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Recent Developments in Automobile Finance

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Automobile purchases constitute the largest single category of expenditure financed by consumer installment credit. Auto loans currently account for about two-fifths of the household sector's $560 billion in nonmortgage installment debt, and thus they loom large in any analysis of the financial condition of American households. In addition, recent experience has demonstrated that changes in the terms or availability of auto credit can exert a strong influence on short-run movements in auto sales and aggregate consumer spending.

This article describes the patterns of growth in auto credit during the 1980s, identifies the major forces underlying those patterns, and discusses some recent developments in the auto credit market.

Patterns of Growth in Auto Sales and Credit

Growth in automobile credit has gone through a pronounced cycle of weakening and resurgence in recent years. After four years of robust growth through 1979, auto financing contracted along with car sales in the recession of 1980 and expanded only sluggishly over the next two years. As new-car sales improved in 1983, auto credit snapped back to a growth rate of 16 percent, about the pace of 1979. With sales of both new and used cars continuing to advance, the rate of expansion of auto debt climbed to nearly 20 percent in both 1984 and 1985; in all, consumers added $59 billion to their stock of auto debt during those two years, raising aggregate auto debt to $206 billion at year-end 1985.

Forces Affecting Auto-Related Markets

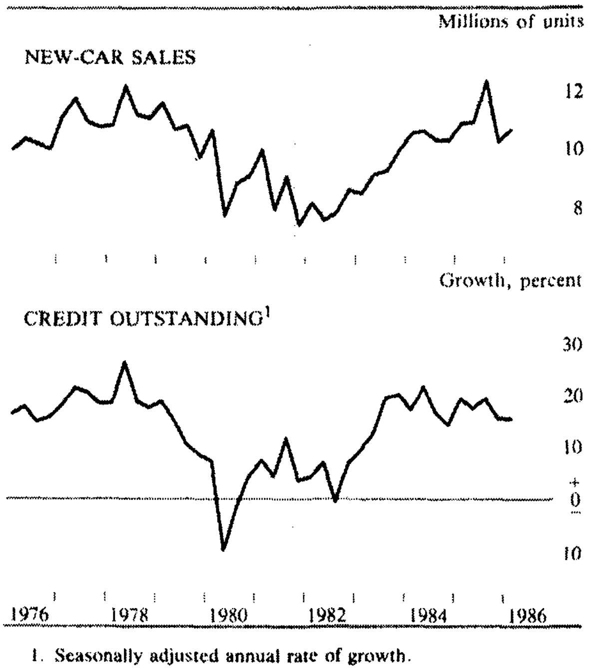
A brief overview of some fundamental determinants of automobile sales helps clarify the linkages between economic conditions and activity in the auto credit market. The demand for automobile credit can be viewed as primarily a "derived" demand stemming from the decision to purchase a car, although the volume of borrowing relative to total expenditures on autos can vary with conditions in the credit markets. At the same time, the terms and availability of credit can in turn affect the type of car bought or whether a purchase is completed at all. The causal linkages between auto sales and credit run in both directions. Not surprisingly, the net volume of auto credit has closely tracked the path of car sales in recent years (chart 1).

Underlying the decision to purchase a car is the more fundamental demand for the flow of services provided by automobiles. Current and expected income, the costs of purchasing, financing, and operating a car, and the price and availability of alternative means of transportation all help determine the amount of automobile services demanded. Obviously, the greater the demand for such services, the stronger the potential demand to purchase cars. However, the desired services of autos can be supplied in part by cars already owned, so the existing stock of cars also affects the ultimate demand to buy cars. When the stock of cars owned is already adequate to satisfy the bulk of the transportation needs of households, the overall demand to purchase cars tends to be relatively low.

The relationships outlined above are not easily quantified, in part because the ideal concepts of "transportation services" and "stock of cars" cannot be translated readily into accurate measures. The aggregate number of miles driven during a period might approximate the amount of services consumed, but the quality and convenience of miles traveled ought to figure into the measurement of services as well. For instance, miles traveled in a comfortable, well-equipped car would be considered of "better quality" than those logged under less agreeable conditions, and ought to carry more weight in measuring the services provided by cars. Similarly, the stock of cars can be crudely estimated by the number of units on the road, but the stock, too, would be more meaningfully measured if it could be "quality adjusted" for its age, condition, and composition by type of car.

Despite these problems of measurement, a suitable framework for understanding the automobile sales and credit markets is provided by the general notion of auto credit demand as derived mainly from the demand for cars. The demand for cars arises from the transportation needs of potential buyers, the prices and financing costs for cars on the market, and the gap between the "desired stock" of cars—that which will yield the requisite amount of services—and the actual stock owned by the public.

1. Auto sales and credit



1. Seasonally adjusted annual rate of growth.

Weakness: 1980–82

For four years before 1980, sales of new domestic and imported cars had totaled between 10 million and 11 million units each year, and auto credit had expanded at annual rates approaching and occasionally exceeding 20 percent. After remaining fairly strong in the first quarter of 1980, car sales and credit volume plummeted in the following quarter and recovered only moderately in the second half of the year. New-car sales eroded progressively in 1981 and 1982, with domestic cars absorbing virtually the entire decline. Sales of used cars, the supply of which depends in part on trade-ins from new-car transactions, slumped as well. Correspondingly, growth in auto credit slowed to well below the 1976–79 pace.

The years 1980 through 1982 encompassed back-to-back recessions, one in the first half of 1980 and the other from mid-1981 through November 1982. The curtailed income and uncertain employment outlook that characterizes recessions no doubt depressed demand for the services provided by automobiles. Moreover, the strength of auto sales during the preceding four years had probably gone a long way toward closing any gap between the actual and desired stocks of cars.

Other factors contributed to the steepness of the sales decline. The plunge in car sales in the spring of 1980 coincided with the adoption of the Carter administration's program of selective credit controls. Ironically, automobile credit was specifically exempted from the control measures (in the consumer credit area, attention focused on credit card debt), but the initial shock of the program seemed to dissuade consumers from taking on additional debt in any form. In any case, the program's impact was short-lived: credit controls were phased out within three months. Even if they had not been, their effect on auto credit probably would have abated as consumers came to realize the limited scope of the program.

The effect of the credit controls program on auto markets was certainly less enduring than the impact of a decline in profitability that stemmed from a shift in interest rate relationships. Financial institutions faced unusually high funding

1. Statutory state ceilings on interest rates on new-car loans[1]

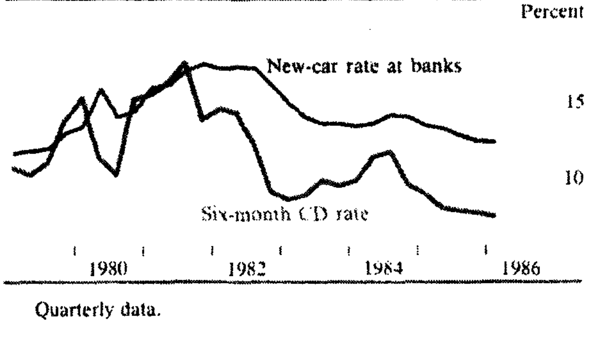
Rate ceiling (annual percentage rate[2])	Number of states[3]	
	1979	1983
10 to 13	16	0
13.1 to 15	17	2
15.1 to 18	13	19
18.1 and above	5	15
Variable formula	0	2
No statutory limit	0	13

1. In many states, limits on rates on used-car loans are scaled up from the new-car ceilings.
2. In many states, rate ceilings are expressed as "add on" or "discount" rates; these are converted here to true annual percentage rates, as defined in Regulation Z (Truth in Lending).
3. Includes the District of Columbia.

costs at the same time that movements in the rates they charged on auto loans were restrained by state-mandated ceilings in much of the country. Therefore, they curtailed substantially the amount of auto credit they were willing to extend. Even though many states raised or eliminated their ceilings during the early 1980s (table 1), the average spread between auto loan rates and the cost of funds did not widen appreciably until very late in 1981 (chart 2).

Commercial banks, in particular, cut back on lending to consumers in the 1980–82 period. Banks account for the largest share of automobile credit (as they do for most other forms of consumer credit), but they also have more alternative outlets for funds than many of the other participants in consumer credit markets. Thus, as interest rates on business loans, mortgages, and other investments soared in contrast to the sluggish consumer rates, banks shifted away from consumer lending. Between 1980 and 1982, banks reduced their portfolio of auto loans by

2. Selected interest rates

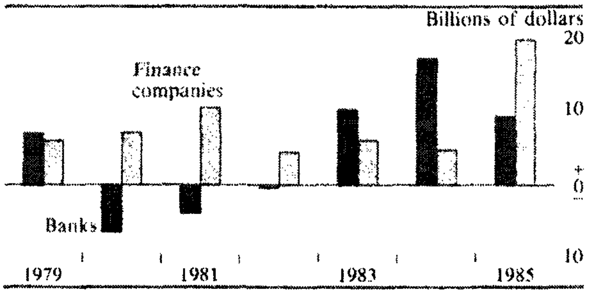


Quarterly data.

$8½ billion, or 12½ percent. Their share of outstanding auto credit dropped from 58 percent to 45 percent.

The constriction of auto credit supplied by banks and (to a lesser extent) credit unions was partially offset by the reactions of the auto manufacturers. As the banks retreated from the market, the auto makers pursued their principal objective of selling cars by stepping in to support the credit market through their "captive" finance company subsidiaries (chart 3). They did so at first simply by standing ready to serve those suddenly unable to obtain credit elsewhere. Then in 1981, they began to offer loans at below-market rates on certain slow-selling models. By the end of 1982, finance companies (mainly the captives) had expanded their auto credit holdings by $22 billion, an increase of more than 80 percent in three years.

3. Net change in auto credit outstanding



Annual data.

Despite the surge in lending by finance companies, total auto credit outstanding at all types of lenders increased only 12 percent over the three-year period ending in 1982, compared with a 68 percent expansion over the preceding three years.

Resurgence: 1983–85

The economy began to expand again in 1983, initiating three years of increasingly vigorous auto sales and credit activity. Sales of new cars including imports rebounded to 9¼ million units in 1983 from the 20-year low of 8 million units the year before, and auto credit outstanding increased 16 percent. Sales reached 10½ million units in 1984 and 11 million units in 1985—roughly the levels achieved in the late 1970s—and growth in auto credit again approached 20 percent.

Slack new-car sales and a reduced rate of scrappage during the three preceding years of recession had raised the average age of the existing car stock and no doubt diminished its capability of providing transportation services. As the recovering economy in 1983 stimulated a pickup in demand for the services of automobiles, a gap between desired and actual stocks rapidly opened. Moreover, three years of retrenchment in consumer borrowing had helped to strengthen household balance sheets, putting consumers in a better position to purchase and finance cars. Installment debt owed by households relative to their income had dropped more than 3 percentage points by the end of 1982 to a seven-year low of 14 percent, and delinquency rates on consumer loans were dropping toward unusually low levels.

Other factors combined to create a more favorable car-buying atmosphere in 1983. Gasoline prices had stabilized, albeit at high levels; substantial declines in market interest rates were pulling auto loan rates down from their 1980 highs; and, in part because of the strengthening of the dollar on foreign exchange markets, heavy competition from imported cars was generating some downward pressure on automobile prices, despite the introduction of voluntary export restraints on Japanese cars. The influence of each of these factors intensified over the 1984–85 period. In addition, developments on the supply side of the credit market, discussed below, provided firmer support to the demand for cars.

The Return of Banks as Major Suppliers

The year 1983 marked the return of commercial banks as aggressive competitors in the auto credit market. Especially with the advent of the money market deposit account, banks were experiencing heavy deposit inflows. Consumer loan rates had dropped more gradually from their earlier peaks than had most other market interest rates, so that relative yields obtainable by banks Automobile credit and other forms of consumer lending were once more attractive outlets for investable funds.

When it became clear by the fall of 1983 that banks had returned wholeheartedly to the auto credit market, the auto finance companies took the opportunity to reduce their participation toward more comfortable levels. Their support of the market in 1980–82 had necessitated sizable increases in liabilities, which subjected the balance sheets of the companies to some strain. They still supported the market with reduced-rate financing programs in the first half of 1983, but these were substantially phased back by the summer and finally eliminated late in the year.

The margin between auto loan rates and costs of funds narrowed briefly in the first half of 1984 but remained basically attractive throughout the 1983–85 period. As a result, banks continued to be eager suppliers of credit to car buyers during 1984 and 1985. Finance companies, with their balance sheets in better adjustment, became more aggressive again, particularly in 1985, when they reestablished their reduced-rate financing plans.

The Entry of Savings and Loans into the Market

In the early 1980s, a new credit supplier—savings and loan associations—entered the auto loan market, aided by the relaxing of restrictions on their investment outlets under the Depository Institutions Deregulation and Monetary Control Act in 1980, and the Garn–St Germain Act in 1982.

Historically, by tradition and by regulation, the financial assets of savings and loans have consisted primarily of long-term fixed-rate home mortgages. In contrast to the typically long maturities of such assets, the deposit liabilities that finance those mortgages have had much shorter maturities. As short-term interest rates climbed in the late 1970s and early 1980s (and ceilings on deposit rates were being dismantled), the cost to savings and loans of obtaining loanable funds increased sharply. At the same time, because of the slow turnover of mortgage portfolios, gross yields on their assets rose sluggishly so that

Part of the motivation for enhancing the lending powers of savings and loans via the 1980 deregulation act and subsequent legislation was to enable them to match maturities on assets and liabilities more closely, thereby reducing exposure to interest rate risk and stabilizing profits. Federally chartered associations currently are authorized to place up to 30 percent of total assets in nonmortgage loans.

Savings and loans responded with some vigor, more than doubling their aggregate holdings of consumer installment loans between the end of 1982 and the end of 1985. Last fall they moved ahead of retail stores as the fourth largest source of consumer credit (behind commercial banks, finance companies, and credit unions).

Part of the expansion in consumer receivables at savings and loan associations has gone into auto loans. Holdings of auto paper by these institutions have grown from $1 billion in 1981 to $8½ billion at the end of 1985. This amount still represents only a small share—about 4 percent—of the overall auto credit market, and no doubt part of it constitutes a shift among sources of financing rather than a net addition to supply. Nevertheless, the additional competition introduced into the market by savings and loans probably has resulted in somewhat greater borrowing on somewhat more favorable terms than would otherwise have prevailed.

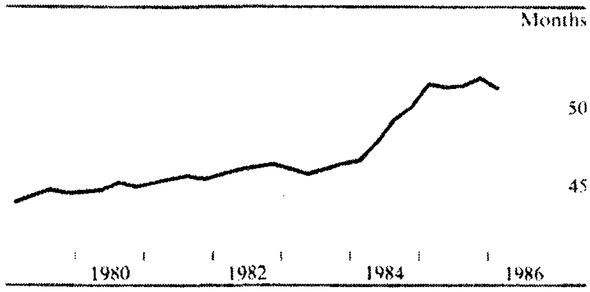
Highlights of the Recent Expansion in the Supply of Credit

Further increases in the supply of auto credit since the beginning of 1985 are evident in the terms and rates at which it is offered. Supply has been enhanced recently by such developments as the pooling together of auto loans for sale in the secondary market in the form of a pass-through security.

Liberalized Terms

One outcome of the greater willingness of creditors to make auto loans is a substantial liberalization of nonrate lending terms and loan features. Lengthening of maturities has been the most evident change in terms, and loan-to-value ratios

4. Average maturity of auto loans at finance companies



Quarterly data.

also have edged higher. At the auto finance companies, the average maturity of new-car loans rose from 46 months to 52 months during the 1984–85 period (chart 4), and banks are also offering longer terms. Although the most common loan maturity is 48 months, five-year loans are now much more frequent, and some auto loans are made at even longer maturities, particularly those for higher-priced models.

A longer maturity, of course, reduces the current monthly payment on a loan of given size, making the automobile more affordable. Historically, major shifts toward longer maturities appear to have boosted new-car sales. The 1955 sales boom coincided with a shift toward 36-month financing in place of the previously typical 24-month contract, and the movement toward 48-month loans in the mid-1970s was widely regarded as having supported the new-car market by blunting the deterrent effect of sharply rising car prices (table 2).

In addition, loans with special features attractive to some types of borrowers have become more common. For instance, some loans are being made with "balloon payments"—a large final payment—to reduce the size of the downpayment, or the monthly installments, or both. The balloon is either refinanced or paid for by sale of the car, as in lease financing.

Leasing, in fact, also is becoming more commonly available to individuals for nonbusiness purposes. Each of the automobile finance companies offers lease plans, as do a number of banks that are heavily involved in automobile finance. In many cases, the principal objective of the lessor is to provide as wide a variety of financing options as possible to potential customers. One attractive aspect of leasing is that, by

2. Monthly payment on $10,000 auto loan, selected maturities and interest rates

Dollars

Interest rate (percent)	Maturity (months)		
	36	48	60
16	352	283	243
12	332	263	222
8	313	244	203

maintaining ownership of the car, the supplier can make use of several tax benefits. As a result, the implicit rate of interest incorporated in a lease is often a bit lower than the interest rate on a loan.

To the customer, one of the principal attractions of a lease is the ability to obtain use of a car with a relatively small initial outlay of cash. In addition, monthly payments may be smaller with a lease since they need offset only the estimated depreciation on the car, not the entire purchase price. Of course, the lessee, unlike a buyer, ordinarily builds up no equity in the car.

Reduced-Rate Financing Programs

Interest rates on auto loans generally have fallen about 5 percentage points from their 1982 peaks, and the periodic offering of cut-rate financing by the auto finance companies has given an additional lift to auto sales and credit. Such programs were heavily used in 1983, were largely abandoned the following year, and then became prevalent again last year.

The large domestic automakers first offered a broad program of low-rate financing during the summer of 1982. The manufacturers had relied mainly on price rebates in 1980–81, although they had experimented with rate-reduction programs of limited scope in the summer of 1981 and again in the spring of 1982. Generally, these earlier programs entailed relatively moderate rate discounts or were applicable to a rather narrow selection of slow-selling models.

Below-market financing was reintroduced in November 1982 (table 3); deeper discounts were offered (about 5 percentage points) and coverage was broadened to encompass about half the normal sales mix. Coverage was expanded further in the first quarter of 1983, when virtually all cars were made eligible for reduced-rate financing (although at somewhat smaller discounts). The lowest rates of the year (just under 9 percent per year) were offered during June but were restricted to small cars. Coverage was broadened again in the summer and fall, but this time rates were only marginally below those available from other lenders.

Separating precisely the effect of the various positive influences on auto sales and credit during 1983 is difficult. Certainly the highly publicized low-rate loan programs prodded some individuals into making a purchase and influenced others to take out a larger loan than they would have at higher rates. But the major effect of the special financing programs may have been on the distribution of credit by source. For the full year, growth at finance companies (13 percent) about matched that at banks (16 percent), but patterns during the year differed markedly. Auto receivables at finance companies grew at an annual rate of 23 percent in the first quarter, but the growth tailed off to 5 percent in the final quarter, after the incentive-financing programs were phased out. In contrast, auto credit at banks actually contracted during the first quarter of 1983 and then advanced at a 30 percent rate in the fourth quarter.

In the strong auto sales year of 1984, banks expanded their holdings of auto loans by 24 percent. The auto finance companies seemed content to continue strengthening their balance sheets during the first half by adding slowly to auto loan receivables and reducing reliance on short-term liabilities; for the year as a whole, auto loan receivables for all finance companies increased at the moderate rate of 9 percent. Overall, auto credit grew that year by about 19 percent, despite the absence of any special financing programs. However, rates offered by banks remained near the lower levels reached during the spring and summer of 1983, and finance company rates, though no longer heavily discounted from market levels, stayed well below their 1982 peaks.

