	9.63–11.02
21 With fixed rates	12.24	15.01			13.78	11.95	9.55
22 With floating rates	11.01	13.51			12.15	11.92	10.53
Percentage of amount of loans							
23 With floating rate	67.4	33.0			56.1	84.1	77.5
24 Made under commitment	72.3	18.3			42.8	76.2	91.3
CONSTRUCTION AND LAND DEVELOPMENT LOANS		1–24	25–49	50–99		500 and over	
25 Amount of loans (thousands of dollars)	1,917,014	199,628	77,218	47,315	438,205	1,154,649	
26 Number of loans	25,727	21,047	2,219	716	1,460	284	
27 Weighted-average maturity (months)	8.3	5.8	7.1	13.8	7.6	8.9	
28 With fixed rates	5.2	5.7	6.8	8.6	6.1	4.4	
29 With floating rates	12.2	5.9	8.0	14.8	11.3	12.9	
30 Weighted-average interest rate (percent per annum)	11.72	14.44	13.99	12.91	12.08	10.91	
31 Interquartile range[1]	10.18–12.68	13.50–14.74	13.52–14.76	12.46–13.31	11.84–12.12	9.55–12.41	
32 With fixed rates	11.53	14.97	14.42	13.16	11.93	10.01	
33 With floating rates	11.93	13.34	12.93	12.87	12.46	11.59	
Percentage of amount of loans							
34 With floating rate	47.7	32.2	28.8	85.0	29.5	56.9	
35 Secured by real estate	56.7	75.3	94.1	84.2	93.5	36.0	
36 Made under commitment	48.3	41.5	61.9	64.8	22.4	57.7	
37 With no stated maturity	6.9	10.7	2.8	7.0	2.5	8.2	
38 With one-day maturity	18.0	0	0	4	0	29.9	
Type of construction							
39 1- to 4-family	7.3	20.2	17.2	46.1	8.3	2.4	
40 Multifamily	5.5	14.6	6.1	17.2	7.4	2.6	
41 Nonresidential	87.2	65.1	76.7	36.7	84.3	95.0	
LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
42 Amount of loans (thousands of dollars)	1,698,648	195,436	204,859	168,982	254,228	240,631	634,513
43 Number of loans	79,848	54,748	13,889	5,146	3,625	1,724	717
44 Weighted-average maturity (months)	10.6	6.8	8.8	8.0	7.7	29.4	7.0
45 Weighted-average interest rate (percent per annum)	13.26	14.01	13.80	13.60	14.23	13.68	12.21
46 Interquartile range[1]	12.13–14.21	13.43–14.56	13.29–14.18	12.96–14.20	13.42–15.19	13.00–14.45	11.83–12.55
By purpose of loan							
47 Feeder livestock	13.35	14.26	13.90	13.44	14.36	13.71	12.17
48 Other livestock	13.00	14.01	12.96	13.75	13.26	(2)	(2)
49 Other current operating expenses	13.25	13.98	13.59	13.80	13.54	13.76	12.35
50 Farm machinery and equipment	14.78	13.90	15.01	13.64	15.68	14.16	(2)
51 Other	12.62	14.19	14.08	12.97	13.75	13.74	12.03

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

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

1.35 INTEREST RATES Money and Capital Markets

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

	Instrument	1980	1981	1982	1983				1983, week ending				
					Mar.	Apr.	May	June	June 3	June 10	June 17	June 24	July 1
	MONEY MARKET RATES												
1	Federal funds[1,2]	13 36	16.38	12.26	8 77	8 80	8.63	8.98	8 77	8 84	8.84	9 14	8.90
	Commercial paper[3,4]												
2	1-month	12 76	15.69	11.83	8 56	8 58	8.36	8.97	8.68	8 90	8.88	9 15	9 14
3	3-month	12 66	15.32	11.89	8.52	8 53	8.33	9.00	8.74	8.97	8.91	9 15	9 11
4	6-month	12.29	14.76	11 89	8 48	8 48	8.31	9 03	8.78	9.03	8.95	9.16	9.11
	Finance paper, directly placed[3,4]												
5	1-month	12.44	15.30	11 64	8 48	8.52	8.28	8 86	8 64	8.89	8.81	9.08	8.80
6	3-month	11.49	14.08	11.23	8 35	8.41	8.19	8.81	8 53	8.70	8.77	8.95	9.02
7	6-month	11.28	13 73	11 20	8.35	8.41	8.15	8.80	8.50	8.68	8.77	8.95	9.02
	Bankers acceptances[4,5]												
8	3-month	12.72	15.32	11 89	8.54	8 49	8.36	9 04	8.80	9.10	8.94	9.16	9.08
9	6-month	12.25	14.66	11.83	8 52	8 43	8 33	9.06	8.83	9.13	8.96	9.17	9.12
	Certificates of deposit, secondary market[6]												
10	1-month	12.91	15 91	12.04	8.62	8.60	8 44	9.06	8.80	9 01	8.98	9.21	9.21
11	3-month	13.07	15 91	12.27	8.69	8.63	8 49	9.20	8.96	9 19	9.11	9.33	9 28
12	6-month	12.99	15 77	12 57	8.80	8.76	8.62	9.45	9.24	9 49	9.39	9.56	9.49
13	Eurodollar deposits, 3-month[2]	14.00	16 79	13 12	9.25	9.23	8.96	9 67	9.41	9.58	9.60	9.70	9.79
	U.S Treasury bills[4]												
	Secondary market[7]												
14	3-month	11 43	14.03	10.61	8.35	8 21	8 19	8.79	8 57	8.76	8.70	8 97	8.88
15	6-month	11.37	13 80	11 07	8 37	8.30	8.22	8 89	8 68	8.88	8 80	9.02	8.97
16	1-year	10.89	13.14	11.07	8 36	8 29	8.23	8 87	8 68	8.85	8 77	9 02	8.98
	Auction average[8]												
17	3-month	11 506	14 029	10.686	8.304	8.252	8 19	8.82	8.65	8 64	8.73	8 98	9.09
18	6-month	11 374	13 776	11.084	8.325	8 343	8 20	8.89	8 67	8 79	8.83	9 02	9 14
19	1-year	10 748	13 159	11.099	8.427	8.275	8 05	8.80	...	...	8.80	...	...
	CAPITAL MARKET RATES												
	U S. Treasury notes and bonds[9]												
	Constant maturities[10]												
20	1-year	12.05	14 78	12 27	9 04	8.98	8 90	9.66	9.43	9 64	9.54	9.82	9 78
21	1-½-year[11]	...	...	...	...	...	...	...	9.80	...	9 90	...	10 05
22	2-year	11.77	14.56	12 80	9 66	9.57	9.49	10 18	9.99	10 16	10 08	10.32	10.29
23	2-½-year[12]	...	...	...	...	...	...	...	10.10	...	10 15	...	10.40
24	3-year	11.55	14 44	12 92	9.84	9.76	9 66	10.32	10 17	10 29	10.20	10.45	10.47
25	5-year	11 48	14.24	13.01	10.08	10 02	10.03	10.63	10 51	10.61	10.49	10 71	10.80
26	7-year	11.43	14.06	13.06	10.31	10 29	10.30	10.83	10 76	10.85	10 70	10 84	10.96
27	10-year	11.46	13.91	13.00	10.51	10.40	10.38	10.85	10 79	10.87	10 71	10.87	11.01
28	20-year	11.39	13.72	12.92	10 80	10.63	10.67	11 12	11.09	11 13	10.98	11.12	11.26
29	30-year	11.30	13.44	12.76	10 63	10 48	10.53	10.93	10 93	10.96	10.80	10 92	11.07
	Composite[13]												
30	Over 10 years (long-term)	10.81	12.87	12.23	10.34	10 19	10.21	10.64	10.61	10.66	10.52	10.63	10.77
	State and local notes and bonds												
	Moody's series[14]												
31	Aaa	7 85	10.43	10.88	8.42	8 28	8 39	8.76	8.95	8 90	8.60	8 60	8 60
32	Baa	9.01	11 76	12.48	10.05	9 75	9 74	10.21	10.40	10.30	10.10	10.05	10 05
33	*Bond Buyer* series[15]	8.59	11 33	11 66	9.20	9.05	9 11	9 52	9.78	9.69	9 38	9.38	9.36
	Corporate bonds												
	Seasoned issues[16]												
34	All industries	12 75	15.06	14.94	12.71	12.44	12.30	12.54	12.54	12 57	12.48	12 51	12 58
35	Aaa	11.94	14.17	13 79	11.73	11.51	11.46	11.74	11.76	11 77	11.66	11.71	11.85
36	Aa	12.50	14 75	14 41	12.32	12.06	11.95	12.15	12.17	12 21	12 12	12.10	12.16
37	A	12.89	15.29	15 43	13 15	12.86	12.68	12 88	12.83	12.89	12 85	12.90	12.91
38	Baa	13 67	16 04	16.11	13.61	13.29	13 09	13.37	13.40	13 41	13.31	13.34	13.39
	Aaa utility bonds[17]												
39	New issue	12.74	15.56	14.41	11.70	11 41	11.32	11.87	...	...	11 80	11 93	...
40	Recently offered issues	12.70	15.56	14 45	11 74	11 50	11.37	11 81	11 72	11.78	11 66	11.84	12.00
	MEMO: Dividend/price ratio[18]												
41	Preferred stocks	10 60	12.36	12.53	10.86	10 80	10.65	10.81	10.70	10 74	10.93	10 69	11 00
42	Common stocks	5 26	5.20	5.81	4.59	4 44	4 27	4.26	4.33	4 37	4.22	4.13	4 24

1 Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.

2. Weekly figures are statement week averages—that is, averages for the week ending Wednesday.

3. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper) Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.

4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).

5. Dealer closing offered rates for top-rated banks Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).

6. Unweighted average of offered rates quoted by at least five dealers early in the day.

7. Unweighted average of closing bid rates quoted by at least five dealers

8. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.

9. Yields are based on closing bid prices quoted by at least five dealers

10. Yields adjusted to constant maturities by the U.S. Treasury That is, yields are read from a yield curve at fixed maturities Based on only recently issued, actively traded securities.

11. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Beginning Apr. 1, 1983, this rate determines the maximum interest payable in the following two-week period on 1-½-year small saver certificates. (See table 1.16.)

12. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-½-year small saver certificates (See table 1 16)

13. Averages of yields (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.

14. General obligations only, based on figures for Thursday, from Moody's Investors Service

15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.

16. Daily figures from Moody's Investors Service Based on yields to maturity on selected long-term bonds

17. Compilation of the Federal Reserve Issues included are long-term (20 years or more) New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1980	1981	1982	1982 Oct	1982 Nov	1982 Dec	1983 Jan	1983 Feb	1983 Mar.	1983 Apr.	1983 May	1983 June
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.06	74.02	68.93	76.10	79.75	80.30	83.25	84.74	87.50	90.61	94.61	96.43
2 Industrial	78.64	85.44	78.18	86.67	90.76	92.00	95.37	97.26	100.61	104.46	109.43	112.52
3 Transportation	60.52	72.61	60.41	66.64	71.92	73.40	75.65	79.44	83.28	85.26	89.07	92.22
4 Utility	37.35	38.90	39.75	42.67	43.46	42.93	45.59	45.92	45.89	46.22	47.62	46.76
5 Finance	64.28	73.52	71.99	80.59	88.66	86.22	85.66	86.57	93.22	99.07	102.45	101.22
6 Standard & Poor's Corporation (1941–43 = 10)[1]	118.71	128.05	119.71	132.66	138.10	139.37	145.13	146.80	151.88	157.71	164.10	166.39
7 American Stock Exchange (Aug. 31, 1973 = 100)	300.94	343.58	282.62	308.74	333.54	333.36	360.92	373.84	383.76	405.02	447.94	475.01
Volume of trading (thousands of shares)												
8 New York Stock Exchange	44,867	46,967	64,617	98,508	88,431	76,463	88,463	85,026	82,694	89,627	93,016	89,729
9 American Stock Exchange	6,377	5,346	5,283	7,828	8,672	7,475	9,220	8,256	7,354	8,576	12,260	10,874
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Regulated margin credit at brokers–dealers**[2]	**14,721**	**14,411**	**13,325**	**11,728**	**12,459**	**13,325**	**13,370**	**13,985**	**14,483**	**15,590**	**16,713**	n.a.
11 Margin stock[3]	14,500	14,150	12,980	11,450	12,170	12,980	13,070	13,680	14,170	15,260	16,370	n.a.
12 Convertible bonds	219	259	344	277	288	344	299	304	312	329	342	n.a.
13 Subscription issues	2	2	1	1	1	1	1	1	1	1	1	n.a.
Free credit balances at brokers[4]												
14 Margin-account	2,105	3,515	5,735	5,520	5,600	5,735	6,257	6,195	6,370	6,090	6,090	n.a.
15 Cash-account	6,070	7,150	8,390	8,120	8,395	8,390	8,225	7,955	7,965r	7,970	8,310	n.a.
	Margin-account debt at brokers (percentage distribution, end of period)											
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	n.a.
By equity class (in percent)[5]												
17 Under 40	14.0	37.0	21.0	21.0	20.0	21.0	18.0	18.0	17.0	14.0	14.0	n.a.
18 40–49	30.0	24.0	24.0	24.0	21.0	24.0	23.0	20.0	21.0	19.0	19.0	n.a.
19 50–59	25.0	17.0	24.0	22.0	25.0	24.0	25.0	27.0	25.0	28.0	30.0	n.a.
20 60–69	14.0	10.0	14.0	16.0	15.0	14.0	16.0	16.0	18.0	19.0	16.0	n.a.
21 70–79	9.0	6.0	9.0	9.0	10.0	9.0	9.0	10.0	10.0	10.0	11.0	n.a.
22 80 or more	8.0	6.0	8.0	8.0	9.0	8.0	9.0	9.0	9.0	9.0	9.0	n.a.
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[6]	**21,690**	**25,870**	**35,598**	**33,689**	**34,909**	**35,598**	**43,838**	**43,006**	**43,472**	**44,999**	**45,465**	n.a.
Distribution by equity status (percent)												
24 Net credit status	47.8	58.0	62.0	61.0	62.0	62.0	65.0	66.0	62.0	64.0	62.0	n.a.
Debt status, equity of												
25 60 percent or more	44.4	31.0	29.0	29.0	29.0	29.0	28.0	27.0	28.0	30.0	32.0	n.a.
26 Less than 60 percent	7.7	11.0	9.0	10.0	9.0	9.0	8.0	7.0	9.0	6.0	6.0	n.a.

Margin requirements (percent of market value and effective date)[7]

	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exhange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

3. A distribution of this total by equity class is shown on lines 17–22.

4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1980	1981	1982 July	1982 Aug.	1982 Sept	1982 Oct	1982 Nov	1982 Dec[r]	1983 Jan.[r]	1983 Feb[r]	1983 Mar	1983 Apr[r]	1983 May[p]
	Savings and loan associations												
1 **Assets**	**630,712**	**664,167**	**697,690**	**703,399**	**691,077**	**692,549**	**697,189**	**706,045**	**714,676**	**772,352**	**723,616**	**727,659**	**729,806**
2 Mortgages	503,192	518,547	510,678	509,776	493,899	489,923	488,614	482,234	481,470	481,090	475,688	473,813	473,192
3 Cash and investment securities[1]	57,928	63,123	72,854	74,141	74,692	75,638	78,122	84,767	90,662	94,080	96,649	98,933	103,598
4 Other	69,592	82,497	114,158	119,482	122,486	126,988	130,453	139,044	142,544	147,182	151,279	152,913	153,016
5 **Liabilities and net worth**	**630,712**	**664,167**	**697,690**	**703,399**	**691,077**	**692,549**	**697,189**	**706,045**	**714,676**	**772,352**	**723,616**	**727,659**	**729,806**
6 Savings capital	511,636	525,061	539,830	542,648	547,628	547,112	548,439	566,189	582,918	591,913	597,112	600,508	601,615
7 Borrowed money	64,586	88,782	98,433	98,803	99,771	100,881	102,948	97,979	88,925	86,544	84,884	83,552	82,651
8 FHLBB	47,045	62,794	67,019	66,374	65,567	65,015	64,202	63,861	60,415	58,841	56,859	55,845	54,568
9 Other	17,541	25,988	31,414	32,429	34,204	35,866	38,746	34,118	28,510	27,703	28,025	27,707	28,083
10 Loans in process	8,767	6,385	7,250	7,491	8,084	8,484	8,967	9,934	10,453	11,039	12,245	13,447	14,712
11 Other	12,394	15,544	27,375	29,965	19,202	20,018	21,048	15,720	16,658	17,524	14,767	16,181	18,120
12 Net worth[2]	33,329	28,395	24,802	24,492	24,476	24,538	24,754	26,157	26,175	26,371	26,853	27,418	27,420
13 MEMO: Mortgage loan commitments outstanding[3]	16,102	15,225	15,924	16,943	17,256	18,407	19,682	18,054	19,453	22,051	24,885	27,912	30,171
	Mutual savings banks[4]												
14 **Assets**	**171,564**	**175,728**	**175,683**	**172,901**	**173,487**	**172,908**	**172,287**	**174,197**	**174,726**	**176,378**	**178,814**	**178,826**	
Loans													
15 Mortgage	99,865	99,997	96,282	94,498	94,382	94,261	94,017	94,091	93,944	93,607	93,822	93,311	
16 Other	11,733	14,753	17,128	16,929	17,458	17,035	16,702	16,957	17,420	18,211	17,837	18,353	
Securities													
17 U.S. government[5]	8,949	9,810	10,058	9,675	9,404	9,219	9,456	9,743	10,248	11,081	12,187	12,364	
18 State and local government	2,390	2,288	2,236	2,201	2,191	2,505	2,496	2,470	2,446	2,440	2,403	2,311	
19 Corporate and other[6]	39,282	37,791	36,651	35,937	35,845	35,599	35,753	36,161	36,430	36,905	37,827	38,342	
20 Cash	4,334	5,442	6,225	6,460	6,695	6,749	6,291	6,919	6,275	6,104	6,548	6,039	
21 Other assets	5,011	5,649	7,104	7,192	7,514	7,540	7,572	7,855	7,963	8,031	8,189	8,107	n.a.
22 **Liabilities**	**171,564**	**175,728**	**175,683**	**172,901**	**173,487**	**172,908**	**172,287**	**174,197**	**174,726**	**176,378**	**178,814**	**178,826**	
23 Deposits	154,805	155,110	154,314	152,014	153,089	152,210	151,304	155,196	157,113	159,162	161,489	161,262	
24 Regular[7]	151,416	153,003	151,969	149,736	150,795	149,928	149,167	152,777	154,876	156,915	159,088	158,760	
25 Ordinary savings	53,971	49,425	47,580	46,901	47,496	48,520	49,208	46,862	41,850	41,165	41,183	40,379	
26 Time	97,445	103,578	116,998	116,213	103,299	101,408	99,959	110,462	103,658	100,851	99,687	97,992	
27 Other	2,086	2,108	2,345	2,278	2,294	2,283	2,137	2,419	2,237	2,247	2,401	2,502	
28 Other liabilities	6,695	10,632	11,926	11,671	11,166	11,556	11,893	8,336	7,722	7,542	7,395	7,631	
29 General reserve accounts	11,368	9,986	9,443	9,216	9,232	9,141	9,089	9,235	9,196	9,197	9,342	9,352	
30 MEMO: Mortgage loan commitments outstanding[8]	1,476	1,293	992	1,056	1,217	1,281	1,400	1,285	1,253	1,295	1,639	1,860	
	Life insurance companies												
31 **Assets**	**479,210**	**525,803**	**551,124**	**557,094**	**563,321**	**571,902**	**578,200**	**584,311**	**589,490**	**595,959**	**602,770**		
Securities													
32 Government	21,378	25,209	28,694	30,263	30,759	31,791	32,682	34,558	35,567	36,946	38,469		
33 United States[9]	5,345	8,167	10,774	12,214	12,606	13,538	14,370	16,072	16,731	17,877	19,213		
34 State and local	6,701	7,151	7,705	7,799	7,834	7,871	7,935	8,094	8,225	8,333	8,368		
35 Foreign[10]	9,332	9,891	10,215	10,250	10,319	10,382	10,377	10,392	10,611	10,736	10,888	n.a.	n.a.
36 Business	238,113	255,769	267,627	270,029	273,539	279,918	283,650	283,799	290,178	293,427	296,223		
37 Bonds	190,747	208,098	221,503	221,642	223,783	226,879	229,101	228,220	233,380	235,376	236,420		
38 Stocks	47,366	47,670	46,124	48,387	49,756	53,039	54,549	55,579	56,798	58,051	59,803		
39 Mortgages	131,030	137,747	140,044	140,244	140,404	140,678	140,956	141,919	142,277	142,683	143,031		
40 Real estate	15,063	18,278	20,198	20,176	20,268	20,293	20,480	21,019	20,922	21,014	21,175		
41 Policy loans	41,411	48,706	51,867	52,238	52,525	52,751	52,916	53,114	53,239	53,383	53,560		
42 Other assets	31,702	40,094	42,694	44,144	45,826	46,471	47,516	49,902	47,307	48,506	50,322		
	Credit unions[11]												
43 **Total assets/liabilities and capital**	**71,709**	**77,682**	**84,423**	**85,102**	**86,554**	**88,144**	**89,261**	**69,673**	**69,741**	**71,293**	**73,737**	**74,716**	**76,717**
44 Federal	39,801	42,382	45,931	46,310	47,076	47,649	48,272	45,483	45,418	46,449	48,057	48,628	49,869
45 State	31,908	35,300	38,492	38,792	39,478	40,495	40,989	24,190	23,323	24,844	25,680	26,088	26,848
46 Loans outstanding	47,774	50,448	50,133	50,733	51,047	50,934	50,936	43,335	43,052	42,895	43,192	43,621	44,124
47 Federal	25,627	27,458	27,351	27,659	27,862	27,789	27,824	29,941	27,724	27,592	27,733	27,995	28,357
48 State	22,147	22,990	22,782	23,074	23,185	23,145	23,139	15,393	15,328	15,303	15,459	15,626	15,789
49 Savings	64,399	68,871	75,088	75,331	76,874	78,529	79,799	63,071	63,321	64,684	67,266	68,510	70,186
50 Federal (shares)	36,348	37,574	40,969	41,178	41,961	42,852	43,413	41,341	41,441	42,404	43,890	44,741	45,782
51 State (shares and deposits)	28,051	31,297	34,119	34,153	34,913	35,677	36,386	21,730	21,880	22,280	23,376	23,769	24,405

For notes see bottom of opposite page

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1980	Fiscal year 1981	Fiscal year 1982	Calendar year 1981 H2	1982 H1	1982 H2	1983 Mar	1983 Apr.	1983 May
U.S. budget									
1 Receipts[1]	517,112	599,272	617,766	301,777	322,478	286,338	43,504	66,234	33,755
2 Outlays[1,2]	576,675	657,204	728,375	358,558	348,678	390,846	69,540	69,542	63,040
3 Surplus, or deficit (−)	−59,563	−57,932	−110,609	−56,780	−26,200	−104,508	−26,036	−3,308	−29,285
4 Trust funds	8,801	6,817	5,456	−8,085	17,690	6,576	2,085	403	24,923
5 Federal funds[3]	−68,364	−64,749	−116,065	−48,697	−43,889	−97,934	−28,120	3,711	−54,208
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,549	−20,769	−14,142	−8,728	7,942	4,923	−1,244	−1,290	1,433
7 Other[4]	303	−236	−3,190	−1,752	227	−2,267	−16	151	242
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−73,808	−78,936	−127,940	−67,260	−33,914	−111,699	−27,296	−4,447	−30,476
Source or financing									
9 Borrowing from the public	70,515	79,329	134,993	54,081	41,728	119,609	31,303	2,681	18,497
10 Cash and monetary assets (decrease, or increase (−))[5]	−355	−1,878	−11,911	−1,111	−408	−9,057	−6,767	−8,156	19,189
11 Other[6]	3,648	1,485	4,858	14,290	7,405	1,146	2,761	9,922	7,209
MEMO:									
12 Treasury operating balance (level, end of period)	20,990	18,670	29,164	12,046	10,999	19,773	15,452	24,053	5,233
13 Federal Reserve Banks	4,102	3,520	10,975	4,301	4,099	5,033	3,572	6,015	4,372
14 Tax and loan accounts	16,888	15,150	18,189	7,745	6,900	14,740	11,880	18,038	861

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
3. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
4. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank, it also includes petroleum acquisition and transportation and strategic petroleum reserve effective November 1981
5. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund, and other cash and monetary assets
6. Includes accrued interest payable to the public, allocations of special drawing rights, deposit funds, miscellaneous liability (including checks outstanding) and asset accounts; seigniorage, increment on gold, net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment, and profit on the sale of gold

SOURCE "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1984*.

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations
3. Excludes figures for loans in process, which are shown as a liability.
4. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Before that date, data were reported on a gross-of-valuation-reserves basis
5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies
7. Excludes checking, club, and school accounts
8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development
11. As of December 1982, National Credit Union Administration data no longer includes either federally chartered or state-chartered corporate credit unions.