Some of the auto makers reintroduced low-rate loans in February 1985 (table 4). The move was somewhat surprising in that new-car sales were continuing at a robust pace—sales in January, after seasonal adjustment, had exceeded

3. Summary of interest rate reduction programs of auto manufacturers, November 1982–October 1983

Period[1]	Interest rate			Coverage			Average interest rate[2]		
	General Motors	Ford	Chrysler	General Motors	Ford	Chrysler	Month	Banks	Finance companies
1982									
Nov. 1–Dec. 31	10.9	10.75	10.9	Selective: 1982 models only	Selective: certain large cars	Selective: 1982 and 1983 FWD cars, excluding vans	Nov. Dec.	15.97	12.82 12.57
1983									
Jan. 1–Mar. 1	11.9	11.9	11.9	Broad	Broad	Broad	Jan. Feb. Mar.	 14.81	12.25 12.05 12.07
Apr. 1–May 31	9.9	9.9 11.9	9.8	Selective: mainly small cars	Fairly broad: small cars (9.9) large cars (11.9)	Selective: mainly small cars	Apr. May	 13.90	11.90 11.94
June 1–30	8.8	8.8 13.9	8.7	Selective: mainly small cars	Selective: small cars (8.8) large cars (13.9)	Selective: mainly small cars	June		11.57
July 1–31	9.9	9.9 13.9	9.8[3]	Selective: mainly small cars	Selective: small cars (9.9) large cars (13.9)	Selective: mainly small cars	July		11.84
Aug. 1–Sept. 30 ...	10.9 12.9	10.9 13.9	12.9 13.1 13.5	Selective: small cars (10.9) J-, F-cars (12.9)	Selective: pick-ups only (10.9) cars (13.9), but only for 36-month loans	Broad	Aug. Sept.	13.50	12.77 13.62
Oct. 1–31	12.9	12.9	12.9	Broad	Broad	Broad	Oct.		13.54

1. Dates are approximate. Beginning and ending dates usually varied somewhat among firms.

2. The interest rate for banks is a simple average of the most common rate charged on 48-month loans at each of about 200 banks sampled. The rate shown for finance companies is a volume-weighted average of the rates charged by the financing subsidiaries of the auto manufacturers on all new-car loans made during a month.

3. Customer given option of subsidized rate or a cash rebate on purchase price.

those for any month in 1984—and inventory levels were not unusually high. But other rates were falling across the board in early 1985, reducing the cost of funds to finance companies. Further stimulating sales by vigorous promotion of even lower auto loan rates may have seemed especially opportune at a time when rates were beginning to head down anyway.

As in earlier periods, the net impact of the early 1985 financing incentives are difficult to assess. With the programs in effect, the annual rate of sales of domestic cars fluctuated narrowly around the 8½ million unit mark during the first five months of the year. In the next three months, when the below-market rates were temporarily abandoned, sales—disrupted as well by an auto haulers' strike—dropped to an annual rate of 7½ million. Inventories of 1985 models escalated during that time, and shortly after the strike was settled in mid-August, the companies reinstituted financing incentives. New-car sales responded immediately and sharply. Unit sales of domestic models jumped to a rate of 12½ million in the final ten days of August and recorded a rate of 11 million units for all of September.

To some degree this enormous response reflected the expansion of the programs to cover virtually all 1985 models as well as the depth of the discounts (about 4 to 5 percentage points below market rates). But perhaps the principal factor was that, with production of 1985 models completed, the stock of cars eligible for reduced-rate financing clearly was going to shrink continuously. Even though manufacturer inventories were unusually large entering the close-out period, potential buyers realized that the most desirable cars would be taken first, and thus they had an incentive to act quickly.

The financing programs expired in early Octo-

4. Summary of interest rate reduction programs of auto manufacturers, February 1985–April 1986

Period[1]	Interest rate			Coverage			Average interest rate[2]		
	General Motors	Ford	Chrysler	General Motors	Ford	Chrysler	Month	Banks	Finance companies
1985									
Feb. 22–Apr. 22	8.8	8.8	8.8	Limited: certain light trucks	Selective: selected compacts, light trucks	Selective: compacts, trucks	Feb. Mar. Apr.	13.38	13.78 12.65 11.92
Mar. 21–Apr. 30	8.8	8.8	8.8[3]	Selective: certain sub-compacts	(Program continued)	(Program continued)			
May 5–June 10	8.8	8.8	8.8	Selective	Selective: some subcompacts, luxury cars	Selective	May June	13.16	11.87 12.06
Aug. 15–Oct. 2	7.7	7.7[4]	7.5[5]	Broad	Broad	Broad	Aug. Sept.	12.72	10.87 8.84
Oct. 8–Nov. 20	8.8	8.8	8.8	Selective: mixture small, larger cars	Selective: mainly small cars	Selective: mainly small cars	Oct. Nov.	12.39	9.97 11.71
1985–86									
Dec. 27–Feb. 22	7.9	7.9	8.6[5]	Selective: cars, trucks; 40 percent of product line	Selective: cars, trucks; 25 percent of product line	Selective: variety of cars	Dec. Jan. Feb.	12.29	12.52 9.99 9.70
1986									
Feb. 23–Apr. 12	9.9 7.7	9.9	7.5[6]	Broad: most vehicles (9.9) selected compacts (7.7)	Broad	Selective: certain small cars	Mar.		10.51
Apr. 14	9.9[7] to 5.9	8.9[7] to 6.9	6.8[6,7] to 5.8	Broad	Selective: small cars, some trucks	Selective: certain small cars			

1. Dates are approximate. Beginning and ending dates usually varied somewhat among firms.
2. The interest rate for banks is a simple average of the most common rate charged on 48-month loans at each of about 200 banks sampled. The rate shown for finance companies is a volume-weighted average of the rates charged by the financing subsidiaries of the auto manufacturers on all new-car loans made during a month.
3. Chrysler program includes some price rebates.
4. Ford program includes optional price rebates of up to $1,000.
5. Chrysler program includes optional rebates of up to $1,500.
6. Cash rebates available on broader range of cars.
7. Rates vary according to vehicle purchased and length of loan contracts; structure and coverage were modified during program.

ber, were immediately revived in limited fashion for a few weeks, then allowed to lapse. Once again, new-car sales plunged with the termination of the programs, a development that prompted a new round of financing incentives in late December. Most programs were extended in some fashion upon expiration near the end of February and remained in force, with periodic modifications, well into the second quarter of this year.

With the incentive programs in place, auto sales recovered in the first quarter of 1986, but only moderately. Domestic new cars sold at a somewhat slower annual pace (7¾ million units) than they had averaged in either 1984 or 1985. In contrast with the previous fall, consumers probably felt less urgency to respond to financing incentives because the model year was still in its early stages; moreover, a number of models were not included in the programs. Potential buyers of these excluded models may have been willing to wait on the sidelines for a possible broadening of coverage later. The subdued effect of the programs in 1986 also may reflect the likelihood that many of the people most responsive to financing incentives had already purchased cars during earlier programs. On balance, the low-rate loan programs appear to affect the timing of sales more than they affect the total volume over a period of time.

Although the statistics on auto credit include financing of used cars and imported new cars, credit trends in 1985 and early this year roughly mirrored fluctuations in sales of domestic new cars, which in turn reflected the alternate offering and retraction of the financing incentives. Total auto credit grew at a 19 percent rate during the first five months of the year, dropped off to about 12 percent in the summer, and then surged to 28 percent for September and October. Since then, the growth has dropped sharply.

Securities Backed by Auto Loans

Secondary markets can attract funds to a loan sector from investors who would not otherwise provide financing to that sector. The broadening of the market for mortgage debt through mortgage-backed securities provides a notable recent example. Until last year, secondary marketing of nonmortgage consumer debt through the issuance of securities was virtually nonexistent.

To date, the General Motors Acceptance Corporation has been the principal originator of securities backed by auto loans. In December 1985, GMAC made its first public offering of such securities—$525 million through First Boston Corporation—and it has followed up with two additional issues this year, the last of which was for $1 billion in mid-April. Earlier in 1985, the investment banking firm of Salomon Brothers purchased a $23 million block of automobile loans from the Marine Midland Bank, which it repackaged into "Certificates for Automobile Receivables (CARS)" and sold to other institutions. Subsequently, a few other small private placements of auto loan-backed securities were made; but so far banks have been reluctant to originate such securities because, if investors have recourse, the banks are not permitted to remove the underlying auto loans from their books for purposes of computing capital requirements.

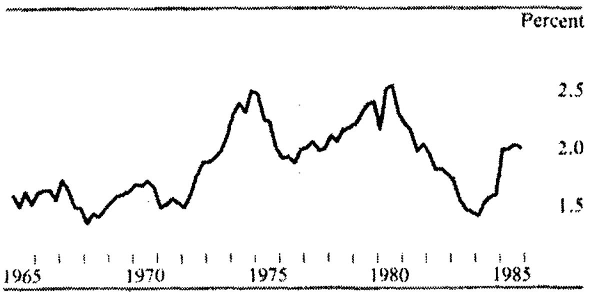
The basic structure of the GMAC-issued certificates is that of a "pass-through" security representing ownership in a pool of automobile loans; the security typically has been priced to yield from 60 to 80 basis points more than two-year Treasury notes. Cash flow from repayment and prepayment of loan principal passes to the holder of the certificate; GMAC retains servicing of the loans, for which it earns a fee, and provides a guarantee covering payment of the underlying loans. GMAC agrees to repurchase defaulted loans amounting to as much as 5 percent of the total dollar amount of the issue, a proportion far exceeding the historical default rate on auto loans at GMAC.

The development of auto-backed certificates is desirable from the originator's perspective because they eliminate the problem of mismatching maturities on assets and liabilities, and because they enable the institution to improve capital ratios by taking the loans off its books (where regulations permit) while deriving income from fees for servicing the underlying auto loans.

Investors are attracted by the yield advantage of these securities over Treasurys, which they can obtain with limited default risk, and they also like the comparatively short and predictable maturity (about two years). With mortgage-backed securities, a decline in market rates typically stimulates early repayment of the underlying loans, reducing the realized maturity of the securities. Refinancing in response to interest rate declines is much less likely for auto loans; their shorter maturities and smaller principal amounts make the size of monthly payments much less responsive to differentials between the contract interest rate and going market rates. A 1 percentage point difference for a typical car loan makes a $3 to $4 difference in the monthly payment; a 1 point decline in mortgage rates, on the other hand, can mean a $50 difference in the monthly payment.

The risk on auto-backed securities appears moderate in part because delinquency and default rates on auto loans have been fairly stable historically (chart 5). At commercial banks, delinquency rates on auto loans acquired through dealers have ranged between 1½ and 2½ percent during the past 20 years, and actual chargeoffs have been considerably lower. The guarantees typically attached to the loan-backed securities further reduce the risk to borrowers.

5. Delinquency rates on auto loans at banks



Quarterly data.

Banks and thrift institutions reportedly have been the largest purchasers of the auto-backed certificates so far, but pension funds and insurance companies, two types of institutions that formerly had not participated in auto finance, also have invested in them. The GMAC certificates were available in units as small as $1,000, which could attract some funds from individual investors, such as for IRA accounts.

The influence of this new secondary market instrument on the supply of auto credit to this point has been small. The aggregate amount of securities issued is estimated to be no more than $3 billion, and only some fraction of that would represent funds that otherwise would have been unavailable. Still, given the appeal of certain features of the securities to institutions outside the traditional auto credit market, the continued development of such securities should bolster the overall supply of credit in the months ahead.

Current Prospects for Auto Sales and Credit

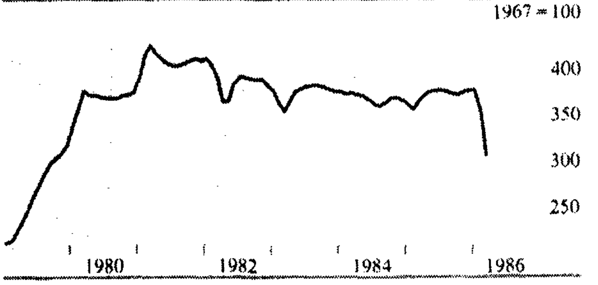
Domestic car makers regarded sales through the first four months of 1986 with some disappointment. To be sure, sales were hardly weak by historical standards: at an average of 7¾ million units per year, seasonally adjusted, volume was only 400,000 units below the 1985 pace, which was the highest in six years. But viewed in the context of larger-than-normal inventories and the apparently waning public responsiveness to financing incentives, dissatisfaction with the pace of sales was understandable.

The reasons for the diminishing allure of be-er. The current low rates available from many sources are probably minimizing the size of the perceived benefit of the special programs and diluting the urgency of a quick response. Also, as the financing incentives become a more familiar part of the landscape, potential borrowers may be regarding them as just one alternative in a rotating arsenal of promotional techniques rather than a unique and additional pricing concession. The offering, under some plans, of a choice between a price rebate and a reduced finance rate strengthens the impression that attractive rates might be offset by less generous pricing in other aspects of the transaction. And, of course, previous programs may already have served to narrow any divergence between desired and actual stocks.

On balance, of course, the generally lower interest rates for auto loans apart from the special incentives should give at least a marginal push to car sales, and several other factors seem likely contributors to a solid underpinning of automobile demand. For instance, the recent sharp declines in gasoline prices (chart 6) should boost the demand for miles of travel and, as a result, increase the desired auto stock. Moreover, statistics indicate that the median age of the car stock reached 6.9 years in 1985, the highest reading in the postwar period, despite an increase in the scrappage rate to 7¾ million units during the 1985 model year (the record was 9¼ million in 1979). Although the amount of services embodied by scrapped units is difficult to compare with that in new units, the prospect of a large volume of scrappage for an aging stock should normally yield a sizable replacement demand for cars.

In the past, a three-year period of vigorous

6. Gasoline price index



sales—such as that from 1983 through 1985—frequently has given way to a stretch of weaker sales as desired and actual stocks have come into closer alignment, but such periods of depressed sales have generally been linked to a broader economic downturn that adversely affects the underlying demand for auto services. Currently, however, the outlook for the economy as a whole, with falling interest rates and minimal inflationary pressures, seems reasonably bright to most observers. Continued economic strength would help to support or even increase the desired auto stock, making a plunge in car sales unlikely.

In the market for automobile credit, demand will largely mirror the level of demand for cars. Credit supplies should be ample to meet any demand likely to arise under foreseeable economic circumstances. Although rising delinquency rates on auto loans could induce a more cautious approach to lending, these measures are only about midway between their past cyclical high and low points and have not yet caused lenders real concern. At the same time, the margins between auto loan rates and rates reflecting funding costs widened considerably last year and appear to be widening further this year, probably more than compensating for any increases in debt-collection costs or write-offs. In the latter half of the 1980s, with restrictions on both auto finance rates and deposit accounts removed or greatly relaxed, the costs and availability of credit in the auto loan market should move more closely with those in other financial markets.

On balance, despite the rather lackluster domestic new-car sales so far in 1986, several factors point toward the maintenance of strong basic demand for cars, including an expanding economy, a high auto scrappage rate, and downward pressure on automobile operating costs from lower gasoline prices. Together these factors could work to offset the normal tendency of three consecutive years of high sales volume to shrink the gap between the actual and the desired stock of cars. Supply conditions in the auto credit market appear supportive of a high level of sales, and the potential of an emerging secondary market to attract new sources of funding lends some further tilt toward expansion of supply. □

Prices, Profit Margins, and Exchange Rates

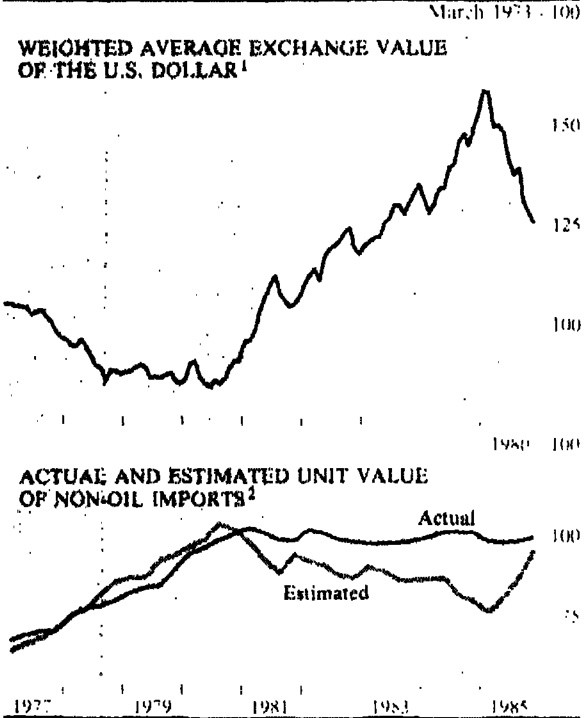
Catherine L. Mann of the Board's Division of International Finance prepared this article.

The decline in the exchange value of the dollar over the past year or so has had important implications for the outlook for the U.S. current account balance and domestic inflation. The relationship between changes in exchange rates and changes in import and export prices, known as the "pass-through" relationship, has been relatively stable historically. But recent changes in the pattern of U.S. trade, the unprecedented appreciation of the dollar during the first half of the 1980s, and the volatility of bilateral exchange rates may affect at least the speed of the pass-through of exchange rate changes to import and export prices, and possibly the long-run relationship as well. The top panel of chart 1 shows the significant movements over the last nine years of the foreign exchange value of the dollar measured in terms of a multilateral trade-weighted index of the currencies of the other Group of 10 countries.[1] The bottom panel shows the actual unit value of non-oil imports and an estimate of that unit value based on a long-run historical relationship between exchange rates and import prices. The historical relationship suggests that non-oil import prices should have risen faster during 1985 than they did. This raises several questions: Are the profit margins of foreign suppliers being squeezed in the short-run? Is the long-run pass-through relationship changing?

1 This index, which includes the currencies of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom, is a convenient summary statistic for the dollar's average performance. However, movements in bilateral exchange rates may be more significant in determining trade in particular products because often only a few countries account for the bulk of the source of imports or the destination for exports. Moreover, certain key importers, such as the Asian newly industrialized countries and Brazil, more or less peg the value of their currencies to the dollar. The movements in these bilateral rates often are quite different from that of the G-10 rate.

This article reviews both aggregate macroeconomic evidence on how changes in the value of the dollar affect overall U.S. export and import prices, and disaggregated microeconomic evidence, including the behavior of prices and profit margins, for a number of individual industries. Examining industry-specific behavior may help illuminate some of the empirical regularities of the aggregate pass-through relationship. Throughout the analysis, the period of depreciation in the dollar from 1977 through 1980 is contrasted with the period of appreciation from

1. Index of the exchange rate and actual and estimated import prices



1. Weighted average against foreign G-10 countries using total 1972–76 average trade shares.
2. Estimate based on the multilateral trade-weighted consumer price index and a contemporaneous *60 percent pass-through* of exchange rate changes.

1981 through early 1985. Comparing these two periods may reveal some consequences of the current depreciation of the dollar.

Statistical analysis of macroeconomic data suggests that the long-run relationship between the exchange rate and import and export prices was relatively stable over the two subperiods. However, the profit margins of foreign suppliers (in the aggregate) do appear to have expanded somewhat more during the period of appreciation after 1980 than earlier experience would have predicted; and profit margins of U.S. exporters appear to have risen somewhat less. Two factors may have contributed to these deviations from the historical relationship: the unusual magnitude of the dollar's rise during the early 1980s and the month-to-month volatility of the dollar over this period.

Analysis of microeconomic data from individual industries suggests that, in addition to the appreciation of the dollar, the rebound in real growth in the United States, inflation in the source country, market structure, and trade barriers influenced profit margins and the amount and speed of pass-through during the first half of the 1980s. Dollar prices on products imported from the newly industrialized countries with high inflation rates generally remained high and profit margins rose, while dollar prices of products from the countries with more moderate rates of inflation fell and profit margins were more stable. At the same time, U.S. exporters in many individual industries appear to have been relatively insensitive to exchange rate changes. Indeed, some exporters appear to have widened their profit margins even as the dollar appreciated.

The presentation is organized as follows: The next section reviews some analytical foundations for the relationship among exchange rates, prices, and profit margins. Next comes an examination of evidence on pass-through and profit margins based on the macroeconomic data, then a review of the industry-specific evidence on the behavior of prices and profit margins. A final section presents some concluding observations.

Analytical Foundations

A fundamental starting point for an analysis of the pass-through of exchange rate changes to import and export prices is the law of one price: under conditions of perfect competition in domestic and international goods markets (zero profits or no profits in excess of "normal economic" profits) the exchange rate equates the domestic currency prices of similar traded goods produced at home and abroad. This relationship, given in equation 1, says that the U.S. price (in dollars) of a product equals the foreign price (in foreign currency) times the exchange rate:

$$P_d = P_f \times E, \tag{1}$$

where

P_d = price of the product in the United States, in dollar terms
P_f = price at which the foreign supplier sells the product, in foreign currency terms
E = the exchange value of the dollar in terms of dollars per unit of foreign currency.

Under these conditions, if the exchange rate changes and foreign prices remain unchanged, the domestic price changes one for one: pass-through of the exchange rate change to domestic prices is 100 percent.