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

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

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

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1980	Fiscal year 1981	Fiscal year 1982	Calendar year 1981 H2	1982 H1	1982 H2	1983 Mar	1983 Apr	1983 May
RECEIPTS									
1 **All sources**[1]	**517,112**	**599,272**	**617,766**	**301,777**	**322,478**	**286,338**	**43,504**	**66,234**	**33,755**
2 Individual income taxes, net	244,069	285,917	297,744	147,035	150,565	145,676	15,658	35,040	6,384
3 Withheld	223,763	256,332	267,513	134,199	133,575	131,567	24,808	21,636	22,205
4 Presidential Election Campaign Fund	39	41	39	5	34	5	9	8	6
5 Nonwithheld	63,746	76,844	84,691	17,391	66,174	20,040	3,604	31,961	1,131
6 Refunds	43,479	47,299	54,498	4,559	49,217	5,938	12,764	18,564	16,958
Corporation income taxes									
7 Gross receipts	72,380	73,733	65,991	31,056	37,836	25,661	6,985	8,445	1,903
8 Refunds	7,780	12,596	16,784	6,847	8,028	11,467	2,612	3,650	2,205
9 Social insurance taxes and contributions, net	157,803	182,720	201,498	91,592	108,079	94,278	17,939	21,481	22,330
10 Payroll employment taxes and contributions[2]	133,025	156,932	172,744	82,984	88,795	85,063	16,975	14,567	15,680
11 Self-employment taxes and contributions[3]	5,723	6,041	7,941	244	7,357	177	418	4,232	418
12 Unemployment insurance	15,336	15,763	16,600	6,355	9,809	6,857	160	2,324	5,875
13 Other net receipts[1,4]	3,719	3,984	4,212	2,009	2,119	2,181	387	358	357
14 Excise taxes	24,329	40,839	36,311	22,097	17,525	16,556	2,755	2,557	2,991
15 Customs deposits	7,174	8,083	8,854	4,661	4,310	4,299	733	762	670
16 Estate and gift taxes	6,389	6,787	7,991	3,742	4,208	3,445	500	458	493
17 Miscellaneous receipts[5]	12,748	13,790	16,161	8,441	7,984	7,891	1,545	1,141	1,190
OUTLAYS									
18 **All types**[1,6]	**576,675**	**657,204**	**728,424**	**358,532**	**348,683**	**390,847**	**69,540**	**69,542**	**63,040**
19 National defense	135,856	159,765	187,418	87,421	93,154	100,419	19,038	17,524	17,309
20 International affairs	10,733	11,130	9,982	4,646	5,183	4,406	1,601	937	438
21 General science, space, and technology	5,722	6,359	7,070	3,388	3,370	3,903	526	607	589
22 Energy	6,313	10,277	4,674	4,394	2,946	2,059	488	212	375
23 Natural resources and environment	13,812	13,525	12,934	7,296	5,636	6,940	913	1,036	905
24 Agriculture	4,762	5,572	14,875	5,181	7,087	13,260	1,003	2,717	558
25 Commerce and housing credit	7,788	3,946	3,865	1,825	1,408	2,244	395	434	136
26 Transportation	21,120	23,381	20,560	10,753	9,915	10,686	1,776	1,581	1,531
27 Community and regional development	10,068	9,394	7,165	4,269	3,055	4,186	562	427	469
28 Education, training, employment, social services	30,767	31,402	26,300	13,874	12,607	12,187	2,114	1,985	2,113
29 Health[1]	55,220	65,982	74,017	35,322	37,219	39,073	6,913	7,120	6,966
30 Income security[6]	193,100	225,101	248,343	129,269	112,782	133,779	24,840	24,654	22,304
31 Veterans benefits and services	21,183	22,988	23,955	12,880	10,865	13,241	2,292	3,357	882
32 Administration of justice	4,570	4,696	4,671	2,290	2,334	2,373	473	432	378
33 General government	4,505	4,614	4,726	2,320	2,400	2,322	427	163	1,002
34 General-purpose fiscal assistance	8,584	6,856	6,393	3,043	3,325	3,152	40	1,162	287
35 Net interest[7]	52,458	68,726	84,697	39,952	41,883	44,948	6,854	6,343	8,215
36 Undistributed offsetting receipts[8]	−9,887	−16,509	−13,270	−9,564	−6,490	−8,333	−715	−1,148	−1,414

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
7. Net interest function includes interest received by trust funds.
8. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1984*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1981				1982				1983
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**970.9**	**977.4**	**1,003.9**	**1,034.7**	**1,066.4**	**1,084.7**	**1,147.0**	**1,201.9**	**1,249.3**
2 Public debt securities	964.5	971.2	997.9	1,028.7	1,061.3	1,079.6	1,142.0	1,197.1	1,244.5
3 Held by public	773.7	771.3	789.8	825.5	858.9	867.9	925.6	987.7	1,043.3
4 Held by agencies	190.9	199.9	208.1	203.2	202.4	211.7	216.4	209.4	201.2
5 Agency securities	6.4	6.2	6.1	6.0	5.1	5.0	5.0	4.8	4.8
6 Held by public	4.9	4.7	4.6	4.6	3.9	3.9	3.7	3.7	3.7
7 Held by agencies	1.5	1.5	1.5	1.4	1.2	1.1	1.3	1.1	1.1
8 **Debt subject to statutory limit**	**965.5**	**972.2**	**998.8**	**1,029.7**	**1,062.2**	**1,080.5**	**1,142.9**	**1,197.9**	**1,245.3**
9 Public debt securities	963.9	970.6	997.2	1,028.1	1,060.7	1,079.0	1,141.4	1,196.5	1,243.9
10 Other debt[1]	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
11 MEMO. Statutory debt limit	985.0	985.0	999.8	1,079.8	1,079.8	1,143.1	1,143.1	1,290.2	1,290.2

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department)

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1979	1980	1981	1982	1983				
					Feb	Mar.	Apr	May	June
1 **Total gross public debt**	***845.1***	***930.2***	***1,028.7***	***1,197.1***	***1,215.3***	***1,244.5***	***1,247.9***	***1,291.4***	***1,319.6***
By type									
2 Interest-bearing debt	844.0	928.9	1,027.3	1,195.5	1,213.7	1,243.0	1,242.1	1,289.9	1,318.1
3 Marketable	530.7	623.2	720.3	881.5	907.7	937.8	935.5	957.4	978.9
4 Bills	172.6	216.1	245.0	311.8	314.9	331.9	325.9	325.2	334.3
5 Notes	283.4	321.6	375.3	465.0	481.3	494.1	494.9	513.6	527.1
6 Bonds	74.7	85.4	99.9	104.6	111.5	111.4	114.6	118.5	117.5
7 Nonmarketable[1]	313.2	305.7	307.0	314.0	306.1	305.2	306.6	332.6	339.2
8 Convertible bonds[2]	2.2	...	...	...	...	...	...	...	...
9 State and local government series	24.6	23.8	23.0	25.7	25.7	27.1	28.0	29.6	33.1
10 Foreign issues[3]	28.8	24.0	19.0	14.7	12.7	12.4	12.0	11.1	11.4
11 Government	23.6	17.6	14.9	13.0	11.4	11.1	10.7	10.5	10.8
12 Public	5.3	6.4	4.1	1.7	1.3	1.3	1.3	0.6	0.6
13 Savings bonds and notes	79.9	72.5	68.1	68.0	68.3	68.5	68.8	69.2	69.4
14 *Government account series*[4]	177.5	185.1	196.7	205.4	199.1	197.0	197.6	222.4	225.0
15 Non-interest-bearing debt	1.2	1.3	1.4	1.6	1.6	1.5	5.9	1.5	1.5
By holder[5]									
16 U.S. government agencies and trust funds	187.1	192.5	203.3	209.4	203.3	201.2			
17 Federal Reserve Banks	117.5	121.3	131.0	139.3	135.6	136.7			
18 Private investors	540.5	616.4	694.5	848.4		906.6			
19 Commercial banks	96.4	116.0	109.4	131.4		153.2			
20 Mutual savings banks	4.7	5.4	5.2	n.a.		n.a.			
21 Insurance companies	16.7	20.1	19.1	38.7		40.0			
22 Other companies	22.9	25.7	37.8	n.a.		n.a.	n.a.	n.a.	n.a.
23 State and local governments	69.9	78.8	85.6	113.4	n.a.	n.a.			
Individuals									
24 Savings bonds	79.9	72.5	68.0	68.3		68.3			
25 Other securities	36.2	56.7	75.6	48.2		48.4			
26 Foreign and international[6]	124.4	127.7	141.4	149.4		156.3			
27 Other miscellaneous investors[7]	90.1	106.9	152.3	233.2		n.a.			

1. Includes (not shown separately). Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).

3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

4. Held almost entirely by U.S. government agencies and trust funds

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings, data for other groups are Treasury estimates

6. Consists of investments of foreign balances and international accounts in the United States.

7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department), data by holder from *Treasury Bulletin*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

	Item	1980	1981	1982	1983			1983, week ending Wednesday					
					Mar.	Apr.	May	May 25	June 1	June 8	June 15	June 22	June 29
	Immediate delivery[1]												
1	U.S. government securities	18,331	24,728	32,271	37,900	38,468	41,584	35,028	41,804	41,837	39,190	42,959	45,430
	By maturity												
2	Bills	11,413	14,768	18,398	20,195	22,142	21,878	19,098	22,147	22,090	22,244	21,357	23,560
3	Other within 1 year	421	621	810	519	611	448	493	542	604	759	467	640
4	1–5 years	3,330	4,360	6,272	7,884	7,385	8,908	7,576	11,169	6,632	6,536	11,314	8,251
5	5–10 years	1,464	2,451	3,557	5,196	4,136	4,415	3,434	3,762	8,267	5,031	4,943	7,092
6	Over 10 years	1,704	2,528	3,234	4,106	4,194	5,813	4,428	4,184	4,244	4,619	4,878	5,887
	By type of customer												
7	U.S. government securities dealers	1,484	1,640	1,769	1,757	2,418	2,361	1,852	2,122	2,095	2,030	2,264	3,032
8	U.S. government securities brokers	7,610	11,750	15,659	18,414	18,535	19,460	17,678	19,846	20,906	20,757	23,089	23,426
9	All others[2]	9,237	11,337	15,344	17,728	17,515	18,550	15,499	19,836	18,836	16,404	17,606	18,973
10	Federal agency securities	3,258	3,306	4,142	4,575	5,584	5,457	5,641	4,156	4,380	5,702	4,134	5,021
11	Certificates of deposit	2,472	4,477	5,001	3,702	4,541	3,879	3,326	4,291	4,495	3,933	4,270	3,342
12	Bankers acceptances	↑	1,807	2,502	2,255	3,063	2,480	1,897	2,159	2,310	2,392	2,187	2,505
13	Commercial paper		6,128	7,595	7,604	8,603	8,145	7,882	9,084	7,988	8,507	9,285	7,626
	Futures transactions[3]												
14	Treasury bills		3,523	5,031	6,040	6,057	6,526	6,217	7,134	8,885	7,087	8,138	6,447
15	Treasury coupons	n.a.	1,330	1,490	2,138	1,779	2,313	2,342	2,204	2,237	2,684	3,175	2,841
16	Federal agency securities		234	259	262	194	317	361	523	326	388	290	373
	Forward transactions[4]												
17	U.S. government securities		365	835	1,628	1,322	1,458	743	1,018	1,211	1,075	2,307	995
18	Federal agency securities	↓	1,370	982	1,439	1,493	1,521	1,166	1,175	2,058	2,162	1,526	904

1. Before 1981, data for immediate transactions include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1980	1981	1982	1983			1983, week ending Wednesday				
					Mar.	Apr.	May	May 11	May 18	May 25	June 1	June 8
		Positions										
	Net immediate[1]											
1	U.S. government securities	4,306	9,033	9,328	11,399	9,014	5,878	11,813	7,215	304	−18	4,273
2	Bills	4,103	6,485	4,837	9,544	7,775	4,270	6,886	5,405	1,323	615	4,420
3	Other within 1 year	−1,062	−1,526	−199	3	−371	16	97	93	−90	46	146
4	1–5 years	434	1,488	2,932	1,263	733	485	2,560	180	−1,856	−215	−778
5	5–10 years	166	292	−341	−748	−57	−183	209	−118	−98	−1,045	513
6	Over 10 years	665	2,294	2,001	1,337	934	1,290	2,062	1,655	1,025	582	−28
7	Federal agency securities	797	2,277	3,712	4,855	5,278	5,651	5,581	6,067	5,697	5,194	5,559
8	Certificates of deposit	3,115	3,435	5,531	6,104	5,474	4,836	5,103	4,760	4,333	4,585	4,534
9	Bankers acceptances	↑	1,746	2,832	2,809	3,051	2,931	3,834	3,029	2,101	1,852	2,294
10	Commercial paper		2,658	3,317	3,173	3,228	3,014	3,575	2,813	2,405	2,678	2,963
	Futures positions											
11	Treasury bills		−8,934	−2,508	−530	−7,151	−5,771	−10,259	−6,976	−1,777	−1,206	−569
12	Treasury coupons	n.a.	−2,733	−2,361	−1,907	−1,966	−1,386	−2,214	−1,700	−787	−302	−113
13	Federal agency securities		522	−224	−64	112	51	51	85	1	53	178
	Forward positions											
14	U.S. government securities		−603	−788	−1,782	−887	−2,034	−863	−1,813	−3,513	−2,913	−1,245
15	Federal agency securities	↓	−451	−1,190	−1,906	−1,570	−1,712	−1,573	−2,095	−1,703	−1,764	−1,891
		Financing[2]										
	Reverse repurchase agreements[3]											
16	Overnight and continuing	↑	14,568	26,754	19,668	22,351	23,679	20,420	25,853	27,618	31,355	26,658
17	Term agreements		32,048	48,247	49,637	49,414	49,308	49,816	49,578	50,846	49,086	49,294
	Repurchase agreements[4]	n.a.										
18	Overnight and continuing		35,919	49,695	51,228	51,702	52,378	51,300	54,039	50,924	57,438	53,590
19	Term agreements	↓	29,449	43,410	43,450	41,890	42,350	44,435	41,613	43,039	39,433	40,178

For notes see opposite page.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1979	1980	1981	1982				1983		
				Sept	Oct	Nov	Dec	Jan	Feb	Mar.
1 **Federal and federally sponsored agencies[1]**	**163,290**	**193,229**	**227,210**	**245,951**	**244,599**	**243,535**	**247,119**	**247,887**	**244,243r**	**240,475**
2 Federal agencies	24,715	28,606	31,806	32,606	32,713	32,772	33,055	33,018	33,045	33,083
3 Defense Department[2]	738	610	484	388	377	364	354	346	336	335
4 Export-Import Bank[3,4]	9,191	11,250	13,339	14,042	14,000	13,999	14,218	14,267	14,255	14,304
5 Federal Housing Administration[5]	537	477	413	335	323	311	288	282	281	271
6 Government National Mortgage Association participation certificates[6]	2,979	2,817	2,715	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[7]	1,837	1,770	1,538	1,471	1,471	1,471	1,471	1,471	1,471	1,471
8 Tennessee Valley Authority	8,997	11,190	13,115	14,010	14,185	14,270	14,365	14,365	14,415	14,415
9 United States Railway Association[7]	436	492	202	195	192	192	194	122	122	122
10 Federally sponsored agencies[1]	138,575	164,623	195,404	213,345	212,886	210,763	214,064	214,869	211,198r	207,392
11 Federal Home Loan Banks	33,330	41,258	58,090	61,251	60,904	60,356	61,447	59,969	57,515r	54,880
12 Federal Home Loan Mortgage Corporation	2,771	2,536	2,604	3,000	3,000	3,000	3,000	3,000	3,202	2,002
13 Federal National Mortgage Association	48,486	55,185	58,749	68,130	67,916	66,852	70,052	72,247	72,221	71,366
14 Federal Land Banks	16,006	12,365	9,717	7,652	6,813	6,813	6,813	5,802	5,802	5,802
15 Federal Intermediate Credit Banks	2,676	1,821	1,388	926	926	926	926	926	926	926
16 Banks for Cooperatives	584	584	220	220	220	220	220	220	220	220
17 Farm Credit Banks[1]	33,216	48,153	60,034	65,553	66,449	65,877	65,014	66,360	65,796	65,653
18 Student Loan Marketing Association	1,505	2,720	4,600	6,611	6,657	6,718	6,591	6,404	6,257	6,542
19 Other	1	1	2	2	1	1	1	1	1	1
MEMO										
20 **Federal Financing Bank debt[1,8]**	**67,383**	**87,460**	**110,698**	**124,357**	**125,064**	**125,707**	**126,424**	**126,587**	**126,623**	**127,717**
Lending to federal and federally sponsored agencies										
21 Export-Import Bank[4]	8,353	10,654	12,741	13,954	13,954	13,954	14,177	14,177	14,177	14,232
22 Postal Service[7]	1,587	1,520	1,288	1,221	1,221	1,221	1,221	1,221	1,221	1,221
23 Tennessee Valley Authority	7,272	9,465	11,390	12,285	12,460	12,545	12,640	12,640	12,690	12,675
24 United States Railway Association[7]	436	492	202	195	192	192	194	122	122	122
Other Lending[9]										
25 Farmers Home Administration	32,050	39,431	48,821	53,736	53,661	53,661	53,261	53,056	52,431	52,686
26 Rural Electrification Administration	6,484	9,196	13,516	16,282	16,600	16,750	17,157	17,330	17,502	17,816
27 Other	9,696	13,982	18,140	21,684	26,976	27,384	27,774	28,041	28,480	28,965

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct 1, 1976

4. Off-budget Aug. 17, 1974, through Sept 30, 1976, on-budget thereafter

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6 Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare, Department of Housing and Urban Development, Small Business Administration, and the Veterans Administration

7 Off-budget

8 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

NOTES TO TABLE 1 43

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs) The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes Securities owned, and hence dealer positions, do not include securities to resell (reverse RPs). Before 1981, data for immediate positions include forward positions

2. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper

3 Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, i e , matched agreements

4. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements

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

1.45 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1980	1981	1982	1982				1983			
				Sept.	Oct.	Nov	Dec	Jan.	Feb.	Mar.	Apr.
1 **All issues, new and refunding**[1]	**48,367**	**47,732**	**78,950**	**6,673**	**8,466**	**10,287**	**9,761**	**3,625**	**5,998**	**8,141**	**10,149**
Type of issue											
2 General obligation	14,100	12,394	21,088	1,716	2,331	3,392	1,623	847	1,250	2,230	3,278
3 U.S. government loans[2]	38	34	225	30	30	34	37	0	3	3	2
4 Revenue	34,267	35,338	57,862	4,957	6,135	6,895	8,138	2,778	4,748	5,911	6,871
5 U.S. government loans[2]	57	55	461	54	57	57	62	0	2	5	9
Type of issuer											
6 State	5,304	5,288	8,406	1,077	1,010	1,091	220	237	275	724	1,745
7 Special district and statutory authority	26,972	27,499	45,000	3,607	5,160	5,489	6,171	2,100	4,123	5,046	5,227
8 Municipalities, counties, townships, school districts	16,090	14,945	25,544	1,821	2,296	3,243	3,370	1,288	1,600	2,371	3,177
9 **Issues for new capital, total**	**46,736**	**46,530**	**74,612**	**6,470**	**7,275**	**9,496**	**9,531**	**3,127**	**4,909**	**6,709**	**8,242**
Use of proceeds											
10 Education	4,572	4,547	6,444	840	546	765	895	352	1,079	811	605
11 Transportation	2,621	3,447	6,256	557	636	1,291	1,342	49	539	815	559
12 Utilities and conservation	8,149	10,037	14,254	292	1,338	1,969	1,891	956	1,039	1,716	2,508
13 Social welfare	19,958	12,729	26,605	2,647	2,918	2,336	3,121	817	1,391	2,376	2,637
14 Industrial aid	3,974	7,651	8,256	1,082	621	877	1,308	306	167	330	350
15 Other purposes	7,462	8,119	12,797	1,052	1,212	2,258	974	647	694	904	1,583

1. Par amounts of long-term issues based on date of sale
2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

SOURCE. Public Securities Association

1.46 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1980	1981	1982	1982					1983		
				Aug	Sept	Oct.	Nov.	Dec	Jan	Feb.	Mar.
1 **All issues**[1,2]	**73,694**	**69,991**	**83,788**	**9,318**	**8,247**	**9,989**	**8,802**	**9,830**	**7,598**	**8,481**	**11,608**
2 **Bonds**	**53,206**	**44,642**	**53,226**	**6,553**	**5,762**	**7,121**	**5,412**	**5,636**	**4,470**	3,819	5,267
Type of offering											
3 Public	41,587	37,653	43,428	5,546	5,308	6,426	4,927	4,264	4,470	3,819	5,267
4 Private placement	11,619	6,989	9,798	1,007	454	695	485	1,372	n.a.	n.a.	n a
Industry group											
5 Manufacturing	15,409	12,325	13,307	1,602	1,730	2,044	2,138	1,204	849	635	962
6 Commercial and miscellaneous	6,693	5,229	5,681	1,202	481	417	523	565	702	361	511
7 Transportation	3,329	2,052	1,474	402	64	285	88	120	31	250	....
8 Public utility	9,557	8,963	12,155	934	1,021	1,663	1,246	944	313	813	950
9 Communication	6,683	4,280	2,265	205	311	208	115	372	.	. .	650
10 Real estate and financial	11,534	11,793	18,344	2,208	2,156	2,504	1,302	2,431	2,575	1,760	2,194
11 **Stocks**[3]	**20,489**	**25,349**	**30,562**	**2,765**	**2,485**	**2,868**	**3,390**	**4,194**	**3,128**	**4,662**	**6,341**
Type											
12 Preferred	3,631	1,797	5,113	622	522	611	573	421	594	1,962	893
13 Common	16,858	23,552	25,449	2,143	1,963	2,257	2,817	3,773	2,534	2,700	5,448
Industry group											
14 Manufacturing	4,839	5,074	5,649	717	345	666	481	921	876	1,048	1,584
15 Commercial and miscellaneous	5,245	7,557	7,770	375	742	640	1,024	693	994	646	1,225
16 Transportation	549	779	709	62	84	80	225	22	355	283	91
17 Public utility	6,230	5,577	7,517	759	1,003	620	752	742	350	534	674
18 Communication	567	1,778	2,227	495	4	33	14	1,361	187	2	1,133
19 Real estate and financial	3,059	4,584	6,690	357	307	829	894	455	366	2,149	1,634

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Data for 1983 include only public offerings
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1981	1982	1982 Oct	1982 Nov	1982 Dec.	1983 Jan.	1983 Feb	1983 Mar	1983 Apr r	1983 May
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	20,596	45,675	5,668	5,815	5,291	8,095	6,115	7,871	8,418	7,578
2 *Redemptions of own shares*[3]	15,866	30,078	3,046	3,493	4,835	4,233	3,510	5,066	6,482	4,486
3 Net sales	4,730	15,597	2,622	2,322	456	3,862	2,605	2,805	1,936	3,092
4 Assets[4]	55,207	76,741	70,964	74,864	76,841	80,384	84,981	90,075	98,669	101,423
5 Cash position[5]	5,277	5,999	5,948	5,838	6,040	6,943	7,404	7,904	8,496	8,772
6 Other	49,930	70,742	65,016	69,026	70,801	73,441	77,577	82,171	90,173	92,651

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities
5. Also includes all U S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1980	1981	1982	1981 Q2	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1983 Q1r
1 Corporate profits with inventory valuation and capital consumption adjustment	181.6	190.6	160 8	185.1	193.1	183.9	157 1	155.4	166.2	164.6	186.1
2 Profits before tax	242 4	232.1	174.9	225 4	233.3	216.5	171.6	171.7	180 3	175 9	177 9
3 Profits tax liability	84.6	81.2	57 7	79 2	82.4	71.6	56 7	55.3	60.9	58.0	65.2
4 Profits after tax	157.8	150.9	117.1	146.2	150.9	144.9	114.9	116.3	119 4	117 9	112.7
5 Dividends	58.1	65.1	70.3	64 0	66 8	68.1	68.8	69 3	70.5	72.4	73 5
6 Undistributed profits	99.7	85.8	46 9	82.2	84 1	76.8	46 1	47.0	48.8	45.5	39.2
7 Inventory valuation	−43.0	−24.6	−9 2	−22.8	−23 0	−17 1	−4 4	−9.4	−10.3	−12.6	5
8 Capital consumption adjustment	−17 8	−16 8	−4.9	−17.5	−17 1	−15.5	−10.1	−6.9	−3.8	1 3	7 7

SOURCE. *Survey of Current Business* (Department of Commerce).

1.49 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1976	1977	1978	1979	1980	1981	1982			
						Q4	Q1	Q2	Q3	Q4
1 **Current assets**	**827.4**	**912.7**	**1,043.7**	**1,218.2**	**1,333.5**	**1,426.8**	**1,424.6**	**1,422.6**	**1,446.9**	**1,430.9**
2 Cash	88.2	97.2	105.5	118.0	127.1	131.9	122.0	124.4	126.9	143.7
3 U.S. government securities	23.5	18.2	17.3	17.0	19.3	18.0	16.9	17.1	19.6	23.1
4 Notes and accounts receivable	292.9	330.3	388.0	461.1	510.6	536.2	539.2	536.8	539.7	517.0
5 Inventories	342.5	376.9	431.6	505.5	543.7	587.1	592.7	588.4	598.0	577.5
6 Other	80.3	90.1	101.3	116.7	132.7	153.6	153.7	155.8	162.7	169.6
7 **Current liabilities**	**495.1**	**557.1**	**669.3**	**807.8**	**890.9**	**979.5**	**988.0**	**987.5**	**1,005.2**	**976.5**
8 Notes and accounts payable	282.1	317.6	382.9	461.2	515.2	562.4	555.5	555.1	559.7	548.7
9 Other	213.0	239.6	286.4	346.6	375.7	417.1	432.5	432.4	445.5	427.8
10 **Net working capital**	**332.4**	**355.5**	**374.4**	**410.5**	**442.6**	**447.3**	**436.6**	**435.1**	**441.7**	**454.4**
11 MEMO: Current ratio[1]	1.671	1.638	1.559	1.508	1.497	1.457	1.442	1.441	1.439	1.465

1. Ratio of total current assets to total current liabilities

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry[1]	1981	1982	1983[1]	1982			1983			
				Q2	Q3	Q4	Q1	Q2[1]	Q3[1]	Q4[1]
1 **Total nonfarm business**	**321.49**	**316.43**	**305.53**	**323.22**	**315.79**	**302.77**	**293.03**	**302.23**	**306.83**	**320.02**
Manufacturing										
2 Durable goods industries	61.84	56.44	51.95	59.03	57.14	50.50	50.74	49.64	53.34	54.09
3 Nondurable goods industries	64.95	63.23	60.84	64.74	62.32	59.59	59.12	61.34	60.75	62.15
Nonmanufacturing										
4 Mining	16.86	15.45	13.24	16.56	14.63	13.31	12.03	13.69	13.54	13.70
Transportation										
5 Railroad	4.24	4.38	3.96	4.73	3.94	4.31	3.35	4.00	4.09	4.41
6 Air	3.81	3.93	3.42	3.54	4.11	4.85	4.09	3.25	2.68	3.66
7 Other	4.00	3.64	3.42	4.06	3.24	3.25	3.60	3.40	3.17	3.51
Public utilities										
8 Electric	29.74	33.40	33.84	32.26	34.98	35.12	33.97	34.16	32.97	34.24
9 Gas and other	8.65	8.55	7.76	9.14	8.40	7.77	7.64	8.03	7.48	7.87
10 Trade and services	86.33	86.95	87.13	88.85	87.31	84.00	82.38	85.33	87.41	93.37
11 Communication and other[2]	41.06	40.46	39.97	40.33	39.73	40.06	36.11	39.40	41.39	43.00

1. Anticipated by business
2. "Other" consists of construction, social services and membership organizations; and forestry, fisheries, and agricultural services.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1977	1978	1979	1980	1981	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1983 Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	44.0	52.6	65.7	73.6	85.5	85.1	88.0	88.3	89.5	89.9
2 Business	55.2	63.3	70.3	72.3	80.6	80.9	82.6	82.2	81.0	82.2
3 Total	99.2	116.0	136.0	145.9	166.1	166.0	170.6	170.5	170.4	172.1
4 LESS: Reserves for unearned income and losses	12.7	15.6	20.0	23.3	28.9	29.1	30.2	30.4	30.5	29.7
5 Accounts receivable, net	86.5	100.4	116.0	122.6	137.2	136.9	140.4	140.1	139.8	142.4
6 Cash and bank deposits	2.6	3.5								
7 Securities	.9	1.3	24.9[1]	27.5	34.2	35.0	37.3	39.1	39.7	42.8
8 All other	14.3	17.3								
9 **Total assets**	**104.3**	**122.4**	**140.9**	**150.1**	**171.4**	**171.9**	**177.8**	**179.2**	**179.5**	**185.2**
LIABILITIES										
10 Bank loans	5.9	6.5	8.5	13.2	15.4	15.4	14.5	16.8	18.6	16.6
11 Commercial paper	29.6	34.5	43.3	43.4	51.2	46.2	50.3	46.7	45.8	45.2
Debt										
12 Short-term, n.e.c.	6.2	8.1	8.2	7.5	9.6	9.0	9.3	9.9	8.7	9.8
13 Long-term, n.e.c.	36.0	43.6	46.7	52.4	54.8	59.0	60.3	60.9	63.5	64.7
14 Other	11.5	12.6	14.2	14.3	17.8	19.0	18.9	20.5	18.7	22.8
15 Capital, surplus, and undivided profits	15.1	17.2	19.9	19.4	22.8	23.3	24.5	24.5	24.2	26.0
16 **Total liabilities and capital**	**104.3**	**122.4**	**140.9**	**150.1**	**171.4**	**171.9**	**177.8**	**179.2**	**179.5**	**185.2**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined

NOTE Components may not add to totals due to rounding

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Apr 30, 1983[1]	Changes in accounts receivable 1983 Feb	Mar	Apr	Extensions 1983 Feb	Mar	Apr	Repayments 1983 Feb	Mar	Apr
1 **Total**	**83,081**	**126**	**−80**	**887**	**22,458**	**23,924**	**22,927**	**22,332**	**24,004**	**22,040**
2 Retail automotive (commercial vehicles)	14,811	396	645	830	1,336	1,604	1,810	940	959	980
3 Wholesale automotive	12,425	115	−590	226	6,643	6,058	6,494	6,258	6,648	6,268
4 Retail paper on business, industrial, and farm equipment	27,654	381	283	−116	1,477	1,252	1,180	1,096	969	1,296
5 Loans on commercial accounts receivable and factored commercial accounts receivable	9,400	−243	102	73	11,634	13,327	11,897	11,877	13,225	11,824
6 All other business credit	18,791	−523	−520	−126	1,368	1,683	1,546	1,891	2,203	1,672