Profit margins are a key link between the exchange rate and prices of traded goods that extends the analysis based on the law of one price. Relaxing the assumptions of perfect competition allows for short-run variability in profit margins that may help explain the short-run variations in the pass-through relationship observed in the macroeconomic data. Equations 2 and 3 together show two important identities that relate the dollar price of imports, the exchange rate, and profit margins:

$$P_f = C_f + M_f \tag{2}$$

$$P_d = (C_f + M_f) \times E, \tag{3}$$

where C_f is the cost, in foreign currency terms, of producing the product in the foreign country and M_f is the margin over costs, in foreign currency terms, chosen by the foreign producers. Equation 2 says that the foreign currency price of products imported into the United States equals the foreign cost of producing the product plus some profit margin. Equation 3 combines equations 1 and 2 and shows that the U.S. dollar price equals the sum of the foreign costs of production and profit margins, all times the exchange rate. The concept of pass-through is presented in equation 4:

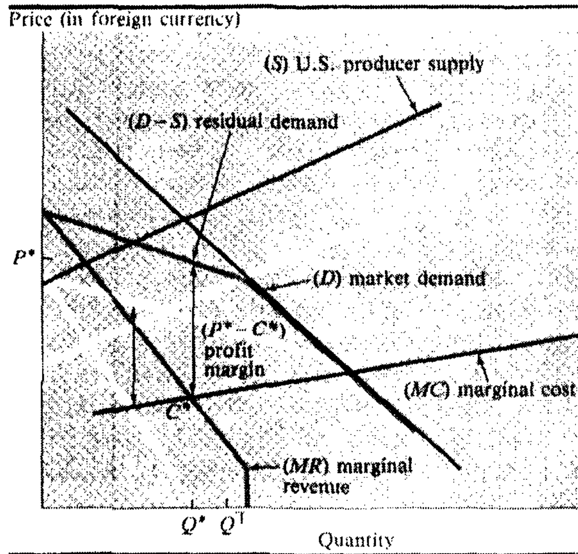
$$\Delta P_d = \Delta C_f + \Delta M_f + \Delta E; \tag{4}$$

that is, the change in the dollar price equals the change in foreign costs plus the change in margin plus the change in the exchange rate. If foreign costs are constant, dollar import prices will change little (and pass-through will be less than 100 percent) if foreign profit margins adjust to offset some of the exchange rate changes. If foreign costs change as well, profit margins can change and buffer the ultimate effect on the dollar price.

Introducing profit margins into the aggregate equation allows more flexibility in the speed and amount of pass-through of exchange rate changes to import prices. But what factors can lead to variable profit margins? Profit margins vary in part because of the characteristics of market structure in the individual industries and in part because of overall changes in the macroeconomic environment.

A number of models of international trade analyze how prices are affected by market structures that deviate from perfect competition. Factors leading to imperfect competition include imperfect substitutability of products so that each supplier has some market power; production technology that exhibits nonconstant returns to scale so that the supply curve is sloped; a relatively small number of firms in the industry; and wage and sales contracts that may limit the speed of adjustment of prices to changes in costs or demand.[2]

2. A model of foreign suppliers' profit margins and pass-through



In addition to these microeconomic factors, macroeconomic forces such as the volatility of exchange rates and booms and recessions in demand may affect a firm's pricing strategy. The data suggest that the key factor in determining industry pricing and profit margins over the last eight years was not market structure alone, but the way market structure interacted with macroeconomic uncertainty.

2. Peter Isard, "How Far Can We Push the 'Law of One Price'?" *American Economic Review*, vol. 67 (December 1977), pp. 942–48, examines the law of one price for disaggregated industry groups. Eugene R. Flood, "Global Competition and Exchange Rate Exposure," Research Paper 837, Stanford Business School, September 1985, discusses in very general terms the way the slopes of the demand and supply curves affect the pricing decision and profitability of an international firm. Paul Krugman, "Scale Economies, Product Differentiation, and Patterns of Trade," *American Economic Review*, vol. 70 (December 1980), pp. 950–59, and Elhanan Helpman, "International Trade in the Presence of Product Differentiation, Economies of Scale and Monopolistic Competition: A Chamberlinian-Heckscher-Ohlin Approach," *Journal of International Economics*, vol. 11 (August 1981), pp. 305–40, provide a theoretical foundation for the effect of product substitutability on pricing decisions. Paul Krugman, "Increasing Returns, Monopolistic Competition, and International Trade," *Journal of International Economics*, vol. 9 (November 1979), pp. 469–79, and Rudiger Dornbusch, "Exchange Rates and Prices," October 1985, focus on production technology; Dornbusch also reflects on how the number of firms affects prices. The following papers examine how contracts affect the timing of the pass-through of exchange rate changes to prices: John E. Wilson and Wendy E. Takacs, "Expectations and the Adjustment of Trade Flows Under Floating Exchange Rates: Leads, Lags, and J-Curve," International Finance Discussion Papers 160 (Board of Governors of the Federal Reserve System, April 1980); Stephen P. Magee, "Currency Contracts, Pass-through, and Devaluation," *Brookings Papers on Economic Activity, 1:1973*, pp.303–23; and William H. Branson, "The Trade Effects of the 1971 Currency Realignments," *Brookings Papers on Economic Activity, 1:1972*, pp. 15–58.

Chart 2 depicts one way of thinking about import price determination.[3] A set of foreign firms, which are assumed to act as one, export to the United States. These firms face a market demand curve (D) that represents the potential market in the United States. This curve moves out over time as U.S. gross national product grows, but because of booms and recessions, it does not move out at a constant rate. The slope of the demand curve is determined by such aspects of market structure as the number of firms producing the good, strategic interfirm behavior, and the degree of product substitutability.

Part of the total U.S. demand is supplied by domestic U.S. producers (S). How large a share they capture depends in part on the value of the dollar, which moves over time and which is also volatile. The U.S. market price is expressed in terms of foreign currency in the diagram so that a depreciation of the dollar will shift down the U.S. supply curve. The slope and location of that curve are also determined by such characteristics of the market as trade barriers, product substitutability, and the production technology of the U.S. producers.

The marginal cost curve of the foreign firms (MC) depends on their production technology. Its slope and location depend on wages, the cost of fixed capital, costs of imported intermediate products, and other costs of production.

The foreign firms face much uncertainty as they make their pricing decision. They must guess the location of the total market demand, the supply from the U.S. producers, and the cost of their own output. To maximize profits, the firms choose a price on the residual-demand curve ($D - S$) at the point at which expected marginal revenue equals expected marginal cost. Thus the foreign firms price their product at P^*. They export Q^* to the United States, and the remainder of the output (to Q^T, which is the total output demanded) is supplied by the U.S. producers. At price P^* and output Q^*, the cost of production per unit to the foreign firm is C^*. Hence the profit margin enjoyed by the foreign producers on each additional item sold in the United States is the amount $P^* - C^*$ shown in the diagram.

Since the residual-demand curve is a function of both domestic supply and U.S. demand, it incorporates both exchange rate uncertainty and aggregate demand uncertainty. The foreign firms cannot perfectly forecast either the exchange rate or GNP, so their profit margins are exposed to both exchange rate and demand shocks. For example, if the dollar depreciates, the U.S. supply curve will shift down, causing the residual-demand curve to shift down as well (see chart 2). The foreign firms reduce their price, and their profit margins fall. Because the foreign currency price falls somewhat, the decline in the value of the dollar is not fully passed through to the U.S. dollar price of the product. If, at the same time, there are other macroeconomic shocks, such as a demand boom in the United States, the foreign suppliers' price and profit margins may not change as much as they would in the face of a depreciation in the dollar taken by itself: pass-through would appear to be even lower.[4] Therefore, while microeconomic market structure generates profit margins, macroeconomic uncertainty alters profit margins and affects pass-through.

Aggregate Macroeconomic Evidence on Profit Margins and Pass-Through

Aggregate regression equations for the price of U.S. non-oil imports often take the form of a logarithmic transformation of equation 1. Various reseachers using similar regression equations

3. The model presented here is adapted from the limit-pricing models in industrial organization theory. Daniel Gros, "The Determinants of Competitiveness and Profitability," International Monetary Fund, Research Department DM/86/21, March 20, 1986, presents a somewhat different model, which examines competitiveness and profitability when aggregate demand changes in a small open economy that is not perfectly competitive.

4. Consider a depreciation in the dollar and a simultaneous demand boom. The depreciation shifts down the U.S. supply curve causing the residual-demand curve to shift down. A boom shifts out the total market demand curve causing the residual-demand curve to shift up. The decline in prices and profit margins of foreign suppliers will not be as large as if the dollar depreciated by itself. (In fact, prices and profit margins could increase if the demand boom is large enough.) Since pass-through is defined for changes in import prices resulting from changes in exchange rates, pass-through would appear to be smaller in the multiple-shock scenario.

have estimated pass-through of a change in the exchange rate to import prices ranging from 50 percent to 80 percent, depending on the time period of estimation, the particular measure of the exchange rate used, the import price considered, and the other variables in the regression equation.[5] Despite these different estimates of pass-through, statistical tests have shown the relationship to be fairly stable over different time periods of estimation, implying that the variations in the estimates derive more from differences in the variables used than from changing characteristics of the macroeconomic environment.[6]

Some modelers have employed a distributed lag on the exchange rate, making the regression specification functionally equivalent to equation 3. Although a profit margin is not explicitly specified in this form of the regression equation, the lag on the exchange rate means that changes in the exchange rate do not have their full effect on import prices immediately. During the adjustment period (until the exchange rate change completes its effect on import prices), foreign profit margins on products imported into the United States must be changing. The long-run pass-through effect from these equations, measured by the sum of the coefficients, is quite similar to pass-through estimated without the lag. But additional information about how profit margins may be changing over the adjustment period is revealed by examining the lag structure.

Finally, even though stability tests fail to uncover any statistically significant structural breaks in the parameters of the relationship between external prices and the dollar, an examination of the residuals over different time periods of estimation may reveal some information about whether the behavior of profit margins and pass-through differs between periods of appreciation and depreciation of the dollar.

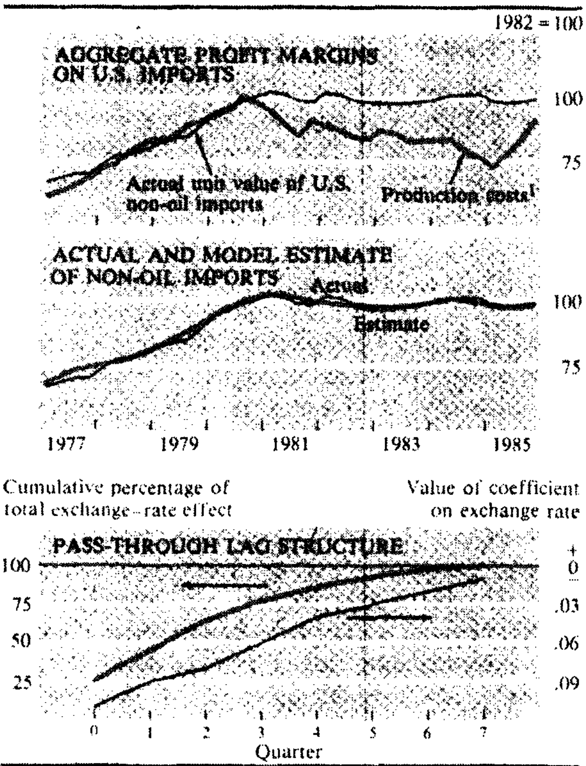
Imports

The top panel of chart 3 is a rough empirical representation of equation 1 without using a regression equation. It shows the unit value of non-oil imports in dollars and an estimate of aggregate foreign costs in dollar terms (using foreign consumer prices). If dollar import prices

5. These studies include a comprehensive analysis by Peter B. Clark, "The Effects of Recent Exchange Rate Changes on the U.S. Trade Balance," in P.B. Clark, D.E. Logue, and R.J. Sweeney, eds., *The Effects of Exchange Rate Adjustments* (U.S. Treasury, OASIA Research Department, 1974). Peter Isard, "The Price Effects of Exchange Rate Changes," in Clark and others, eds., *Effects of Exchange Rate Adjustments*, focuses on how different degrees of industry aggregation in the import data affect pass-through. Eugene R. Flood, "An Empirical Analysis of the Effect of Exchange Rate Changes on Commodity Prices," revised, September 1984, compares pass-through for different commodity and manufacturing groups. Robert M. Dunn, Jr., "Flexible Exchange Rates and Oligopoly Pricing: A Study of Canadian Markets," *Journal of Political Economy*, vol. 78 (January–February, 1970), pp. 140–51, examines data for Canada. Lawrence Schwartz and Lorenzo Perez, "Survey Evidence on the Pass-Through of Smithsonian Revaluations," in Clark and others, eds. *Effects of Exchange Rate Adjustments*, focuses on different industries and countries, as do Irving B. Kravis and Robert E. Lipsey, "Price Behavior in the Light of Balance of Payments Theories," *Journal of International Economics*, vol. 8 (May 1978), pp. 193–246, and John E. Wilson and Wendy E. Takacs, "Differential Responses to Price and Exchange Rate Influences in the Foreign Trade of Selected Industrial Countries," *Review of Economics and Statistics*, vol. 61 (May 1979), pp. 267–79. Charles Schotta and Joseph Trojanowski, "The Impact of the Smithsonian Exchange Rate Realignments on U.S. Retail and Import Prices of Japanese Photographic Equipment," in Clark and others, eds., *Effects of Exchange Rate Adjustments*, examines both retailers' and wholesalers' profit margins and pass-through for Japanese cameras and lenses. Eliot R.J. Kalter, "The Effect of Exchange Rate Changes Upon International Price Discrimination," International Finance Discussion Papers 122 (Board of Governors of the Federal Reserve System, August 1978), examines pass-through for a highly disaggregated group of industrial exports, assuming a model of imperfect competition. Jacques R. Artus, "The Behavior of Export Prices for Manufactures," in Clark and others, eds., *Effects of Exchange Rate Adjustments*, examines exporters' price behavior for several countries. Two other papers examine exporters' behavior in a macroeconomic framework: Helen B. Junz and Rudolf R. Rhomberg, "Price Competitiveness in Export Trade Among Industrial Countries," *American Economic Review*, vol. 63 (May 1972, Papers and Proceedings), pp. 412–18, and Irving B. Kravis and Robert E. Lipsey, "Export Prices and Transmission of Inflation," *American Economic Review*, vol. 67 (February 1977), pp. 155–63.

6. In "The Strong Dollar and U.S. Inflation," Federal Reserve Bank of New York, *Quarterly Review* (Spring 1984), pp. 23–29, Charles Pigott and Vincent Reinhart report their findings of a statistical break in 1982. However, it appears that they may not, in fact, have tested for statistical stability of the parameters. A Chow test of whether the two subperiods examined here were statistically different from the period 1965:1 through 1984:2 confirmed parameter stability. However, because the variables are highly collinear, the power of the test was likely quite low. In fact, there is some reason to question the parameter estimates

3. Aggregate and model estimate of profit margins on U.S. imports



1. Multilateral trade-weighted foreign CPI of G-10 countries, dollar terms.

depended on the exchange rate and foreign prices alone, the dollar price of U.S. imports probably would have fallen more in line with the gray line during the 1980s. Therefore, the panel suggests that profit margins of foreign suppliers in the aggregate rose substantially in recent years.

A more systematic analysis of the relationship between exchange rates and import unit values is given in the middle panel. The gray line shows the prediction for non-oil import prices using a regression equation based on equation 3 that relates the import price to foreign consumer prices, commodity prices, and the exchange rate.[7] The equation suggests that on average a 10 percent change in the value of the dollar on a multilateral trade-weighted basis leads gradually (over a period of about two years) to a 6 percent change in the dollar price of non-oil imports.[8] The presence of a two-year lag suggests that foreign profit margins tend to fall below their normal levels for a time as the dollar depreciates and tend to rise above their normal levels as it appreciates. When the model's prediction deviates from the actual non-oil import unit value,

7. The equation specification used here is part of a larger model of the U.S. balance of payments. For additional information on the model specification, see William L. Helkie, "A Forecasting Model for the U.S. Merchandise Trade Balance," paper presented at the Fifth International Symposium on Forecasting, Montreal, Canada, June 9–12, 1985. The specification for the non-oil import price equation is

$$\log(PM_t) = a + \sum_{i=0}^{7} b_i \times \log(XR_{t-i}) + \sum_{i=0}^{3} c_i \times \log(PC_{t-i})$$

$$+ d \times \log(CPI^*_t) + e_t,$$

where

PM = index of non-oil import unit value
XR = multilateral trade-weighted exchange rate, estimated with an eight-quarter, second-degree, polynomial distributed lag (with a tail constraint)
PC = commodity price index, estimated with a three-quarter, second-degree, polynomial distributed lag (with a tail constraint), from *International Financial Statistics*
CPI^* = foreign consumer price index weighted by the multilateral trade weights
e = random error.

The period of estimation is 1965:1–1982:4.

Consumer prices are a poor proxy for the costs of production in the import price equation because they include nontraded goods. However, two other proxies, unit labor costs and producer price indexes, are not available with either the frequency or the reliability of the consumer price index.

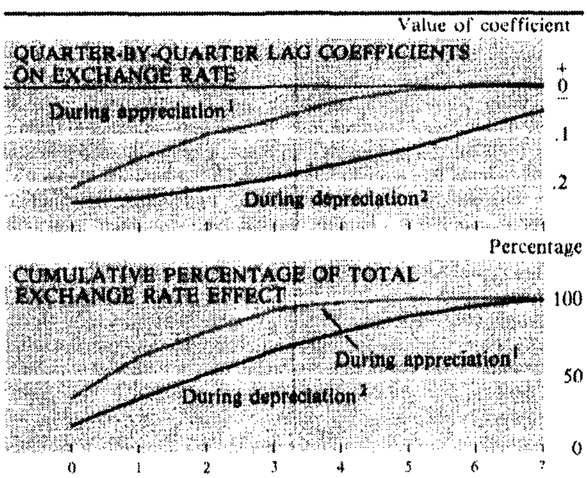
8. The result that import prices, even in the long run, change by significantly less than 100 percent of the exchange rate change can be explained by several factors. One is that the particular measure of the dollar's exchange rate used in this estimate is an average against 10 currencies weighted by each country's share in world trade. U.S. import prices are a function of a much wider set of bilateral exchange rates. More broadly based import-weighted indexes tend to move less than the Federal Reserve Board's 10-currency index because many of the excluded currencies are tied fairly closely to the dollar. Hence the 10-currency index tends to overstate the implications for U.S. import prices of any given episode of exchange rate changes. Schemes with alternative weighting, such as GNP weights or bilateral trade weights, give somewhat different results. Experiments using a more broadly based exchange rate measure and bilateral trade weights including some of the trading partners that are among the larger newly industrialized countries yielded a long-run pass-through estimate close to 90 percent. Moreover, just as U.S. prices rise with a fall in the dollar, foreign costs and prices tend to fall, for analogous reasons. The decline in foreign prices, if passed through to prices of traded goods, will offset part of the effect of the exchange rate change on U.S. import prices.

profit margins are changing more than the average as predicted by the equation. The panel therefore implies that foreign profit margins in the aggregate decreased slightly more during 1977 through 1981 and increased somewhat more during 1982 through early 1985 than would have been predicted on the basis of experience.

The bottom panel of chart 3 shows the quarter-by-quarter structure of the relationship between non-oil import prices and the exchange rate. The gray curve shows, for each quarter, the cumulative percentage of the total long-run pass-through that had taken place through that quarter. About 50 percent of the effect on import prices of a change in the exchange rate is felt within two quarters, and almost 70 percent in a year.

The lag structure reveals some variability over time in the dynamic relationship between exchange rates and prices. The panels in chart 4 show estimates of the lag structure and cumulative percentage of pass-through as obtained for the two subperiods during 1977 through early 1985. Although the short period of estimation prevents them from being statistically significant, these results suggest that exchange rate changes were passed through to non-oil import prices more fully, but more slowly (as calculated in terms of the cumulative percentage effect), when the dollar depreciated than when it appreciated. This result is at least consistent with both the evidence presented in equations 1 through 4 and anecdotal accounts of how, during the early 1980s, foreign suppliers absorbed the dollar appreciation into wider profit margins instead of passing it through to lower dollar import prices. If the foreign suppliers widened their short-run profit margins as much as these results suggest, one implication is that they probably had ample room to squeeze their margins as the dollar fell after early 1985.