1. Not seasonally adjusted

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1980	1981	1982	1982 Nov.	1982 Dec	1983 Jan.	1983 Feb	1983 Mar	1983 Apr.	1983 May
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	83.4	90.4	94 6	97 9	91.8	88 9	88.4	80 1	89.6	92 1
2 *Amount of loan (thousands of dollars)*	59.2	65 3	69 8	75.6	67.6	65.4	66.6	60.5	66.5	67.8
3 Loan/price ratio (percent)	73.2	74.8	76.6	79 0	75.2	75.2	77.9	76.8	74.2	77.5
4 Maturity (years)	28.2	27.7	27.6	27 9	26.9	26.5	27 2	24.2	26.9	26.8
5 Fees and charges (percent of loan amount)[2]	2.09	2.67	2 95	2.76	2.98	2.46	2.78	2.21	2.09	2 44
6 Contract rate (percent per annum)	12.25	14.16	14.47	13 26	13.09	13.00	12.62	12.97	12.02	12.21
Yield (percent per annum)										
7 FHLBB series[3]	12 65	14.74	15.12	13.81	13 69	13.49	13.16	13.41	12.42	12.67
8 HUD series[4]	13.95	16.52	15.79	13.80	13.62	13.44	13.18	13.17	13 02	13.09
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.44	16.31	15.31	12.82	12.80	12.87	12 65	12.68	12 50	12.41
10 GNMA securities[6]	12 55	15.29	14 68	12.66	12 60	12.06	11.94	11.87	11 76	11.72
FNMA auctions[7]										
11 Government-underwritten loans	14.11	16.70	...	...	...	...	n.a.	n a	n.a.	n.a.
12 Conventional loans	14.43	16.64	15 95	13.75	13.72	...	n.a.	n a	n.a.	n.a.
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	55,104	58,675	66,031	70,126	71,814	73,106	73,555	73,666	73,554	74,116
14 FHA/VA-insured	37,365	39,341	39,718	39,174	39,057	38,924	38,768	38,409	37,901	37,669
15 Conventional	17,725	19,334	26,312	30,952	32,757	34,182	34,788	35,257	35,653	36,446
Mortgage transactions (during period)										
16 Purchases	8,099	6,112	15,116	1,681	2,495	2,045	1,594	1,433	1,004	1,579
17 Sales	0	2	2	1	1	0	1	777	586	204
Mortgage commitments[8]										
18 Contracted (during period)	8,083	9,331	22,105	2,795	3,055	2,006	785	1,184	1,023	1,534
19 Outstanding (end of period)	3,278	3,717	7,606	7,286	7,606	7,487	6,475	6,187	5,811	5,726
Auction of 4-month commitments to buy										
Government-underwritten loans										
20 Offered	8,605.4	2,487 2	307.4	27.0	4 6	2.0	0	n.a	n a.	n.a.
21 Accepted	4,002.0	1,478 0	104.3	0	0	0	0	n.a.	n.a	n.a.
Conventional loans										
22 Offered	3,639.2	2,524.7	445.3	22 1	23 2	7.8	1 8	n.a.	n.a.	n.a.
23 Accepted	1,748.5	1,392.3	237.6	11 4	15 3	0	0	n.a.	n a	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
24 Total	4,362	5,245	5,153	4,676	4,733	4,560	4,450	4,795	4,997	6,026
25 FHA/VA	2,116	2,236	1,921	1,012	1,009	1,004	1,000	995	990	984
26 Conventional	2,246	3,010	3,224	3,618	3,724	3,556	3,450	3,800	4,008	5,042
Mortgage transactions (during period)										
27 Purchases	3,723	3,789	23,671	1,917	3,916	1,479	1,688	2,849	1,807	2,439
28 Sales	2,527	3,531	24,164	2,182	3,798	1,641	1,756	2,469	1,525	1,408
Mortgage commitments[10]										
29 Contracted (during period)	3,859	6,974	28,187	1,714	1,068	2,059	868	1,438	3,079	2,334
30 Outstanding (end of period)	447	3,518	7,549	10,407	7,549	8,098	7,238	5,845	7,253	6,889

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. *Includes all fees, commissions, discounts, and "points" paid (by the* borrower or the seller) to obtain a loan
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Department of Housing and Urban Development
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month FNMA's commitment auctions were discontinued in March 1983
8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
9. Includes participation as well as whole loans.
10. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1980	1981	1982	1982				1983
				Q1	Q2	Q3	Q4	Q1
1 **All holders**	**1,471,786**	**1,583,264**	**1,652,126**	**1,602,855**	**1,624,279**	**1,632,161**	**1,652,126**	**1,679,911**
2 1- to 4-family	986,979	1,065,294	1,112,352	1,076,930	1,089,522	1,097,507	1,112,352	1,133,012
3 Multifamily	137,134	136,354	136,515	137,712	138,332	136,508	136,515	138,164
4 Commercial	255,655	279,889	296,369	284,306	290,951	291,740	296,369	301,703
5 Farm	92,018	101,727	106,890	103,907	105,474	106,406	106,890	107,032
6 Major financial institutions	997,168	1,040,827	1,020,527	1,041,702	1,042,904	1,027,027	1,020,527	1,026,582
7 Commercial banks[1]	263,030	284,536	301,742	289,365	294,022	298,342	301,742	305,672
8 1- to 4-family	160,326	170,013	177,122	171,350	172,596	175,126	177,122	179,430
9 Multifamily	12,924	15,132	15,841	15,338	15,431	15,666	15,841	16,147
10 Commercial	81,081	91,026	100,269	94,256	97,522	99,050	100,269	101,575
11 Farm	8,699	8,365	8,510	8,421	8,473	8,500	8,510	8,520
12 Mutual savings banks	99,865	99,997	94,452	97,464	96,346	94,382	94,452	93,697
13 1- to 4-family	67,489	68,187	64,095	66,305	65,381	63,849	64,095	63,582
14 Multifamily	16,058	15,960	15,037	15,536	15,338	15,026	15,037	14,917
15 Commercial	16,278	15,810	15,292	15,594	15,598	15,479	15,292	15,170
16 Farm	40	40	28	29	29	28	28	28
17 Savings and loan associations	503,192	518,547	482,414	516,111	512,997	493,899	482,414	484,080
18 1- to 4-family	419,763	433,142	398,537	430,178	425,890	410,035	398,537	397,178
19 Multifamily	38,142	37,699	36,023	37,986	38,321	36,894	36,023	36,511
20 Commercial	45,287	47,706	47,854	47,947	48,786	46,970	47,854	50,391
21 Life insurance companies	131,081	137,747	141,919	138,762	139,539	140,404	141,919	143,133
22 1- to 4-family	17,943	17,201	16,743	17,086	16,451	16,865	16,743	16,836
23 Multifamily	19,514	19,283	18,847	19,199	18,982	18,967	18,847	19,054
24 Commercial	80,666	88,163	93,501	89,529	91,113	91,640	93,501	94,618
25 Farm	12,958	13,100	12,828	12,948	12,993	12,932	12,828	12,625
26 Federal and related agencies	114,300	126,094	138,185	128,698	131,456	134,409	138,185	140,023
27 Government National Mortgage Association	4,642	4,765	4,227	4,438	4,669	4,110	4,227	3,785
28 1- to 4-family	704	693	676	689	688	682	676	665
29 Multifamily	3,938	4,072	3,551	3,749	3,981	3,428	3,551	3,120
30 Farmers Home Administration	3,492	2,235	1,786	2,469	1,335	947	1,786	2,077
31 1- to 4-family	916	914	783	715	491	302	783	707
32 Multifamily	610	473	218	615	179	46	218	380
33 Commercial	411	506	377	499	256	164	377	337
34 Farm	1,555	342	408	640	409	435	408	653
35 Federal Housing and Veterans Administration	5,640	5,999	5,228	6,003	5,908	5,362	5,228	5,156
36 1- to 4-family	2,051	2,289	1,980	2,266	2,218	2,130	1,980	1,883
37 Multifamily	3,589	3,710	3,248	3,737	3,690	3,232	3,248	3,273
38 Federal National Mortgage Association	57,327	61,412	71,814	62,544	65,008	68,841	71,814	73,666
39 1- to 4-family	51,775	55,986	66,500	57,142	59,631	63,495	66,500	68,370
40 Multifamily	5,552	5,426	5,314	5,402	5,377	5,346	5,314	5,296
41 Federal Land Banks	38,131	46,446	50,350	47,947	49,270	49,983	50,350	50,544
42 1- to 4-family	2,099	2,788	3,068	2,874	2,954	3,029	3,068	3,059
43 Farm	36,032	43,658	47,282	45,073	46,316	46,954	47,282	47,485
44 Federal Home Loan Mortgage Corporation	5,068	5,237	4,780	5,297	5,266	5,166	4,780	4,795
45 1- to 4-family	3,873	5,181	4,733	5,240	5,209	5,116	4,733	4,740
46 Multifamily	1,195	56	47	57	57	50	47	55
47 Mortgage pools or trusts[2]	142,258	163,000	216,654	172,303	183,657	198,376	216,654	234,596
48 Government National Mortgage Association	93,874	105,790	118,940	108,592	111,459	114,776	118,940	127,939
49 1- to 4-family	91,602	103,007	115,831	105,701	108,487	111,728	115,831	124,482
50 Multifamily	2,272	2,783	3,109	2,891	2,972	3,048	3,109	3,457
51 Federal Home Loan Mortgage Corporation	16,854	19,853	42,964	23,970	28,703	35,132	42,964	48,008
52 1- to 4-family	13,471	19,501	42,560	23,610	28,329	34,739	42,560	47,575
53 Multifamily	3,383	352	404	360	374	393	404	433
54 Federal National Mortgage Association[3]	n a	717	14,450	2,786	4,556	8,133	14,450	18,157
55 1- to 4-family	n a	717	14,450	2,786	4,556	8,133	14,450	18,157
56 Farmers Home Administration	31,530	36,640	40,300	36,955	38,939	40,335	40,300	40,492
57 1- to 4-family	16,683	18,378	20,005	18,740	19,357	20,079	20,005	20,263
58 Multifamily	2,612	3,426	4,344	3,447	4,044	4,344	4,344	4,344
59 Commercial	5,271	6,161	7,011	6,351	6,762	7,056	7,011	7,115
60 Farm	6,964	8,675	8,940	8,417	8,776	8,856	8,940	8,770
61 Individual and others[4]	218,060	253,343	276,760	260,152	266,262	272,349	276,760	278,710
62 1- to 4-family[5]	138,284	167,297	185,269	172,248	177,284	182,199	185,269	186,085
63 Multifamily	27,345	27,982	30,532	29,395	29,586	30,068	30,532	31,177
64 Commercial	26,661	30,517	32,065	30,130	30,914	31,381	32,065	32,497
65 Farm	25,770	27,547	28,894	28,379	28,478	28,701	28,894	28,951

1 Includes loans held by nondeposit trust companies but not bank trust departments.

2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. The program was implemented by FNMA in October 1981

4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available

5. Includes a new estimate of residential mortgage credit provided by individuals.

NOTE Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve Multifamily debt refers to loans on structures of five or more units

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

Holder, and type of credit	1980	1981	1982	1982 Oct.	1982 Nov.	1982 Dec	1983 Jan	1983 Feb.	1983 Mar.	1983 Apr.	1983 May
	Amounts outstanding (end of period)										
1 **Total**	**313,472**	**331,697**	**344,798**	**336,473**	**338,372**	**344,798**	**343,151**	**340,343**	**342,568**	**344,748**	**347,189**
By major holder											
2 Commercial banks	147,013	147,622	152,069	149,528	149,651	152,069	150,906	150,257	151,319	152,408	153,471
3 Finance companies	76,756	89,818	94,322	92,541	93,462	94,322	95,080	93,859	94,817	94,675	95,364
4 Credit unions	44,041	45,954	47,253	46,645	46,832	47,253	46,946	46,757	47,081	47,505	47,838
5 Retailers[2]	28,448	29,551	30,202	27,046	27,639	30,202	28,859	27,734	27,472	27,455	27,541
6 Savings and loans	9,911	11,598	13,891	13,457	13,672	13,891	14,209	14,860	15,083	15,551	15,842
7 Gasoline companies	4,468	4,403	4,063	4,322	4,141	4,063	4,102	3,780	3,669	3,980	3,943
8 Mutual savings banks	2,835	2,751	2,998	2,934	2,975	2,998	3,049	3,096	3,127	3,174	3,190
By major type of credit											
9 Automobile	116,838	125,331	130,227	128,375	129,299	130,227	129,482	129,055	130,959	131,976	133,640
10 Commercial banks	61,536	58,081	58,851	58,552	58,701	58,851	57,740	57,971	58,567	59,291	60,384
11 Indirect paper	35,233	34,375	35,178	34,744	34,884	35,178	(3)	(3)	(3)	(3)	(3)
12 Direct loans	26,303	23,706	23,673	23,808	23,817	23,673	(3)	(3)	(3)	(3)	(3)
13 Credit unions	21,060	21,975	22,596	22,306	22,395	22,596	22,458	22,360	22,518	22,721	22,880
14 Finance companies	34,242	45,275	48,780	47,518	48,203	48,780	49,284	48,724	49,874	49,964	50,376
15 Revolving	58,352	62,819	67,184	61,836	62,362	67,184	65,562	63,372	63,091	63,521	63,459
16 Commercial banks	29,765	32,880	36,688	34,110	34,233	36,688	36,282	35,481	35,533	35,651	35,536
17 Retailers	24,119	25,536	26,433	23,404	23,988	26,433	25,178	24,111	23,889	23,890	23,980
18 Gasoline companies	4,468	4,403	4,063	4,322	4,141	4,063	4,102	3,780	3,669	3,980	3,943
19 Mobile home	17,322	18,373	18,988	19,043	19,049	18,988	19,291	19,374	19,379	19,400	19,448
20 Commercial banks	10,371	10,187	9,684	9,860	9,806	9,684	9,828	9,806	9,739	9,624	9,581
21 Finance companies	3,745	4,494	4,965	4,971	4,970	4,965	4,981	4,960	4,967	4,970	4,976
22 Savings and loans	2,737	3,203	3,836	3,716	3,775	3,836	3,984	4,112	4,174	4,303	4,384
23 Credit unions	469	489	503	496	498	503	498	496	499	503	507
24 Other	120,960	125,174	128,399	127,219	127,662	128,399	128,816	128,542	129,139	129,851	130,642
25 Commercial banks	45,341	46,474	46,846	47,006	46,911	46,846	47,056	46,999	47,480	47,842	47,970
26 Finance companies	38,769	40,049	40,577	40,052	40,289	40,577	40,815	40,175	39,976	39,741	40,012
27 Credit unions	22,512	23,490	24,154	23,844	23,939	24,154	23,990	23,901	24,064	24,281	24,451
28 Retailers	4,329	4,015	3,769	3,642	3,651	3,769	3,681	3,623	3,583	3,565	3,561
29 Savings and loans	7,174	8,395	10,055	9,741	9,897	10,055	10,225	10,748	10,909	11,248	11,458
30 Mutual savings banks	2,835	2,751	2,998	2,934	2,975	2,998	3,049	3,096	3,127	3,174	3,190
	Net change (during period)[4]										
31 **Total**	**1,448**	**18,217**	**13,096**	**−131**	**2,015**	**2,418**	**2,725**	**735**	**2,582**	**2,271**	**2,696**
By major holder											
32 Commercial banks	−7,163	607	4,442	73	457	1,111	410	788	1,354	1,186	1,540
33 Finance companies	8,438	13,062	4,504	−372	1,051	1,024	1,881	−658	487	−520	362
34 Credit unions	−2,475	1,913	1,298	38	412	197	20	43	143	708	288
35 Retailers[2]	329	1,103	651	−67	−51	−91	−14	36	422	147	169
36 Savings and loans	1,485	1,682	2,290	274	181	201	412	677	187	394	374
37 Gasoline companies	739	−65	−340	−108	−35	−51	−78	−200	−35	299	−51
38 Mutual savings banks	95	−85	251	31	0	27	94	49	24	57	14
By major type of credit											
39 Automobile	477	8,495	4,898	−70	1,534	1,491	625	−233	1,221	689	1,313
40 Commercial banks	−5,830	−3,455	770	137	336	527	−581	321	240	612	1,066
41 Indirect paper	−3,104	−858	803	117	134	429	(3)	(3)	(3)	(3)	(3)
42 Direct loans	−2,726	−2,597	−33	20	202	98	(3)	(3)	(3)	(3)	(3)
43 Credit unions	−1,184	914	622	16	211	89	20	15	68	341	137
44 Finance companies	7,491	11,033	3,505	−223	987	875	1,186	−569	913	−264	110
45 Revolving	1,415	4,467	4,365	81	39	501	68	−135	1,177	917	514
46 Commercial banks	−97	3,115	3,808	223	74	650	130	61	786	468	373
47 Retailers	773	1,417	897	−34	0	−98	16	4	426	150	192
48 Gasoline companies	739	−65	−340	−108	−35	−51	−78	−200	−35	299	−51
49 Mobile home	483	1,049	609	−35	23	−37	420	204	−61	22	17
50 Commercial banks	−276	−186	−508	−105	−47	−74	193	26	−95	−99	−86
51 Finance companies	355	749	471	−9	5	−15	53	59	−23	8	1
52 Savings and loans	430	466	633	78	61	49	175	120	54	107	98
53 Credit unions	−25	20	14	1	4	3	−1	−1	3	6	4
54 Other	−927	4,206	3,224	−107	419	463	1,612	899	245	643	852
55 Commercial banks	−960	1,133	372	−182	94	8	668	380	423	205	187
56 Finance companies	592	1,280	528	−140	59	164	642	−148	−403	−264	251
57 Credit unions	−1,266	975	662	21	197	105	1	29	72	361	147
58 Retailers	−444	−314	−246	−33	−51	7	−30	32	−4	−3	−23
59 Savings and loans	1,056	1,217	1,657	196	120	152	237	557	133	287	276
60 Mutual savings banks	95	−85	251	31	0	27	94	49	24	57	14

1 The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

3. Not reported after December 1982.

4. For 1982 and earlier, net change equals extensions, seasonally adjusted less liquidations, seasonally adjusted. Beginning 1983, net change equals outstandings, seasonally adjusted less outstandings of the previous period, seasonally adjusted.

NOTE: Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, $74.8 billion at the end of 1980, $80.6 billion at the end of 1981, and $85.9 billion at the end of 1982.

▲ These data have been revised from December 1980 through February 1983.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1980	1981	1982	1982		1983				
				Nov	Dec	Jan	Feb	Mar	Apr	May
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	14.30	16.54	16.83	15.97	...		14.81			13.90
2 24-month personal	15.47	18.09	18.65	17.99	...	...	17.47		...	16.57
3 120-month mobile home[2]	14.99	17.45	18.05	17.55		...	16.73			15.84
4 Credit card	17.31	17.78	18.51	18.75	...	...	18.82	...	...	18.79
Auto finance companies										
5 New car	14.82	16.17	16.15	12.82	12.57	12.25	12.05	12.07	11.90	11.94
6 Used car	19.10	20.00	20.75	20.68	20.63	20.20	19.91	19.38	18.91	18.76
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.0	45.4	46.0	46.4	46.4	46.0	45.9	45.9	45.8	45.4
8 Used car	34.8	35.8	34.0	36.9	36.9	38.2	37.7	37.7	37.7	37.9
Loan-to-value ratio										
9 New car	87.6	86.1	85.3	87.0	87.0	86.0	86.0	84.0	86.0	86.0
10 Used car	94.2	91.8	90.3	91.0	90.0	90.0	90.0	91.0	91.0	92.0
Amount financed (dollars)										
11 New car	6,322	7,339	8,178	8,339	8,468	8,683	8,755	8,829	8,662	8,572
12 Used car	3,810	4,343	4,746	4,822	4,846	4,742	4,731	4,802	4,869	4,984