4. Pass-through lag structure

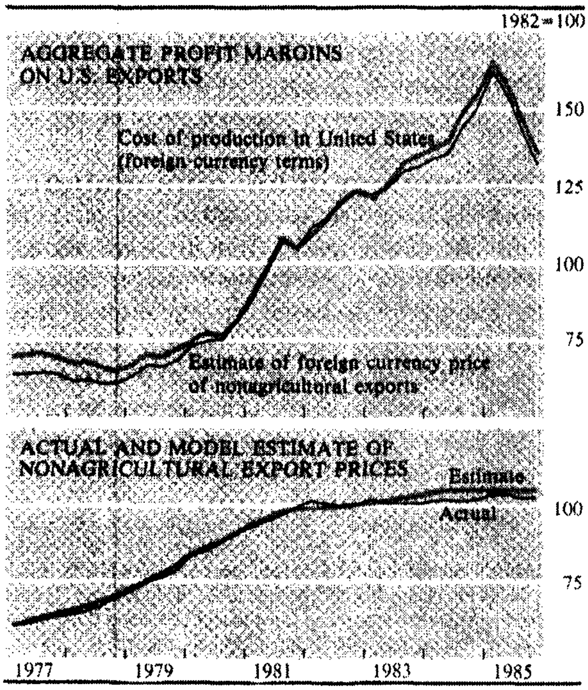


1. Estimation period: 1981:1–1985:2.
2. Estimation period: 1977:1–1980:4.

Exports

Chart 5 illustrates analogous pass-through and profit-margin relationships for U.S. exports and the price competitiveness of U.S. exports in international markets. The top panel presents an estimated foreign currency price of nonagricultural exports and an estimated foreign currency value of U.S. costs of production, as measured by producer prices. This aggregate evidence suggests that profit margins for U.S. exporters do not change much with a change in the exchange rate: pass-through for exports is close to 100 percent. As the dollar appreciated, the foreign currency price of exports rose almost one for one with the exchange rate, causing a significant

5. Aggregate and model estimate of profit margins on U.S. exports



decline in the price competitiveness of U.S. exports in international markets.

The bottom panel shows the unit value of nonagricultural exports and a prediction of the price of nonagricultural exports derived from an estimated equation that relates that unit value to U.S. producer prices, foreign consumer price indexes, and the multilateral trade-weighted exchange value of the dollar.[9] The equation predicts that on average a 10 percent change in the value of the dollar should lead directly to a 0.75 percent change in export prices. Of course, a change in the exchange rate will affect domestic and export prices indirectly through its effect on import prices and on the prices of internationally traded commodities. The gap between the lines suggests that, in the aggregate, U.S. producers limited price increases on their exports somewhat more as the dollar appreciated than the historical evidence suggested that they would. Therefore, the sustained appreciation of the dollar may have induced U.S. exporters to price somewhat more competitively on international markets than they had done in the past.

INDUSTRY EVIDENCE ON PROFIT MARGINS AND PASS-THROUGH

Disaggregated industry data provide further evidence on changes in profit margins and the stability of the long-run pass-through relationship. Industries examined in this study produce the following imported products and the following exported products; all are disaggregated to the four-digit SIC level.

SIC number	*Imports*
2311	Men's and boys' suits and coats
2621	Paper mill products
2221	Weaving mill, synthetics, and silks
2033	Canned fruits and vegetables
314	Men's and women's leather footwear (3143 + 3144)
33	Rolling mill and electrometalurgical steels (3312 + 3313)
3531	Construction machinery
	Exports
2611	Pulp mill products
2011	Meat packing and preparation
3494	Valves and pipe fittings
3519	Internal combustion engines
3523	Farm machinery and equipment
3533	Oilfield and gasfield equipment
3546	Power-driven hand tools
3555	Printing trades machinery
3674	Semiconductor devices

The four-digit Standard Industrial Classification (SIC) disaggregation was used because the Bureau of Labor Statistics recently began to publish export and import price indexes on this basis; heretofore, only unit value indexes were available.[10] When working with disaggregated industry data, a careful match of the industry categories for prices and costs is important; many other data for the United States are available disaggregated on an SIC basis.

Only nine export price indexes and seven import price indexes had an historical record long enough for this project. The export categories accounted for 6 percent of total trade in 1980 and the import catagories for about 7 percent. For such a small set of industries, there is variety, and as a group these industries represent the kinds of products that dominate U.S. nonagricultural exports and U.S. non-oil imports.

An index of profit margins on U.S. exports of each category was calculated in dollar terms as the ratio of each product's export price index to

9. See Helkie, "A Forecasting Model" for further details. The equation is

$$\log(PX_t) = a + \sum_{i=0}^{2} b_i \times \log(WPI_{t-i}) + c \times \log(CPI_t^* XR_t) + e_t,$$

where

PX = unit value of nonagricultural exports
WPI = an index of U.S. export-weighted producer prices (estimated with a three-quarter, second-degree, polynomial lag with nose and tail constraint)
XR = multilateral trade-weighted exchange rate
CPI^* = foreign consumer price index
e = random error.

The period of estimation is 1969:1–1982:4.

10. Only rarely is an external *price* series available. These data are based on a survey (done once each quarter, in the last month of the quarter) of actual transactions prices of exporters and importers (as opposed to customs valuation). Unit value indexes have often been the only available proxies for external prices. Unit value indexes are prone to problems of shifting composition of goods within the aggregate and often are poor at capturing quality changes. See Irving B. Kravis and Robert E. Lipsey, *Price Competitiveness in World Trade* (National Bureau of Economic Research, 1971), for a full discussion of the problems associated with using unit value indexes as proxies for prices.

its producer price index.[11] The U.S. producer price index is a proxy for U.S. costs of production. Nothing can be inferred from the level of this index because the choice of base year is arbitrary.

For imports, the study examines foreign currency profit margins on the assumption that a foreign firm maximizes profits measured in its own currency. Therefore, each product's import price index must be converted to foreign currency units. An index of nominal exchange rates weighted by import shares was created for each product.[12] Multiplying this index by the index of dollar import prices yields an index of foreign currency import prices. Multiplying the import-share weights by each country's proxy for the product's production costs creates an index of foreign currency costs of production for each imported good. Since there is no comparable SIC breakdown for foreign costs of production, the analysis relied on the nearest equivalent producer price index from national sources.[13] The ratio of the indexes of foreign currency import prices and of foreign currency costs of production forms an index of foreign currency profit margins for each import.

Imports

The relation of dollar import prices to domestic U.S. prices in part determines the competitiveness of domestic import-competing products and, moreover, influences domestic inflation. The panels in chart 6 show dollar import prices and the calculated estimates of foreign currency values of foreign profit margins of selected U.S. imports. Dollar prices increased fairly sharply for all of these imports during the depreciation of 1977–80. During the appreciation of 1981–85, however, behavior was mixed: dollar prices for some products, such as footwear, textiles, and apparel, remained rather stable; for other products, such as certain steels and construction machinery, dollar prices fell.

Foreign currency profit margins behaved rather similarly over the eight years, showing a direct association with movements in the dollar. Profit margins generally declined slightly during the period 1977–80, when the dollar depreciated, and increased during the more recent period, when the dollar appreciated. For some products, such as footwear, textiles, paper products, and

11. Producer price indexes include a profit margin at the wholesale level because they are constructed from prices observed in the first commercial transaction involving the item. However, the index of export profit margins calculated here captures at least the extent to which profit margins can differ between exporting versus selling the same product in the United States.

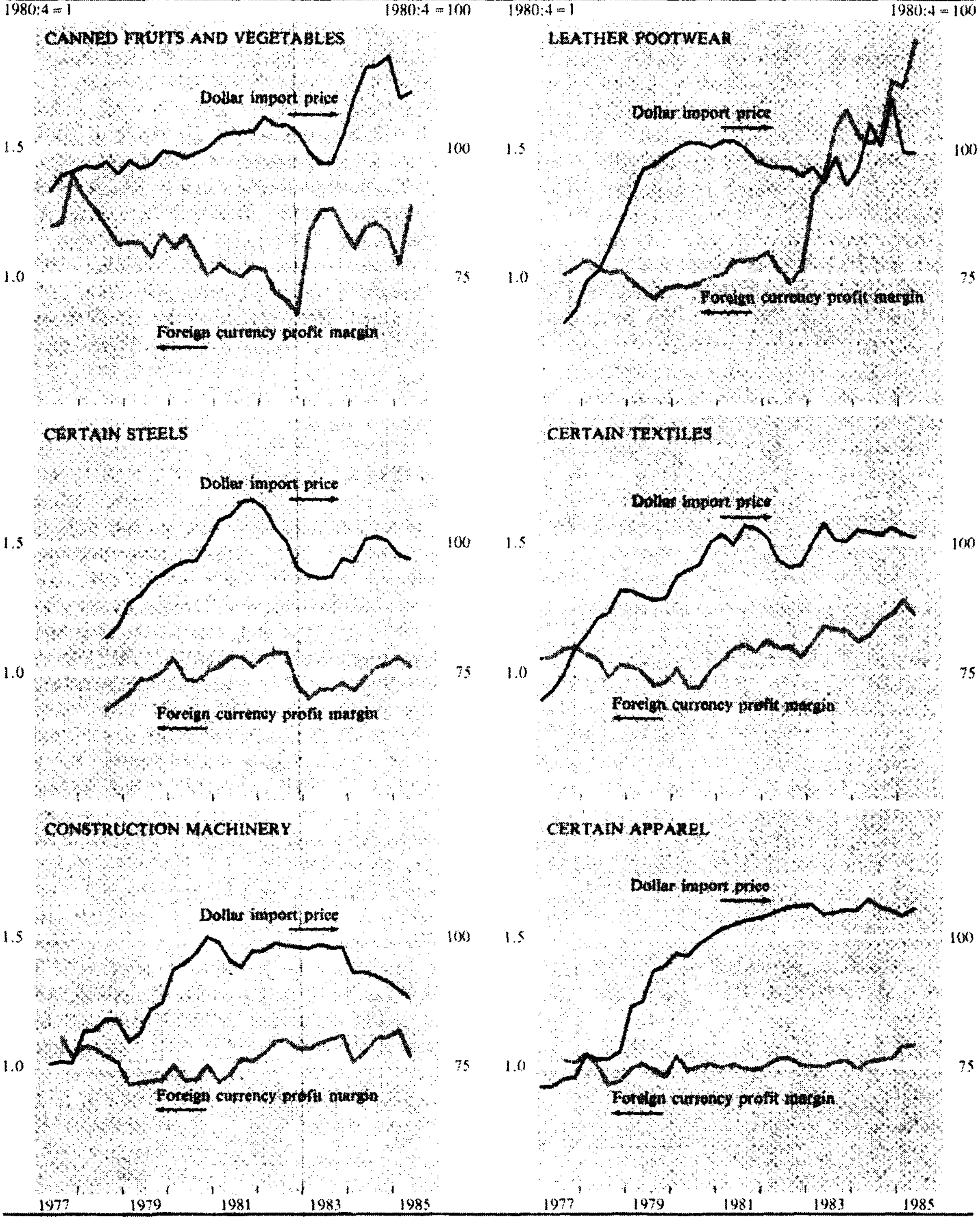
12. In concept, the import share weights are the share each foreign country has in the total imports into the United States of a particular four-digit SIC category of product. However, trade data are available on a Schedule A disaggregated basis only by individual country. Therefore, the import share weights are based on Schedule A, and a concordance between Schedule A and the SIC was used to determine which Schedule A categories to aggregate to get the four-digit SIC category. The share weights were calculated for the top three to five supplying countries for 1980 and 1984, interpolating for the intervening years. This technique accounted for an average of 80 percent of the imports of each four-digit SIC category, ranging from a low of 66 percent for steel to a high of 89 percent for footwear. The average values of the exchange rate index and the cost of production indexes were used for the fraction not allocated to any particular country.

While this method has many pitfalls, a very different import weighting calculation revealed virtually the same pattern of behavior of profit margins and exchange rates. In this alternative technique, the import share weights were calculated for each year using selected aggregate Schedule A groupings containing products similar to those in the four-digit SIC categories. These data are available for the regions of the world and a few countries. For each region, a representative country's costs of production and nominal exchange rate were chosen. For example, Brazil "represented" Latin American imports to the United States.

These two different construction methods introduce very different biases. That the results are similar is reassuring.

13. The following sources were used: *Canada:* industry selling price indexes based on 1970 Standard Industrial Classification, Statistics Canada, *Canadian Statistical Review*; *Japan:* wholesale price indexes (by products and sectors), Bank of Japan, *Statistical Bulletin*; *Brazil:* Precos por atacado (nova classificacao) offerta global, Conjuntura Economica, *National Economic Indexes*; *United Kingdom:* index numbers of wholesale (producer) prices, price indexes of output of broad sectors of industry, Central Statistical Office, Government Statistical Service, *Monthly Digest of Statistics*; *Germany:* Preise und Preisindizes fur gewerbliche Produkte (Erzeugerpreise), W. Kohlhammer GMBH, *Statistisches Bundesamt Wiesbaden*; *Italy:* Numeri indici prezzi all ingrosso, indici por settori e branche, indici alcuri gruppi, Insitutio Centrale de Statistica, *Bollettino Mensile Da Statistica*; *South Korea:* wholesale price indexes (by commodity by subgroup), Bank of Korea, *Monthly Statistical Bulletin*; *Taiwan:* indexes of wholesale prices in Taiwan area, Executive Yuan Republic of China, Directorate-Generale of Budget Accounting and Statistics, *Monthly Statistics of the Republic of China*.

6. Prices and profit margins for U.S. imports, selected industries



canned fruits and vegetables, the change in trend is quite distinct. For others, such as steels, it is less so.

The top panel of table 1 shows how much these estimates of foreign currency profit margins changed during the two periods of dollar movement. This calculation emphasizes the general trends of narrowing profit margins during a depreciation and widening profit margins during an appreciation. It also shows the diversity of responses of individual imported products.

Both industry-specific and general macroeconomic factors contribute to the observed pricing and profit margins. In the earlier period, high rates of cost inflation abroad, which importers did not completely pass on to their sales prices, raised the dollar price of imports and narrowed foreign currency profit margins from the cost side. In addition, relatively slack aggregate demand conditions in the United States meant that producers could not exploit market power and raise prices; thus margins were capped. In the later period, as the dollar appreciated sharply, the rapid expansion of domestic demand in the United States probably was the key to keeping dollar import prices up and foreign currency profit margins wide, especially as foreign cost inflation abated. It appears that dollar import prices fell while margins remained stable on products imported primarily from the other industrial countries, where domestic disinflation was most significant. Dollar prices were maintained, as were margins, on products imported from the newly industrialized countries, where cost inflation remained high. The Multi-Fiber Arrangement probably was also important in maintaining the margins on textiles and apparel.

1. Percent change in profit margins, selected industries

Industry	1977 to 1980[1]	1980 to 1985:2[2]
Exchange value of the dollar[3]	−15.5	74.9
	Imports (foreign currency)	
Leather footwear	−4.2	87.3
Certain textiles[4]	−9.1	28.0
Construction machinery	−9.2	11.6
Paper products	−2.3	17.6
Certain apparel[5]	−4.9	4.1
Canned fruits and vegetables	−14.1	6.8
Certain steels[6]	14.6	4.1
	Exports (dollars)	
Semiconductors[7]	−5.9	−9.6
Power-driven hand tools[8]	−5.0	−6.9
Pulp mill products	4.6	−17.1
Internal combustion engines[9]	−4.5	4.2
Valves and pipe fittings[10]	−2.7	8.7
Oilfield and gasfield equipment[8]	−2.0	1.0
Printing trades machinery[10]	−3.9	5.3
Farm machinery[9]	−2.9	4.5
Meat packing and preparation[8]	−3.6	17.7

1. Percent change between the 1977 four-quarter average and the 1980 four-quarter average.
2. Percent change between the 1980 four-quarter average and the 1985 two-quarter average.
3. Based on the G-10 multilateral trade-weighted exchange rate.
4. Silk and other man-made fibers.
5. Men's and boys' suits and coats.
6. Rolled and electrometalurgical steels; 1978 four-quarter average.
7. 1979 three-quarter average.
8. 1977 three-quarter average.
9. 1978 three-quarter average.

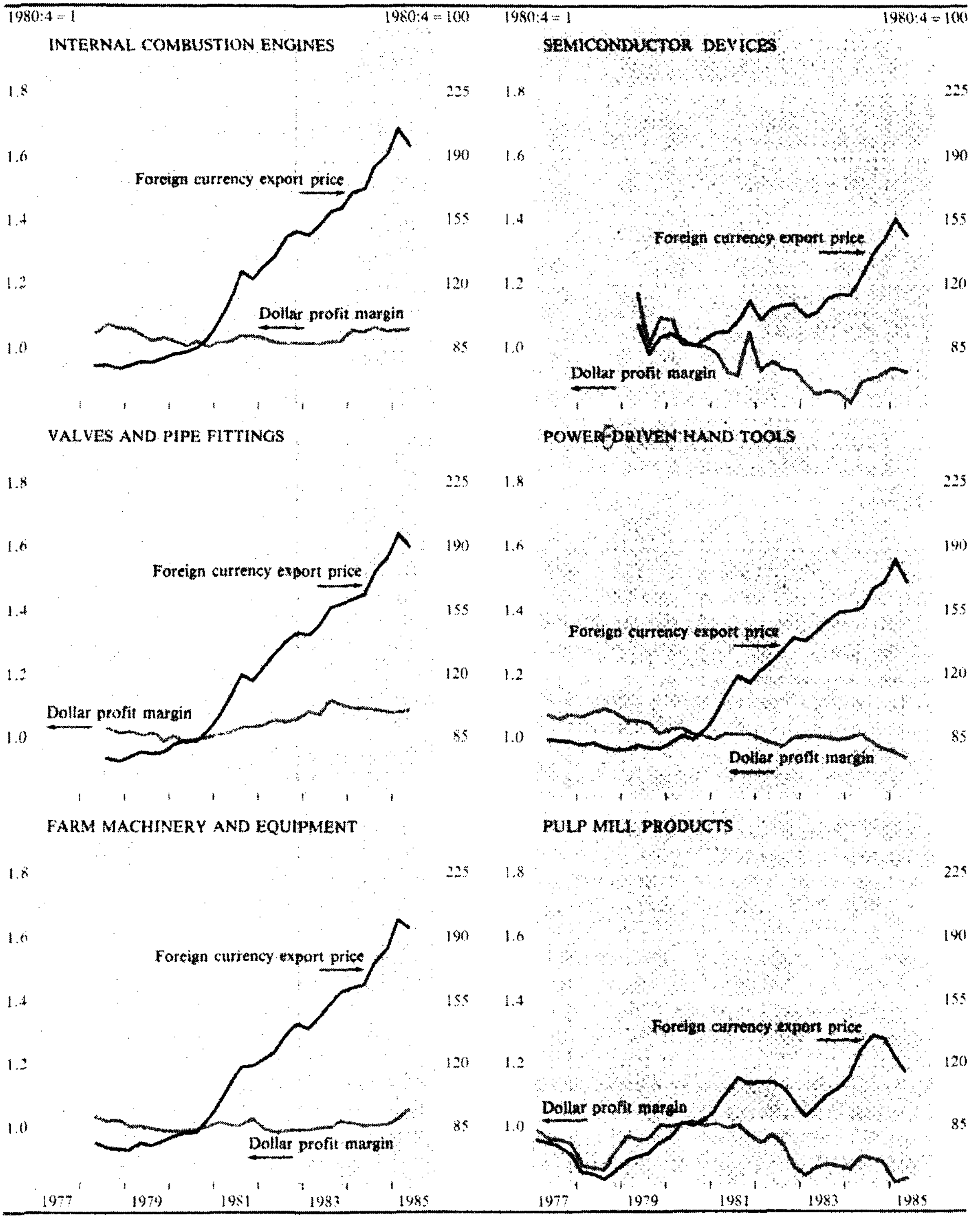
Exports

The behavior of prices and profit margins on products exported from the United States is shown in chart 7. Most U.S. exporters appear to have made relatively small adjustments to profit margins. As a consequence, as the dollar rose, U.S. exporters suffered a significant decline in price competitiveness, as implied by the rise in their prices in terms of foreign currency. Producers of semiconductors, power-driven hand tools, and pulp mill products cut margins in an effort to remain competitive on international markets, and their prices in foreign currency did not rise so much. Anecdotes support these statistical results.

All the machinery products have similar behavioral characteristics. Perhaps these products are so differentiated that foreign demand is quite inelastic. The share of exports in total output may be so small that they are a residual element in domestic marketing and pricing strategy. Import-competing products may be in such small supply that they do not affect domestic prices.

The bottom panel of table 1 shows the change in profit margins for U.S. exporters over the two periods of change in the exchange rate. Confirming the graphical evidence, those industries that responded to the appreciation in the dollar (semiconductors, power-driven hand tools, and pulp mill products) did cut profit margins. However, even these industries responded proportionately less to the change than did foreign importers

7. Prices and profit margins for U.S. exports, selected industries



2. Comparison of changes in profit margins, selected periods[1]

Industry	1977 to 1980	1980 to 1985:2
	Imports	
Leather footwear	.27	1.17
Certain textiles	.59	.37
Construction machinery	.59	.15
Paper products	.15	.23
Certain apparel	.32	.05
Fruits and vegetables	.91	.09
Certain steels	-.94	.05
	Exports	
Semiconductors	.38	-.13
Power-driven hand tools	.32	-.09
Pulp mill products	-.30	-.22
Internal combustion engines	.29	.06
Valves and pipe fittings	.17	.12
Oilfield and gasfield equipment	.13	.01
Printing trades machinery	.25	.07
Farm machinery	.19	.06
Meat packing	.23	.23

1. These figures are the ratio of the percent change in the profit margins to the percent change in the exchange rate for the two subperiods using the data in table 1. A positive number indicates that the profit margin fell during the depreciation and rose during the appreciation.

are U.S. exporters in the aggregate relatively insensitive to the exchange rate, but also the disaggregated evidence indicates that some U.S. exporters in fact increased profit margins even as the dollar appreciated. This evidence, combined with the narrowing in margins in the earlier period, suggests that aggregate demand in the United States may dominate the exporter's pricing strategy.