1. Data for midmonth of quarter only
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1977	1978	1979	1980	1981	1982	1980 H1	1980 H2	1981 H1	1981 H2	1982 H1	1982 H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**317.7**	**368.6**	**388.8**	**355.0**	**391.1**	**412.7**	**325.1**	**384.9**	**402.7**	**379.6**	**365.9**	**459.6**
By sector and instrument												
2 U.S. government	56.8	53.7	37.4	79.2	87.4	161.3	63.3	95.1	81.9	92.9	100.2	222.4
3 Treasury securities	57.6	55.1	38.8	79.8	87.8	162.1	63.9	95.7	82.4	93.2	101.5	222.7
4 Agency issues and mortgages	-.9	-1.4	-1.4	-.6	-.5	-.9	-.6	-.6	-.5	-.4	-1.4	-.4
5 Private domestic nonfinancial sectors	260.9	314.9	351.5	275.8	303.7	251.5	261.9	289.7	320.8	286.7	265.7	237.2
6 Debt capital instruments	169.8	198.7	216.0	204.1	175.0	168.4	203.8	204.4	196.5	153.5	157.1	179.7
7 Tax-exempt obligations	21.9	28.4	29.8	35.9	32.9	59.5	30.7	41.0	35.1	30.6	52.7	66.3
8 Corporate bonds	21.0	20.1	22.5	33.2	23.9	25.5	37.3	29.0	24.7	23.0	13.4	37.7
9 Mortgages	126.9	150.2	163.7	135.1	118.3	83.3	135.8	134.3	136.7	99.9	91.1	75.6
10 Home mortgages	94.3	112.1	120.1	96.7	78.6	58.8	96.5	96.9	95.2	62.0	58.6	59.0
11 Multifamily residential	7.1	9.2	7.8	8.8	4.6	1.3	8.1	9.5	5.1	4.1	4.2	-1.6
12 Commercial	18.4	21.7	23.9	20.2	25.3	18.0	20.3	20.1	27.4	23.2	22.8	13.3
13 Farm	7.1	7.2	11.8	9.3	9.8	5.2	10.9	7.8	9.0	10.5	5.4	4.9
14 Other debt instruments	91.1	116.2	135.5	71.7	128.8	83.0	58.1	85.4	124.3	133.2	108.6	57.5
15 Consumer credit	40.2	48.8	45.4	4.9	25.3	14.4	-3.3	13.0	29.4	21.2	14.4	14.4
16 Bank loans n.e.c.	26.7	37.1	49.2	35.4	51.1	57.4	18.0	52.7	47.7	54.6	77.4	37.5
17 Open market paper	2.9	5.2	11.1	6.6	19.2	-2.8	20.3	-7.1	10.7	27.6	4.4	-9.9
18 Other	21.3	25.1	29.7	24.9	33.1	14.0	23.0	26.7	36.5	29.8	12.4	15.6
19 By borrowing sector	260.9	314.9	351.5	275.8	303.7	251.5	261.9	289.7	320.8	286.7	265.7	237.2
20 State and local governments	15.4	19.1	20.2	27.3	22.3	45.8	21.8	32.8	25.1	19.5	41.1	50.4
21 Households	137.3	169.3	176.5	117.5	120.4	88.5	115.2	119.8	141.0	99.9	88.1	89.0
22 Farm	12.3	14.6	21.4	14.4	16.4	9.0	15.7	13.0	19.9	12.8	8.4	9.6
23 Nonfarm noncorporate	28.3	32.4	34.4	33.8	40.5	24.7	27.5	40.2	41.8	39.3	32.4	16.9
24 Corporate	67.6	79.4	99.0	82.8	104.1	83.5	81.7	83.9	93.0	115.2	95.7	71.2
25 Foreign net borrowing in United States	13.5	33.8	20.2	27.2	27.3	15.3	29.0	25.3	34.0	20.6	17.5	13.2
26 Bonds	5.1	4.2	3.9	.8	5.5	6.4	2.0	-.4	3.3	7.6	2.2	10.7
27 Bank loans n.e.c.	3.1	19.1	2.3	11.5	3.7	-6.2	5.9	17.2	5.0	2.3	-.4	-12.1
28 Open market paper	2.4	6.6	11.2	10.1	13.9	10.7	15.7	4.5	20.6	7.1	12.5	9.0
29 U.S. government loans	3.0	3.9	2.9	4.7	4.3	4.4	5.4	4.0	5.0	3.6	3.2	5.7
30 **Total domestic plus foreign**	**331.2**	**402.3**	**409.1**	**382.2**	**418.4**	**428.0**	**354.2**	**410.2**	**436.7**	**400.2**	**383.3**	**472.8**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**48.8**	**75.0**	**80.7**	**61.3**	**80.7**	**68.8**	**57.6**	**65.0**	**85.8**	**75.5**	**93.5**	**44.2**
By instrument												
32 U.S. government related	21.9	36.7	47.3	43.6	45.1	62.6	47.3	39.8	42.5	47.8	59.3	65.9
33 Sponsored credit agency securities	7.0	23.1	24.3	24.4	30.1	13.1	27.1	21.7	26.9	33.3	21.4	4.7
34 Mortgage pool securities	16.1	13.6	23.1	19.2	15.0	49.5	20.2	18.1	15.6	14.5	37.9	61.2
35 Loans from U.S. government	-1.2	...	...	...	...	...	...	...	...	...	...	...
36 Private financial sectors	26.9	38.3	33.4	17.7	35.6	6.2	10.3	25.2	43.4	27.8	34.2	-21.8
37 Corporate bonds	10.1	7.5	7.8	7.1	-.8	2.3	9.9	4.4	-2.1	.4	-3.3	7.9
38 Mortgages	3.1	.9	-1.2	-.9	-2.9	1.8	-5.3	3.5	-2.3	-3.5	1.9	1.6
39 Bank loans n.e.c.	-.3	2.8	-.4	-.4	2.2	3.2	.1	-.9	3.7	.7	6.0	.5
40 Open market paper	9.6	14.6	18.0	4.8	20.9	-1.8	-.1	9.7	24.8	17.0	16.0	-19.6
41 Loans from Federal Home Loan Banks	4.3	12.5	9.2	7.1	16.2	.8	5.8	8.5	19.3	13.2	13.8	-12.1
By sector												
42 Sponsored credit agencies	5.8	23.1	24.3	24.4	30.1	13.1	27.1	21.7	26.9	33.3	21.4	4.7
43 Mortgage pools	16.1	13.6	23.1	19.2	15.0	49.5	20.2	18.1	15.6	14.5	37.9	61.2
44 Private financial sectors	26.9	38.3	33.4	17.7	35.6	6.2	10.3	25.2	43.4	27.8	34.2	-21.8
45 Commercial banks	1.1	1.3	1.6	.5	.4	1.2	.8	.3	.2	.5	.7	1.7
46 Bank affiliates	2.0	7.2	6.5	6.9	8.3	1.9	5.8	8.0	6.9	9.7	9.7	-5.8
47 Savings and loan associations	9.9	14.3	11.4	6.6	13.1	-1.7	.1	13.2	19.2	6.9	16.6	-19.9
48 Finance companies	16.9	18.1	16.6	6.3	14.1	5.3	6.0	6.5	17.3	11.0	7.7	2.9
49 REITs	-2.5	-1.4	-1.3	-2.2	.2	.1	-2.0	-2.5	.2	.2	.1	.1
	All sectors											
50 **Total net borrowing**	**379.9**	**477.4**	**489.7**	**443.5**	**499.1**	**496.9**	**411.8**	**475.2**	**522.5**	**475.7**	**476.8**	**516.9**
51 U.S. government securities	79.9	90.5	84.8	122.9	132.6	224.0	110.7	135.1	124.5	140.7	159.6	288.4
52 State and local obligations	21.9	28.4	29.8	35.9	32.9	59.5	30.7	41.0	35.1	30.6	52.7	66.3
53 Corporate and foreign bonds	36.1	31.8	34.2	41.1	28.5	34.2	49.3	33.0	26.0	30.9	12.2	56.3
54 Mortgages	129.9	151.0	162.4	134.0	115.2	85.0	130.4	137.7	134.3	96.2	92.8	77.1
55 Consumer credit	40.2	48.8	45.4	4.9	25.3	14.4	-3.3	13.0	29.4	21.2	14.4	14.4
56 Bank loans n.e.c.	29.5	59.0	51.0	46.5	57.0	54.4	24.0	69.0	56.4	57.6	82.9	26.0
57 Open market paper	15.0	26.4	40.3	21.6	54.0	6.1	35.9	7.2	56.2	51.8	32.8	-20.6
58 Other loans	27.4	41.5	41.8	36.6	53.7	19.2	34.1	39.2	60.7	46.6	29.3	9.1
	External corporate equity funds raised in United States											
59 **Total new share issues**	**6.5**	**1.9**	**-3.8**	**22.1**	**-2.9**	**34.5**	**16.3**	**27.9**	**11.2**	**-17.0**	**23.5**	**45.6**
60 Mutual funds	.9	-.1	.1	5.0	7.7	19.6	5.5	4.5	8.9	6.5	14.5	24.7
61 All other	5.6	1.9	-3.9	17.1	-10.6	14.9	10.8	23.4	2.3	-23.5	9.0	20.8
62 Nonfinancial corporations	2.7	-.1	-7.8	12.9	-11.5	11.4	6.9	18.8	.9	-23.8	7.0	15.8
63 *Financial corporations*	2.5	2.5	3.2	2.1	.9	2.2	1.9	2.3	.8	1.0	2.2	2.2
64 Foreign shares purchased in United States	.4	-.5	.8	2.1	*	1.3	1.9	2.2	.7	-.7	-.2	2.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted, half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1977	1978	1979	1980	1981	1982	1980 H1	1980 H2	1981 H1	1981 H2	1982 H1	1982 H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**317.7**	**368.6**	**388.8**	**355.0**	**391.1**	**412.7**	**325.1**	**384.9**	**402.7**	**379.6**	**365.9**	**459.6**
By public agencies and foreign												
2 Total net advances	79.2	101.9	74.6	95.8	95.9	110.9	104.6	87.0	98.7	93.2	92.2	129.6
3 U.S. government securities	34.9	36.1	-6.3	15.7	17.2	17.7	20.5	10.9	15.9	18.5	.2	35.2
4 Residential mortgages	20.0	25.7	35.8	31.7	23.4	61.1	34.9	28.5	21.4	25.5	47.4	74.7
5 FHLB advances to savings and loans	4.3	12.5	9.2	7.1	16.2	.8	5.8	8.5	19.3	13.2	13.8	-12.1
6 Other loans and securities	20.1	27.6	35.9	41.3	39.1	31.4	43.4	39.1	42.1	36.0	30.9	31.8
Total advanced, by sector												
7 U.S. government	10.0	17.1	19.0	23.7	24.2	19.4	24.6	22.8	27.1	21.2	14.0	24.9
8 Sponsored credit agencies	22.4	39.9	52.4	44.4	46.0	63.5	45.2	43.7	44.3	47.7	60.4	66.6
9 Monetary authorities	7.1	7.0	7.7	4.5	9.2	9.8	14.9	-5.9	-3.7	22.1	-6.3	25.9
10 Foreign	39.6	38.0	-4.6	23.2	16.6	18.2	19.9	26.5	30.9	2.2	24.1	12.3
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	21.9	36.7	47.3	43.6	45.1	62.6	47.3	39.8	42.5	47.8	59.3	65.9
12 Foreign	13.5	33.8	20.2	27.2	27.3	15.3	29.0	25.3	34.0	20.6	17.5	13.2
Private domestic funds advanced												
13 Total net advances	273.9	337.1	381.8	329.9	367.6	379.7	296.9	362.9	380.5	354.7	350.4	409.1
14 U.S. government securities	45.1	54.3	91.1	107.2	115.4	206.3	90.2	124.2	108.5	122.3	159.4	253.2
15 State and local obligations	21.9	28.4	29.8	35.9	32.9	59.5	30.7	41.0	35.1	30.6	52.7	66.3
16 Corporate and foreign bonds	22.2	22.4	23.7	25.8	20.6	21.2	31.6	20.1	18.6	22.7	*	42.4
17 Residential mortgages	81.4	95.5	92.0	73.7	59.7	-1.1	69.6	77.8	78.8	40.5	15.3	-17.5
18 Other mortgages and loans	107.6	149.1	154.3	94.4	155.3	94.6	80.6	108.3	158.7	151.8	136.7	52.4
19 LESS: Federal Home Loan Bank advances	4.3	12.5	9.2	7.1	16.2	.8	5.8	8.5	19.3	13.2	13.8	-12.1
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	261.7	302.9	292.2	257.9	301.3	262.5	245.4	270.4	326.3	276.3	278.7	246.3
21 Commercial banking	87.6	128.7	121.1	99.7	103.5	107.8	64.7	134.8	107.8	99.2	122.5	93.1
22 Savings institutions	81.6	73.6	55.5	54.1	24.6	24.0	34.9	73.2	43.9	5.3	29.8	18.2
23 Insurance and pension funds	69.0	75.0	66.4	74.4	75.8	88.6	84.3	64.4	75.8	75.8	87.2	90.0
24 Other finance	23.5	25.6	49.2	29.8	97.4	42.1	61.5	-1.9	98.8	95.9	39.2	44.9
25 Sources of funds	261.7	302.9	292.2	257.9	301.3	262.5	245.4	270.4	326.3	276.3	278.7	246.3
26 Private domestic deposits and RP's	138.9	141.1	142.5	167.8	211.2	170.4	162.5	173.1	212.0	210.3	161.1	179.6
27 Credit market borrowing	26.9	38.3	33.4	17.7	35.6	6.2	10.3	25.2	43.4	27.8	34.2	-21.8
28 Other sources	96.0	123.5	116.4	72.4	54.6	85.9	72.7	72.1	70.9	38.2	83.4	88.4
29 Foreign funds	1.2	6.3	25.6	-23.0	-8.8	28.6	-20.0	26.0	-.7	-16.8	-18.3	-39.0
30 Treasury balances	4.3	6.8	.4	-2.6	-1.1	6.1	-6.1	1.0	6.0	-8.2	-5.1	17.2
31 Insurance and pension reserves	51.4	62.2	49.1	65.4	70.8	78.1	70.3	60.5	66.0	75.6	77.3	78.8
32 Other, net	39.1	48.3	41.3	32.6	-6.4	30.4	28.6	36.6	-.4	-12.3	29.4	31.4
Private domestic nonfinancial investors												
33 Direct lending in credit markets	39.0	72.5	122.9	89.7	101.9	123.5	61.7	117.7	97.5	106.2	105.9	141.0
34 U.S. government securities	24.6	36.3	61.4	38.3	50.4	70.6	23.3	53.3	43.0	57.7	59.4	81.8
35 State and local obligations	-.8	3.6	9.4	12.6	20.3	41.3	6.2	18.9	22.8	17.8	40.8	41.7
36 Corporate and foreign bonds	-5.1	-2.9	10.2	9.3	-7.9	-8.3	7.8	10.8	-9.2	-6.6	-26.6	10.0
37 Open market paper	9.6	15.6	12.1	-3.4	3.5	-2.3	-8.1	1.4	-1.4	8.4	7.8	-12.5
38 Other	10.7	19.9	29.8	32.9	35.6	22.3	32.5	33.3	42.3	29.0	24.5	20.0
39 Deposits and currency	148.5	152.3	151.9	179.2	221.0	176.5	172.4	186.1	218.6	223.4	161.1	191.8
40 Currency	8.3	9.3	7.9	10.3	9.5	8.4	9.3	11.3	5.8	13.2	2.0	14.8
41 Checkable deposits	17.2	16.3	19.2	4.2	18.3	17.0	-2.5	11.0	26.5	10.1	9.2	24.8
42 Small time and savings accounts	93.5	63.7	61.0	79.5	46.6	122.7	73.4	85.7	26.9	66.3	77.7	167.6
43 Money market fund shares	.2	6.9	34.4	29.2	107.5	24.7	61.9	3.4	104.1	110.8	39.4	10.1
44 Large time deposits	25.8	46.6	21.2	48.3	36.3	2.1	24.4	72.1	46.8	25.7	33.7	-29.5
45 Security RPs	2.2	7.5	6.6	6.5	2.5	3.8	5.3	7.8	7.7	-2.6	1.1	6.6
46 Deposits in foreign countries	1.3	2.0	1.5	1.1	.3	-2.3	.6	1.7	.8	-.2	-2.0	-2.6
47 **Total of credit market instruments, deposits and currency**	**187.5**	**224.9**	**274.8**	**269.0**	**322.8**	**300.0**	**234.1**	**303.8**	**316.1**	**329.6**	**267.0**	**332.9**
48 Public holdings as percent of total	23.9	25.3	18.2	25.1	22.9	25.9	29.5	21.2	22.6	23.3	24.1	27.4
49 Private financial intermediation (in percent)	95.6	89.9	76.5	78.2	82.0	69.1	82.7	74.5	85.8	77.9	79.5	60.2
50 Total foreign funds	40.8	44.3	21.0	.2	7.8	-10.4	*	.5	30.3	-14.6	5.9	-26.7
MEMO: Corporate equities not included above												
51 **Total net issues**	**6.5**	**1.9**	**-3.8**	**22.1**	**-2.9**	34.5	**16.3**	**27.9**	**11.2**	**-17.0**	23.5	45.6
52 Mutual fund shares	.9	-.1	.1	5.0	7.7	19.6	5.5	4.5	8.9	6.5	14.5	24.7
53 Other equities	5.6	1.9	-3.9	17.1	-10.6	14.9	10.8	23.4	2.3	-23.5	9.0	20.8
54 Acquisitions by financial institutions	7.4	4.6	10.4	14.6	22.9	31.4	8.6	20.7	25.3	20.5	21.1	41.6
55 Other net purchases	-.8	-2.7	-14.2	7.5	-25.8	3.2	7.7	7.2	-14.1	-37.5	2.4	4.0

NOTES BY LINE NUMBER

1. Line 1 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE: Full statements for sectors and transaction types in flows and in amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1980	1981	1982	1982			1983					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar	Apr.	May	June
1 **Industrial production**[1]	**147.0**	**151.0**	**138.6**	**135.7**	**134.9**	**135.2**	**137.4**	**138.1**	**140.0**	**142.7**	**144.3**	**145.9**
Market groupings												
2 Products, total	146.7	150.6	141.8	139.3	139.0	139.9	140.9	140.3	141.6	144.5	146.0	147.6
3 Final, total	145.3	149.5	141.5	138.7	138.3	139.5	140.1	138.9	139.9	142.8	144.5	146.0
4 Consumer goods	145.4	147.9	142.6	142.2	141.3	142.0	143.6	143.4	144.3	147.6	149.5	151.3
5 Equipment	145.2	151.5	139.8	134.0	134.2	136.1	135.3	132.7	133.8	136.2	137.5	138.7
6 Intermediate	151.9	154.4	143.3	141.6	141.8	141.5	143.7	145.3	147.8	150.8	151.9	153.5
7 Materials	147.6	151.6	133.7	130.0	128.4	127.8	132.0	134.9	137.6	139.8	141.5	143.3
Industry groupings												
8 Manufacturing	146.7	150.4	137.6	135.0	134.0	134.5	136.7	138.2	140.4	143.1	145.0	146.6
Capacity utilization (percent)[1,2]												
9 Manufacturing	79.6	79.4	71.1	69.4	68.8	68.9	70.0	70.6	71.6	72.9	73.7	74.4
10 Industrial materials industries	80.4	80.7	70.1	67.9	67.0	66.6	68.7	70.1	71.5	72.5	73.4	74.2
11 Construction contracts (1977 = 100)[3]	107.0	111.0	111.0	105.0	122.0	131.0	127.0	119.0	131.0	129.0	148.0	n.a.
12 Nonagricultural employment, total[4]	137.4	138.5	136.2	135.2	134.9	134.7	135.1	134.9	135.0	135.4	135.9r	136.4
13 Goods-producing, total	110.1	109.4	102.6	99.9	99.2	98.9	99.5	98.9	98.8	99.4r	100.2	100.9
14 Manufacturing, total	104.3	103.7	96.9	94.4	93.7	93.6	93.8	93.8	93.9	94.5	95.1r	95.4
15 Manufacturing, production-worker	99.3	98.0	89.4	86.4	85.6	85.6	85.9	86.0	86.1	86.9	87.6r	88.3
16 Service-producing	152.4	154.4	154.7	154.5	154.5	154.4	154.6	154.6	154.8	155.2	155.5r	155.9
17 Personal income, total	342.9	383.5	407.9	414.2	417.1	418.3	419.4r	419.7	422.0	425.2r	430.3	n.a.
18 Wages and salary disbursements	317.6	349.9	365.5	368.0	368.2	370.0	373.8	373.3	375.2r	378.4	384.4	n.a.
19 Manufacturing	264.3	288.1	285.3	281.3	280.0	279.3	283.9	285.5	287.5	291.6r	294.9	n.a.
20 Disposable personal income[5]	332.9	370.3	396.7	403.7	406.8	407.4	409.6	409.2	411.7	415.6	418.5	n.a.
21 Retail sales[6]	303.8	330.6	326.0	347.4	353.4	353.3	352.7	348.3	356.4	364.7	376.1	378.7
Prices[7]												
22 Consumer	246.8	272.4	289.1	294.1	293.6	292.4	293.1r	293.2	293.4	295.5	297.1	n.a.
23 Producer finished goods	247.0	269.8	280.7	284.1	284.9	285.5r	283.9r	283.7	283.4	283.0	284.3	n.a.

1. The capacity utilization series has been revised back to January 1967.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1982		1983		1982		1983		1982		1983	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Total industry**	**138.2**	**135.3**	**138.5**	**144.3**	**192.8**	**193.7**	**194.6**	**195.5**	**71.7**	**69.8**	**71.2**	**73.8**
2 Mining	117.2	117.0	116.7	112.5	164.8	165.1	165.2	165.3	71.1	70.9	70.6	68.0
3 Utilities	167.9	166.2	163.6	169.7	206.5	207.4	208.5	209.8	81.3	80.1	78.5	80.9
4 **Manufacturing**	**137.7**	**134.5**	**138.4**	**144.9**	**193.9**	**194.8**	**195.7**	**196.6**	**71.0**	**69.0**	**70.7**	**73.7**
5 Primary processing	132.4	129.3	137.0	144.8	193.0	193.7	194.3	194.8	68.6	66.8	70.5	74.3
6 Advanced processing	140.5	137.3	139.7	144.7	194.3	195.4	196.5	197.6	72.3	70.2	71.1	73.2
7 **Materials**	**132.6**	**128.7**	**134.8**	**141.5**	**191.0**	**191.7**	**192.3**	**192.9**	**69.4**	**67.1**	**70.1**	**73.4**
8 Durable goods	124.7	117.1	125.2	134.5	194.4	194.8	195.2	195.6	64.2	60.2	64.2	68.8
9 Metal materials	73.0	66.5	78.6	85.6	140.6	140.3	140.2	139.9	51.9	47.4	56.1	61.2
10 Nondurable goods	155.1	157.0	163.5	171.4	215.6	216.9	217.8	218.8	71.9	72.4	75.2	78.3
11 Textile, paper, and chemical	158.4	160.8	169.3	179.1	226.8	228.3	229.4	230.7	69.8	70.5	73.8	77.6
12 Paper	145.9	147.6	149.9	152.6	163.6	164.4	165.3	166.1	89.1	89.7	90.7	91.9
13 Chemical	188.5	191.9	204.7	219.4	290.6	292.8	294.8	296.6	64.9	65.5	69.4	74.0
14 Energy materials	123.8	121.5	122.2	121.6	152.8	153.3	153.9	154.3	81.0	79.2	79.5	78.8

2.11 Continued

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1982 June	1982 Oct	1982 Nov	1982 Dec.	1983 Jan.	1983 Feb	1983 Mar	1983 Apr	1983 May	1983 June
	Capacity utilization rate (percent)													
15 **Total industry**	**88.4**	**71.1**	**87.3**	**76.5**	**72.2**	**70.1**	**69.6**	**69.7**	**70.7**	**71.0**	**71.8**	**73.1**	**73.8**	**74.5**
16 Mining	91.8	86.0	88.5	84.0	75.0	70.3	70.8	71.7	73.8	69.9	68.1	67.6	68.1	68.4
17 Utilities	94.9	82.0	86.7	83.8	82.2	81.0	80.4	79.0	78.4	77.7	79.4	80.8	80.9	81.0
18 **Manufacturing**	**87.9**	**69.0**	**87.5**	**75.5**	**71.3**	**69.4**	**68.8**	**68.9**	**70.0**	**70.6**	**71.6**	**72.9**	**73.7**	**74.4**
19 Primary processing	93.7	68.2	91.4	72.6	68.2	67.6	66.4	66.2	68.6	70.8	72.1	73.4	74.5	75.2
20 Advanced processing	85.5	69.4	85.9	77.0	72.9	70.3	70.0	70.4	70.9	70.8	71.5	72.5	73.3	74.0
21 **Materials**	**92.6**	**69.3**	**88.9**	**74.2**	**70.0**	**67.9**	**67.0**	**66.6**	**68.7**	**70.1**	**71.5**	**72.5**	**73.4**	**74.2**
22 Durable goods	91.4	63.5	88.4	68.4	65.2	60.9	59.8	59.8	62.3	64.2	66.0	67.7	68.7	69.9
23 Metal materials	97.8	68.0	95.4	59.4	52.8	49.3	46.2	46.8	53.3	56.1	58.8	59.4	60.8	63.2
24 Nondurable goods	94.4	67.4	91.7	77.5	71.4	73.1	72.5	71.6	73.4	75.3	76.8	77.4	78.5	79.1
25 Textile, paper, and chemical	95.1	65.4	92.3	75.5	69.3	70.9	70.5	70.0	71.4	74.1	75.8	76.7	77.8	78.4
26 Paper	99.4	72.4	97.9	89.8	86.3	90.7	91.1	87.4	90.9	90.8	90.3	91.0	92.4	92.3
27 Chemical	95.5	64.2	91.3	70.7	65.3	65.7	65.4	65.4	66.4	69.9	71.9	72.9	74.2	74.8
28 Energy materials	94.5	84.4	88.7	84.4	82.2	80.0	79.2	78.5	80.1	79.2	79.2	78.7	78.5	79.1

1. Monthly high 1973, monthly low 1975

2. Preliminary, monthly highs December 1978 through January 1980, monthly lows July through October 1980

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons, monthly data are seasonally adjusted. Exceptions noted.

Category	1980	1981	1982	1982 Dec	1983 Jan.	1983 Feb	1983 Mar	1983 Apr.	1983 May	1983 June
HOUSEHOLD SURVEY DATA										
1 **Noninstitutional population**[1]	**169,847**	**172,272**	**174,451**	**175,381**	**175,543**	**175,693**	**175,850**	**175,996**	**176,151**	**176,320**
2 Labor force (including Armed Forces)[1]	109,042	110,812	112,384	113,311	112,737	112,741	112,678	112,988	112,947	114,127
3 Civilian labor force	106,940	108,670	110,204	111,129	110,548	110,553	110,484	110,786	110,749	111,932
Employment										
4 Nonagricultural industries[2]	95,938	97,030	96,125	95,682	95,691	95,670	95,729	96,088	96,190	97,264
5 Agriculture	3,364	3,368	3,401	3,411	3,412	3,393	3,375	3,371	3,367	3,522
Unemployment										
6 Number	7,637	8,273	10,678	12,036	11,446	11,490	11,381	11,328	11,192	11,146
7 Rate (percent of civilian labor force)	7.1	7.6	9.7	10.8	10.4	10.4	10.3	10.2	10.1	10.0
8 Not in labor force	60,805	61,460	62,067	62,070	62,806	62,952	63,172	63,008	63,204	62,193
ESTABLISHMENT SURVEY DATA										
9 **Nonagricultural payroll employment**[3]	**90,406**	**91,156r**	**89,596r**	**88,665**	**88,886**	**88,746r**	**88,814**	**89,101r**	**89,416r**	**89,760**
10 Manufacturing	20,285	20,170r	18,853r	18,193	18,244	18,245	18,267	18,376r	18,486r	18,560
11 Mining	1,027r	1,132	1,122	1,053	1,037	1,014	1,006	997	998r	1,008
12 Contract construction	4,346r	4,176	3,912	3,815	3,905	3,790	3,757	3,786r	3,863r	3,946
13 Transportation and public utilities	5,146r	5,157	5,057	5,008	4,980	4,965	4,963	4,988	4,991r	4,997
14 Trade	20,310r	20,551	20,547	20,256	20,355	20,343	20,350	20,329r	20,354r	20,457
15 Finance	5,160r	5,301	5,350	5,367	5,374	5,384	5,391	5,423r	5,431r	5,451
16 Service	17,890r	20,547r	20,401r	19,215	19,238	19,262	19,356	19,478r	19,565r	19,711
17 Government	16,241r	16,024	15,784	15,758	15,753	15,742	15,724	15,724r	15,728r	15,630

1. Persons 16 years of age and over Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day, annual data are averages of monthly figures By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S Department of Labor)

2 Includes self-employed, unpaid family, and domestic service workers

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1983 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

Grouping	1967 pro-portion	1982 avg.	1982 June	1982 July	1982 Aug	1982 Sept.	1982 Oct	1982 Nov.	1982 Dec.	1983 Jan.	1983 Feb	1983 Mar r	1983 Apr.	1983 May p	1983 June e
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**138.6**	**138.7**	**138.8**	**138.4**	**137.3**	**135.7**	**134.9**	**135.2**	**137.4**	**138.1**	**140.0**	**142.7**	**144.3**	**145.9**
2 Products	60 71	141 8	142.1	142.6	142.0	140.8	139 3	139 0	139 9	140 9	140.3	141 6	144.5	146.0	147.6
3 Final products	47.82	141.5	142.1	142.5	141.2	140.0	138.7	138.3	139.5	140.1	138.9	139.9	142.8	144.5	146.0
4 Consumer goods	27.68	142 6	144 8	145.8	144.1	143 4	142 2	141 3	142 0	143 6	143 4	144.3	147.6	149.5	151.3
5 Equipment	20.14	139 8	138 4	138.0	137.3	135.2	134.0	134 2	136.1	135.3	132.7	133.8	136.2	137.5	138.7
6 Intermediate products	12.89	143.3	141 9	142 8	144.7	143.7	141.6	141.8	141.5	143.7	145.3	147.8	150.8	151.9	153.5
7 Materials	39.29	133.7	133.5	133 0	132.8	132.0	130.0	128.4	127.8	132.0	134.9	137.6	139.8	141.5	143.3
Consumer goods															
8 Durable consumer goods	7.89	129.2	134.6	137 3	132.9	131.3	126.5	124.6	125.9	131.6	134.4	136.3	140.1	144.6	148.8
9 Automotive products	2.83	129.5	143 0	149 7	135.5	135.5	123.6	120.7	128.7	136.2	144.3	142.6	145.3	151.5	159.5
10 Autos and utility vehicles	2.03	99.0	117.1	127 7	107.1	105.8	89.6	86.9	99.0	107.0	120.8	116.4	117.8	124.9	135.4
11 Autos	1.90	86.6	101 9	114.6	93.3	94.3	79.5	77.7	87.9	97.1	107.3	99.9	102.7	107.4	118.3
12 Auto parts and allied goods	.80	206.9	208.6	205 4	207.6	210.7	210.0	206.6	204.0	210.2	203.9	209.3	215.0	219.0	220.3
13 Home goods	5.06	129.1	129.9	130 4	131 4	128.9	128 1	126.8	124.3	129.1	128.8	132.8	137.3	140.7	142.8
14 Appliances, A/C, and TV	1.40	102.6	106.4	102.7	104.5	99.4	106.1	104.8	94.2	109.5	105.8	105.0	106.1	113.2	116.0
15 Appliances and TV	1 33	104.6	108 8	106.1	108.6	104.1	110.5	108 4	98.3	112.9	108.8	108 5	109.7	116.5	.....
16 Carpeting and furniture	1.07	149 7	149.0	151.4	152 5	153.3	151.9	151.4	150.8	149.0	156.7	168.3	180.3	180.7	.....
17 Miscellaneous home goods	2.59	135.0	134.9	136 7	137.2	134.9	130.1	128.6	129.8	131.4	129.7	133.3	136.4	139.0	140.9
18 Nondurable consumer goods	19.79	148 0	148.8	149.1	148.6	148.2	148.5	147.9	148.4	148.3	147.0	147.5	150.6	151.5	152.3
19 Clothing	4.29	....	.....	.....	.....	.	....	.....	.....	.....	.....	.....	.....	.....	....
20 Consumer staples	15.50	159.0	159.9	159.7	159 4	158.8	159.1	158.1	158.8	158.6	157.4	158.1	161.2	161.9	162.3
21 Consumer foods and tobacco	8.33	149 7	150.9	149 9	149 6	148.6	150.2	149.0	149.5	150.9	149.5	148.4	150.9	.....	....
22 Nonfood staples	7.17	169.7	170.4	171 2	170.8	170.7	169.5	168.7	169.6	167.6	166.5	169.4	173.1	173.6	174.4
23 Consumer chemical products	2 63	219 9	219 8	222.3	222.4	221.7	220.0	218 9	220.9	222.6	220 9	225.6	225.5	225 7	. .
24 Consumer paper products	1 92	127.7	126 7	128 1	129.4	128.2	125.3	125.1	128.3	127.1	127 9	128.1	128.9	129.1	..
25 Consumer energy products	2.62	150.2	152 8	151 4	149 3	150.6	151.1	150.2	148.4	142.2	140.2	143.3	153.0	153.9	...
26 Residential utilities	1.45	170.8	171.1	167 7	169.7	169 5	169.1	171.5	169.3	164.1	162.9	166.1	176.2	.....	.....
Equipment															
27 Business	12 63	157 9	156.7	154.9	153.9	150.5	147.1	146.4	148.1	146.6	142 7	143.7	147.0	148.6	149.8
28 Industrial	6.77	134.9	134.0	131 3	128 4	123.8	118.3	117.2	117.9	118.4	113.7	113.1	113.7	115.8	116.8
29 Building and mining	1.44	214.2	209.0	200.4	190.8	182.1	169.3	165.7	171.9	173.8	153.6	145 3	142.9	151.6	153.8
30 Manufacturing	3.85	107.2	107.5	106 0	104 4	101 6	98.0	97.5	97 0	97.6	97.9	99.7	101.7	102.1	102.8
31 Power	1 47	129.9	129 9	129.6	130.1	124.7	121.0	121.0	119.7	118.3	116.0	116.2	116.6	116.3	117.0
32 Commercial transit, farm	5 86	184.4	183 0	182.2	183.3	181.4	180.5	180.2	183.0	179.2	176.1	179.2	185.4	186.6	187.9
33 Commercial	3 26	253 5	247.5	248.8	253.5	254 0	253.5	254.8	258 6	254.9	251 2	255.7	264.3	266.1	267.7
34 Transit	1 93	103 9	108.3	106.3	102.0	95.5	93.2	92.3	96 2	90.8	88.2	90.1	92.0	92 4	94.1
35 Farm	.67	80.5	84 1	76 9	75.8	76.1	76 8	70.7	65.1	66.0	63.4	63.4	70.2	71.0	....
36 Defense and space	7.51	109.4	107.6	109.5	109.5	109.5	111.9	113.6	115.9	116.4	116.1	117.0	118.2	118.7	120.0
Intermediate products															
37 Construction supplies	6 42	124 3	123 1	124.1	127.1	125.5	122.5	123.4	123 0	127.0	129 7	133 1	136.8	138.5	140.9
38 Business supplies	6.47	162.1	160.6	161.4	162.1	161.8	160.5	160.1	159.8	160.3	160.9	162.3	164.8	165.3	....
39 Commercial energy products	1 14	181.1	178 3	179.8	178.1	179 2	180.4	182 4	182 4	180 6	178.6	180 3	184.1	184 7	...
Materials															
40 Durable goods materials	20 35	125.0	126.6	126.0	125.1	123 0	118 5	116.4	116 5	121.5	125 3	128 7	132.3	134 4	136.8
41 Durable consumer parts	4 58	95.3	103.1	103.8	101 0	97 1	91 4	90.0	91.1	96 2	101 6	104 0	106.6	108.1	111.3
42 Equipment parts	5 44	166.8	168.3	166.1	164.1	158.3	155.4	155.1	155.3	157.5	158.8	162.5	167.2	170.2	172.8
43 Durable materials n.e.c.	10 34	116.2	115 1	114.8	115.4	115.8	111.1	107.7	107.4	113.8	118.2	121.9	125.3	127.3	129.1
44 Basic metal materials	5 57	79.9	77.4	75.7	76.1	77 7	73.0	69 1	68.7	78 1	82 4	86.0	87.1	89.0	
45 Nondurable goods materials	10 47	157 5	153 5	152.3	154.5	158.5	158.2	157.3	155.6	159.7	164.0	167.5	169.2	171.7	173.2
46 Textile, paper, and chemical materials	7 62	161.1	156.7	155.3	157.7	162 2	161 5	161.0	160.0	163.7	170.0	174.3	176.5	179 6	181.1
47 Textile materials	1.85	102.2	99.1	99 6	103.2	103.3	104.4	102.5	102.1	104.7	106.4	110 6	110.9	111.8	...
48 Paper materials	1.62	145.6	140 7	142 1	146 6	148.9	148.9	149.7	144.1	150.1	150.1	149.5	150.8	153.5	....
49 Chemical materials	4.15	193.5	188.7	185.4	186 5	193.7	192 0	191 6	192 0	195 4	206 2	212.5	215.9	220 1	. .
50 Containers, nondurable	1.70	161.4	158 5	158.1	162 8	167.3	164.9	160.8	155.2	162.1	159.6	163.8	163.2	165 0	....
51 Nondurable materials n.e.c.	1.14	127 9	124 8	123.4	120.1	121.1	125.5	127.4	127.2	129.6	130.5	127.7	129.3	128.9	.....
52 Energy materials	8.48	125.1	125 4	126.0	124.5	121.0	122.6	121.4	120.4	123.0	121.8	121.9	121.3	121.2	122.2
53 Primary energy	4 65	116 0	116 6	117.2	113.8	111.1	114.4	113.7	113.5	116.5	115.4	114.4	113.9	113.6	.....
54 Converted fuel materials	3.82	136 3	136 0	136.7	137.4	133.0	132.6	130.8	128.9	130.8	129.6	131.1	130.3	130.5	.....
Supplementary groups															
55 Home goods and clothing	9 35	119.6	120.2	121.4	121.3	120 1	119.9	119.6	118.2	120.8	119 9	122 0	125.9	128 5	130.5
56 Energy, total	12.23	135 7	136 2	136.4	134.8	132.7	134.1	133.3	132.2	132.4	131.0	131.9	133.9	134.1	134.9
57 Products	3 76	159 6	160 5	160.0	158.0	159.3	160.0	160.0	158.7	153.8	151.9	154.5	162.4	163.2	.....
58 Materials	8 48	125.1	125 4	126.0	124.5	121.0	122.6	121.4	120.4	123.0	121.8	121.9	121.3	121.2	122.2

2.13 Continued

Grouping	SIC code	1967 pro-portion	1982 avg	1982 June	July	Aug.	Sept	Oct.	Nov.	Dec.	1983 Jan.	Feb.	Mar.[r]	Apr.	May[p]	June[e]
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities		12 05	146 3	145 2	142 6	141.3	139.7	140.4	140.4	140 1	141.3	141.7	137 7	138.8	139.6	140.2
2 Mining	...	6 36	126.1	123.5	120.1	116.9	114.7	115.9	116.8	118.4	121.9	114.5	112 6	111.7	112.6	113.1
3 Utilities	....	5.69	168 7	169.4	167.7	168.5	167.5	167.8	166.7	164.2	163.1	171.9	165.8	169.2	169.7	170.3
4 Electric	...	3.88	190 5	191.6	189 2	189 9	188.2	188.4	188.3	185.6	184.4	191.6	188.2	192.5	193.1	193 7
5 Manufacturing	....	87 95	137.6	137.7	138 1	138.0	137.1	135.0	134 0	134.5	136 7	138.0	140.4	143.1	145.0	146 6
6 Nondurable	....	35.97	156 2	155.3	155.7	156.9	156 7	156.2	155.3	155.6	157.4	157.5	160.7	163.3	164.9	165.9
7 Durable	....	51.98	124.7	125.5	125.9	124.9	123.5	120.3	119.3	119.9	122.5	124.5	126.3	129.1	131.2	133.2
Mining																
8 Metal	10	51	82.4	71.8	58.1	53.4	55.4	63.1	70.4	74.9	81.7	71.2	75.2	79.8	83.0	..
9 Coal	11 12	.69	142 7	144.4	140.3	135.8	127.9	143.2	134.1	129.7	144.8	135 0	127.3	125 3	125.6	123.7
10 Oil and gas extraction	13	4.40	131.1	129.1	127.0	123.3	121.0	119.1	120 3	122.9	124.6	117.5	114.4	112.2	113.3	113.8
11 Stone and earth minerals	14	.75	112.1	106 6	103.8	105.7	106 3	108 5	111.9	111 7	112.8	108.1	114 0	117.7	116 8	...
Nondurable manufactures																
12 Foods	20	8.75	151.1	151.0	151.0	150.7	149.0	151.5	152.0	152 8	154.4	147 0	152.0	153.5	..	....
13 Tobacco products	21	.67	118.0	123 6	121.4	120.6	113.3	110.6	113.0	109.9	104.7	115 9	113 4	114.4	...	....
14 Textile mill products	22	2.68	124.5	123.7	124.3	125.9	126.1	125.9	123.1	122.2	125.8	128.7	131 9	136.4	137.1	..
15 Apparel products	23	3.31	....	....	.....	....	.	.....	.....	.	...	....	..	....	.	....
16 Paper and products	26	3.21	150.8	146 8	147 0	152.5	154.3	155 0	154.5	151.1	158.8	160.9	156 3	157.0	160.6	160.9
17 Printing and publishing	27	4.72	144.1	142 6	143 9	145.3	144.3	142 0	141.7	142.8	141.3	135.8	145 9	145.5	145.0	145.9
18 Chemicals and products	28	7 74	196.1	193.2	194 1	195 6	196.4	194.1	192.8	195 9	197.6	200.0	205 7	208.8	210.9	.
19 Petroleum products	29	1 79	121.8	124 3	124 7	121 4	122.6	123.8	120.0	118.7	113 5	108.6	114.8	121 5	123.6	124 4
20 Rubber and plastic products	30	2 24	254 7	258.9	256.8	261.1	262.0	256.3	250.2	249.7	256 2	275.2	272.0	283 1	288.1	....
21 Leather and products	31	86	60.9	62 3	62 9	60.8	60.9	59 5	57.7	56 0	59.5	64.1	59.4	58.7	59 8	....
Durable manufactures																
22 Ordnance, private and government	19.91	3 64	86.9	86.5	87.1	86 5	86.9	89.5	91.9	92.5	93.5	93.4	91.9	93 2	94.0	95.0
23 Lumber and products	24	1.64	112 6	112.2	116.9	120.3	119.9	117.2	119 1	121.4	130.0	130.5	128.7	132 1	135.8	..
24 Furniture and fixtures	25	1.37	151.9	152 5	154 5	156.7	155.7	154 3	152.4	153.7	150.0	162.5	161 0	168.3	169.7	..
25 Clay, glass, stone products	32	2.74	128.2	126.1	126.9	128.8	130.4	128.1	127.3	125 4	128.0	124 8	135.6	138.3	139.3	....
26 Primary metals	33	6.57	75.3	72 8	72.9	72.9	73 2	69.6	63.6	63.5	73.1	79.4	81 2	82.5	85.1	86.9
27 Iron and steel	331 2	4.21	61.7	58 0	58 1	57 4	56.4	54 1	47.5	46.6	59.0	64.3	66.9	68 5	70.3	..
28 Fabricated metal products	34	5.93	114.8	115.0	115.5	114 3	112.3	107.6	107.0	107.3	107.6	112.3	113.9	115.3	116.1	117.3
29 Nonelectrical machinery	35	9.15	149 0	147 4	147.1	147 2	144 9	140 4	139.6	139 2	138 0	137.1	138 6	143 2	146.6	147 6
30 Electrical machinery	36	8.05	169 3	170.8	170.3	169.7	167.0	165.4	165 5	165.5	169.5	170.1	173.8	177.5	179.6	182.3
31 Transportation equipment	37	9.27	104.9	111 6	112.7	107.0	105.3	100 8	100.2	103 7	106.3	110.5	110 1	111.4	113.6	116.9
32 Motor vehicles and parts	371	4 50	109.8	124.0	127.2	116.7	113 5	103.0	101.7	108 8	113.9	124 8	123.2	125.5	130.3	136.7
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	100.4	99.9	99.0	97.8	97.6	98 6	98.7	98.9	99 1	97.0	97.7	98.1	97.7	98.3
34 Instruments	38	2.11	161.9	164.8	165.2	165.5	161.9	157.4	155 8	155.2	154.5	151 6	154.0	155 6	157.0	156 7
35 Miscellaneous manufactures	39	1.51	137.0	136.8	134.7	133 9	132.9	129.6	129 5	128.2	131.3	130 6	136.9	144.0	147.4	148 6
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 **Products, total**	......	**507.4**	**579.6**	**584.1**	**585.8**	**578.5**	**575.3**	**570.0**	**568.4**	**572.9**	**578.1**	**578.4**	**584.1**	**595.1**	**602.1**	**610.0**
37 Final	.....	390.9	451.1	456.7	457.2	449.2	446.3	442.8	441.3	445 8	448 3	447 3	451.3	459.4	465.7	472 1
38 Consumer goods	......	277.5	308.0	313 1	314.9	309.1	309.3	306.6	305.6	306.8	310.9	312.0	313.8	320.1	324.3	328 8
39 Equipment	..	113 4	143.1	143.5	142 3	140 1	137.0	136.2	135 7	138 9	137.4	135.3	137.5	139.3	141.4	143.2
40 Intermediate	......	116.6	128 5	127 4	128.7	129.3	129.0	127.2	127.1	127.1	129 8	131.1	132 8	135.7	136.5	137 9

1 1972 dollar value

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1980	1981	1982	1982 Sept	1982 Oct.	1982 Nov	1982 Dec	1983 Jan	1983 Feb.r	1983 Mar.r	1983 Apr.r	1983 May
	Private residential real estate activity (thousands of units)											
New Units												
1 Permits authorized	1,191	986	1,001	1,029	1,154	1,227	1,326	1,447	1,479	1,467	1,536	1,622
2 1-family	710	564	546	576	657	738	753	866	835	859	841	934
3 2-or-more-family	480	421	454	453	497	489	573	581	644	608	695	688
4 Started	1,292	1,084	1,062	1,134	1,142	1,361	1,280	1,694	1,784	1,605	1,504	1,791
5 1-family	852	705	663	683	716	868	842	1,126	1,103	1,008	1,006	1,151
6 2-or-more-family	440	379	400	451	426	493	438	568	681	597	498	640
7 Under construction, end of period[1]	896	682	720	685	691	712	730	756	796	830	862	
8 1-family	515	382	400	380	383	395	411	428	455	472	490	
9 2-or-more-family	382	301	320	306	307	317	319	329	341	359	372	
10 Completed	1,502	1,266	1,006	936	1,077	1,053	1,035	1,195	1,138	1,135	1,164	n.a.
11 1-family	957	818	631	585	679	679	647	782	709	789	805	
12 2-or-more-family	545	447	374	351	398	374	388	413	429	346	359	
13 Mobile homes shipped	222	241	239	222	224	251	243	284	283	276	291	
Merchant builder activity in 1-family units												
14 Number sold	545	436	413	473	481	545	529	611	593	610	621	648
15 Number for sale, end of period[1]	342	278	255	247	245	246	251	259	262	264	269	276
Price (thousands of dollars)[2]												
Median												
16 Units sold	64.7	68 8	69.3	67.7	69 7	73 5	71.7	73.5	73 8	72 8	74 6	75.9
Average												
17 Units sold	76 4	83 1	83 8	79.6	79 9	87 8	86 7	87.2	86.8	86 4	87 9	90.7
Existing Units (1-family)												
18 Number sold	2,974	2,418	1,991	1,910	1,990	2,150	2,260	2,580	2,460	2,710	2,730	2,860
Price of units sold (thousands of dollars)[2]												
19 Median	62 1	66.1	67 7	67 3	66.9	67 7	67 8	68 1	68.2	68 9	68 8	69.3
20 Average	72 7	78 0	80 4	80.0	79 3	80 4	80.6	80 0	80 3	81 1	81 3	81 8
	Value of new construction[3] (millions of dollars)r											
Construction												
21 **Total put in place**	**230,712**	**239,418**	**232,048**	**230,689**	**234,067**	**243,714**	**240,207**	**247,914**	**243,032**	**241,908**	**245,601**	**256,002**
22 Private	175,700	186,069	180,979	178,177	181,899	190,520	190,768	195,032	194,331	194,865	198,048	205,657
23 Residential	87,262	86,567	74,809	71,696	76,432	81,245	86,018	89,701	93,568	96,127	102,037	106,995
24 Nonresidential, total	88,438	99,502	106,170	106,481	105,467	109,275	104,750	105,331	100,763	98,738	96,011	98,662
Buildings												
25 Industrial	13,839	17,031	17,346	16,545	17,117	16,716	15,631	15,182	14,315	14,263	13,223	13,293
26 Commercial	29,940	34,243	37,281	38,029	36,996	37,861	36,934	38,167	36,675	35,469	33,619	34,273
27 Other	8,654	9,543	10,507	10,663	10,863	11,517	11,784	11,983	11,664	11,598	10,770	11,606
28 Public utilities and other	36,005	38,685	41,036	41,244	40,491	43,181	40,401	39,999	38,109	37,408	38,399	39,490
29 Public	55,011	53,346	51,068	52,512	52,168	53,194	49,439	52,882	48,701	47,043	47,552	47,345
30 Military	1,880	1,966	2,205	2,622	2,364	2,572	2,432	2,341	2,421	2,541	2,782	2,273
31 Highway	13,770	13,599	13,521	14,041	14,447	14,409	13,048	13,966	12,509	11,836	12,900	12,756
32 Conservation and development	5,089	5,300	5,029	4,874	4,752	4,708	4,625	4,756	4,532	4,894	4,710	4,260
33 Other	34,272	32,481	30,313	30,975	30,605	31,505	29,334	31,819	29,239	27,742	27,160	28,056

1 Not at annual rates
2. Not seasonally adjusted
3 Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors All back and current figures are available from originating agency Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level May 1983 (1967 = 100)[1]
	1982 May	1983 May	1982			1983	1983					
			June	Sept	Dec	Mar	Jan	Feb	Mar	Apr	May	
CONSUMER PRICES[2]												
1 **All items**	**6.7**	**3.5**	**9.8**	**4.1**	**.5**	**.4**	**.2**	**−.2**	**.1**	**.6**	**.5**	**297.1**
2 Food	4.8	2.4	6.2	.6	.8	2.8	.1	0	.6	.4	.3	292.4
3 Energy items	−2.2	4.8	7.5	8.1	10.2	−25.1	−2.5	3.7	.9	2.0	2.5	421.3
4 All items less food and energy	8.7	3.6	9.6	4.7	−.3	4.4	.5	.4	.2	.4	.3	284.7
5 Commodities	6.6	4.7	9.9	2.4	5.4	5.7	.6r	.5	.4	.1	.2	240.8
6 Services	10.4	2.6	11.3	4.6	−4.8	3.7	.5	.3	.1	.5	.3	335.6
PRODUCER PRICES												
7 Finished goods	3.0	2.3	4.6	4.2	5.2	4.7	1.1r	.0r	.1	.1	.3	284.3
8 Consumer foods	3.8	.1	9.8	7.7	.8	3.6	.2	.6	.5	1.2	−.5	262.6
9 Consumer energy	11.2	1.5	9.2	30.9	7.0	34.3	−4.2	−2.9	−3.2	−2.8	2.2	769.7
10 Other consumer goods	5.6	3.2	5.7	4.2	7.9	2.3	1.2r	.5r	.1	.2	.1	239.0
11 Capital equipment	5.9	3.1	5.2	3.5	3.6	3.3	.2r	.6r	.4	.3	.2	286.8
12 Intermediate materials[3]	1.3	.1	.5	2.3	1.5	−5.1	−.6r	.1r	.8	.4	.4	315.0
13 Excluding energy	3.0	.9	0	1.0	1.0	1.1	.1r	.6r	.1	−.2	.4	293.7
Crude materials												
14 Foods	.8	2.3	15.8	−26.4	1.3	18.1	1.1	2.4	.7	3.0	−1.2	256.5
15 Energy	1.8	1.0	1.6	8.7	6.4	7.6	−1.1r	.9r	.1	−1.4	.3	791.5
16 Other	10.6	1.2	19.2	2.9	8.0	15.7	−3.0r	2.7r	1.5	2.0	5.2	246.6

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental-equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1980	1981	1982	1982				1983
				Q1	Q2	Q3	Q4	Q1[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**2,633.1**	**2,937.7**	**3,059.3**	**2,995.5**	**3,045.2**	**3,088.2**	**3,108.2**	**3,170.6**
By source								
2 Personal consumption expenditures	1,667.2	1,843.2	1,971.1	1,919.4	1,947.8	1,986.3	2,030.8	2,052.9
3 Durable goods	214.3	234.6	242.7	237.9	240.7	240.3	251.8	256.9
4 Nondurable goods	670.4	734.5	762.1	749.1	755.0	768.4	775.7	777.5
5 Services	782.5	874.1	966.3	932.4	952.1	977.6	1,003.3	1,018.5
6 Gross private domestic investment	402.4	471.5	420.3	414.8	431.5	443.3	391.5	421.7
7 Fixed investment	412.4	451.1	444.1	450.4	447.7	438.6	439.9	458.1
8 Nonresidential	309.2	346.1	348.0	357.0	352.2	344.2	338.4	337.1
9 Structures	110.5	129.7	141.5	141.4	143.6	141.3	139.6	136.8
10 Producers' durable equipment	198.6	216.4	206.5	215.6	208.6	203.0	198.8	200.3
11 Residential structures	103.2	105.0	96.2	93.4	95.5	94.3	101.4	121.0
12 Nonfarm	98.3	99.7	90.5	87.9	89.6	88.7	95.7	115.2
13 Change in business inventories	−10.0	20.5	−23.8	−35.6	−16.2	4.7	−48.3	−36.3
14 Nonfarm	−5.7	15.0	−24.3	−36.0	−15.0	3.7	−50.0	−35.6
15 Net exports of goods and services	25.2	26.1	20.5	31.3	34.9	6.9	9.1	19.6
16 Exports	339.2	367.3	350.8	359.9	365.8	349.5	328.1	332.4
17 Imports	314.0	341.3	330.3	328.6	330.9	342.5	319.1	312.8
18 Government purchases of goods and services	538.4	596.9	647.4	630.1	630.9	651.7	676.8	676.3
19 Federal	197.2	229.0	257.9	249.7	244.3	259.0	278.7	274.1
20 State and local	341.2	368.0	389.4	380.4	386.6	392.7	398.0	402.2
By major type of product								
21 Final sales, total	2,643.1	2,917.3	3,083.1	3,031.1	3,061.4	3,083.5	3,156.5	3,206.9
22 Goods	1,141.9	1,289.2	1,280.4	1,269.4	1,283.1	1,295.5	1,273.6	1,295.5
23 Durable	477.3	528.1	493.3	482.4	505.9	516.9	467.9	483.5
24 Nondurable	664.6	761.1	787.1	787.0	777.2	778.6	805.7	812.0
25 Services	1,225.6	1,364.3	1,494.4	1,444.4	1,476.7	1,509.5	1,547.0	1,571.0
26 Structures	265.7	284.2	284.5	281.7	285.3	283.2	287.7	304.1
27 Change in business inventories	−10.0	20.5	−23.8	−35.6	−16.2	4.7	−48.3	−36.3
28 Durable goods	−5.2	8.7	−18.9	−30.9	−6.6	10.1	48.3	−35.9
29 Nondurable goods	−4.8	11.8	−5.0	−4.8	−9.6	−5.4	.0	−.5
30 MEMO **Total GNP in 1972 dollars**	**1,474.0**	**1,502.6**	**1,476.9**	**1,470.7**	**1,478.4**	**1,481.1**	**1,477.2**	**1,486.7**
NATIONAL INCOME								
31 **Total**	**2,117.1**	**2,352.5**	**2,436.6**	**2,396.9**	**2,425.2**	**2,455.6**	**2,468.8**	**2,524.9**
32 Compensation of employees	1,598.6	1,767.6	1,856.5	1,830.8	1,850.7	1,868.3	1,876.1	1,908.1
33 Wages and salaries	1,356.1	1,494.0	1,560.6	1,541.5	1,556.6	1,570.0	1,574.5	1,597.3
34 Government and government enterprises	260.2	283.1	302.3	296.3	300.0	303.5	309.2	313.2
35 Other	1,095.9	1,210.9	1,258.4	1,245.2	1,256.6	1,266.4	1,265.4	1,284.1
36 Supplement to wages and salaries	242.5	273.6	295.8	289.3	294.1	298.3	301.6	310.8
37 Employer contributions for social insurance	115.3	133.2	142.1	140.2	141.7	142.8	143.7	150.1
38 Other labor income	127.3	140.4	153.8	149.1	152.5	155.5	157.9	160.6
39 Proprietors' income[1]	116.3	124.7	120.3	116.4	117.3	118.4	128.9	128.9
40 Business and professional[1]	96.9	100.7	101.3	98.6	99.9	101.7	104.8	110.0
41 Farm[1]	19.4	24.0	19.0	17.8	17.4	16.6	24.1	18.9
42 Rental income of persons[2]	32.9	33.9	34.1	33.9	34.2	34.6	33.9	35.3
43 Corporate profits[1]	181.6	190.6	160.8	157.1	155.4	166.2	164.6	186.1
44 Profits before tax[3]	242.5	232.1	174.9	171.6	171.7	180.3	175.9	177.9
45 Inventory valuation adjustment	−43.0	−24.6	−9.2	−4.4	−9.4	−10.3	−12.6	.5
46 Capital consumption adjustment	−17.8	−16.8	−4.9	−10.1	−6.9	−3.8	1.3	7.7
47 Net interest	187.7	235.7	264.9	258.7	267.5	268.1	265.3	266.6

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce)

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1980	1981	1982	1982				1983
				Q1	Q2	Q3	Q4	Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,160.2**	**2,404.1**	**2,569.9**	**2,510.5**	**2,552.7**	**2,592.5**	**2,624.0**	**2,648.2**
2 Wage and salary disbursements	1,356.1	1,493.9	1,560.7	1,541.6	1,556.6	1,570.0	1,574.5	1,597.3
3 Commodity-producing industries	468.0	510.8	509.9	514.3	513.6	510.2	501.6	509.8
4 Manufacturing	354.4	386.4	382.6	385.1	385.6	383.8	375.8	383.0
5 Distributive industries	330.5	361.4	376.0	371.4	375.4	378.4	378.8	381.1
6 Service industries	297.5	338.6	372.5	359.5	367.6	377.8	385.0	393.2
7 Government and government enterprises	260.2	283.1	302.3	296.5	300.0	303.5	309.2	313.2
8 Other labor income	127.3	140.4	153.8	149.1	152.5	155.5	157.9	160.6
9 Proprietors' income[1]	116.3	124.7	120.3	116.4	117.3	118.4	128.9	128.9
10 Business and professional[1]	96.9	100.7	101.3	98.6	99.9	101.7	104.8	110.0
11 Farm[1]	19.4	24.0	19.0	17.8	17.4	16.6	24.1	18.9
12 Rental income of persons[2]	32.9	33.9	34.1	33.9	34.2	34.6	33.9	35.3
13 Dividends	55.9	62.5	67.0	65.8	66.1	67.2	68.8	69.8
14 Personal interest income	256.3	308.5	371.2	359.7	372.0	378.2	374.6	376.5
15 Transfer payments	297.2	336.3	374.7	354.6	365.2	381.0	397.8	396.2
16 Old-age survivors, disability, and health insurance benefits	154.2	182.0	204.5	194.7	197.5	209.2	216.6	217.1
17 LESS: Personal contributions for social insurance	88.7	104.9	111.7	110.6	111.4	112.4	112.5	116.4
18 EQUALS: Personal income	2,160.2	2,404.1	2,569.9	2,510.5	2,552.7	2,592.5	2,624.0	2,648.2
19 LESS: Personal tax and nontax payments	336.2	386.7	397.2	393.4	401.2	394.4	399.7	401.0
20 EQUALS: Disposable personal income	1,824.1	2,029.2	2,172.7	2,117.1	2,151.5	2,198.1	2,224.3	2,247.2
21 LESS: Personal outlays	1,717.9	1,898.9	2,030.5	1,977.9	2,007.2	2,046.1	2,090.9	2,114.0
22 EQUALS: Personal saving	106.2	130.2	142.2	139.1	144.3	152.0	133.4	133.3
MEMO.								
Per capita (1972 dollars)								
23 Gross national product	6,474	6,536	6,364	6,360	6,380	6,376	6,342	6,367
24 Personal consumption expenditures	4,087	4,122	4,123	4,104	4,121	4,117	4,151	4,167
25 Disposable personal income	4,472	4,538	4,545	4,527	4,552	4,555	4,547	4,561
26 Saving rate (percent)	5.8	6.4	6.5	6.6	6.7	6.9	6.0	5.9
GROSS SAVING								
27 **Gross saving**	**406.3**	**477.5**	**414.0**	**428.8**	**441.5**	**422.4**	**363.3**	**415.5**
28 Gross private saving	438.3	504.7	531.4	520.3	529.0	546.1	531.1	547.2
29 Personal saving	106.2	130.2	142.2	139.1	144.3	152.0	133.4	133.3
30 Undistributed corporate profits[1]	38.9	44.4	32.8	32.5	30.7	34.8	34.2	47.4
31 Corporate inventory valuation adjustment	-43.0	-24.6	-9.2	-4.4	-9.4	-10.3	-12.6	.5
Capital consumption allowances								
32 Corporate	181.2	206.2	225.1	218.9	223.4	227.5	230.6	232.2
33 Noncorporate	112.0	123.9	131.3	129.8	130.5	131.9	132.9	134.3
34 Wage accruals less disbursements	0	.0	.0	.0	.0	0	.0	.0
35 *Government surplus, or deficit (−), national income and product accounts*	-33.2	-28.2	-117.4	-90.7	-87.5	-123.7	-167.7	-131.7
36 Federal	-61.4	-60.0	-149.5	-118.4	-119.6	-156.0	-204.2	-174.0
37 State and local	28.2	31.7	32.1	27.7	32.1	32.3	36.4	42.3
38 Capital grants received by the United States, net	1.2	1.1	0	.0	0	0	0	0
39 **Gross investment**	**410.1**	**475.6**	**415.7**	**421.3**	**442.3**	**426.0**	**373.1**	**418.3**
40 Gross private domestic	402.4	471.5	420.3	414.8	431.5	443.3	391.5	421.7
41 Net foreign	7.8	4.1	-4.6	6.5	10.8	-17.3	-18.5	-3.4
42 **Statistical discrepancy**	**3.9**	**-1.9**	**1.7**	**-7.5**	**.8**	**3.6**	**9.7**	**2.8**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce)