Several inferences can be drawn from these disaggregated industry data. Historically, foreign producers seem to have responded to a dollar depreciation by squeezing profit margins; preserving market share in the United States may be the key to their behavior. But other factors besides exchange rate changes affect the pricing decisions and profit margins for individual imported products: inflation in the source country, relative growth in demand, and factors specific to individual industries such as market structure and trade barriers. The profit margins and pricing behavior of U.S. exporters seem even less affected by exchange rate changes.

Conclusions

A review of both aggregate data on U.S. import prices and industry-specific evidence suggests that over the past decade exchange rate changes have been absorbed into the profit margins of foreign suppliers to a considerable extent and for relatively long periods—as much as two years or more. This behavior is consistent with the prediction of theoretical models in which imported goods are produced and sold under conditions of imperfect competition and macroeconomic uncertainty. Apparently, this behavior is being repeated as dollar import prices are rising more slowly in response to the dollar depreciation than would have been expected in light of the historical record.

The empirical evidence also suggests, at least weakly, that the long-run relationship between the exchange rate and import prices may be changing. A trend toward buying worldwide by U.S. and foreign multinationals, newly established distributor networks in the United States, and a greater ability to hedge foreign currency exposure in international credit markets could imply a smaller long-run pass-through of exchange rate changes to import and export prices. In addition, stiffened competition for the U.S. market between established suppliers and newly industrialized countries may lead to permanently lower profit margins on some imports and a prolonged delay in the pass-through of the exchange rate depreciation to some import prices. U.S. producers are slowly becoming more aware of the advantages of trade. Competition for markets overseas may induce them to use exchange rate changes to price more strategically in the foreign market.

In any event, the wide profit margins that had been attained by the end of the dollar appreciation in early 1985 gave foreign suppliers ample room to squeeze profits. Improvements in the domestic price competitiveness of import-competing goods and increases in domestic inflation may be slower in coming than experience suggests. Moreover, other macroeconomic phenomena, such as aggregate demand shocks and domestic cost inflation, clearly affect pricing strategy and therefore profit margins and pass-through.

With respect to exports, in contrast, U.S. producers appear to be relatively insensitive to exchange rate changes. Both U.S. export prices in dollar terms and the profit margins of U.S.

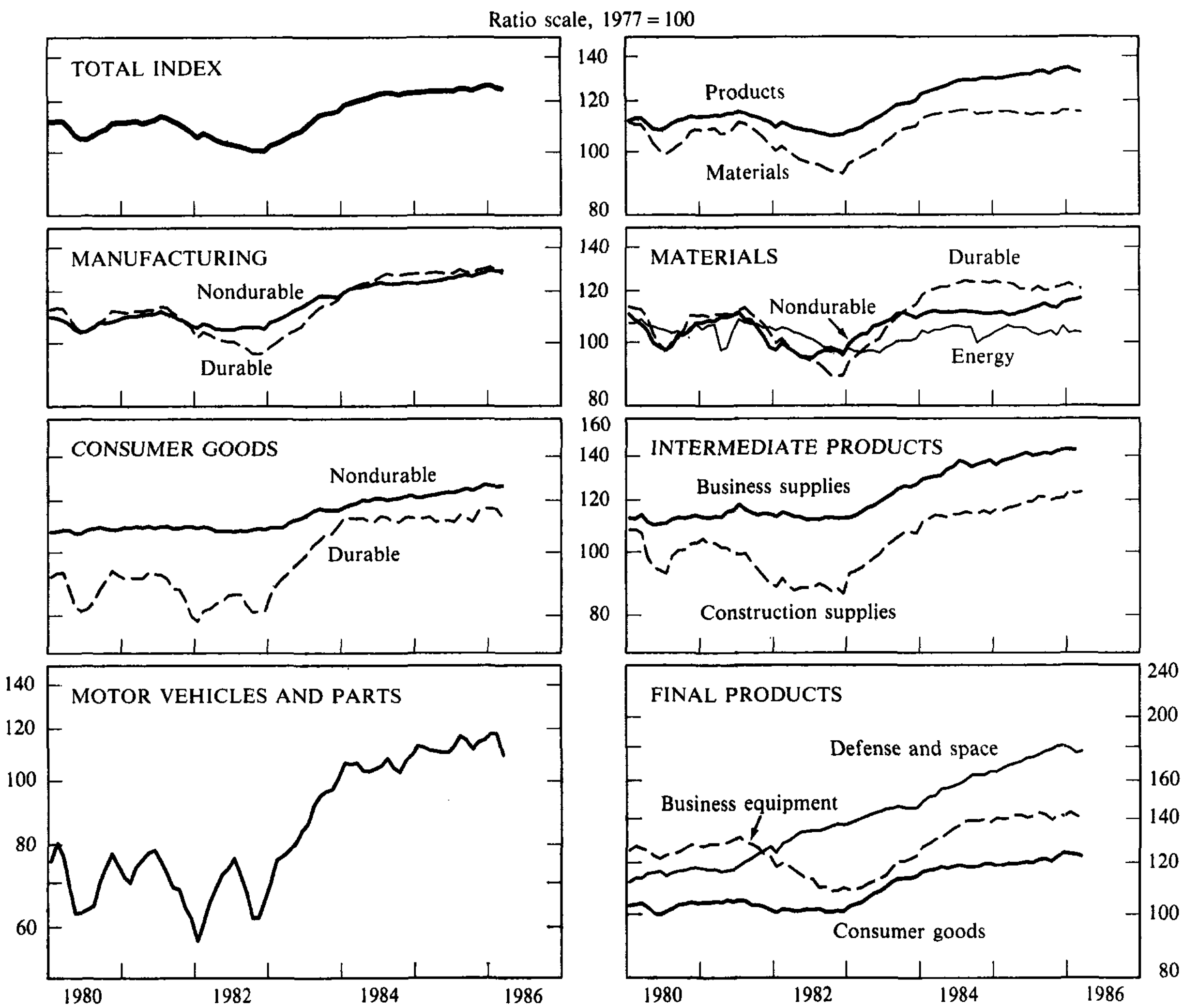
exporting industries fluctuated much less over the past eight years than did the profit margins of foreign suppliers, suggesting that exchange rate changes were largely passed through to changes in the foreign currency prices of U.S. exports facing foreign competition. Therefore, if U.S. producers follow their historical behavior and do not broaden their profit margins on their exports too much, improvements in export performance should be forthcoming. □

Industrial Production

Released for publication April 15

Industrial production declined an estimated 0.5 percent in March following a 0.7 percent drop in February. The decline in March was concentrated in oil and gas well drilling activity, auto and truck assemblies, and steel production. The preliminary average for industrial production for the first quarter of 1986 was 1.4 percent higher at an annual rate than it was for the fourth quarter of 1985. At 125.1 percent of the 1977 average, the total index in March was 0.9 percent higher than it was a year earlier.

In market groups, output of consumer goods remained weak in March. Auto assemblies were cut to an annual rate of 7.7 million units from the rate of 8.7 million units in February in response to weak sales and excessive inventories. In addi-



All series are seasonally adjusted. Latest figures: March.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Mar. 1985 to Mar. 1986
	1986		1985		1986			
	Feb.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
	Major market groups							
Total industrial production	**125.7**	**125.1**	**.8**	**.8**	**.2**	**−.7**	**−.5**	**.9**
Products, total	133.2	132.5	1.3	.4	.3	−.9	−.6	1.7
Final products	133.1	131.9	1.4	.5	.1	−1.1	−.9	.9
Consumer goods	123.5	122.7	1.6	1.2	−.3	−.2	−.7	2.5
Durable	116.4	113.0	3.7	1.1	−.1	−.2	−2.9	−.4
Nondurable	126.2	126.3	.9	1.2	−.4	−.2	.1	3.4
Business equipment	141.5	140.2	1.5	−.2	1.3	−1.3	−.9	.0
Defense and space	176.3	177.4	1.2	.0	−.7	−1.7	.6	4.9
Intermediate products	133.7	134.4	.9	.2	1.1	−.5	.5	4.5
Construction supplies	122.8	123.5	.7	−.2	2.7	−.9	.6	5.6
Materials	115.4	115.0	.1	1.4	.0	−.4	−.3	−.4
	Major industry groups							
Manufacturing	128.9	128.3	1.0	.5	.6	−.8	−.5	1.6
Durable	129.0	127.8	1.1	.5	.6	−1.2	−1.0	−.2
Nondurable	128.7	128.9	.7	.5	.8	−.2	.2	4.1
Mining	104.2	103.0	−1.5	.5	.0	−3.0	−1.1	−6.8
Utilities	115.3	115.1	−.2	3.8	−2.7	1.7	−.1	1.1

NOTE. Indexes are seasonally adjusted.

tion, home goods production, which surged in the fourth quarter of 1985, fell for the third successive month in March. Output of nondurable consumer goods was again little changed. Total equipment output dropped significantly further in March, as drilling activity plunged 17 percent to a level about one-third below that of December 1985. Moreover, business equipment production fell 0.9 percent in March following a decline of 1.3 percent in February. The recent curtailments were most pronounced in transit equipment, which includes business autos and trucks, and in construction, mining, and farm equipment. The other major components of business equipment have, on balance, shown little change over the past few months. Production of both construction and business supplies posted gains of about ½ percent in March following declines in February. For the first quarter, output of construction supplies advanced at an annual rate of almost 10 percent. Total materials edged down 0.3 percent in March, reflecting declines for durable goods materials and energy materials. Nondurable goods materials, however, increased for the fourth successive month bringing the gain over the past year to almost 6 percent.

In industry groups, manufacturing output declined 0.5 percent in March following a drop of 0.8 percent in February. Mining activity, which includes oil and gas well drilling, fell sharply again in March. Production by utilities edged down following a gain of 1.7 percent in February.

Statements to Congress

Statement by Preston Martin, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, April 9, 1986.[1]

I appreciate the opportunity to discuss the difficulties that some banks are facing as a result of farm, energy, and developing country loans. As requested, my remarks will center on the nature and magnitude of risk exposure in each of these sectors and on appropriate measures to deal with them. I also plan to offer a few remarks on the commercial real estate situation. The Federal Reserve, in conjunction with the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), is supplying the related information and statistics requested.

The banking system today continues to deal with a series of adjustments to changing economic conditions and to contractions in specific industries and geographic regions. Very substantial volumes of loans have had to be written off, loan-loss reserves have been augmented, and capital resources have been built up, using a variety of debt and equity instruments. In this process, the banking system has exhibited an ability to adapt to changes in loan-asset quality at the same time that the liability side of the balance sheet has changed under the twin forces of market developments and deregulation. In recent years, the banking system has survived numerous periods of stress and uncertainty, including the collapse of Drysdale Securities, the silver crisis, the failure of Penn Square Bank, and the near-failure of Continental Illinois Bank. During a period of deregulation and intensified competition, the system could not have weathered these events if it were not fundamentally sound.

The strength of the industry is also demonstrated in various performance indicators. Last year, net earnings in the industry increased about 17 percent. This increase was accompanied by a boost in the ratio of primary capital to assets, marking the fifth consecutive yearly rise in that important ratio. I might add that last year's improved earnings were aided by a combination of higher net interest income and noninterest income, which indicates strength in the core lending business as well as in other activities such as trading, merchant banking, and other fee-generating services.

In short, the banking industry shows some robust signs. These positive factors should be kept in mind as one looks at the more troubling areas such as farm, energy, and developing country loans.

The Farm Sector

The current problems affecting the agricultural sector are more serious than any encountered since the Great Depression. These problems have been brought on by the worldwide increase in agricultural production, which has driven down crop prices and, with them, farm incomes and asset values. While all farmers have been adversely affected by these conditions, those farmers who entered the decade with substantial debt have naturally encountered the most difficulty. Their problems have, of course, been compounded by the relatively high interest rates that have prevailed over the current decade.

Our estimates suggest that perhaps a third of the full-time family farmers are experiencing financial stress that is moderate to severe. This group owes about one-half of the farm debt owed by such farmers.

Several recent developments should aid the farm economy, including the dramatic fall in

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

energy costs and the substantial declines in interest rates and in the exchange value of the dollar. The recent farm bill also offers an additional source of support for farm incomes.

However, supply conditions for farm products suggest that a substantial rebound in crop prices, and thus in farm incomes, is not likely to take place over the foreseeable future. Consequently, farmers with relatively heavy debt loads will continue to face serious difficulties.

The majority of farm debt is not in fact owed to commercial banks, but to the Farm Credit System, the Farmers Home Administration, and to individuals. About one-fourth of total farm debt is held by commercial agricultural banks, which for purposes of this testimony are defined as those banks having 25 percent or more of total loans related to agriculture.[2]

The recent problems in the farm economy have inevitably been transmitted to many of the farm banks. Such problems are manifested in data on nonperforming loans, problem banks, and failed banks, among other measures.

At year-end 1985, nonperforming loans numbered about 5 percent of gross loans at agricultural banks versus about 3 percent at nonagricultural banks.

Likewise, agricultural banks dominate the ranks of problem banks—that is to say, banks that are rated low—4 or 5 by examiners using a scale of 1 to 5. As of February 1986, farm banks represented more than 40 percent of all problem banks.

Agricultural banks are also overrepresented in terms of failures. In 1985, 62 of 120 failed banks were classified as farm banks. In 1986, a similar pace has continued: 9 of 21 failed banks as of March 25 were farm banks. With no imminent recovery in the farm economy in sight, it is expected that farm banks will continue to account for a disproportionate number of failures.

Most of the failed farm banks have been very small, and thus their failure has had less effect on the overall banking system than on banks at the local level. The effect on banks at the local level, however, has been damaging. For example, of the 62 farm banks that failed in 1985, 43 of these were the only bank in the community. In most cases, a merger with another banking company was arranged. However, arranging takeovers of failed institutions has become increasingly difficult. In 1985, no merger could be arranged for 11 failed farm banks: the depositors were paid off and the institutions were liquidated.

Having reviewed the negative side of the farm bank situation, I would like to touch on the positive side to provide a balanced perspective. More than 95 percent of the total loans at agricultural banks are performing loans, and one-half of these banks reported earnings equal to 10 percent or more of equity. Also, agricultural banks generally have a substantial capital cushion to absorb loan losses. In fact, the ratio of capital to assets for all agricultural banks averaged 9.8 percent in September last year, well above the 7.5 percent ratio for the entire banking system.

The Energy Sector

Besides problems in the farm sector, conditions in the energy industry resulting in part from declining oil and gas prices have created serious strains on banking organizations, particularly those organizations located in the Southwest. While this situation has intensified with the recent sharp drop in oil prices, problems associated with energy lending have their roots in the oil shocks and energy shortages experienced in the decade of the 1970s. The intense concern over the continued availability of energy supplies and the inflation psychology of this earlier period led many observers, including bankers, to conclude that the price of oil and other forms of energy would continue to move upward over time. Energy-based loans were seen as particularly safe and profitable.

The rapid increase in energy lending during this period is reflected in the statistics on shared national credits (SNC), which capture energy loans and commitments. A shared national credit is any loan or group of loans, including unused commitments, to one borrower that exceeds $20 million and is shared by two or more banks. The aggregate of such energy-loan exposure included

2. In previous testimony the Federal Reserve Board has defined "agricultural banks" as banks with a ratio of farm loans to total loans that exceeds the average of such ratios at all banks, currently about 16 percent. The 25 percent cutoff is used in this testimony so that our definition is consistent with that used by the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

in SNC credits increased from $6.7 billion in 1977 to $56.9 billion in 1984. This growth, in turn, paid handsome dividends for a time for energy lenders. From 1979 to 1982 the asset growth and profitability of large bank holding companies (that is, those companies with assets in excess of $1 billion) in the Southwest generally exceeded the growth and profitability of comparable companies in other regions.

But by 1982, the energy boom in the Southwest began to end. Successful conservation efforts and the back-to-back recessions of the early 1980s tempered demand for energy while new non-OPEC supply sources grew. The combined result was a reversal in the upward pressures on energy prices. Serious strains within the banking system surfaced in 1982 with the failure of the Penn Square Bank and the severe repercussions of this failure on other large banking organizations. As everyone here no doubt recalls, loans and participations purchased from Penn Square inflicted substantial losses on a number of banks and contributed to the huge loan losses and the severe liquidity crisis at Continental Illinois National Bank in the period from 1982 to 1984. Energy problems also led to the closing of the First National Bank of Midland, Texas, in 1983, one of the largest actual failures of a commercial bank in the United States.

Besides signifying the emergence of serious problems within the energy sector, some of these events, to be sure, also reflected the consequences of questionable lending decisions and practices and inadequate management controls.

By 1983, the return on assets of many large banking organizations in the Southwest fell well below the levels of similar banking organizations nationwide, and the loan-loss experience of heavy energy lenders significantly exceeded the experience of similar sized nonenergy banking organizations. While earnings of bank holding companies in the Southwest improved in 1984, last year the return on assets of these companies once again fell well below their national peers. Furthermore, the relative level of nonperforming loans in energy-oriented organizations in that region greatly exceeded national peer group averages.

Between 1982 and 1985, the aggregate volume of oil and gas credits classified under the SNC program (that is, those larger credits of poor quality) increased from $1.2 billion, representing 2.6 percent of the capital of the SNC energy lenders, to $8.4 billion, or 9.8 percent of the capital of these energy lenders. While shared national credits do not include all energy loans in the banking system and the effects of the most recent drop in oil prices have yet to be reflected in these figures, the increases nonetheless reveal the pressures being experienced by some energy lenders.

The difficulties experienced by energy lenders since 1982 reflect the ongoing adjustment process in the energy sector. As energy supplies have continued to grow relative to demand and as prices have fallen, the value of oil and gas equipment and reserves has declined, and the cash flows of many borrowers have been severely reduced. This situation has eroded the financial strength of a considerable number of energy borrowers, forcing some borrowers into bankruptcy and preventing others from servicing their loans in accordance with the original terms and conditions. The result, as has already been noted, has been that many energy banks and institutions in the Southwest have been forced to cope with serious asset and earnings problems over the past four years. In 1984, 11 banks failed in Texas and Oklahoma, states with a considerable number of energy lenders. This number amounted to about 14 percent of all bank failures in that year. Last year, the number of bank failures in these states doubled to 22, or approximately 19 percent of all bank closings.

Pressures on these lenders have increased since year-end because of the further sharp declines in oil and gas prices. These developments have exacerbated the problems of many energy-related firms and energy lenders, including some sizable institutions. Many banks in energy-producing areas or with heavy energy exposure are also experiencing strains from loans to troubled real estate and agricultural borrowers, and in some cases have exposure to foreign countries dependent on the production and export of oil.

A recent survey by the FDIC identified 563 federally insured banks with assets of more than $100 million and oil and gas loans in excess of 25 percent of total capital. The survey found that these institutions held more than $61 billion in energy loans, with $57 billion (92 percent of the total) held by 59 large regional and multinational banks with assets of more than $1 billion. Of the smaller banks identified in the survey, more than 80 percent were located in Texas, Oklahoma, and Louisiana.

Recognizing the problems in the energy sector, banks in the Southwest began to make significant additions to their loan-loss reserves in 1982 and have continued to do so.

To improve our understanding of the financial condition of large energy lenders, the Federal Reserve, with the cooperation of the FDIC and the OCC, is conducting a special energy inspection of bank holding companies with assets in excess of $500 million and significant energy exposure generally in excess of 25 percent of capital. Through these special inspections we will obtain more current information on the aggregate oil and gas exposure of these organizations, the volume of nonperforming energy loans, and the condition of their large oil and gas credits.

The Federal Reserve, together with the other federal banking agencies, recognizes that conditions have shifted sharply and unexpectedly in both the agricultural and energy sectors of our economy. In view of the continued deterioration in agriculture, the Federal Reserve in February this year renewed in a slightly modified form the simplified seasonal credit program for agricultural banks. This program is designed to make funds available at the discount window to agricultural banks experiencing especially strong loan demands. This change is designed to assure that agricultural banks will not face liquidity constraints in accommodating the needs of farm borrowers over the planning and production cycle.

In addition, the banking agencies in March issued a joint statement on policies to assist basically sound, well-managed farm banks to weather this period of economic adversity. These policies, among other things, accomplish the following.

1. Permit banks experiencing heavy losses because of external factors to operate with reduced capital levels even if they are below the minimum standards set down in our supervisory guidelines, provided the banks are following prudent lending and financial practices and have the clear potential for replenishing their capital positions over a reasonable period of time.

2. Reaffirm the agencies' long-standing policies of not discouraging banks from forbearing on farm loans through appropriate debt restructurings in cases in which there are reasonable prospects that restructurings will work to the advantage of the bank as well as to the borrower.

3. Refrain from requiring automatic charge-offs of debt restructurings when their terms meet the criteria of generally accepted accounting principles.

4. Revise supervisory reporting procedures for restructured loans that are performing under the new terms to more accurately reflect the status of such loans and to avoid the suggestion that such loans are a component of nonperforming assets.

While these policies were initially developed in connection with our review and consideration of problems in the farm sector, the dislocations and uncertainties resulting from the recent sharp decline in energy prices have created serious pressures for some energy lenders as well. Therefore, the Federal Reserve and other federal banking agencies recognizing these pressures have agreed to follow these policies in supervising energy banks as well. For its part, the Federal Reserve Board has already instructed the Reserve Banks to conform their practices and procedures to the policies outlined in the joint statement.

I hasten to point out that none of these steps, of course, is intended to shield banks engaged in unsafe and unsound or objectionable practices from appropriate supervisory enforcement action. Rather, the intent is to adopt supervisory policies that will assist banks that are fundamentally sound and well managed, and that have taken reasonable steps to strengthen their positions and conserve their capital.

Despite the assistance provided by these policies, some banking organizations may continue to experience severe and prolonged financial stress. To augment flexibility in dealing with the more serious cases, the Board would encourage modification of the provisions of the Garn–St Germain Act of 1982, which prohibit acquisitions of failed banks across state lines before an actual failure occurs and which also prohibit acquisitions of failed banks with assets of less than $500 million. The Board believes that these two constraints should be eased by allowing the across-state acquisitions of failing banks and by reducing the size of such banks that can be so acquired. In addition, the Board believes that the acquirer of a failing bank should also be permitted to purchase the holding company that owns the bank and other affiliates of the bank. These modifications would help minimize losses to the deposit insurance fund and also help maintain banking services in small communities.

One further means of promoting the maintenance of banking services in small communities is through the relaxation of state branching restrictions. Such an easing would enable out-of-territory banking institutions to acquire small banks when a separately organized and capitalized bank might not be viable.

Commercial Real Estate

Besides the agricultural and energy sectors, another area that bears close watching is commercial real estate and, in particular, the market for office buildings. In many areas of the country the supply of newly constructed office buildings has greatly exceeded the demand and this situation has translated into extremely high vacancy rates. In fact, the vacancy rate for office buildings in metropolitan areas reached 20 percent at the end of last year, the highest rate in the postwar period. To put this in perspective, the previous postwar high, which occurred in the mid-1970s, was 11.5 percent.

A large part of the general overbuilding in the office market has been a regional phenomenon, most prevalent in the sunbelt states. What is especially troublesome, however, is that difficulties brought on by the decline in energy prices have greatly reduced the demand for office space in cities such as Houston and Dallas, where vacancy rates are now among the highest in the country. Thus banks that were heavily involved in financing both the Texas energy boom and the real estate boom have been dealt a particularly severe blow. In other cities in the sunbelt, such as Fort Lauderdale and Tampa, the vacancy rates exceed 25 percent and are expected to remain at high levels during 1986. Weakness in the market for office buildings has prompted owners to offer concessionary rental rates to attract tenants. Nevertheless, many buildings remain vacant, or nearly vacant, and this situation has greatly increased the exposure of banks that are heavily involved in commercial real estate lending. To some extent the decline in interest rates should help alleviate the cash-flow problems of those that have borrowed heavily to finance commercial real estate.

International Lending

I would now like to turn to the international activities of the banks. Loans to foreign borrowers have attracted considerable attention since 1982 when several countries were unable to continue servicing their external debts as initially contracted. Before 1982, U.S. and other banks had rapidly expanded their lending to many countries. For example, claims on Latin American borrowers by U.S. banks rose from $38 billion to $84 billion from 1977 to 1982. However, by 1982 economic and financial conditions for many of these countries were deteriorating. Countries' debt levels and market interest rates were high; the United States and major European countries had not yet emerged from serious recessions; and commodity prices were weak. The international debt crisis began to seriously threaten bank earnings and capital and became a major concern to us all.

While problems in international lending remain, the environment has clearly changed, and most U.S. banks appear better prepared now to handle these problems than they have been in many years. Since 1982 the banking industry has substantially increased total capital funds, while total claims of U.S. banks on Latin American borrowers have tended to stabilize. Though still large, exposure relative to capital has declined significantly.

Among U.S. banks, the exposure to the heavily indebted countries is concentrated in the nine largest international lenders, which account for almost two-thirds of all loans by U.S. banks to Latin America. The exposure of most other U.S. banks is relatively small. It is especially encouraging, therefore, to note that by raising additional capital these large banks have reduced their relative exposure to Latin American countries from almost 180 percent of total capital in 1982 to about 130 percent today. It is also important to recognize that these lending relationships are long term in nature and that U.S. and other foreign banks must continue to play important roles in financing the economic growth of these countries.

A second encouraging factor is that both the banks and the debtor nations have generally addressed payment problems in a reasonable and nonconfrontational way. Since 1982, foreign countries throughout the world have negotiated more than 50 separate restructuring agreements, often by postponing principal payments while remaining current on interest. Argentina, which has received much attention in recent years because of its external debt problems, has made significant progress, and by the early part of this year had eliminated all interest arrearages on its public sector debt. Most other major debtor countries are similarly current on their public sector interest payments.

Comprehensive data on nonaccrual loans to developing countries are not available, but the amount is relatively small. One indication is the fact that one of this country's largest lenders recently reported that only about 7 percent of its loans to foreign countries that had refinanced their debt were on a nonaccruing status. This rate is significantly higher than its overall rate of nonaccruing loans, but remains a relatively small percent of its loans to countries with payment difficulties. Moreover, most of the foreign nonaccruing loans are made to private sector borrowers and are due largely to commercial credit problems, rather than transfer risk problems.

The United States and other major countries have recognized the serious and long-term nature of the problems that many of the major debtor countries face and have endorsed policies that, when implemented, should help these countries regain economic health. The Baker Initiative, which combines additional private and World Bank lending with structural reforms within the debtor countries, represents a sound approach to resolving many countries' payment problems. Many countries have already adopted elements of the approach outlined by Secretary Baker. Argentina and, most recently, Brazil have undertaken major economic reforms designed to reduce their inflation, encourage local investment, and promote a more rational pattern of economic growth. Argentina's brief experience under its programs has given promise of what can ultimately be achieved. But permanent success for Argentina, Brazil, and other debtor countries embarking on such programs will depend on the willingness of the industrial countries to maintain open markets for the exports of these countries as well as on the countries' ability to regain the confidence of their citizens. By merely adopting policies that stem the flight of capital and encourage the return of previous outflows, many countries could significantly reduce their external debt problems.

The recent decision by the Executive Board of the International Monetary Fund to work jointly with the World Bank in providing at least $3 billion or more of new financing to the least-developed countries should also help the economies of the poorest nations. The nominal interest rates of ½ of 1 percent annually should be an attractive incentive for many of these countries to enter the program and work with these organizations to implement needed reforms. Although U.S. banks have relatively little exposure to these countries, this lending facility and the coordination by the IMF and the World Bank that it represents are helpful and encouraging developments.

Finally, declining oil prices have improved the economic outlook for Brazil and other heavily indebted countries and declining interest rates are generally having a beneficial effect on the debtor countries. With the recent decline in interest rates it is estimated that the Latin American countries alone will save $10 billion annually in interest costs on their short-term and floating-rate debt.

Despite the progress that has been made, significant difficulties remain in this sector of bank lending. The continuing fall in oil prices has severely disadvantaged Mexico and other oil-exporting nations, and the full effects of this trend have not yet been felt. In addition, many uncertainties surround the adjustment programs of developing countries and could threaten continued progress.

Nevertheless, recent economic reforms adopted by some countries, the lower interest rate environment, and the significant additions to bank capital provide hopeful indications that progress is being made. Recent actions by some Latin American countries to allow more foreign direct investment are also movements in the right direction and consistent with the principles embodied in the Baker plan. A number of state-owned firms have been designated for partial or complete sale. There is some additional emphasis upon measures that would stimulate the private sectors in the developing countries, thus providing for the expected need for increased employment in those areas. With continued cooperation and free trade, the debtor countries and their creditor banks should be able to avoid major problems.

STRENGTHENED SUPERVISION

I think we can agree that the difficulties in banking underscore the need for a strong supervisory framework. Such a framework is even more important if we are to proceed with deregulation in the banking industry. At the Federal Reserve, we have taken a number of initiatives to improve our supervision of banks and bank holding companies. I would like to review with you a few of those initiatives.

1. We recently announced intensified schedules for the examination and inspection of banks and bank holding companies. Under the new schedule, banking organizations that are experiencing problems, as well as the largest organizations, will be examined or inspected semiannually. We have also been increasing the size of our examination staff to meet these new scheduling requirements.

2. We recently formalized and strengthened the process of communicating examination and inspection findings to the directors of banking organizations. Senior Federal Reserve officials, including Federal Reserve Bank Presidents, will communicate these findings directly to directors of those banks and bank holding companies subject to the intensified exam schedule. In addition, a written summary of examination findings—separate from the complete examination or inspection report—will also be distributed to these directors. It is encouraging that many bank boards of directors and chief executive officers are concerning themselves with the quality of assets and with the review processes by which that quality is maintained. In many cases, a more senior officer has been given the responsibility under the board and the CEO. More often, committees made up of outside directors have been set up to monitor the working out of problem loans and assets and the processes by which the institution exercises control over their asset portfolio.

3. In the area of capital adequacy, minimum capital requirements were adopted in 1981 to reverse the decline in bank and bank holding company capital ratios. Since 1981 capital ratios have shown a strong increase. The minimum capital requirements were raised in April last year for regional and multinational institutions, and the disparity in minimum capital requirements between large and small institutions was eliminated. In January this year we announced a proposal to supplement the existing capital requirements with an adjusted capital measure that, among other things, would take into account the risk associated with off-balance-sheet banking activities. In addition, we issued guidelines on dividend policies of banks and bank holding companies to ensure that such policies do not weaken an organization's financial position.

4. We have taken steps to expand and improve the flow of information on banking institutions to strengthen our capacity to monitor the financial condition of banks and bank holding companies and to detect problems at an early stage.

At this point, I would like to address a question that has been raised frequently in connection with the ongoing debate on the tax bill as to whether the reserve method of computing the allowable tax deduction for bad debts should be repealed. The proposed repeal would of course make it more costly for banks to maintain loan-loss reserves. Moreover, I argue that it would inhibit the growth of loan-loss reserves by discouraging banks from maintaining reserves at levels at which they might otherwise, thereby creating some risk in terms of bank safety and soundness. From my perspective as a bank regulator, I believe measures should be taken to encourage banks to increase their loan-loss reserves. Therefore, from that perspective, I would favor the retention of the existing tax treatment for loan-loss reserves, or its liberalization. But I recognize, of course, that a decision on this matter must be made against the need to achieve reductions in the budget deficit.

Another matter that has received considerable attention recently is the whole issue of accounting flexibility. For example, there have been a number of proposals that would allow banks to defer over a number of years the charge-off of uncollectible loans. While I strongly endorse the ongoing efforts to improve accounting principles and practices, I would caution against any changes—such as the deferral of loan charge-offs—that would impair the meaningfulness or credibility of bank financial statements.

In summary, the banking industry as a whole has demonstrated a remarkable ability to withstand the financial pressures and volatility of the past several years. To be sure, a considerable number of banking organizations are experiencing severe strains resulting from heavy exposure to the agricultural, energy, and in some cases, the real estate sectors. However, it is important to keep these problems in proper perspective and to recognize that the great majority of banks remain in healthy condition and that the system is fundamentally sound.

Much progress has been made over the last several years in encouraging banking organizations to increase their capital bases, and this encouragement has contributed significantly to the ability of banks to withstand periods of uncertainty and adversity. The prospects of lower inflation and interest rates and improved economic performance generally augur well for the future health and stability of our banking system.

Statement by William Taylor, Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on Conservation, Credit, and Rural Development of the Committee on Agriculture, U.S. House of Representatives, April 9, 1986.

I am pleased to appear before this committee today to review the problems that are being experienced by banks in our agricultural communities and to discuss various proposals to ease the strains resulting from these problems, including H.R. 3868, the Farm Credit Partnership Act, and H.R. 4267, the Emergency Farm Income and Credit Act of 1986.

The agricultural sector of our economy is experiencing greater problems today than at any time since the Great Depression of the 1930s. Farm incomes and farm asset values have declined sharply over the current decade as crop prices—responding to a major increase in the global supply of farm products relative to demand—have dropped substantially. All our farmers have been adversely affected by these developments but not all to the same degree. Farmers who are relatively debt free generally have maintained strong financial positions, although significantly less so than a few years ago. In contrast, farmers who entered the 1980s substantially in debt have experienced an erosion in their financial health that is generally commensurate with their degree of leverage.

Our staff estimates suggest that about a third of the full-time producers on commercial-sized family farms are experiencing financial stress. This group owes about one-half of the farm debt of all such operators. The problems of these farmers have been compounded by the relatively high interest rates that have prevailed over the current decade. In addition, their efforts to restructure debt, or to reduce it by selling some of their assets, have been hampered greatly by the decline in farm asset values.

The great proportion of farm debt is owed to the Farm Credit System, the Farmers Home Administration, and individuals. But about one-quarter of the total is provided by commercial banks, and the banks that have concentrations of such loans have been experiencing increasing stress in recent years. For example, past due and nonaccrual loans at agricultural banks accounted for 7¼ percent of total loans at the end of last year, up from 6¼ percent a year earlier, and from about 5 percent at the end of 1982 (the first date for which such data are available).[1] This increase has taken place even as these banks have made substantial charge-offs of their loans. Charge-offs

1. For purposes of this testimony, agricultural banks have been defined as those banks with a ratio of farm loans to total loans that exceeds the average of such ratios for all banks, which is now about 16 percent.

have increased in each year of the decade, rising from just less than one-third of 1 percent of total loans in 1980 to more than 2 percent of total loans last year.

Given the high volume of loan losses and the need to add to loan-loss reserves to cover potential losses inherent in the increasing volume of poorly performing and nonperforming loans, the earnings of farm banks have declined steadily and substantially over the decade. The proportion of farm banks posting negative earnings rose to 18 percent last year, up from 1 percent at the turn of the decade. And another 30 percent of all farm banks reported earnings on equity of less than 10 percent last year; by contrast, only about 10 percent of the farm banks had earnings this low during the late 1970s and the early 1980s. Altogether, agricultural banks recorded a net return of 6 percent on equity in 1985, down from 16 percent in 1980.

One manifestation of these various negative trends has been a rising number of agricultural bank failures. Nearly 70 agricultural banks failed last year, more than double the number recorded in 1984 and up from a minimal number in the late 1970s and the early 1980s. Moreover, the number of farm banks with serious problems has continued to increase. One indication of this increase is that at the end of last year there were 330 agricultural banks that had poor-quality loans that exceeded their total capital; just a few years ago the number was less than 100. The further increase in this number reflects not only a rise in poor-quality loans but also an erosion of capital that has occurred at many of these banks due to loan write-offs.

Having reviewed the negative side of the farm bank situation, I believe it important that I briefly relate the positive side to provide a balanced perspective. Nearly 93 percent of the total loans at all agricultural banks are generally of good quality. One-half of all farm banks reported earnings last year equal to at least 10 percent of their equity. Also, agricultural banks generally have a substantial capital cushion to absorb loan losses. The ratio of capital to assets at all agricultural banks averaged 9¾ percent in September last year, higher than it was at the start of the decade and well above the ratio of 7½ percent for the entire banking system.

A number of recent developments should work to assist the farm economy, including the recent dramatic fall in energy prices and the substantial declines in interest rates and in the exchange value of the dollar. The recently enacted farm bill offers an additional source of support for farm incomes. At the same time, however, prospective supply conditions for farm products, both at home and internationally, suggest that a substantial rebound in crop prices, and thus in farm incomes, is not likely to take place in the near term. Certainly it would appear unwise to base public policy on the assumption that such a rebound will take place. Accordingly, while farmers that are now financially healthy should be able to avoid serious problems and many borderline farm operators may be able to work out of their current difficulties, many other farmers with relatively heavy debt loads face a continuation of serious difficulties. That situation means, of course, that a sizable number of farm banks will also continue to experience severe strains.

It is altogether understandable that the Congress is seeking to identify approaches by which appropriate assistance can be provided to troubled farm banks to aid them and their farmer customers to get through this period. In your letter requesting a Federal Reserve representative to appear here today you asked for comment on two such proposals, those proposals set forth in H.R. 4267 and in H.R. 3868. In my remaining time, I will summarize the Board's assessment of these proposals and then review with you the actions that the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) have recently taken to help alleviate the problems being faced by farm banks and their farmer customers.

REVIEW OF H.R. 4267 AND H.R. 3868

The provisions of Titles II and III of H.R. 4267 would basically augment, with certain modifications, existing Farmers Home Administration (FmHA) loan programs. Lenders would be offered the opportunity to receive an FmHA guarantee on principal and accrued interest on restructured farm loans, provided that the following conditions are met: (1) principal and accrued interest on the original loan are reduced at least 10 percent; (2) the restructured loan is extended at an interest rate at or below the lender's cost of funds; and (3) the borrower is able to demonstrate a positive pro forma cash flow for at least five years after the restructuring. In addition, lenders would receive an FmHA interest subsidy of 1 percent for each 10 percent of loan value written off.

H.R. 3868, the Farm Credit Partnership Act, would offer a similar package of assistance. It, too, would provide an interest rate subsidy that is tied to the size of a principal write-down and extend a government guarantee to the remaining loan balance. The interest rate subsidy in this proposal would appear to be a bit more generous, however, ranging up to 5 percentage points. It would be provided as follows: 2 percent by the federal government; 2 percent by a state government (if a state chooses to participate in the program); and 1 percent by the lender.

It appears that the proposed bills are intended to encourage a greater volume of farm loan restructurings by going beyond existing FmHA programs. Besides the encouragement that would be provided by the more generous interest subsidies offered by H.R. 3868, both proposals would authorize lenders to write off loan losses over a 10-year period rather than in the year in which the losses occur, which is the present practice.

The debt restructuring programs proposed under the two bills would undoubtedly benefit farmers. Farmers that participate in these programs would be forgiven part of their debt obligations and have their interest costs reduced while retaining full title and use of their assets. Lenders would also receive clear benefits even though they would experience a loan write-down and might stand to receive less interest than was promised in the terms of the original loans. But these are conditions that they would face in any event in the case of these loans so that they are made no worse off by these features of the proposals. At the same time, they obtain a full government guarantee on restructured debt and, at least in certain cases, receive an interest subsidy that will provide them greater interest revenues than they would otherwise receive.

Unfortunately, these benefits to farmers and banks would not come free, as the costs of a large part of interest subsidy and of losses on loans guaranteed would be borne by the taxpayer. Besides these budgetary considerations, such an assistance program raises the question of whether similar aid should be provided, now or in the future, for other broad classes of borrowers at U.S. banks and other lenders that are encountering difficulties.

Besides the budgetary issues, we have serious reservations regarding the provisions of the bills that authorize banks to defer loan losses over a 10-year period. Such a deferral does not address a bank's fundamental financial problems. Consequently, in the case of a bank whose capital has been severely depleted or eliminated by loan losses and whose earnings prospects are poor, deferral of loss recognition, rather than providing a solution to a problem, simply puts off the day when such problems must be faced. And that raises the clear danger that when the problems are addressed they will be more difficult to sort out and resolve and will prove more costly to the deposit insurance fund. Thus, in such circumstances the Board believes that it would be far better to seek a permanent solution to the bank's problem by having it obtain new capital or, if its problems are too severe, by merging it with a stronger institution.

There are, of course, less extreme situations in which a bank has suffered substantial loan losses but, even after recognition of these losses, retains a sizable amount of capital—although perhaps not up to minimum supervisory standards—and has reasonably good prospects for recovery over time. In these cases rather than allowing banks to amortize losses over a number of years and then report regulatory capital at an artificial level, it would be more straightforward for supervisors to permit them to operate with capital at reduced levels, even if below supervisory standards. The Federal Reserve and other bank supervisors have decided to employ this approach as part of their general program for assisting farm and energy banks.

Another undesirable feature of stretching out loan losses over a number of years is that this practice is not consistent with Generally Accepted Accounting Principles (GAAP). As a consequence, regulatory accounting statements would show levels of capital higher than that level reported on financial statements prepared under

GAAP. This disparity would tend to cause public confusion and impair the usefulness and credibility of regulatory financial statements.