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars, quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1980ʳ	1981ʳ	1982ʳ	1982				1983
				Q1ʳ	Q2ʳ	Q3ʳ	Q4ʳ	Q1ᵖ
1 Balance on current account	421	4,592	-11,211	564	1,434	-6,596	6,621	-3,045
2 Not seasonally adjusted	..		..	259	2,218	-8,143	-5,546	-2,961
3 Merchandise trade balance[2]	-25,544	28,067	-36,389	-6,103	-5,854	-13,078	-11,354	-8,738
4 Merchandise exports	224,237	237,019	211,217	55,636	54,996	52,241	48,344	49,563
5 Merchandise imports	-249,781	-265,086	-247,606	-61,739	-60,850	-65,319	-59,698	-58,301
6 Military transactions, net	-2,286	-1,355	179	-51	201	54	-26	702
7 Investment income, net[3]	29,570	33,484	27,304	6,937	7,536	6,821	6,008	5,235
8 Other service transactions, net	5,738	7,462	5,729	1,842	1,353	1,349	1,182	1,319
9 Remittances, pensions, and other transfers	-2,347	-2,382	-2,621	-603	-702	-656	-661	644
10 U.S. government grants (excluding military)	-4,709	-4,549	-5,413	-1,458	-1,100	-1,086	-1,770	-919
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-5,140	5,078	-5,732	807	-1,489	-2,502	-934	1,060
12 *Change in U.S. official reserve assets (increase, -)*	-8,155	-5,175	-4,965	-1,089	1,132	-794	-1,949	-787
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-16	-1,823	1,371	-400	241	-434	-297	-98
15 Reserve position in International Monetary Fund	-1,667	-2,491	-2,552	-547	814	459	-732	-2,139
16 Foreign currencies	-6,472	-861	-1,041	-142	-77	99	920	1,450
17 Change in U.S. private assets abroad (increase, -)[3]	-72,757	-100,348	-107,348	-29,560	-38,313	-22,803	-16,670	-19,936
18 Bank-reported claims	-46,838	83,851	-109,346	-32,551	-38,653	20,631	-17,511	-17,483
19 Nonbank-reported claims	-3,174	-1,181	6,976	3,918	-277	998	2,337	n.a.
20 U.S. purchase of foreign securities, net	-3,524	5,636	7,986	-581	-546	-3,331	-3,527	-2,032
21 U.S. direct investments abroad, net[3]	-19,221	-9,680	3,008	-346	1,163	161	2,031	-421
22 Change in foreign official assets in the United States (increase, +)	15,566	5,430	3,172	-3,061	1,930	2,642	1,661	-37
23 U.S. Treasury securities	9,708	4,983	5,759	-1,327	-2,094	4,834	4,346	3,166
24 Other U.S. government obligations	2,187	1,289	-670	-301	258	71	-556	-568
25 Other U.S. government liabilities[4]	685	-28	504	75	459	-160	130	-390
26 Other U.S. liabilities reported by U.S. banks	-159	-3,479	-2,054	1,697	3,271	-1,911	1,717	-1,898
27 Other foreign official assets[5]	3,145	2,665	-367	189	36	-50	-542	347
28 Change in foreign private assets in the United States (increase, +)[3]	39,356	75,248	84,693	30,185	29,683	14,971	9,856	17,311
29 U.S. bank-reported liabilities	10,743	42,154	64,263	25,685	24,778	10,977	2,823	9,853
30 U.S. nonbank-reported liabilities	6,845	942	-3,104	182	-2,517	-425	20	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	2,645	2,982	7,004	1,288	2,095	1,364	2,257	2,947
32 Foreign purchases of other U.S. securities, net	5,457	7,171	6,141	1,313	2,434	420	1,975	2,887
33 Foreign direct investments in the United States, net[3]	13,666	21,998	10,390	2,081	2,893	2,635	2,781	1,624
34 Allocation of SDRs	1,152	1,093	0	0	0	0	0	0
35 Discrepancy	29,556	24,238	41,390	3,768	7,887	15,082	14,657	7,554
36 Owing to seasonal adjustments		...	...	729	881	-1,190	1,042	-340
37 Statistical discrepancy in recorded data before seasonal adjustment	29,556	24,238	41,390	4,497	7,006	16,272	13,615	7,894
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	-8,155	-5,175	-4,965	1,089	-1,132	-794	-1,949	-787
39 Foreign official assets in the United States (increase, +)	14,881	5,458	2,668	-3,136	1,471	2,802	1,531	353
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	12,769	13,581	7,420	5,190	3,024	368	-1,162	-1,442
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	756	680	644	93	125	267	158	42

1. Seasonal factors are no longer calculated for lines 12 through 41
2. Data are on an international accounts (IA) basis Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing, military exports are excluded from merchandise data and are included in line 6
3. Includes reinvested earnings of incorporated affiliates
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments

NOTE Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce)

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1980	1981	1982	1982		1983				
				Nov	Dec	Jan	Feb	Mar	Apr	May
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	220,626	233,677	212,193	15,852	16,347	17,393	16,326	16,752	16,074	15,566
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	244,871	261,305	243,952	18,892	19,154	20,021	19,015	19,525	19,771	21,514
3 **Trade balance**	**−24,245**	**−27,628**	**−31,759**	**−3,041**	**−2,808**	**−2,628**	**−2,689**	**−2,774**	**−3,697**	**−5,948**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1979	1980	1981	1982	1983					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**	**18,956**	**26,756**	**30,075**	**33,958**	**33,936**	**34,233**	**34,261**	**34,173**	**33,931**	**33,876**
2 Gold stock, including Exchange Stabilization Fund[1]	11,172	11,160	11,151	11,148	11,144	11,139	11,138	11,132	11,132	11,131
3 Special drawing rights[2,3]	2,724	2,610	4,095	5,250	5,267	5,284	5,229	5,192	5,525	5,478
4 Reserve position in International Monetary Fund[2]	1,253	2,852	5,055	7,348	8,035	8,594	9,293	9,284	9,424	9,413
5 Foreign currencies[4,5]	3,807	10,134	9,774	10,212	9,490	9,216	8,601	8,565	7,850	7,854

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.
5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies in 1979 and 1980.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1979	1980	1981	1982	1983					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Deposits	429	411	505	328	366	352	424	322	445	279
Assets held in custody										
2 U.S. Treasury securities[1]	95,075	102,417	104,680	112,544	115,872	116,428	114,999	114,880	115,401	114,499
3 Earmarked gold[2]	15,169	14,965	14,804	14,716	14,717	14,752	14,726	14,723	14,727	14,724

1. Marketable U.S. Treasury bills, notes, and bonds, and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1979	1980	1981[r]	1982			1983			
				Oct.[r]	Nov.[r]	Dec.[r]	Jan[r]	Feb[r]	Mar.	Apr.[p]
	All foreign countries									
1 **Total, all currencies**	**364,409**	**401,135**	**462,847**	**463,950**	**468,603**	**469,210**	**461,965**	**458,042**	**464,958**	**453,243**
2 Claims on United States	32,302	28,460	63,743	89,075	90,849	91,767	89,695	87,525	93,828	87,404
3 Parent bank	25,929	20,202	43,267	61,307	62,476	61,629	59,694	58,500	63,312	57,934
4 Other	6,373	8,258	20,476	27,768	28,373	30,138	30,001	29,025	30,516	29,470
5 Claims on foreigners	317,330	354,960	378,954	354,671	357,321	358,045	352,764	351,251	352,137	347,876
6 Other branches of parent bank	79,662	77,019	87,821	90,030	91,916	91,116	89,484	89,765	89,083	88,715
7 Banks	123,420	146,448	150,763	133,489	133,359	133,576	131,028	129,169	132,048	127,290
8 Public borrowers	26,097	28,033	28,197	23,876	23,340	23,968	24,464	24,585	24,574	25,097
9 Nonbank foreigners	88,151	103,460	112,173	107,276	108,706	109,385	107,778	107,732	106,432	106,774
10 Other assets	14,777	17,715	20,150	20,204	20,433	19,398	19,506	19,266	18,993	17,963
11 **Total payable in U.S. dollars**	**267,713**	**291,798**	**350,735**	**361,883**	**363,611**	**361,574**	**354,681**	**350,489**	**356,402**	**344,142**
12 Claims on United States	31,171	27,191	62,142	87,355	88,976	90,047	88,001	85,901	91,391	85,127
13 Parent bank	25,632	19,896	42,721	60,562	61,662	60,973	58,926	57,799	62,379	57,298
14 Other	5,539	7,295	19,421	26,793	27,314	29,074	29,075	28,102	29,012	27,829
15 Claims on foreigners	229,120	255,391	276,937	261,935	261,820	259,512	254,858	252,964	253,403	248,483
16 Other branches of parent bank	61,525	58,541	69,398	74,032	74,780	73,512	71,188	71,935	70,768	69,810
17 Banks	96,261	117,342	122,110	107,487	106,681	106,275	103,596	100,797	103,413	98,603
18 Public borrowers	21,629	23,491	22,877	18,659	18,187	18,303	18,717	18,891	18,723	18,901
19 Nonbank foreigners	49,705	56,017	62,552	61,757	62,172	61,422	61,357	61,341	60,499	61,169
20 Other assets	7,422	9,216	11,656	12,593	12,815	12,015	11,822	11,624	11,608	10,532
	United Kingdom									
21 **Total, all currencies**	**130,873**	**144,717**	**157,229**	**164,582**	**165,687**	**161,067**	**157,464**	**156,577**	**156,022**	**152,408**
22 Claims on United States	11,117	7,509	11,823	27,829	28,677	27,354	27,175	26,423	26,259	25,139
23 Parent bank	9,338	5,275	7,885	23,717	24,278	23,017	22,539	21,962	21,912	20,657
24 Other	1,779	2,234	3,938	4,112	4,399	4,337	4,636	4,461	4,347	4,482
25 Claims on foreigners	115,123	131,142	138,888	129,913	130,666	127,734	124,354	124,214	123,993	121,727
26 Other branches of parent bank	34,291	34,760	41,367	37,013	38,319	37,000	34,959	35,437	36,171	32,973
27 Banks	51,343	58,741	56,315	52,568	51,414	50,767	49,497	48,580	48,976	48,301
28 Public borrowers	4,919	6,688	7,490	6,157	6,170	6,240	6,421	6,592	6,337	6,567
29 Nonbank foreigners	24,570	30,953	33,716	34,175	34,763	33,727	33,477	33,605	32,509	33,886
30 Other assets	4,633	6,066	6,518	6,840	6,344	5,979	5,935	5,940	5,770	5,542
31 **Total payable in U.S. dollars**	**94,287**	**99,699**	**115,188**	**127,517**	**128,863**	**123,740**	**120,233**	**119,273**	**118,891**	**113,170**
32 Claims on United States	10,746	7,116	11,246	27,255	28,093	26,761	26,581	25,829	25,597	24,374
33 Parent bank	9,297	5,229	7,721	23,478	24,035	22,756	22,250	21,700	21,626	20,354
34 Other	1,449	1,887	3,525	3,777	4,058	4,005	4,331	4,129	3,971	4,020
35 Claims on foreigners	81,294	89,723	99,850	95,269	95,870	92,228	89,137	88,973	88,797	84,981
36 Other branches of parent bank	28,928	28,268	35,439	32,243	33,154	31,648	29,380	29,918	30,589	27,131
37 Banks	36,760	42,073	40,703	39,077	38,310	36,717	35,616	34,499	34,442	33,228
38 Public borrowers	3,319	4,911	5,595	4,251	4,281	4,329	4,600	4,789	4,413	4,504
39 Nonbank foreigners	12,287	14,471	18,113	19,698	20,125	19,534	19,541	19,767	19,353	20,118
40 Other assets	2,247	2,860	4,092	4,993	4,900	4,751	4,515	4,471	4,497	3,815
	Bahamas and Caymans									
41 **Total, all currencies**	**108,977**	**123,837**	**149,108**	**139,493**	**140,990**	**145,089**	**142,115**	**138,730**	**145,663**	**142,049**
42 Claims on United States	19,124	17,751	46,546	55,728	57,081	59,402	57,302	56,225	62,686	57,559
43 Parent bank	15,196	12,631	31,643	32,927	34,022	34,653	32,958	32,839	37,937	34,113
44 Other	3,928	5,120	14,903	22,801	23,059	24,749	24,344	23,386	24,749	23,446
45 Claims on foreigners	86,718	101,926	98,057	79,578	79,230	81,387	80,722	78,527	79,040	80,817
46 Other branches of parent bank	9,689	13,342	12,951	17,955	18,066	18,720	20,091	19,730	17,512	22,175
47 Banks	43,189	54,861	55,151	40,478	41,070	42,636	40,770	39,101	42,288	39,607
48 Public borrowers	12,905	12,577	10,010	6,743	6,310	6,413	6,434	6,494	6,540	6,366
49 Nonbank foreigners	20,935	21,146	19,945	14,402	13,784	13,618	13,427	13,202	12,700	12,669
50 Other assets	3,135	4,160	4,505	4,187	4,679	4,300	4,091	3,978	3,937	3,673
51 **Total payable in U.S. dollars**	**102,368**	**117,654**	**143,743**	**134,662**	**135,699**	**139,538**	**136,278**	**132,884**	**139,549**	**135,711**

3.14 Continued

Liability account	1979	1980	1981[r]	1982 Oct.[r]	1982 Nov.[r]	1982 Dec.[r]	1983 Jan.[r]	1983 Feb.[r]	1983 Mar.	1983 Apr.[p]
	All foreign countries									
52 **Total, all currencies**	**364,409**	**401,135**	**462,847**	**463,950**	**468,603**	**469,210**	**461,965**	**458,042**	**464,958**	**453,243**
53 To United States	66,689	91,079	137,767	169,400	171,884	178,834	178,353	176,206	188,928	180,057
54 Parent bank	24,533	39,286	56,344	64,190	66,376	75,487	79,862	77,409	84,938	77,090
55 Other banks in United States	13,968	14,473	19,197	32,607	31,764	33,358	32,791	32,650	33,975	32,687
56 Nonbanks	28,188	37,275	62,226	72,603	73,744	69,989	65,700	66,147	70,015	70,280
57 To foreigners	283,510	295,411	305,630	274,470	276,360	270,545	265,172	263,553	258,255	255,229
58 Other branches of parent bank	77,640	75,773	86,396	91,660	91,310	90,094	88,926	90,486	87,352	88,304
59 Banks	122,922	132,116	124,906	98,320	98,236	96,706	92,847	90,205	91,728	86,949
60 Official institutions	35,668	32,473	25,997	19,440	21,095	19,614	20,246	19,739	17,808	18,384
61 Nonbank foreigners	47,280	55,049	68,331	65,050	65,719	64,131	63,153	63,123	61,367	61,592
62 Other liabilities	14,210	14,690	19,450	20,080	20,359	19,831	18,440	18,283	17,775	17,957
63 **Total payable in U.S. dollars**	**273,857**	**303,281**	**364,447**	**377,176**	**379,306**	**378,860**	**370,132**	**367,528**	**374,355**	**363,151**
64 To United States	64,530	88,157	134,700	166,431	168,411	175,347	174,728	172,533	185,430	176,638
65 Parent bank	23,403	37,528	54,492	62,245	64,083	73,161	77,590	75,076	82,627	75,009
66 Other banks in United States	13,771	14,203	18,883	32,362	31,428	32,993	32,267	32,223	33,535	32,226
67 Nonbanks	27,356	36,426	61,325	71,824	72,900	69,193	64,871	65,234	69,268	69,403
68 To foreigners	201,514	206,883	217,602	199,297	198,981	192,290	185,265	185,616	179,527	177,088
69 Other branches of parent bank	60,551	58,172	69,299	76,237	74,661	72,863	71,075	72,855	69,472	69,937
70 Banks	80,691	87,497	79,594	59,782	58,829	57,355	52,225	51,234	52,183	48,428
71 Official institutions	29,048	24,697	20,288	15,253	16,774	15,055	15,940	15,381	13,536	13,801
72 Nonbank foreigners	31,224	36,517	48,421	48,025	48,717	47,017	46,025	46,146	44,336	44,922
73 Other liabilities	7,813	8,241	12,145	11,448	11,914	11,223	10,139	9,379	9,398	9,425
	United Kingdom									
74 **Total, all currencies**	**130,873**	**144,717**	**157,229**	**164,582**	**165,687**	**161,067**	**157,464**	**156,577**	**156,022**	**152,408**
75 To United States	20,986	21,785	38,022	53,777	54,003	53,954	52,650	51,927	55,309	52,883
76 Parent bank	3,104	4,225	5,444	10,568	10,597	13,091	14,287	14,080	14,616	14,343
77 Other banks in United States	7,693	5,716	7,502	12,567	12,374	12,205	12,343	12,198	13,172	12,119
78 Nonbanks	10,189	11,844	25,076	30,642	31,032	28,658	26,020	25,649	27,521	26,421
79 To foreigners	104,032	117,438	112,255	102,611	103,927	99,567	97,827	97,515	93,835	92,460
80 Other branches of parent bank	12,567	15,384	16,545	18,399	19,372	18,361	19,343	21,008	19,653	19,470
81 Banks	47,620	56,262	51,336	45,601	44,266	44,020	41,073	39,892	40,867	38,960
82 Official institutions	24,202	21,412	16,517	11,379	12,940	11,504	12,377	12,025	10,252	10,520
83 Nonbank foreigners	19,643	24,380	27,857	27,232	27,349	25,682	25,034	24,590	23,063	23,510
84 Other liabilities	5,855	5,494	6,952	8,194	7,757	7,546	6,987	7,135	6,878	7,065
85 **Total payable in U.S. dollars**	**95,449**	**103,440**	**120,277**	**133,591**	**135,188**	**130,261**	**126,286**	**126,007**	**126,088**	**120,683**
86 To United States	20,552	21,080	37,332	53,146	53,056	53,029	51,808	50,977	54,520	51,993
87 Parent bank	3,054	4,078	5,350	10,442	10,306	12,814	14,105	13,859	14,476	14,212
88 Other banks in United States	7,651	5,626	7,249	12,472	12,188	12,026	12,128	12,041	12,987	11,929
89 Nonbanks	9,847	11,376	24,733	30,232	30,562	28,189	25,575	25,077	27,057	25,852
90 To foreigners	72,397	79,636	79,034	76,519	77,982	73,477	71,000	71,994	68,309	65,485
91 Other branches of parent bank	8,446	10,474	12,048	14,614	15,310	14,300	15,081	16,709	14,918	14,815
92 Banks	29,424	35,388	32,298	30,404	29,092	28,810	25,177	25,563	26,395	23,821
93 Official institutions	20,192	17,024	13,612	9,806	11,198	9,668	10,657	10,121	8,419	8,474
94 Nonbank foreigners	14,335	16,750	21,076	21,695	22,382	20,699	20,085	19,601	18,577	18,375
95 Other liabilities	2,500	2,724	3,911	3,926	4,150	3,755	3,478	3,036	3,259	3,205
	Bahamas and Caymans									
96 **Total, all currencies**	**108,977**	**123,837**	**149,108**	**139,493**	**140,990**	**145,089**	**142,115**	**138,730**	**145,663**	**142,049**
97 To United States	37,719	59,666	85,759	96,864	98,525	104,384	104,398	102,519	111,560	105,685
98 Parent bank	15,267	28,181	39,451	40,279	41,950	47,040	50,441	47,633	55,620	48,050
99 Other banks in United States	5,204	7,379	10,474	17,481	16,805	18,466	17,561	17,328	17,300	17,451
100 Nonbanks	17,248	24,106	35,834	39,104	39,770	38,878	36,396	37,558	38,640	40,184
101 To foreigners	68,598	61,218	60,012	39,793	39,603	38,249	35,470	33,859	31,894	34,146
102 Other branches of parent bank	20,875	17,040	20,641	17,421	17,566	15,796	14,258	13,809	12,071	14,474
103 Banks	33,631	29,895	23,202	10,297	10,413	10,166	9,279	8,451	9,027	8,126
104 Official institutions	4,866	4,361	3,498	2,137	1,846	1,967	1,849	1,720	1,678	1,710
105 Nonbank foreigners	9,226	9,922	12,671	9,938	9,778	10,320	10,084	9,879	9,118	9,836
106 Other liabilities	2,660	2,953	3,337	2,836	2,862	2,456	2,247	2,352	2,209	2,218
107 **Total payable in U.S. dollars**	**103,460**	**119,657**	**145,284**	**136,629**	**137,879**	**141,841**	**138,702**	**135,377**	**142,465**	**138,502**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1980	1981	1982			1983			
			Oct	Nov	Dec	Jan	Feb	Mar ᵖ	Apr ᵖ
1 **Total**[1]	**164,578**	**170,109**	**171,406**	**168,025**	**172,780**	**175,163**	**172,915**	**173,119**	**173,414**
By type									
2 Liabilities reported by banks in the United States[2]	30,381	26,928	27,056	25,338	24,873	23,842	21,422	22,980	22,693
3 U.S. Treasury bills and certificates[3]	56,243	52,389	43,964	42,906	46,658	50,432	49,954	47,917	48,399
U.S. Treasury bonds and notes									
4 Marketable	41,455	53,186	65,619	65,850	67,715	67,735	69,303	70,250	70,558
5 Nonmarketable[4]	14,654	11,791	9,350	8,750	8,750	8,750	7,950	7,950	7,950
6 U.S. securities other than U.S. Treasury securities[5]	21,845	25,815	25,417	25,181	24,784	24,404	24,286	24,022	23,814
By area									
7 Western Europe[1]	81,592	65,891	60,846	59,447	61,501	62,525	62,103	61,734	62,169
8 Canada	1,562	2,403	2,204	2,044	2,070	2,430	2,754	2,942	2,770
9 Latin America and Caribbean	5,688	6,954	7,231	5,900	6,028	7,138	6,100	5,578	6,161
10 Asia	70,784	91,790	95,110	93,960	95,922	95,278	95,677	96,789	95,331
11 Africa	4,123	1,829	1,452	1,371	1,350	1,716	1,327	1,162	1,208
12 Other countries[6]	829	1,242	4,563	5,303	5,909	6,076	4,954	4,914	5,775

1. Includes the Bank for International Settlements
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds
6. Includes countries in Oceania and Eastern Europe

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1979	1980	1981	1982			1983
				June	Sept.	Dec.	Mar ᵖ
1 Banks' own liabilities	1,918	3,748	3,523	4,513	4,575	4,751	5,072
2 Banks' own claims	2,419	4,206	4,980	5,895	6,337	7,689	8,101
3 Deposits	994	2,507	3,398	3,565	3,429	4,241	3,725
4 Other claims	1,425	1,699	1,582	2,329	2,908	3,448	4,376
5 Claims of banks' domestic customers[1]	580	962	971	921	506	676	637

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1979	1980	1981▲	1982			1983			
				Oct	Nov	Dec	Jan	Feb	Mar	Apr p
1 **All foreigners**	**187,521**	**205,297**	**244,043**	**300,811**	**302,776**	**305,320**	**304,779**	**304,653**	**316,117**	**308,936**
2 Banks' own liabilities	117,196	124,791	163,738	221,055	226,068	225,379	219,361	219,666	234,317	226,019
3 Demand deposits	23,303	23,462	19,628	17,059	17,148	16,017	16,089	17,423	16,495	15,695
4 Time deposits[1]	13,623	15,076	28,992	62,172	62,718	67,072	64,347	65,273	68,491	67,303
5 Other[2]	16,453	17,583	17,617	22,930	24,414	23,791	22,918	20,295	24,566	21,882
6 Own foreign offices[3]	63,817	68,670	97,500	118,894	121,788	118,499	116,006	116,676	124,765	121,139
7 Banks' custody liabilities[4]	70,325	80,506	80,305	79,756	76,708	79,941	85,419	84,987	81,800	82,917
8 U.S. Treasury bills and certificates[5]	48,573	57,595	55,316	53,374	52,138	55,614	62,137	61,904	58,747	60,087
9 Other negotiable and readily transferable instruments[6]	19,396	20,079	19,019	22,668	20,965	20,625	19,352	19,205	18,831	18,799
10 Other	2,356	2,832	5,970	3,715	3,605	3,702	3,930	3,877	4,222	4,031
11 **Nonmonetary international and regional organizations[7]**	**2,356**	**2,344**	**2,721**	**6,036**	**6,465**	**4,597**	**6,611**	**5,969**	**3,949**	**5,917**
12 Banks' own liabilities	714	444	638	2,337	3,387	1,584	1,787	1,695	1,304	2,542
13 Demand deposits	260	146	262	261	257	106	284	195	221	252
14 Time deposits[1]	151	85	58	431	969	1,339	1,333	1,367	917	2,031
15 Other[2]	303	212	318	1,645	2,161	139	170	134	166	259
16 Banks' custody liabilities[4]	1,643	1,900	2,083	3,699	3,078	3,013	4,824	4,275	2,645	3,375
17 U.S. Treasury bills and certificates	102	254	541	2,160	1,774	1,621	3,603	3,153	1,501	2,230
18 Other negotiable and readily transferable instruments[6]	1,538	1,646	1,542	1,539	1,304	1,392	1,221	1,122	1,144	1,145
19 Other	2	0	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**78,206**	**86,624**	**79,318**	**71,021**	**68,244**	**71,531**	**74,274**	**71,377**	**70,897**	**71,092**
21 Banks' own liabilities	18,292	17,826	17,094	16,989	16,638	16,526	16,411	14,620	16,443	16,060
22 Demand deposits	4,671	3,771	2,564	2,138	2,074	1,981	2,168	2,063	2,287	2,322
23 Time deposits[1]	3,050	3,612	4,230	6,132	5,539	5,489	4,907	5,481	5,331	6,031
24 Other[2]	10,571	10,443	10,300	8,720	9,025	9,057	9,336	7,076	8,825	7,706
25 Banks' custody liabilities[4]	59,914	68,798	62,224	54,031	51,607	55,006	57,864	56,756	54,454	55,032
26 U.S. Treasury bills and certificates[5]	47,666	56,243	52,389	43,964	42,906	46,658	50,432	49,954	47,917	48,399
27 Other negotiable and readily transferable instruments[6]	12,196	12,501	9,787	10,033	8,672	8,319	7,396	6,769	6,512	6,618
28 Other	52	54	47	34	28	28	35	33	25	15
29 **Banks[9]**	**88,316**	**96,415**	**136,030**	**182,766**	**185,679**	**185,097**	**178,460**	**180,891**	**192,698**	**183,610**
30 Banks' own liabilities	83,299	90,456	124,312	166,268	169,412	168,679	161,637	162,878	174,321	165,157
31 Unaffiliated foreign banks	19,482	21,786	26,812	47,374	47,624	50,179	45,631	46,202	49,556	44,019
32 Demand deposits	13,285	14,188	11,614	9,882	9,724	8,733	8,186	9,627	8,264	7,691
33 Time deposits[1]	1,667	1,703	8,735	26,026	26,035	28,267	25,556	25,297	27,613	24,233
34 Other[2]	4,530	5,895	6,462	11,466	11,865	13,179	11,889	11,278	13,679	12,095
35 Own foreign offices[3]	63,817	68,670	97,500	118,894	121,788	118,499	116,006	116,676	124,765	121,139
36 Banks' custody liabilities[4]	5,017	5,959	11,718	16,498	16,267	16,419	16,822	18,012	18,377	18,453
37 U.S. Treasury bills and certificates	422	623	1,687	5,634	5,792	5,809	6,292	6,791	7,122	7,475
38 Other negotiable and readily transferable instruments[6]	2,415	2,748	4,421	8,061	7,782	7,844	7,698	8,345	8,266	8,041
39 Other	2,179	2,588	5,611	2,803	2,693	2,766	2,833	2,876	2,990	2,937
40 **Other foreigners**	**18,642**	**19,914**	**25,974**	**40,989**	**42,388**	**44,095**	**45,434**	**46,416**	**48,573**	**48,316**
41 Banks' own liabilities	14,891	16,065	21,694	35,461	36,631	38,591	39,526	40,473	42,249	42,260
42 Demand deposits	5,087	5,356	5,189	4,778	5,093	5,197	5,452	5,539	5,724	5,430
43 Time deposits	8,755	9,676	15,969	29,583	30,175	31,977	32,551	33,128	34,630	35,009
44 Other[2]	1,048	1,033	537	1,100	1,363	1,416	1,524	1,807	1,896	1,821
45 Banks' custody liabilities[4]	3,751	3,849	4,279	5,528	5,756	5,504	5,908	5,943	6,323	6,056
46 U.S. Treasury bills and certificates	382	474	699	1,615	1,666	1,525	1,810	2,006	2,207	1,983
47 Other negotiable and readily transferable instruments[6]	3,247	3,185	3,268	3,035	3,207	3,070	3,037	2,970	2,909	2,995
48 Other	123	190	312	878	884	908	1,062	968	1,207	1,078
49 MEMO Negotiable time certificates of deposit in custody for foreigners	10,984	10,745	10,747	15,029	14,408	14,296	13,367	11,611	11,383	11,603

1 Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments"

2. Includes borrowing under repurchase agreements.

3 U S banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks, principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.

4 Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks

5 Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

6 Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit

7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks

8 Foreign central banks and foreign central governments, and the Bank for International Settlements.

9 Excludes central banks, which are included in "Official institutions"

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents

3.17 Continued

Area and country	1979	1980	1981▲	1982			1983			
				Oct.	Nov	Dec.	Jan.	Feb.	Mar	Apr p
1 **Total**	**187,521**	**205,297**	**244,043**	**300,811**	**302,776**	**305,320**	**304,779**	**304,653**	**316,117**	**308,936**
2 **Foreign countries**	**185,164**	**202,953**	**241,321**	**294,776**	**296,311**	**300,723**	**298,168**	**298,683**	**312,168**	**303,018**
3 Europe	90,952	90,897	91,309	116,015	117,242	117,695	118,764	116,019	116,456	111,279
4 Austria	413	523	596	508	441	512	467	513	604	576
5 Belgium-Luxembourg	2,375	4,019	4,117	2,782	2,499	2,517	2,270	2,295	2,726	2,800
6 Denmark	1,092	497	333	166	221	509	996	1,197	765	849
7 Finland	398	455	296	478	572	748	473	369	408	437
8 France	10,433	12,125	8,486	7,358	7,065	8,169	8,462	7,723	6,780	7,098
9 Germany	12,935	9,973	7,665	5,360	6,093	5,375	5,807	6,227	6,458	3,441
10 Greece	635	670	463	516	496	537	589	595	597	671
11 Italy	7,782	7,572	7,290	5,541	4,779	5,674	4,938	4,514	4,312	5,024
12 Netherlands	2,337	2,441	2,823	3,102	3,100	3,362	3,770	3,196	3,704	3,966
13 Norway	1,267	1,344	1,457	2,026	2,197	1,567	1,476	1,407	1,061	1,566
14 Portugal	557	374	354	356	453	388	398	370	363	346
15 Spain	1,259	1,500	916	1,315	1,301	1,405	1,316	1,524	1,640	1,484
16 Sweden	2,005	1,737	1,545	1,997	1,615	1,380	1,315	1,645	1,379	1,212
17 Switzerland	17,954	16,689	18,720	27,619	27,994	28,999	28,996	30,263	30,433	29,468
18 Turkey	120	242	518	317	255	296	190	251	254	231
19 United Kingdom	24,700	22,680	28,287	49,009	50,274	48,169	50,339	47,202	47,703	45,007
20 Yugoslavia	266	681	375	390	470	499	470	452	491	504
21 Other Western Europe[1]	4,070	6,939	6,526	6,524	6,889	6,965	6,033	5,898	6,365	6,137
22 U.S.S.R	52	68	49	111	45	50	47	41	40	44
23 Other Eastern Europe[2]	302	370	493	541	486	573	412	335	374	416
24 Canada	7,379	10,031	10,250	12,163	11,719	12,217	10,990	13,618	15,159	14,695
25 Latin America and Caribbean	49,686	53,170	85,159	108,687	110,140	112,916	110,576	111,105	119,895	118,013
26 Argentina	1,582	2,132	2,445	3,482	3,432	3,577	4,833	4,891	4,684	4,603
27 Bahamas	15,255	16,381	34,856	43,123	44,125	44,026	42,911	45,029	48,832	49,379
28 Bermuda	430	670	765	1,507	1,596	1,572	1,989	1,903	2,124	2,137
29 Brazil	1,005	1,216	1,568	2,020	1,986	2,010	1,916	2,010	1,948	2,477
30 British West Indies	11,138	12,766	17,794	23,068	24,276	26,372	24,630	23,963	27,520	23,882
31 Chile	468	460	664	1,447	1,444	1,626	1,341	1,280	1,084	1,196
32 Colombia	2,617	3,077	2,993	2,407	2,426	2,593	2,384	2,336	1,887	1,825
33 Cuba	13	6	9	7	8	9	10	10	9	12
34 Ecuador	425	371	434	556	519	453	472	499	575	534
35 Guatemala	414	367	479	636	639	670	682	669	675	666
36 Jamaica	76	97	87	118	108	126	115	103	134	107
37 Mexico	4,185	4,547	7,170	8,031	8,047	7,967	7,930	7,380	8,118	8,353
38 Netherlands Antilles	499	413	3,182	3,677	3,518	3,597	3,762	3,474	3,416	3,426
39 Panama	4,483	4,718	4,857	4,770	4,798	4,738	4,923	4,983	5,617	5,428
40 Peru	383	403	694	1,031	959	1,147	1,052	903	927	1,158
41 Uruguay	202	254	367	844	651	759	726	817	818	852
42 Venezuela	4,192	3,170	4,245	8,796	8,315	8,382	7,649	7,671	8,146	8,585
43 Other Latin America and Caribbean	2,318	2,123	2,548	3,166	3,293	3,291	3,251	3,185	3,381	3,394
44 Asia	33,005	42,420	50,005	49,803	48,565	48,679	48,193	49,614	52,524	50,202
China										
45 Mainland	49	49	158	216	214	203	220	196	208	187
46 Taiwan	1,393	1,662	2,082	2,568	2,769	2,716	3,139	3,515	3,535	3,600
47 Hong Kong	1,672	2,548	3,950	4,957	4,847	4,465	4,542	4,988	5,725	5,119
48 India	527	416	385	439	507	433	514	962	521	669
49 Indonesia	504	730	640	757	534	849	1,156	614	855	1,028
50 Israel	707	883	592	612	705	606	608	515	985	1,775
51 Japan	8,907	16,281	20,750	16,830	15,680	16,098	15,836	16,613	17,022	16,038
52 Korea	993	1,528	2,013	1,927	1,776	1,692	1,473	1,458	1,418	1,175
53 Philippines	795	919	874	736	768	770	680	787	718	712
54 Thailand	277	464	534	365	349	629	482	529	488	528
55 Middle-East oil-exporting countries[3]	15,300	14,453	13,174	14,053	14,396	13,433	12,332	11,672	13,155	11,755
56 Other Asia	1,879	2,487	4,854	6,344	6,020	6,784	7,210	7,764	7,893	7,616
57 Africa	3,239	5,187	3,180	3,369	3,192	3,070	3,331	3,087	2,910	2,829
58 Egypt	475	485	360	242	373	398	500	416	533	466
59 Morocco	33	33	32	54	66	75	51	51	57	48
60 South Africa	184	288	420	279	564	277	276	317	281	299
61 Zaire	110	57	26	23	22	23	25	31	33	28
62 Oil-exporting countries[4]	1,635	3,540	1,395	1,669	1,250	1,280	1,603	1,333	975	1,071
63 Other Africa	804	783	946	1,103	918	1,016	877	939	1,031	916
64 Other countries	904	1,247	1,419	4,738	5,452	6,146	6,314	5,241	5,224	6,001
65 Australia	684	950	1,223	4,530	5,224	5,904	6,080	5,052	4,933	5,805
66 All other	220	297	196	207	228	243	235	190	291	195
67 Nonmonetary international and regional organizations	2,356	2,344	2,721	6,036	6,465	4,597	6,611	5,969	3,949	5,917
68 International	1,238	1,157	1,661	5,141	5,522	3,705	5,769	5,186	3,182	5,194
69 Latin American regional	806	890	710	573	533	517	527	487	478	494
70 Other regional[5]	313	296	350	322	410	375	316	296	289	229

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe"
▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1979	1980	1981▲	1982 Oct	1982 Nov.	1982 Dec	1983 Jan	1983 Feb.	1983 Mar	1983 Apr.p
1 **Total**	**133,943**	**172,592**	**251,082**	**334,783**	**336,551**	**353,733**	**357,333**	**358,695**	**372,551**	**360,138**
2 **Foreign countries**	**133,906**	**172,514**	**251,026**	**334,728**	**336,494**	**353,665**	**357,260**	**358,618**	**372,482**	**360,046**
3 Europe	28,388	32,108	49,067	78,358	79,190	84,005	83,503	84,289	88,028	83,347
4 Austria	284	236	121	173	197	216	232	226	255	307
5 Belgium-Luxembourg	1,339	1,621	2,851	4,965	5,395	5,115	4,730	5,363	5,700	5,348
6 Denmark	147	127	187	396	406	554	609	648	1,134	1,124
7 Finland	202	460	546	813	904	990	984	957	961	844
8 France	3,322	2,958	4,124	6,219	6,627	6,863	7,204	7,367	7,216	7,222
9 Germany	1,179	948	938	1,522	1,756	1,860	1,407	1,740	1,810	1,271
10 Greece	154	256	333	335	373	452	576	632	652	628
11 Italy	1,631	3,364	5,240	7,346	7,708	7,498	7,544	7,005	7,125	7,373
12 Netherlands	514	575	682	1,285	1,122	1,428	1,470	1,356	1,629	1,247
13 Norway	276	227	384	544	650	572	625	587	544	628
14 Portugal	330	331	529	1,018	924	943	843	834	820	797
15 Spain	1,051	993	2,100	3,558	3,643	3,730	3,699	3,223	3,120	3,004
16 Sweden	542	783	1,205	2,799	2,804	3,030	3,113	2,693	2,414	2,289
17 Switzerland	1,165	1,446	2,213	1,636	1,516	1,639	1,568	1,496	1,668	2,362
18 Turkey	149	145	424	603	598	560	527	567	595	608
19 United Kingdom	13,795	14,917	23,654	41,661	40,868	44,754	44,703	45,916	48,671	44,533
20 Yugoslavia	611	853	1,224	1,248	1,261	1,418	1,382	1,399	1,393	1,432
21 Other Western Europe[1]	175	179	209	266	380	378	310	319	322	232
22 U.S.S.R	268	281	377	242	227	263	233	250	310	392
23 Other Eastern Europe[2]	1,254	1,410	1,725	1,728	1,832	1,741	1,745	1,709	1,690	1,706
24 Canada	4,143	4,810	9,164	12,982	12,500	14,216	14,865	15,583	16,477	15,069
25 Latin America and Caribbean	67,993	92,992	138,138	180,564	180,902	187,379	192,024	192,002	198,501	195,728
26 Argentina	4,389	5,689	7,522	11,019	10,816	10,960	11,231	11,431	11,264	11,223
27 Bahamas	18,918	29,419	43,446	51,848	52,207	56,300	58,003	56,654	59,354	57,200
28 Bermuda	496	218	346	602	957	603	582	536	506	385
29 Brazil	7,713	10,496	16,914	22,999	22,978	23,204	23,036	23,377	23,555	23,712
30 British West Indies	9,818	15,663	21,930	28,270	27,370	29,162	32,790	33,376	35,212	34,958
31 Chile	1,441	1,951	3,690	5,276	5,091	5,560	5,229	5,302	5,209	5,130
32 Colombia	1,614	1,752	2,018	2,838	2,895	3,185	3,221	3,159	3,167	3,148
33 Cuba	4	3	3	3	3	3	11	2	2	0
34 Ecuador	1,025	1,190	1,531	2,057	2,101	2,053	2,038	2,054	2,054	2,084
35 Guatemala[3]	134	137	124	111	140	124	129	119	84	77
36 Jamaica[3]	47	36	62	151	218	181	206	197	216	196
37 Mexico	9,099	12,595	22,409	29,422	29,558	29,449	29,422	30,234	31,251	31,709
38 Netherlands Antilles	248	821	1,076	685	731	814	815	906	970	1,037
39 Panama	6,041	4,974	6,779	10,286	10,516	10,133	10,040	9,296	9,797	8,951
40 Peru	652	890	1,218	2,244	2,252	2,332	2,299	2,273	2,301	2,329
41 Uruguay	105	137	157	572	609	681	687	684	707	859
42 Venezuela	4,657	5,438	7,069	9,925	10,250	10,682	10,225	10,283	10,615	10,537
43 Other Latin America and Caribbean	1,593	1,583	1,844	2,257	2,211	1,953	2,057	2,117	2,236	2,193
44 Asia	30,730	39,078	49,780	55,723	56,671	60,629	59,032	58,966	61,476	57,738
China										
45 Mainland	35	195	107	139	194	210	198	195	195	238
46 Taiwan	1,821	2,469	2,461	2,020	2,255	2,285	2,223	1,975	1,860	1,786
47 Hong Kong	1,804	2,247	4,126	5,976	6,201	7,705	7,081	7,112	7,656	7,482
48 India	92	142	123	254	258	222	230	200	160	163
49 Indonesia	131	245	351	315	314	342	370	429	505	535
50 Israel	990	1,172	1,562	1,748	1,895	2,043	1,835	1,732	1,744	2,035
51 Japan	16,911	21,361	26,762	26,722	25,952	27,199	26,741	26,845	28,545	24,943
52 Korea	3,793	5,697	7,324	7,790	8,536	9,389	9,052	9,183	9,170	8,891
53 Philippines	737	989	1,817	2,560	2,467	2,555	2,444	2,599	2,628	2,627
54 Thailand	933	876	564	442	501	643	649	651	625	737
55 Middle East oil-exporting countries[4]	1,548	1,432	1,575	2,848	3,176	3,087	3,428	3,403	3,829	3,926
56 Other Asia	1,934	2,252	3,009	4,910	4,923	4,948	4,781	4,643	4,557	4,374
57 Africa	1,797	2,377	3,503	5,017	5,274	5,350	5,608	5,504	5,483	5,689
58 Egypt	114	151	238	365	349	322	310	277	309	291
59 Morocco	103	223	284	367	384	347	342	359	375	382
60 South Africa	445	370	1,011	1,744	1,832	2,013	2,061	2,193	2,185	2,119
61 Zaire	144	94	112	61	58	57	57	54	52	104
62 Oil-exporting countries[5]	391	805	657	764	903	803	914	841	844	750
63 Other	600	734	1,201	1,717	1,747	1,807	1,924	1,781	1,717	2,041
64 Other countries	855	1,150	1,376	2,083	1,957	2,086	2,228	2,274	2,519	2,475
65 Australia	673	859	1,203	1,713	1,528	1,713	1,714	1,696	1,953	1,889
66 All other	182	290	172	370	429	373	514	578	566	586
67 Nonmonetary international and regional organizations[6]	36	78	56	56	57	68	73	77	69	92

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1979	1980	1981▲	1982			1983			
				Oct	Nov.	Dec	Jan	Feb	Mar	Apr p
1 **Total**	**154,030**	**198,698**	**287,051**	....	....	**393,642**	....	....	**410,602**	....
2 Banks' own claims on foreigners	133,943	172,592	251,082	334,783	336,551	353,733	357,333	358,695	372,551	360,138
3 Foreign public borrowers	15,937	20,882	31,302	42,429	42,296	44,601	44,360	45,423	46,938	47,512
4 Own foreign offices[1]	47,428	65,084	96,647	117,329	118,060	127,275	133,589	134,460	143,684	135,425
5 Unaffiliated foreign banks	40,927	50,168	74,134	114,464	115,123	119,327	116,434	117,731	121,008	116,633
6 Deposits	6,274	8,254	23,012	42,165	41,227	43,012	42,160	44,133	48,626	44,257
7 Other	34,654	41,914	51,123	72,299	73,896	76,315	74,274	73,598	72,382	72,376
8 All other foreigners	29,650	36,459	48,999	60,561	61,073	62,530	62,950	61,081	60,921	60,568
9 Claims of banks' domestic customers[2]	20,088	26,106	35,968		...	39,909			38,051	
10 Deposits	955	885	1,378	.	......	2,226	.		1,939	....
11 Negotiable and readily transferable instruments[3]	13,100	15,574	26,352		...	30,627		.	29,230	
12 Outstanding collections and other claims	6,032	9,648	8,238		.	7,056			6,882	
13 MEMO: Customer liability on acceptances	18,021	22,714	29,517		..	38,391		..	35,311	
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	22,333	24,468	39,862	45,717	46,884	40,967	38,263	38,608	37,614	n.a

1 *U S banks* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks.* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank

2 Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers

3. Principally negotiable time certificates of deposit and bankers acceptances

4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U S. dollars issued by banks abroad For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1979	1980	1981▲	1982			1983
				June	Sept	Dec.	Mar p
1 **Total**	**86,181**	**106,748**	**153,879**	**200,596**	**213,223**	**225,853**	**226,429**
By borrower							
2 Maturity of 1 year or less[1]	65,152	82,555	115,849	151,698	161,686	171,852	171,000
3 Foreign public borrowers	7,233	9,974	15,099	19,367	20,057	20,999	21,597
4 All other foreigners	57,919	72,581	100,750	132,331	141,629	150,852	149,404
5 Maturity of over 1 year[1]	21,030	24,193	38,030	48,898	51,537	54,001	55,429
6 Foreign public borrowers	8,371	10,152	15,650	20,057	21,925	22,883	24,553
7 All other foreigners	12,659	14,041	22,380	28,841	29,612	31,118	30,875
By area							
Maturity of 1 year or less[1]							
8 Europe	15,235	18,715	27,914	39,064	44,880	49,232	52,859
9 Canada	1,777	2,723	4,634	6,594	7,039	7,554	6,794
10 Latin America and Caribbean	24,928	32,034	48,489	68,046	71,686	72,922	73,588
11 Asia	21,641	26,686	31,413	33,518	33,297	37,226	32,538
12 Africa	1,077	1,757	2,457	3,259	3,621	3,692	3,862
13 All other[2]	493	640	943	1,217	1,163	1,225	1,359
Maturity of over 1 year[1]							
14 Europe	4,160	5,118	8,094	9,244	10,510	11,559	11,924
15 Canada	1,317	1,448	1,774	2,340	1,955	1,923	1,924
16 Latin America and Caribbean	12,814	15,075	25,089	32,919	34,020	35,121	35,574
17 Asia	1,911	1,865	1,907	2,479	3,088	3,168	3,531
18 Africa	655	507	899	1,295	1,328	1,491	1,480
19 All other[2]	173	179	267	622	635	740	995

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1979	1980	1981 Mar	1981 June	1981 Sept	1981 Dec	1982 Mar	1982 June	1982 Sept	1982 Dec	1983 Mar p
1 **Total**	**303.9**	**352.0**	**372.1**	**382.9**	**399.8**	**414.4**	**417.7**	**432.6**	**434.5**	**436.3**	**433.6**
2 G-10 countries and Switzerland	138.4	162.1	168.5	168.3	172.2	175.2	173.7	175.0	173.6	177.3	178.1
3 Belgium-Luxembourg	11.1	13.0	13.6	13.8	14.1	13.3	13.2	14.1	13.6	13.0	13.5
4 France	11.7	14.1	14.5	14.7	16.0	15.3	15.9	16.4	15.7	16.7	16.5
5 Germany	12.2	12.1	13.3	12.1	12.7	12.9	12.5	12.7	12.2	12.6	12.9
6 Italy	6.4	8.2	7.7	8.4	8.6	9.6	9.0	9.0	9.7	10.3	10.2
7 Netherlands	4.8	4.4	4.6	4.2	3.7	4.0	4.0	4.1	3.8	3.6	4.3
8 Sweden	2.4	2.9	3.2	3.1	3.4	3.7	4.0	4.0	4.7	5.0	4.2
9 Switzerland	4.7	5.0	5.1	5.2	5.1	5.5	5.3	5.1	5.0	5.0	4.6
10 United Kingdom	56.4	67.4	68.5	67.0	68.8	69.9	69.8	68.5	69.0	71.0	72.0
11 Canada	6.3	8.4	8.9	10.8	11.8	10.9	11.6	11.3	10.8	11.0	10.7
12 Japan	22.4	26.5	29.1	28.9	28.0	30.1	28.4	29.8	29.0	29.0	29.2
13 Other developed countries	19.9	21.6	23.5	24.8	26.4	28.4	30.6	32.1	32.6	33.6	33.8
14 Austria	2.0	1.9	1.8	2.1	2.2	1.9	2.1	2.1	2.0	1.9	2.1
15 Denmark	2.2	2.3	2.4	2.3	2.5	2.3	2.5	2.6	2.5	2.4	3.3
16 Finland	1.2	1.4	1.4	1.3	1.4	1.7	1.6	1.6	1.8	2.2	2.1
17 Greece	2.4	2.8	2.7	3.0	2.9	2.8	2.8	2.6	2.5	2.9	2.8
18 Norway	2.3	2.6	2.8	2.8	3.0	3.1	3.2	3.2	3.4	3.3	3.3
19 Portugal	.7	.6	.6	.8	1.0	1.1	1.2	1.5	1.6	1.5	1.4
20 Spain	3.5	4.4	5.5	5.7	5.8	6.7	7.2	7.3	7.7	7.5	7.0
21 Turkey	1.4	1.5	1.5	1.4	1.5	1.4	1.6	1.5	1.5	1.4	1.5
22 Other Western Europe	1.4	1.7	1.8	1.8	1.9	2.1	2.2	2.2	2.1	2.3	2.2
23 South Africa	1.3	1.1	1.5	1.9	2.5	2.8	3.3	3.5	3.6	3.7	3.6
24 Australia	1.3	1.3	1.5	1.7	1.9	2.5	3.0	4.0	4.0	4.4	4.6
25 OPEC countries[2]	22.9	22.7	21.7	22.2	23.5	24.5	25.1	26.1	27.0	27.4	28.4
26 Ecuador	1.7	2.1	2.0	2.0	2.1	2.2	2.3	2.4	2.3	2.2	2.2
27 Venezuela	8.7	9.1	8.3	8.8	9.2	9.7	9.7	9.8	10.1	10.6	10.3
28 Indonesia	1.9	1.8	2.1	2.1	2.5	2.5	2.7	2.8	2.9	3.2	3.5
29 Middle East countries	8.0	6.9	6.7	6.8	7.1	7.5	8.2	8.7	9.0	8.7	9.3
30 African countries	2.6	2.8	2.6	2.6	2.6	2.5	2.2	2.5	2.7	2.8	3.1
31 Non-OPEC developing countries	63.0	77.4	82.2	84.8	90.2	96.2	97.5	103.6	103.9	106.7	107.0
Latin America											
32 Argentina	5.0	7.9	9.5	8.5	9.3	9.4	9.9	9.7	9.2	8.9	9.0
33 Brazil	15.2	16.2	17.0	17.5	17.7	19.1	19.7	21.3	22.4	22.8	22.9
34 Chile	2.5	3.7	4.0	4.8	5.5	5.8	6.0	6.4	6.2	6.3	6.0
35 Colombia	2.2	2.6	2.4	2.5	2.5	2.6	2.3	2.6	2.8	3.0	3.0
36 Mexico	12.0	15.9	17.0	18.2	20.0	21.6	22.9	25.1	24.9	24.4	24.6
37 Peru	1.5	1.8	1.8	1.7	1.8	2.0	1.9	2.5	2.6	2.6	2.4
38 Other Latin America	3.7	3.9	4.7	3.8	4.2	4.1	4.1	4.0	4.3	4.0	4.3
Asia											
China											
39 Mainland	.1	.2	.2	.2	.2	.2	.2	.3	.2	.2	.2
40 Taiwan	3.4	4.2	4.4	4.6	5.1	5.1	5.1	5.0	4.9	5.3	5.1
41 India	.2	.3	.3	.3	.3	.3	.5	.5	.5	.6	.4
42 Israel	1.3	1.5	1.3	1.8	1.5	2.1	1.7	2.2	1.9	2.3	2.0
43 Korea (South)	5.4	7.1	7.7	8.8	8.6	9.4	8.6	8.9	9.3	10.8	10.8
44 Malaysia	1.0	1.1	1.2	1.4	1.4	1.7	1.7	1.9	1.8	2.1	2.5
45 Philippines	4.2	5.1	4.8	5.1	5.6	6.0	5.9	6.3	6.0	6.2	6.6
46 Thailand	1.5	1.6	1.6	1.5	1.4	1.5	1.4	1.3	1.3	1.6	1.6
47 Other Asia	.5	.6	.5	.7	.8	1.0	1.2	1.1	1.3	1.1	1.3
Africa											
48 Egypt	.6	.8	.8	.7	1.0	1.1	1.3	1.3	1.3	1.2	1.1
49 Morocco	.6	.7	.6	.5	.7	.7	.7	.7	.8	.7	.8
50 Zaire	.2	.2	.2	.2	.2	.2	.2	.2	.1	.1	.1
51 Other Africa[3]	1.7	2.1	2.2	2.1	2.2	2.3	2.3	2.3	2.2	2.4	2.3
52 Eastern Europe	7.3	7.4	7.7	7.7	7.7	7.8	7.2	6.7	6.3	6.2	6.1
53 U.S.S.R.	.7	.4	.4	.5	.4	.6	.4	.4	.3	.3	.3
54 Yugoslavia	1.8	2.3	2.4	2.5	2.5	2.5	2.5	2.4	2.2	2.2	2.5
55 Other	4.8	4.6	4.8	4.8	4.7	4.7	4.3	3.9	3.8	3.7	3.3
56 Offshore banking centers	40.4	47.0	53.7	59.3	61.7	63.5	65.3	71.1	71.0	67.5	64.5
57 Bahamas	13.7	13.7	15.5	17.9	21.3	18.9	19.9	23.6	20.8	18.6	16.8
58 Bermuda	.8	.6	.7	.7	.8	.7	.7	.7	.8	.9	1.0
59 Cayman Islands and other British West Indies	9.4	10.6	11.9	12.6	12.1	12.4	12.0	12.2	13.4	13.2	11.5
60 Netherlands Antilles	1.2	2.1	2.3	2.4	2.2	3.2	3.2	3.0	3.3	3.3	3.2
61 Panama[4]	4.3	5.4	6.5	6.9	6.7	7.6	7.1	7.3	8.0	7.5	6.8
62 Lebanon	.2	.2	.2	.2	.2	.2	.2	.2	.1	.1	.1
63 Hong Kong	6.0	8.1	8.4	10.3	10.3	11.8	12.9	14.3	14.9	14.8	14.8
64 Singapore	4.5	5.9	7.3	8.1	8.0	8.7	9.3	9.8	9.8	9.1	10.3
65 Others[5]	.4	.3	.9	.3	.1	.1	.1	.1	0	0	0
66 *Miscellaneous and unallocated*[6]	11.7	14.0	14.9	15.7	18.2	18.8	18.3	18.2	20.1	17.6	16.2