In this regard the Board would note that generally accepted accounting principles already provide a reasonably flexible approach for restructuring troubled but viable loans. In particular, Financial Accounting Standard No. 15 permits a lender to restructure troubled loans provided that under the modified terms the total of anticipated future cash receipts can reasonably be expected to at least equal the original principal of the loan. This restructuring, too, is an element of the assistance program that the banking agencies have agreed to implement to assist farmers.

BANKING AGENCY POLICIES TO ASSIST FARM AND ENERGY BANKS AND THEIR CUSTOMERS

Having offered the Board's general views on H.R. 3868 and H.R. 4267, I should now like to review that assistance program with you. The key elements of the program were first described on March 11, when the Federal Reserve, the FDIC, and the OCC issued a joint policy statement in conjunction with their appearance before the Senate Committee on Banking, Housing, and Urban Affairs. How these policies might be specifically implemented were discussed during the hearings, and further discussions were held with members of the Senate as well as other members of the Congress subsequent to the hearings. One important outcome of these discussions was that the program, which focused on farm banks and their customers when the joint statement was issued, was extended to energy banks and their customers. At the end of March, the three agencies decided to formally implement the assistance program.

For its part, the Board had already instructed the Reserve Banks—in a telephone conference call held just after the Senate Banking Committee hearings—to generally conform their practices and procedures to the policies outlined in the joint statement. Written instructions for implementing the program were sent to the officers in charge of supervision and regulation at Federal Reserve Banks on March 28. Since I am attaching a copy of this letter, which discusses the policies of the program in some detail, I will limit my remarks here to the following summary of its key elements.[2]

*Capital Flexibility.*The Federal Reserve will exercise forbearance in applying its capital guidelines to situations in which banks have suffered an erosion of their capital base because of losses on farm and energy loans but have the clear potential for restoring their capital position over a reasonable period of time. This approach is basically consistent with the objective that was sought in establishing these guidelines—namely to ensure that banks maintain adequate capital during reasonably good economic times so that they are able to withstand and ultimately overcome unanticipated loan losses or other adversities that can occur when times turn bad.

Bank Forbearance on Farm and Energy Loans. The Federal Reserve has reaffirmed its policy of not discouraging banks from forbearing on farm loans in cases in which there is a reasonable prospect that a loan restructuring will work to the benefit of the bank as well as the borrower. Recognizing the dislocations that may result from the decline in energy prices, the Federal Reserve believes that it is also appropriate to follow this policy in the case of energy related loans.

Utilization of FASB No. 15. Consistent with the loan forbearance policy, the Federal Reserve will not require an automatic charge-off of restructured loans when they meet the criteria set down in Generally Accepted Accounting Principles—in particular, Financial Accounting Standard No. 15 (Accounting by Debtors and Creditors for Troubled Debt Restructurings).

Change in Reporting of Restructured Loans. To avoid possible public association of restructured loans that are performing in accordance with modified terms with past due and nonaccrual loans, such restructured loans will henceforth be reported in the regular loan schedule of the Call Report.

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

Before concluding, I would point out that the assistance program will not, by itself, address all problem situations that appear likely to arise in the farm and energy sectors. It seems unavoidable that we will continue to have banks with problems so severe that they cannot continue to operate without an infusion of additional capital and fresh management. It is very important for banking supervisors to be able to deal with these situations as quickly and effectively as possible to minimize their impact on local communities and on the banking system generally.

To help achieve the disposition of serious problem situations in that way, the Federal Reserve would encourage the Congress to modify provisions of the Garn-St Germain Act of 1982 that prohibit acquisitions of failed banks across state lines before an actual failure occurs and that also prohibit acquisitions of failed banks with assets of less than $500 million. The Board believes that these two constraints should be eased by allowing across-state acquisitions of failing banks and by reducing the size of failed and failing banks that can be so acquired. In addition the Board also believes that the acquirer of such banks should be permitted to purchase the bank's holding company and its affiliates. □

Statement by Frederick R. Dahl, Associate Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on International Economic Policy and Trade of the Committee on Foreign Affairs, U.S. House of Representatives, April 22, 1986.

I appreciate the opportunity to appear before this subcommittee on behalf of the Board of Governors to discuss the role of the Federal Reserve in implementing the Bank Export Services Act. The Board has asked me to emphasize that it fully supports both the efforts to assure that the United States has a strong and expanding export sector encompassing a broad range of industries and firms, as well as the specific role that banking organizations, through export trading companies, can play in this effort. A strong export sector is a critical element of a healthy economy. Recognizing this, the Board has sought to administer the Bank Export Services Act as the Congress intended—to optimize the usefulness of export trading companies in promoting the export of goods and services from the United States.

As you are aware, the Bank Export Services Act (or BESA), which is Title II of the Export Trading Company Act of 1982, authorizes bank holding companies to acquire equity interests in export trading companies (ETCs), subject to review by the Federal Reserve Board. This legislation was designed to permit banking organizations to participate in promoting the export of U.S. goods and services in a manner consistent with maintaining bank safety and soundness and with avoiding the risks, conflicts, and other adverse effects that the Congress has sought to prevent through limitations on the combination of banking and commerce. To this end, the Board is required to review each proposal for unsafe or unsound banking practices, undue concentration of resources, decreased or unfair competition, conflicts of interest, and for any material adverse effects on the safety and soundness of affiliated banks.

Having established these safeguards, the Congress permitted these ETCs to engage in a broad range of activities and services that assist in conducting international trade. These activities include international market research, consulting, insurance, transportation, product research and design, product modification, taking title to goods, and many others.

In October 1984, the Board submitted a report to the Congress that described the Board's implementation of the BESA to that date. My intention today is to provide the subcommittee with an update of that report, including a description of the extent and nature of current operations of ETCs in which banking organizations have invested, and an assessment of their performance.

Ever since the passage of the BESA, the Board's approach has been to establish regulations that further the chief purpose of the legislation—promotion of exports from the United States—while maintaining the safety and soundness of the investing banking organizations. I believe that the Board's regulations have met these objectives while keeping its procedures for banking organizations to invest in ETCs to a minimum.

INVESTMENTS BY BANKING ORGANIZATIONS

At the time of the Board's Report to the Congress submitted in October 1984, two years after passage of the Export Trading Company Act, the System had acted upon 29 notifications to establish export trading companies. As of April 15, 1986, the Federal Reserve System had acted upon 40 notifications to make initial investments in export trading companies. Most of this activity occurred between mid-1983 and early 1985. In the past year, there has been a noticeable decline in such investments. There is currently one notification pending in the Federal Reserve System.

In addition, the System has acted upon eight notices to make additional investments in ETCs or to expand the scope of their activities. The Board has not objected to any notification to establish ETCs or to expand the scope of their activities.

These numbers, however, do not accurately reflect current bank holding company involvement in ETC activity. Eleven of those ETCs on which the Board acted are not currently operational. Accordingly, as of April 15, 1986, there were 29 operating ETCs owned by bank holding companies. (Tables attached as an appendix to this testimony show the status of each ETC notification acted upon by the Federal Reserve System.[1])

The performance of operating ETCs has been tracked in a number of ways including the annual reports by, and regular inspections of, bank holding companies, and frequent, informal contacts that the Reserve Banks have with bank holding companies in their Districts. Drawing on these sources of information, it is clear that the operations of these ETCs have not lived up to expectations. In a number of instances ETCs have scaled back their operations significantly since they opened. All but a few of the active companies have had operating losses.

Many of the difficulties that ETCs have experienced have been those normally associated with the startup of new lines of business. These startup difficulties have, of course, not been limited to the ETCs owned by banking organizations. Besides those difficulties, some of the problems that we have seen are peculiar to the activities of trading companies, regardless of how long they have been operating. For example, one ETC encountered substantial difficulties because a major customer broke the terms of its trade agreement; another had its capital wiped out because of its inability to deliver on a major contract; and a third was closed after encountering significant losses because of the holding company's inability to control the trading activities of its ETC. Besides these cases, at least four bank holding companies have discontinued the operations of their ETCs either temporarily or permanently because the operating losses were found to be unacceptable.

More fundamentally, the fact that ETC performance has not met expectations is attributable to the generally bad export climate that has existed for several years as illustrated by the U.S. trade deficit, which increased from $25 billion in 1980 to approximately $125 billion in 1985. As is generally well known, the weakness of U.S. exports reflects a number of macroeconomic developments that took place in the early to mid-1980s and that have continued until fairly recently: the very substantial rise of the dollar against foreign currencies; the relatively sluggish growth of real activity in foreign industrial countries; and the drop in imports of countries experiencing debt-burden difficulties, especially Mexico and other Latin American countries.

The appreciation of the dollar until early 1985 has had a particularly severe effect on the international price competitiveness of U.S. products. Although a large part of the dollar's appreciation has been reversed over the past several months, we cannot expect any immediate improvement in U.S. export performance. Nevertheless, the improved prospects for U.S. export performance make it reasonable to expect the outlook for bank-affiliated ETCs to get better.

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

The factors just mentioned have been the major force delaying development of ETCs affiliated with banking organizations. The Board's administration of the BESA has not been a barrier to accomplishing the goals of the act. All of the notifications have been acted upon within the 60-day time period set forth in the statute, and no notification by a bank to invest in an ETC has been disapproved. Moreover, to expedite review of notifications the Board has decentralized the process and given the Reserve Banks authority to act on most ETC notifications. Fifteen of the 24 notifications to establish ETCs filed after adoption of the delegation procedures were processed by the Reserve Banks with no Board review. In addition, when the Board has reviewed notifications, it has not placed specific limitations or restrictions as a condition of permitting an investment, although it has taken note of, and commented upon, the scope of some of the proposals.

THE BOARD'S REGULATIONS IMPLEMENTING THE BESA

I will now discuss four aspects of the Board's implementation of the BESA. These issues, which were treated at length in the Board's 1984 report to the Congress on implementation of the BESA and were also the focus of discussion in the recent GAO report on Implementation of the Export Trading Company Act of 1982, are the following: (1) the revenues test for ETCs; (2) leveraging of ETCs; (3) exemption of transactions by banks with affiliated ETCs from the requirements of section 23A; and (4) the export of services by ETCs and their affiliated companies.

1. *Calculation of Export Revenues.* At the outset I must emphasize that the chief purpose of the BESA was the promotion of U.S. exports. The BESA was not designed to promote international trade outside the United States or imports into this country. The BESA defines an ETC as a company that is "exclusively engaged in activities related to international trade" and that is "organized and operated principally for purposes of exporting [or facilitating the export of] goods and services produced in the United States. . . ." This definition reflects the goal of the Congress of using the facilities and expertise of U.S. banking organizations to improve the export performance of U.S. manufacturing and servicing firms. In accordance with this purpose, the Board's regulations establish that an ETC in which a banking organization may invest shall derive more than one-half of its revenues over a two-year period from U.S. exports or from facilitating U.S. exports.

This revenues test was designed to ensure that the chief efforts of an ETC are directed to exporting U.S. goods and services, as the Congress intended, rather than to trading outside the United States. This position is fully supported by the legislative history of the BESA. The Conference Report states:

> [W]hile it is understood that ETCs will periodically have to engage in importing, barter, third party trade, and related activities, the managers intend that such activity be conducted only to further the purposes of the Act.

Some bank-affiliated ETCs have advocated excluding from the revenues test those revenues generated from trade outside the United States. They claim that counting those revenues as non-export revenues restricts the ability of ETCs to compete with foreign-owned trading companies.

The reason that the Board has not taken this approach is that it would permit an ETC to engage almost exclusively in trade outside the United States with little or no benefit to U.S. export performance and yet would subject the affiliated U.S. banking organization to all the risks of the trading activity. Such a result is not consistent with the intent of the Congress in enacting the BESA—which, as I have stated, permits banking organizations to invest only in ETCs "organized and operated principally *for the purpose of exporting* . . . goods and services produced in the United States" (emphasis added).

2. *Leveraging.* In reviewing notices by banking organizations to invest in ETCs, the Board considers the assets-to-equity ratio of each proposed ETC on a case-by-case basis. In this review, the Board takes into account the riskiness of the proposed activities of the ETC. This

is done to carry out the Board's duty to preserve the safe and sound operation of bank holding companies and their affiliated banks.

In the International Lending Supervision Act of 1983, the Congress required the bank regulatory agencies to "cause banking institutions to achieve and maintain adequate capital by establishing minimum levels of capital for such banking institutions." These levels have been established. For this purpose, capital requirements are assessed on a consolidated basis, although the capital adequacy of subsidiary organizations is also taken into account. The latter is necessary because the condition of affiliated organizations can have an important effect on their related banks.

Capital adequacy is a critical element in the financial strength of an ETC and its ability to withstand unexpected adverse developments. A sufficient capital cushion is necessary to prevent an ETC's difficulties from affecting the financial resources of the parent holding company or the safety and soundness of affiliated banks.

In general, the Board is still in the process of assessing the capital needs of ETCs and has not established capital, or leveraging, requirements. To the extent ETCs engage in nonbanking or nonfinancial activities that pose greater risk, it is not unreasonable to expect ETCs to maintain higher capital ratios than banks. As a general matter, capital levels should be commensurate with the risk of the company's activities.

To streamline ETC notifications, the Board has delegated the authority to review a banking organization's notice of intent to invest in an ETC to the appropriate Federal Reserve Bank. If, however, the proposed leveraging ratio of the ETC exceeds 10:1, then Board review is required. The proposed leveraging ratio, together with the other facts pertaining to the proposal, is then evaluated on a case-by-case basis.

In this regard, the Board recently acted on a request from a bank holding company that had established its ETC under the delegated procedures. The bank holding company sought to adopt a leveraging ratio for its ETC that was higher than the 10:1 ratio it had proposed to the Reserve Bank earlier. After having determined that the nature and riskiness of the activities proposed for the ETC were similar to those of secured lending transactions, the Board approved a leveraging ratio of 17:1. This action is illustrative of the flexible approach followed by the Board with respect to the capitalization of ETCs. More generally, the Board has not conditioned approval of any ETC notice on a specific leveraging ratio.

3. *Exemption of Transactions by Banks with Affiliated ETCs from the Requirements of Section 23A.* The BESA provides that transactions between a bank and its affiliated ETC are covered by section 23A of the Federal Reserve Act. Section 23A generally limits the amount of credit that banks may extend to a nonbank affiliate and subjects such credit extensions to certain collateral requirements. The purpose of Section 23A is to protect the safety and soundness of the bank by identifying and restricting those classes of affiliate transactions that could result in losses to a bank because the affiliate relationship may have colored the bank's objectivity in evaluating the creditworthiness of the borrower.

Experience over the years has demonstrated that limitations on self-dealing between a bank and its affiliates are essential to prevent abuses, to maintain bank safety and soundness, and to prevent excessive risk to the federal safety net. Accordingly, the Board as a matter of policy has generally not granted exemptions from section 23A. With respect to ETCs, however, the Board has included in its regulations a waiver from the strict collateralization standards of section 23A for those transactions in which the ETC takes title to goods against a firm order and the lending bank maintains a security interest in those goods. The Board has determined that in these circumstances a waiver would permit ETCs to obtain financing for transactions in goods without creating undue risk to the affiliated bank. In addition, the Board has stated that it would consider granting ETCs additional waivers from these collateral requirements based on specific requests.

The experience to date, though limited, reinforces the desirability of maintaining the protections afforded by section 23A. In at least one instance that we are aware of, a bank lent to its affiliated ETC in violation of section 23A. The loan went bad because of misjudgments on the trading side, and significantly affected the condition of the bank. Therefore, we question the wisdom of a total exemption from section 23A for transactions with an ETC, as some bank-affiliated ETCs have suggested. Especially in the area of extensions of credit, it is important to strike the proper balance between encouraging the growth of ETCs and preventing imprudent banking practices.

4. *Exporting Services.* The BESA requires that a bank-affiliated ETC engage "exclusively" in activities related to international trade and "principally" in exporting or facilitating exports from the United States. The Congress permitted an exception to the traditional separation between banking and commerce for investments by banking organizations in ETCs because it viewed banks as "the best intermediary between the potential U.S. exporter and the foreign buyer because they already have offices (branches) at both ends of the chain, and are already communicating with business people on both ends." To further this purpose, the Board's regulations provide that an ETC in which a banking organization may invest must derive more than one-half its revenues from exporting or facilitating the export of goods and services produced in the United States *by persons other than the ETC or its subsidiary.*

Under the BESA and the Board's regulations, a banking organization may invest in a company that offers any of a variety of services that in one way or another facilitate trade. A banking organization, however, may not invest in any company of its choice simply because that company has foreign customers. Such an interpretation would have the effect of substantially increasing the scope of activities in which a bank holding company could engage both in the United States and abroad. It not only would deviate from the purpose of the BESA but would disrupt the framework that the Congress has established in the Bank Holding Company Act for investments by bank holding companies in other nonbanking companies. It would permit banking organizations to invest in an ETC engaged in an otherwise prohibited nonbanking activity simply on the grounds that the company had foreign customers.

The Board's regulations do not limit the ability of bank-affiliated ETCs to provide trade services. On the contrary, the BESA and the Board's regulations permit bank-affiliated ETCs to offer a broad range of trade-related services both in the United States and abroad. For example, the BESA and the regulations permit ETCs to provide consulting, market research, marketing, insurance, product research and design, legal assistance, transportation including freight forwarding, warehousing, foreign exchange, financing and taking title to goods, when provided to facilitate the trade in goods and services produced by others. According to the notifications to the Federal Reserve, a number of ETCs are providing many of the trade services listed in the statute. Moreover, the Board has recognized that this list of services is not exhaustive. As an example, upon demonstrating that the activities were related to international trade, one ETC has acquired a company in England that engages in customs bonding services and in certain types of inventory control services related to cross-border trade.

A bank-affiliated ETC may provide these and other trade services to any of its affiliates (other than a subsidiary), including its parent bank holding company and its bank and nonbank affiliates, and to its customers to facilitate the export from the United States of the services of the affiliate or the customer. Revenues derived from such services would be considered export revenues under the Board's regulations. A bank-affiliated ETC could also form a joint venture with a manufacturing or a service company to export the goods or services of the joint venture partner. Revenues derived from these activities are also considered export related and count toward meeting the revenues test in the Board's regulations.

SUMMARY

In sum, the Board believes that its regulations appropriately implement the BESA by furthering the purposes of the statute to promote the export of U.S. goods and services while maintaining the safety and soundness of the banking organizations that invest in ETCs. The Board has sought to maintain flexibility in its approach to such investments because of the difficult export environment and because there is still little experience with the industry generally. The Board expects to continue to review its policies in light of increased experience regulating investments in ETCs and in response to individual requests.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Telecommunications, Consumer Protection, and Finance of the Committee on Energy and Commerce, U.S. House of Representatives, April 23, 1986.

I appreciate this opportunity to discuss the rapid growth of debt in the United States and its possible implications for our financial markets and economy. As you know, this is a subject about which I have expressed some concern from time to time over the past few years, and I welcome an exploration of the many difficult and complex issues it raises. Given those difficulties and complexities, no single hearing can do more than identify tendencies, raise questions, and point to areas for further study. In that sense, this testimony is more descriptive than prescriptive, but I think it does suggest the importance of the subject.

The increase in indebtedness since the early 1980s certainly has been extraordinary.[1] The debt of domestic nonfinancial sectors—the measure of credit monitored by the Federal Open Market Committee—has increased at rates ranging from about 11 to 14 percent in each of the three years of the current economic expansion. This growth has been much faster than the nominal increase in GNP and income, breaking a pattern that had persisted through most of the postwar period.

Until the early 1980s, debt and income expanded at roughly comparable rates over time, and the ratio of debt to income fluctuated at or just below 140 percent. Since then, however, as debt expansion far outpaced the growth of income, this ratio has risen sharply to almost 170 percent at the end of 1985. Historically, changes of that magnitude, up or down, are unusual except in highly disturbed economic circumstances—depressions, wars, or major inflations—not just in the United States but also, so far as comparable statistics are readily available, in other major countries. That fact itself raises questions as to what is different now.

In that connection, I should emphasize that there is nothing particularly significant or alarming, in itself, about one or another ratio of debt to income. Even if the statistics were fully comparable and accurate through time, there are a number of reasons why the ratios might change over time or between countries. One major influence, for instance, is the amount of financial intermediation characteristic of an economy. The data I just cited nets out debt of defined financial intermediaries—banks, thrift institutions, finance companies, and other "financial" firms. But "nonfinancial" firms and governments both lend and borrow, more today than before, and, from one point of view, the related debt is double counted in the data. Stated another way, offsetting borrowings and loans on balance sheets of firms may not suggest the same risks and "leveraging" as borrowings not matched by comparable financial assets.