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. In addition to the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1979	1980	1981	1981 Sept	1981 Dec.	1982 Mar	1982 June	1982 Sept.	1982 Dec.^{p}
1 **Total**	**17,433**	**22,226**	**22,480**	**23,608**	**22,480**	**22,393**	**20,965**	**21,440**	**21,795**
2 Payable in dollars	14,323	18,481	18,758	20,377	18,758	19,623	18,182	18,324	18,696
3 Payable in foreign currencies	3,110	3,745	3,722	3,230	3,722	2,770	2,783	3,116	3,099
By type									
4 Financial liabilities	7,523	11,330	12,117	13,084	12,117	12,599	10,028	10,707	10,253
5 Payable in dollars	5,223	8,528	9,446	10,688	9,446	10,627	8,066	8,399	8,178
6 Payable in foreign currencies	2,300	2,802	2,671	2,396	2,671	1,972	1,961	2,308	2,075
7 Commercial liabilities	9,910	10,896	10,363	10,524	10,363	9,794	10,937	10,733	11,542
8 Trade payables	4,591	4,993	4,720	4,430	4,720	4,022	5,027	4,527	4,471
9 Advance receipts and other liabilities	5,320	5,903	5,643	6,094	5,643	5,773	5,910	6,206	7,071
10 Payable in dollars	9,100	9,953	9,312	9,689	9,312	8,996	10,115	9,925	10,518
11 Payable in foreign currencies	811	943	1,052	835	1,052	798	822	808	1,024
By area or country									
Financial liabilities									
12 Europe	4,665	6,481	6,819	7,968	6,819	7,883	5,947	6,389	6,152
13 Belgium-Luxembourg	338	479	471	507	471	605	518	494	502
14 France	175	327	709	929	709	924	581	672	635
15 Germany	497	582	491	430	491	503	439	446	422
16 Netherlands	829	681	748	664	748	755	517	759	702
17 Switzerland	170	354	715	465	715	707	661	670	653
18 United Kingdom	2,477	3,923	3,559	4,800	3,559	4,282	3,084	3,212	3,061
19 Canada	532	964	958	977	958	914	758	702	685
20 Latin America and Caribbean	1,514	3,136	3,356	3,293	3,356	3,333	2,805	2,969	2,683
21 Bahamas	404	964	1,279	1,019	1,279	1,095	1,003	933	866
22 Bermuda	81	1	7	6	7	6	7	14	23
23 Brazil	18	23	22	20	22	27	24	28	28
24 British West Indies	516	1,452	1,241	1,398	1,241	1,469	1,044	981	992
25 Mexico	121	99	102	107	102	67	83	85	121
26 Venezuela	72	81	98	90	98	97	100	104	114
27 Asia	804	723	957	814	957	455	502	631	718
28 Japan	726	644	792	696	792	293	340	424	527
29 Middle East oil-exporting countries[2]	31	38	75	51	75	63	66	67	70
30 Africa	4	11	3	3	3	2	3	3	4
31 Oil-exporting countries[3]	1	1	0	1	0	0	0	0	0
32 All other[4]	4	15	24	29	24	12	11	13	12
Commercial liabilities									
33 Europe	3,709	4,402	3,771	3,963	3,771	3,422	3,742	3,861	3,578
34 Belgium-Luxembourg	137	90	71	79	71	50	47	50	50
35 France	467	582	573	575	573	504	700	759	602
36 Germany	545	679	545	590	545	473	457	436	464
37 Netherlands	227	219	221	239	221	232	248	281	340
38 Switzerland	316	499	424	569	424	400	412	358	335
39 United Kingdom	1,080	1,209	880	925	880	824	850	904	802
40 Canada	924	888	897	853	897	884	1,116	1,188	1,482
41 Latin America and Caribbean	1,325	1,300	1,044	1,137	1,044	817	1,418	1,220	1,127
42 Bahamas	69	8	2	3	2	22	20	6	16
43 Bermuda	32	75	67	113	67	71	102	48	89
44 Brazil	203	111	67	61	67	83	62	128	65
45 British West Indies	21	35	2	11	2	27	2	3	32
46 Mexico	257	367	340	392	340	210	727	484	475
47 Venezuela	301	319	276	273	276	194	219	269	157
48 Asia	2,991	3,034	3,285	3,221	3,285	3,404	3,298	3,207	3,966
49 Japan	583	802	1,094	775	1,094	1,090	1,064	1,134	1,028
50 Middle East oil-exporting countries[2]	1,014	890	910	881	910	998	958	821	1,538
51 Africa	728	817	703	757	703	664	732	663	736
52 Oil-exporting countries[3]	384	517	344	355	344	247	340	248	284
53 All other[4]	233	456	664	593	664	604	630	595	653

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1979	1980	1981	1981		1982			
				Sept	Dec	Mar	June	Sept	Dec p
1 **Total**	**31,299**	**34,482**	**35,672**	**34,170**	**35,672**	**30,203**	**30,483**	**29,488**	**27,153**
2 Payable in dollars	28,096	31,528	32,071	31,161	32,071	27,564	27,983	26,835	24,545
3 Payable in foreign currencies	3,203	2,955	3,601	3,010	3,601	2,639	2,500	2,653	2,608
By type									
4 Financial claims	18,398	19,763	20,742	19,171	20,742	17,748	18,360	17,714	16,432
5 Deposits	12,858	14,166	14,688	13,611	14,688	12,730	13,603	12,608	11,918
6 Payable in dollars	11,936	13,381	14,057	12,876	14 057	12,267	13,229	12,194	11,552
7 Payable in foreign currencies	923	785	631	734	631	463	374	413	366
8 Other financial claims	5,540	5,597	6,054	5,561	6 054	5,018	4,757	5,106	4,514
9 Payable in dollars	3,714	3,914	3,600	3,867	3,600	3,362	3,189	3,419	2,833
10 Payable in foreign currencies	1,826	1,683	2,454	1,694	2,454	1,656	1,568	1,687	1,681
11 Commercial claims	12,901	14,720	14,930	14,999	14,930	12,455	12,122	11,774	10,721
12 Trade receivables	12,185	13,960	13,965	14,062	13,965	11,493	11,069	10,709	9,752
13 Advance payments and other claims	716	759	965	937	965	962	1,053	1,065	969
14 Payable in dollars	12,447	14,233	14,414	14,417	14,414	11,935	11,565	11,222	10,160
15 Payable in foreign currencies	454	487	516	582	516	520	557	552	561
By area or country									
Financial claims									
16 Europe	6,179	6,069	4,515	4,515	4,515	4,506	4,661	4,728	4,524
17 Belgium-Luxembourg	32	145	43	43	43	16	13	16	10
18 France	177	298	285	285	285	375	313	305	129
19 Germany	409	230	224	224	224	197	148	174	168
20 Netherlands	53	51	50	50	50	79	56	52	30
21 Switzerland	73	54	57	43	57	53	63	60	84
22 United Kingdom	5,099	4,987	3,525	3,525	3,525	3,549	3,795	3,749	3,839
23 Canada	5,003	5,036	6,628	6,040	6,628	4,942	4,365	4,322	4,199
24 Latin America and Caribbean	6,312	7,811	8,615	7,762	8,615	7,432	8,312	7,630	6,783
25 Bahamas	2,773	3,477	3,925	3,284	3,925	3,537	3,845	3,366	3,137
26 Bermuda	30	135	18	15	18	27	42	19	13
27 Brazil	163	96	30	66	30	49	76	76	60
28 British West Indies	2,011	2,755	3,503	3,315	3,503	2,797	3,504	3,171	2,656
29 Mexico	157	208	313	283	313	281	274	268	274
30 Venezuela	143	137	148	143	148	130	134	133	139
31 Asia	601	607	762	501	762	670	800	825	736
32 Japan	199	189	366	113	366	257	327	247	191
33 Middle East oil-exporting countries[2]	16	20	37	29	37	36	33	30	15
34 Africa	258	208	173	169	173	164	156	165	158
35 Oil-exporting countries[3]	49	26	46	41	46	43	41	50	48
36 All other[4]	44	32	48	116	48	34	66	44	31
Commercial claims									
37 Europe	4,922	5,544	5,359	5,378	5,359	4,381	4,273	4,164	3,658
38 Belgium-Luxembourg	202	233	234	220	234	246	211	178	152
39 France	727	1,129	776	767	776	698	636	646	465
40 Germany	593	599	557	582	557	452	392	427	341
41 Netherlands	298	318	303	308	303	227	297	278	364
42 Switzerland	272	354	427	404	427	354	384	258	328
43 United Kingdom	901	929	969	1,034	969	1,062	905	1,035	765
44 Canada	859	914	967	1,017	967	943	713	666	635
45 Latin America and Caribbean	2,879	3,766	3,479	3,734	3,479	2,925	2,787	2,772	2,376
46 Bahamas	21	21	12	18	12	80	30	19	21
47 Bermuda	197	108	223	241	223	212	225	154	259
48 Brazil	645	861	668	726	668	417	423	481	252
49 British West Indies	16	34	12	13	12	23	10	7	9
50 Mexico	708	1,102	1,022	985	1,022	762	750	869	672
51 Venezuela	343	410	424	456	424	396	383	373	342
52 Asia	3,451	3,522	3,914	3,700	3,914	3,155	3,323	3,086	3,104
53 Japan	1,177	1,052	1,244	1,129	1,244	1,160	1,213	968	1,157
54 Middle East oil-exporting countries[2]	765	825	901	829	901	757	806	775	710
55 Africa	551	653	750	717	750	587	614	638	535
56 Oil-exporting countries[3]	130	153	152	154	152	143	138	148	133
57 All other[4]	240	321	461	453	461	463	413	448	413

1 For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p 550

2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3 Comprises Algeria, Gabon, Libya, and Nigeria

4. Includes nonmonetary international and regional organizations

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1981	1982	1983	1982			1983			
			Jan – Apr	Oct	Nov	Dec.	Jan	Feb	Mar.	Apr^p
	U S corporate securities									
STOCKS										
1 Foreign purchases	40,686	41,902	23,460	5,967	5,581	5,839	5,141	5,310	7,083	5,926
2 Foreign sales	34,856	37,948	20,195	5,675	5,245	4,868	4,376	4,349	6,155	5,316
3 Net purchases, or sales (−)	**5,830**	**3,954**	**3,265**	**292**	**336**	**971**	**765**	**961**	**928**	**611**
4 Foreign countries	***5,803***	***3,869***	***3,156***	***282***	***325***	***946***	***755***	***940***	***902***	***559***
5 Europe	3,662	2,596	3,105	175	69	672	586	890	976	653
6 France	900	−143	136	−30	−8	43	47	52	8	29
7 Germany	−22	333	670	47	26	138	84	137	226	222
8 Netherlands	42	−60	46	−102	−24	25	2	8	41	−5
9 Switzerland	288	−529	815	−118	−208	226	211	223	102	278
10 United Kingdom	2,235	3,129	1,363	435	317	242	183	442	576	162
11 Canada	783	221	420	5	72	154	90	61	147	122
12 Latin America and Caribbean	30	304	171	142	54	39	−5	83	−23	116
13 Middle East[1]	1,140	368	−417	−98	9	−153	−57	−13	−57	−290
14 Other Asia	287	246	−227	22	112	210	118	−91	−210	−45
15 Africa	7	2	25	0	2	3	6	4	8	8
16 Other countries	−46	131	80	35	7	22	18	6	60	−4
17 Nonmonetary international and regional organizations	**27**	**85**	**108**	**10**	**11**	**25**	**10**	**21**	**26**	**52**
BONDS[2]										
18 Foreign purchases	17,304	21,631	8,508	2,778	2,099	2,099	1,933	1,885	2,312	2,378
19 Foreign sales	12,252	20,480	8,620	2,961	2,280	2,457	2,278	1,877	2,448	2,018
20 Net purchases, or sales (−)	**5,052**	**1,151**	**−113**	**−183**	**−181**	**−358**	**−345**	**8**	**−136**	**360**
21 Foreign countries	**4,991**	**1,179**	**−88**	**−223**	**−190**	**−348**	**−343**	**33**	**−153**	**374**
22 Europe	1,371	1,848	−247	408	−236	−158	189	−148	−266	356
23 France	11	295	−38	−17	24	146	21	−2	−22	7
24 Germany	848	2,116	43	187	11	43	−96	−35	127	47
25 Netherlands	70	28	19	−2	−4	−1	16	0	3	1
26 Switzerland	108	161	318	−4	13	44	29	62	−2	229
27 United Kingdom	196	−903	−404	225	−327	−461	−105	−90	−182	−27
28 Canada	−12	25	28	−152	10	−2	11	15	21	−18
29 Latin America and Caribbean	132	160	33	−15	28	−6	23	11	1	−2
30 Middle East[1]	3,465	−821	−128	−435	−20	−177	−211	86	32	−35
31 Other Asia	44	−23	211	30	28	−5	23	72	59	57
32 Africa	−1	−19	−6	0	0	0	0	−1	0	−5
33 Other countries	−7	7	20	0	0	−1	0	0	0	21
34 Nonmonetary international and regional organizations	**61**	**−28**	**−25**	**41**	**10**	**−10**	**−2**	**−25**	**17**	**−14**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−247	−1,340	−1,541	−308	−740	−272	−320	−226	−447	−548
36 Foreign purchases	9,339	7,170	4,232	706	772	927	1,032	1,042	1,187	971
37 Foreign sales	9,586	8,511	5,773	1,014	1,512	1,199	1,352	1,268	1,634	1,519
38 Bonds, net purchases, or sales (−)	−5,460	−6,610	−1,459	−1,331	−458	−417	22	−278	−556	−646
39 Foreign purchases	17,553	29,900	11,609	3,058	2,953	2,962	2,881	3,526	2,772	2,430
40 Foreign sales	23,013	36,510	13,068	4,389	3,411	3,379	2,859	3,804	3,328	3,076
41 Net purchases, or sales (−), of stocks and bonds	**−5,707**	**−7,950**	**−3,000**	**−1,639**	**−1,199**	**−689**	**−298**	**−504**	**−1,003**	**−1,194**
42 Foreign countries	**−4,694**	**−6,778**	**−3,031**	**−1,247**	**−1,168**	**−736**	**−272**	**−817**	**−714**	**−1,227**
43 Europe	−728	−2,436	−2,284	−517	−572	−555	−307	−687	−604	−686
44 Canada	−3,697	−2,364	−894	−181	−7	−29	−20	−449	13	−438
45 Latin America and Caribbean	69	246	666	−268	−62	29	258	345	−24	87
46 Asia	−367	−1,851	−597	−283	−536	−195	−192	−37	−146	−221
47 Africa	−55	−9	58	0	4	4	−9	21	30	16
48 Other countries	84	−364	20	3	5	10	−2	−10	16	16
49 Nonmonetary international and regional organizations	**−1,012**	**−1,172**	**31**	**−392**	**−31**	**47**	**−26**	**312**	**−289**	**33**

1 Comprises oil-exporting countries as follows Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)

2 Includes state and local government securities, and securities of U S government agencies and corporations Also includes issues of new debt securities sold abroad by U S corporations organized to finance direct investments abroad

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1981	1982	1983 Jan.-Apr.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Feb.	1983 Mar.	1983 Apr.[p]
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**70,249**	**85,169**	....	**83,860**	**84,667**	**85,169**	**85,458**	**86,057**	**88,675**	**87,511**
2 Foreign countries[2]	64,565	80,586		79,166	79,447	80,586	80,854	82,098	83,046	84,025
3 Europe[2]	24,012	29,274		29,071	29,447	29,274	29,855	31,039	32,364	33,496
4 Belgium-Luxembourg	543	447		834	448	447	716	87	332	107
5 Germany[2]	11,861	14,841		14,493	14,704	14,841	15,151	16,650	17,560	17,791
6 Netherlands	1,991	2,754		2,356	2,473	2,754	2,839	3,011	3,194	3,228
7 Sweden	643	667		655	687	667	668	681	656	656
8 Switzerland[2]	846	1,540		1,266	1,532	1,540	1,013	1,039	1,044	1,063
9 United Kingdom	6,709	6,549		7,237	7,099	6,549	6,721	6,941	7,478	7,736
10 Other Western Europe	1,419	2,476		2,230	2,505	2,476	2,748	2,804	2,764	3,130
11 Eastern Europe	0	0		0	0	0	0	0	0	0
12 Canada	514	602		482	552	602	649	639	724	696
13 Latin America and Caribbean	736	1,076		1,086	1,231	1,076	1,067	1,050	951	932
14 Venezuela	286	188		204	172	188	190	74	77	72
15 Other Latin America and Caribbean	319	656		657	759	656	720	792	690	676
16 Netherlands Antilles	131	232		225	300	232	156	185	184	184
17 Asia	38,671	49,502		48,288	48,079	49,502	49,146	49,256	48,897	48,782
18 Japan	10,780	11,578		11,396	11,314	11,578	11,655	11,707	11,736	11,850
19 Africa	631	77		178	77	77	77	80	80	80
20 All other	2	55		61	62	55	60	34	31	39
21 Nonmonetary international and regional organizations	5,684	4,583		4,694	5,220	4,583	4,604	3,959	5,629	3,486
22 International	5,638	4,186		4,417	4,939	4,186	4,165	3,405	4,966	2,969
23 Latin American regional	1	6		-4	4	6	6	6	6	6
	Transactions (net purchases, or sales (–) during period)									
24 **Total[2]**	**12,700**	**14,920**	**2,342**	**1,703**	**808**	**502**	**289**	**599**	**2,618**	**–1,163**
25 Foreign countries[2]	11,604	16,021	3,439	792	281	1,139	268	1,245	948	979
26 Official institutions	11,730	14,529	2,843	641	231	1,866	20	1,567	947	308
27 Other foreign[2]	127	1,487	596	151	50	727	248	–323	1	670
28 Nonmonetary international and regional organizations	1,096	–1,096	1,096	910	527	637	21	–645	1,670	–2,142
MEMO: Oil-exporting countries										
29 Middle East[3]	11,156	7,534	917	209	–320	303	121	–233	–691	115
30 Africa[4]	–289	–552	0	0	–100	0	0	0	0	0

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on June 30, 1983: Percent	Month effective	Country	Rate on June 30, 1983: Percent	Month effective	Country	Rate on June 30, 1983: Percent	Month effective
Austria	3.75	Mar. 1983	France[1]	12.25	June 1983	Norway	8.0	June 1979
Belgium	9.0	June 1983	Germany, Fed. Rep. of	4.0	Mar. 1983	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	17.0	Apr. 1983	United Kingdom[2]	.	
Canada	9.42	June 1983	Japan	5.5	Dec. 1981	Venezuela	13.0	Sept. 1982
Denmark	7.5	Apr. 1983	Netherlands	4.5	May 1983			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1980	1981	1982	1982 Dec	1983 Jan.	1983 Feb	1983 Mar	1983 Apr	1983 May	1983 June
1 Eurodollars	14 00	16 79	12 24	9.47	8.97	9.14	9.25	9 23	8.96	9.66
2 United Kingdom	16 59	13 86	12.21	10.55	11.04	11 29	10.92	10 21	10.18	9.91
3 Canada	13 12	18 84	14.38	10 56	9.87	9 69	9.36	9 39	9.30	9.41
4 Germany	9.45	12 05	8 81	6.54	5.78	5.79	5 40	5.16	5 27	5.52
5 Switzerland	5 79	9 15	5.04	3 71	2.78	2 95	3 64	4 20	4.48	4.98
6 Netherlands	10 60	11 52	8.26	5.66	4.97	4 82	4.34	5 19	5.65	5.81
7 France	12.18	15.28	14 61	12.70	12.55	12.88	12 64	12.12	12.51	12.59
8 Italy	17 50	19.98	19 99	19 20	18 95	19.04	19 19	18.20	17 75	17.72
9 Belgium	14.06	15.28	14 10	12 25	12 25	12 25	13 32	11.05	10 04	9.73
10 Japan	11 45	7.58	6 84	6 96	6.47	6 64	6 72r	6 34r	6.26r	6.46

NOTE Rates are for 3-month interbank loans except for Canada, finance company paper, Belgium, 3-month Treasury bills, and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1980	1981	1982	1983 Jan.	1983 Feb	1983 Mar	1983 Apr	1983 May	1983 June
1 Argentina/peso	n.a.	n a	20985.00	48916 66	50239.47	62386 95	66868.56	71100 94	8 08
2 Australia/dollar[1]	114.00	114 95	101.65	98.26	96.62	88.39	86.76	87 85	87 72
3 Austria/schilling	12.945	15 948	17.060	16 783	17.076	16 940	17 176	17.368	17.974
4 Belgium/franc	29 237	37 194	45 780	46 888	47 739	47 519	48 577	49.239	50 928
5 Brazil/cruzeiro	n a.	92.374	179 22	262 30	309 01	401 30	434 77	465.65	517 28
6 Canada/dollar	1 1693	1.1990	1 2344	1 2287	1 2277	1.2263	1 2325	1.2292	1 2323
7 Chile/peso	n.a	n.a.	51 118	74 257	76 863	76.378	76 028	75 405	77.500
8 China, P.R./yuan	n a	1.7031	1 8978	1 9238	1.9653	1.9834	1 9938	1.9895	1 9949
9 Colombia/peso	n.a.	n a	64 071	70 762	71.751	73 179	74 751	76.153	77.380
10 Denmark/krone	5 6345	7 1350	8.3443	8 4171	8 5811	8 6223	8 6663	8 8003	9.1287
11 Finland/markka	3 7206	4.3128	4 8086	5 3120	5 3907	5.4266	5 4342	5.4361	5 5351
12 France/franc	4.2250	5 4396	6.5793	6.7725	6.8855	7 0204	7 3148	7 4163	7.6621
13 Germany/deutsche mark	1 8175	2 2631	2.428	2 3893	2.4280	2 4110	2 4397	2.4665	2 5490
14 Greece/drachma	n a	n a	66 872	80 761	83.621	83 897	84.037	84.105	84.486
15 Hong Kong/dollar	n a	5 5678	6.0697	6 5252	6.6060	6.6536	6.7868	6.9667	7 2822
16 India/rupee	7.8866	8 6807	9.4846	9 7938	9.9184	9 9652	9.9824	9 9895	10.049
17 Indonesia/rupiah	n a	n.a	660.43	694 62	700.01	714.72	970 81	968.83	973 00
18 Iran/rial	n a.	79 324	n a.	n a	n.a.	n a	n.a.	n a	n.a.
19 Ireland/pound[1]	205.77	161 32	142.05	139.16	136 81	134 79	129.53	128 11	123.81
20 Israel/shekel	n a	n a	24.407	34 863	36.986	38 867	40.951	43 427	46.138
21 Italy/lira	856 20	1138 60	1354 00	1374 71	1399 78	1429 72	1451.88	1467 76	1510.98
22 Japan/yen	226 63	220 63	249.06	232 73	236.12	238 25	237.75	234.76	240.03
23 Malaysia/ringgit	2.1767	2 3048	2 3395	2.2822	2 2757	2 2898	2 3063	2 3009	2.3244
24 Mexico/peso	22.968	24 547	72 990	150.75	157 81	161 78	153 77	150.27	149.02
25 Netherlands/guilder	1 9875	2.4998	2 6719	2.6310	2 6779	2.6834	2 7486	2.7737	2.8557
26 New Zealand/dollar[1]	97 34	86.848	75 101	72 921	71.895	66.642	65 726	66.246	65 659
27 Norway/krone	4 9381	5 7430	6.4567	7 0447	7.1171	7 1852	7.1460	7.1154	7.2678
28 Peru/sol	n a	n.a.	694 59	1019 54	1087 43	1160.19	1284 37	1390 60	1514 46
29 Philippines/peso	n a.	7 8113	8 5324	9.2632	9 4488	9 5896	9.8449	10 015	10.393
30 Portugal/escudo	50 082	61 739	80 101	94 548	93.771	95 867	99.055	99 521	107.39
31 Singapore/dollar	n.a.	2 1053	2 1406	2.0768	2 0758	2 0854	2 1010	2 0920	2.1198
32 South Africa/rand[1]	128.54	114.77	92 297	93.82	91 04	91 64	91 42	92 31	91.65
33 South Korea/won	n a	n.a.	731.93	749 80	752 19	757.94	765 29	767.96	775.82
34 Spain/peseta	71.758	92 396	110.09	126 844	129.886	133 498	135.99	137 76	143 29
35 Sri Lanka/rupee	16.167	18.967	20.756	21 378	22 355	22 982	22.971	22.970	23 050
36 Sweden/krona	4 2309	5.0659	6 2838	7.3227	7 4385	7 4882	7 4941	7 4978	7 6351
37 Switzerland/franc	1.6772	1 9674	2.0327	1 9679	2.0180	2 0663	2.0587	2.0572	2 1123
38 Thailand/baht	n a	21 731	23 014	23 000	22 999	22 991	22 990	22 988	22.990
39 United Kingdom/pound[1]	232.58	202.43	174 80	157 56	153.29	149 00	153 61	157 22	154.80
40 Venezuela/bolivar	n.a.	4.2781	4 2981	4 2973	4.3101	7 9500	9.0429	10 233	11 213
MEMO									
United States/dollar[2]	87 39	102 94	116 57	117 73	119 70	120 71	121.82	122 05	125.16

1. Value in U.S. cents.

2 Index of weighted-average exchange value of U.S dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100 Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978 For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S Dollar Revision" on p 700 of the August 1978 BULLETIN.

NOTE Averages of certified noon buying rates in New York for cable tranfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
. . . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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List Published Semiannually, with Latest Bulletin Reference

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Published Irregularly, with Latest Bulletin Reference

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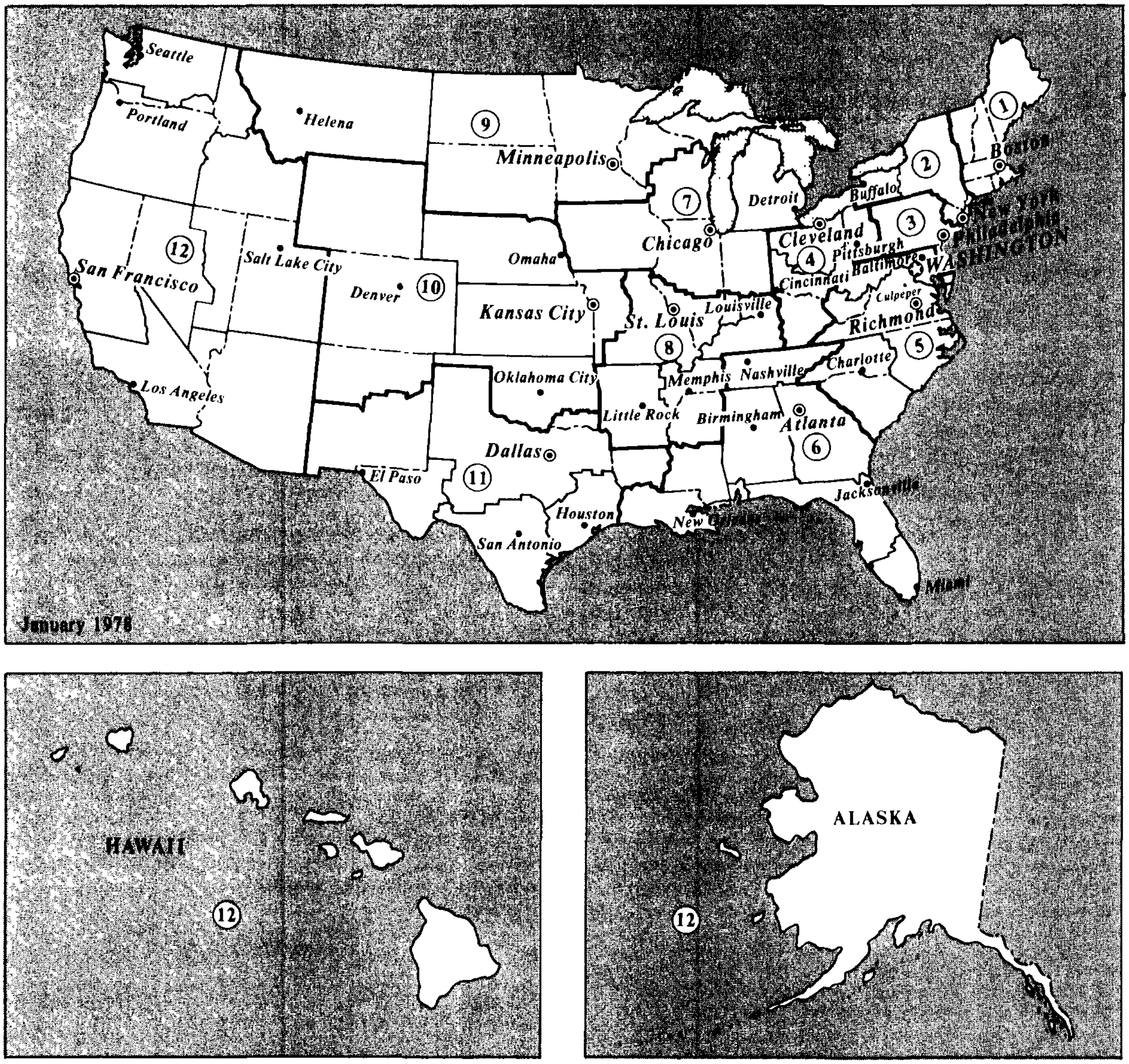
Boundaries of Federal Reserve Districts and Their Branch Territories



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