However, even after allowing for identified areas of double counting or greater intermediation—for instance, the spate of advance refundings late last year by state and local governments—the overall data do strongly suggest greater "leveraging" among borrowers; that is, a larger burden of interest and principal payments relative to net worth and income streams. In the corporate sector, the same conclusion is implicit in the massive net retirement of equity recently, amounting to some $150 billion over the last two years, even though retained earnings have been rising.

The willingness to take on large volumes of additional debt certainly has not impeded the economic expansion. To some degree, the high levels of borrowing have helped support the spending needed to keep the economy growing. However, at some point a rising debt load is not sustainable. Debt cannot rise without limit relative to the income needed to service it, and

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

increased leveraging implies smaller safety margins to deal with economic adversity. Consequently, continuing rapid growth of debt has disturbing implications for the fragility of the financial system over time, and the question is especially apropos at a time when certain important groups of borrowers are already under severe financial stress. The vulnerability of the economy to unanticipated increases in interest rates or a shortfall in income appears to be increasing, rather than the reverse. Surely we must be concerned about achieving a better balance in the sources of our economic expansion if we wish it to be sustained.

SOURCES OF CREDIT GROWTH

The very structure of the growth of debt in the last few years reflects underlying imbalances in our national economy. To a considerable extent, the unusually rapid growth of debt in recent years directly reflects the borrowing by the federal government to finance an unprecedented string of budget deficits. Usually, budget deficits and federal borrowing decline as the economy recovers from recession, boosting tax receipts. In the past three years, by contrast, the budget deficit has remained extraordinarily high during the expansion, and federal debt held by the public has grown more than 15 percent each year.

The federal government is our strongest borrower, and an increase in the federal debt ordinarily would not connote greater weakness in our credit structure. Even then, however, the need to service that debt requires higher taxation than would otherwise be necessary—with consequences for economic efficiency—and pressures of government debt service have historically sometimes led to excess money creation and inflation.

Viewed from an economy-wide perspective, large borrowings by the federal government have typically been accompanied by small increases in private debt. In the current setting, however, borrowing by nonfederal sectors also has been unusually strong, with indebtedness by households, businesses, and state and local governments all rising relative to GNP.

In that sense, it's hard to see direct evidence of "crowding out" of private borrowing. In substantial part, the simultaneous rapid expansion of both federal and private debt has been a reflection of the relative ease with which this country has attracted savings and capital from other countries in recent years.

In effect, there has been a massive imbalance between the generation of loanable funds at home and the amount of borrowings. The resulting pressures on interest rates have been moderated by the capital inflow from abroad. But that inflow exacts a price. The net transfer of financial resources has been accompanied by a similar transfer of real resources to the United States—or to put it in more comprehensible language, record trade deficits. And we have, in the space of a few years, reversed our position as the largest world creditor (net) and are in the process of becoming the largest world debtor.

We do not want those developments to continue indefinitely—ultimately they are both politically and economically unsustainable. The willingness of foreigners to advance credit to the United States is not inexhaustible, and the capital inflow and related trade deficit has been maintained at the expense of our own manufacturing industry.

Moreover, for a country as well as an individual or business, rising debt levels imply greater obligations to make interest payments out of future income. This situation would be of less concern if the foreign savings could be seen as being used to build up our domestic productive capacity, improving our prospects for growth and giving us a stronger base from which to make interest or dividend payments abroad. But with domestic investment spending relatively modest in recent quarters, it seems evident that in large measure the foreign lending is going, directly or indirectly, to fill the deficiency in domestic saving created by federal deficits. In a real sense, the rapid growth of federal debt and imbalance in foreign transactions has placed a mortgage on our future.

Perhaps the most striking evidence of greater willingness to incur debt can be found in the substitution of debt for equity associated with the wave of mergers, leveraged buyouts, and stock repurchase programs over the past few years. These activities resulted in the gross retirement of about $100 billion in outstanding equity of nonfinancial corporations in 1984 and again in 1985, funded in the initial stages primarily by new debt issues, amounts not nearly offset by new sales of equity.

The unusual volume of equity retirements may have accounted for roughly 1 percentage point of debt growth in each of the past two years. While some of this debt may subsequently be paid down through sales of assets, or with equity obtained by sales of stock or internally generated cash flow, it seems clear that at least for some time a significant number of businesses will be carrying more debt, and therefore greater financial exposure, than if these corporate restructurings had not occurred.

These concerns are mitigated by the substantial profits and cash flow of many businesses, so that equity and cash cushions have been better maintained than debt data alone might suggest. Moreover, the recent surge in stock prices has greatly bolstered the market value of corporate equity—ratios of market valuations of corporate debt to equity have actually declined in the past year. Declining interest rates also moderate the debt burden. Nonetheless, the trend in debt creation, if extended, would imply some increase in financial risk for the economic system.

In the household sector, saving rates have been unusually low, and both consumer and mortgage indebtedness have risen much more rapidly than disposable income. Some part of the rise in the ratio of debt to income for households—which stands at a postwar high—undoubtedly reflects lengthening debt maturities, shifting demographics, and greater convenience use of credit, rather than an underlying increase in debt burdens. Even so, it appears that households, like businesses, have become more willing to take on debt, at the expense of more vulnerable financial positions.

Shifting Attitudes Toward Debt

The reasons for the apparent shift in attitudes are not easily identified and quantifiable. It is evident that the tax system favors debt over equity sources of funds for businesses through its differential treatment of interest and dividend payments. The tax system also encourages household borrowing by allowing unlimited deductions for interest expenses. However, these provisions and their incentives have not substantially changed in the 1980s, and lower marginal tax rates tend to reduce the incentives.

The inflation experience of the 1970s probably had a profound effect on attitudes toward debt. During much of that period, inflation rates outstripped interest rates, making leveraged buying a seemingly attractive economic strategy. Some borrowers may have expected inflation to pick up again as the economy expanded after 1982, inducing them to buy in advance of price increases and in anticipation of repaying debts in dollars of lower real value. Perhaps they looked to some degree to the borrowing patterns of the federal government as justification of a view that debt creation is benign.

This tactic might have seemed quite risky and unattractive if borrowing had to be done at the high, long-term rates prevailing over this period. But the greater availability of short- and floating-rate instruments reduced the risk considerably because if inflation did not rebound short-term rates would be expected to move lower.

The shift to floating-rate instruments is but one example of innovations in financial markets that have played a role in supporting, if not encouraging, the growth of debt. The proliferation of techniques such as interest rate swaps, securitization of loan portfolios, and third-party guarantees may have given borrowers access to sources of funds that might otherwise have been closed to them, and reduced perceptions of risk. Many smaller or growing companies have long used low or unrated bonds as an important financing technique, and those securities clearly have a legitimate role in finance. But recent innovations, relying on the use of such bonds to finance large takeovers of well-established companies, seem to have opened new channels from lenders to borrowers, increasing the flow of credit for particular uses.

For intermediaries, the rapid development of secondary markets at home and abroad for loans of various types has enabled them to originate a far larger volume of credit than would be consistent with their own command over resources. In addition, concerns over exposure to interest rate fluctuations probably do not constrain asset growth at banks or thrift institutions to the degree that they once did, given the greater opportunities to structure both assets and liabilities to manage the degree of interest rate risk.

At the same time, elimination of most deposit rate ceilings allows depository institutions to compete for funds for lending under a variety of circumstances, even if interest rates were to rise sharply. And the lifting of many usury ceilings has meant that lenders would continue to be willing to make credit available under such conditions. Thus, deregulation has substantially diminished the threat of constraints on credit availability as credit markets tighten, though it may also imply a wider swing in interest rates over the cycle.

From one perspective, these developments have increased the efficiency of our credit markets and improve the distribution of saving among competing uses. The greater variety of instruments available enables borrowers to tailor the maturity and other characteristics of debt to their specific needs or expectations. And with deregulation, borrowers probably feel a greater sense of assurance that funds will be available to roll over existing debt, even if interest rates should rise. On the supply side of the credit market, the ability of intermediaries to reduce interest rate risk, to compete for funds without regulatory constraint, and to replenish lendable funds through sales of assets probably has encouraged a more aggressive pursuit of lending opportunities and an eager embrace of innovative techniques to appeal to borrowers.

Consequences and Concerns

On balance, the net effect of shifting attitudes and financial innovation appears to have been to increase the expansion of private debt. Many of the particular techniques developed are designed to reduce risks for one or more of the parties directly involved. The larger question remains as to whether risks have, in fact, been reduced on balance for the financial system and the economy as a whole. The increase in total debt burdens, the longer and larger chain of transactions between ultimate borrowers and lenders with a diffusion and possible widening of credit judgment, and the greater internationalization of the system all raise questions.

One thing seems reasonably clear. More of the risk of unexpected movements in interest rates has been shifted onto borrowers. Most recently, borrowers have benefited from this shift, as declining interest rates have reduced their interest costs and enabled them to extend debt maturities at considerably lower rates than if they had been using long-term credit all along. But the strategy can, and does, carry considerable risk that an unanticipated rise in interest rates could sap the financial strength and creditworthiness of a substantial number of borrowers.

My general concern relates primarily to the degree to which the continuing buildup of debt may, as a by-product of eroding financial positions, leave a substantial number of borrowers so extended that they would have great difficulty dealing with unanticipated financial setbacks. Of course, borrowers ordinarily do not take on debt that they expect, with any high degree of probability, will cause them problems ahead (although even that assumption may not be valid with respect to a relatively few depository institutions in hard-pressed financial circumstances that have been willing, in effect, to make high-stake gambles with insured depositors' money). Nonetheless, the larger the share of income devoted to debt servicing in relatively prosperous times or the smaller the equity cushion—and that has been the trend over rather a long period of time—the more likely it is that an unexpected shortfall in income or rise in interest rates will lead to problems in meeting obligations.

For individual borrowers, income could weaken owing to factors beyond their control, reflecting conditions in a particular region or industry as well as a general downturn in the economy. A substantial rise in interest rates could prove especially troublesome, given the still heavy reliance on short-term or floating-rate debt. Many borrowers may minimize such possibilities—and economic policy typically works to limit the risk. But all of history suggests that it would be shortsighted to behave as if such possibilities did not exist.

The agricultural sector of our economy provides ample evidence of the effect of unexpected developments on highly leveraged borrowers. Those farmers who went deeply into debt in the late 1970s in anticipation of maintenance of higher land and crop prices are experiencing the most agonizing difficulties as these expectations are not fulfilled. Their problems in turn have severely weakened a number of agricultural lenders.

Potential vulnerabilities are suggested not only by elevated debt-to-income ratios throughout the economy, but also by the deterioration or disappointing performance of certain more direct indicators of financial distress at a time of rising economic activity generally. Corporate bond downgradings, for example, have trended sharply higher over the past two years, reflecting in part concerns about the effects of additional leveraging on the financial strength of certain corporations. In addition, problems in the household sector are indicated by some upward tendency in delinquency rates on consumer and mortgage loans or other measures of financial distress during the expansion period.

In another vein, I addressed earlier some of the implications of our growing dependence on capital and credit from abroad. That is hardly a dependable source of financing for years to come, and indeed will shrink as our trade balance improves, as we hope.

I do *not* suggest that these developments point to some inexorable accumulation of debilitating financial difficulty. Indeed, there are a number of developments currently working in the opposite direction. Recent substantial declines in interest rates and increases in stock prices have helped to alleviate pressures on financial positions. The fall in rates by itself will reduce debt-servicing burdens, and both firms and households have taken advantage of the considerable downward movement in long-term rates to lengthen the maturities of their liabilities, locking in lower rates and reducing exposure to an unanticipated rise in short-term rates. The higher stock prices are currently strengthening the financial positions of many individuals and companies. New stock issues have picked up. And recent regulatory and supervisory initiatives can help.

At the same time, enough has gone on, and continues to go on, to raise clear warning signals, to justify further analytic effort, and to support action in areas in which such action is plainly warranted.

Addressing the Concerns

We know enough to understand that disproportionate increases in debt extended over years do not constitute a solid, sustainable base for satisfactory economic growth and stability indefinitely into the future. Ultimately, debt can only be serviced from income. If that relationship is strained, financial pressures will jeopardize further growth in income itself, aggravating the difficulties. The time to act is before the strains become oppressive, not after.

The most direct step that can be taken by the government itself to address concerns about the growth of debt is to decrease, and eventually eliminate, the federal budget deficit. Such a course will reduce pressures on domestic credit markets, freeing domestic savings to be channelled into domestic investment and encouraging further restructuring of balance sheets through greater reliance on long-term debt and equity. By promoting better balance between spending and income domestically, this course will also work to reduce dependence on foreign capital.

Some of these effects already were discernible as the Gramm–Rudman–Hollings legislation moved toward passage late last year; the improved outlook for budget balance appeared to contribute materially to the decline in rates on bonds and fixed-rate mortgages, in an environment in which the dollar was also depreciating toward levels more consistent with restoring the international competitive position of U.S. products. Concrete actions to implement the law will provide a constructive background for financial markets over coming years, partly by its direct effects and partly by reducing the changes of a resurgence in inflationary pressures.

Beyond that step, I believe that the time has come for the Congress to also address those elements of our tax code that so strongly favor debt finance. While that "bias" has long existed, other changes in the economic and financial environment seem to have had the effect of making it more important in decision-making.

The original Treasury tax reform proposal had some limited elements that moved in the right direction; they have subsequently been dropped or sharply diluted. One lesson, I suppose, is that no strong constituency has emerged for a reform with such diffuse and seemingly indirect benefits. But I also believe that other efforts to reduce excessive reliance on debt in the private sector pale into relative insignificance so long as that basic bias imbedded in the tax system exists.

I noted that deregulation and innovation may encourage growth of debt. Those changes respond to basic technological and competitive forces that cannot be denied. We can, however, respond in constructive ways, strengthening when necessary oversight of key markets and intermediaries so that they do not become the unwitting vehicles for the spread of problems through the economy.

To this end, the Federal Reserve, working in concert with other regulators of depository institutions, has stepped up its examination of banks and bank holding companies, tightened capital standards, and proposed keying those standards to the risk profile of the banks. We and the other bank regulators are also acting to deal with present points of strain, particularly in the agricultural and energy areas, through a variety of techniques. We have also joined with the other regulators in requesting that the Congress extend and liberalize legislative authorization for interstate acquisition of troubled institutions.

These are essentially defensive measures, designed to keep immediate problems from infecting the financial system more generally by easing adjustments by individual institutions and local areas. They are not, and cannot be, a substitute for forward-looking structural change.

In that connection, it seems to me imperative to clarify and modernize the laws governing the structure of our depository and financial systems. Too often in recent years, old legislation has clashed with new market facts. Accommodation is achieved more by the exploitation of perceived loopholes in existing law then by a well-considered design of how we want the financial system to evolve. Distinctions among banking, other financial institutions, and commercial firms are fast eroding with little considered debate—and less action—to guide the process.

For a long time, as the result of the lessons of past financial crises, the unique role of banking and the payments system in our economy has, in concept, been recognized through provision of a federal "safety net," backed up by special oversight and supervision. Today, the distinctions underlying that approach are rapidly eroding, raising new questions about our ability to maintain the stability of the whole. The situation cries out for review and for new laws, adapted to the problems of today and tomorrow.

Nor can we evade a review of the basic safeguards and trading practices in other key sectors of financial markets, given the complex interdependencies that exist. One specific example came to your attention last year, and the Committee responded by providing a legislative framework for limited surveillance and regulation of the government securities market. As you know, action has not yet been completed on that matter.

CONCLUSION

In one sense, the extraordinary volume of credit flows in recent years is a tribute to the efficiency and innovative instincts of financial intermediaries, borrowers, and lenders alike. There has been rapid and effective response to new technological possibilities.

Those same developments also highlight the complex interactions involved and the new interdependencies created. And, in the end, credit creation is constructive only to the extent the obligations *are* manageable in relation to income.

It is in those areas that questions arise.

I must emphasize that the government can take a number of basic steps to address concerns about the rapid growth of debt. These include, most importantly, a balanced approach to economic policy, including cutting excessive budget deficits and a fresh look at some important provisions of the tax code. Government must also provide a supervisory and regulatory structure to promote a sound financial system.

Ultimately, and quite properly in our free market economy, the strength of our financial system must also ultimately rest on the prudent decisions of private parties. Borrowers and lenders must recognize risks and act to manage them. In such a context, the growth of debt would hold no concerns for us, but rather would be seen as an integral part of a healthy and active economy.

Announcements

Change in the Discount Rate

The Federal Reserve Board announced a reduction in the discount rate from 7 percent to 6½ percent, effective on Monday, April 21, 1986.

The action taken is a technical change designed to place the discount rate in more appropriate alignment with the prevailing level of market rates. The change in the discount rate also appears consistent with international interest rate considerations.

In making the change, the Board voted on requests submitted by the board of directors of the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco. (Subsequently, the Board approved similar actions by the directors of the Federal Reserve Banks of Atlanta and St. Louis, effective April 22, and Philadelphia, effective April 23.)

The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

Publication of Final Changes to Official Staff Commentaries on Regulations E and Z

The Federal Reserve Board has adopted final changes to the official staff commentaries to Regulations E (Electronic Fund Transfers) and Z (Truth in Lending). Proposed changes to each commentary were published by the Board in December 1985.

The revisions to the official staff commentary on Regulation E relate to preauthorized electronic fund transfers for biweekly loan payments and to written authorization for preauthorized debits.

The revisions to the official staff commentary on Regulation Z address such matters as credit transactions that have some lease characteristics, prepayment penalty and security interest disclosure, rules for identifying transactions, and advertising for open-end credit.

Report on Priced Service Operations for 1985

The Federal Reserve Board issued on April 18, 1986, a report summarizing developments in the priced service areas for 1985 and supplying detailed financial results of providing those services.

The Board issues a report on priced services annually and a priced service balance sheet and income statement quarterly. The financial statements are designed to reflect standard accounting practices, taking into account the nature of the Federal Reserve's activities and its unique position in this field.

Publication of Revised List of OTC Stocks Subject to Margin Regulations

The Federal Reserve Board published a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective May 13, 1986.

The list includes all over-the-counter securities designated by the Board pursuant to its established criteria as well as all securities qualified for trading in the national market system (NMS). This list includes all securities qualified for trading in tier 1 of the NMS through May 13 and those in tier 2 through April 15, 1986. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for August 1986.

This List of Marginable OTC Stocks supersedes the revised list that was effective on February 11, 1986. Changes that have been made in the list, which now includes 2,646 OTC stocks, are as follows: 135 stocks have been included for the first time, 105 under NMS designation; 41 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; 44 stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

In addition to NMS-designated securities, the Board will continue to monitor the market activity of other OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the list.

Proposed Action

The Federal Reserve Board extended from April 25 to May 23 the period for comment on its supplemental adjusted capital proposal that was designed to include a risk factor in the Board's policies on capital for bank holding companies and state member banks.

Changes in Board Staff

Joseph S. Zeisel, Deputy Director, Division of Research and Statistics, retired, effective May 16, 1986.

The Board of Governors has also announced the reorganization of the Office of the Executive Director for Computing and Information Services, the Division of Computing Services, and the Division of Information Services. The reorganization includes the following changes:

- Change in organization title from Office of the Executive Director for Computing and Information Services to Office of the Executive Director for Information Resource Management.
- Reassignment of Stephen R. Malphrus from Assistant Director, User Services and Applications, Division of Information Services, to Assistant Director of the newly created Applied Technology Branch, reporting to the Office of the Executive Director.
- Restructuring the previous Division of Computing Services into the Hardware and Software Systems Division with Bruce M. Beardsley as Director.
- Restructuring the previous Division of Information Services into the Division of Applications Development and Statistical Services with William R. Jones as Director.
- Appointment of Day W. Radebaugh as Assistant Director for Administrative and Financial Systems in the Division of Applications Development and Statistical Services.

Mr. Radebaugh first joined the Board's staff in May 1975. He returned to the Board in December 1983 after having been with the Student Loan Marketing Association. Mr. Radebaugh has a Ph.D. from Johns Hopkins University.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period April 1 through April 30, 1986:

Florida
Largo .... Indian Rocks State Bank
Georgia
Hiawassee ...... Mountain Bank of Georgia
New York
Great Neck .... Bank of Great Neck
Texas
Dallas .... Park Central Bank of Dallas
Hutto .... Hutto State Bank
Irving .... Bank of the West
Virginia
Richmond...... Commerce Bank of Henrico
West Virginia
New Martinsville.... New Martinsville Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON FEBRUARY 11–12, 1986

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity was expanding at a moderate pace. A number of major indicators of production and spending had shown improvement in late 1985 and early 1986. Underlying inflationary pressures appeared to be generally well contained. Prices in the latter part of the year were boosted by developments in markets for food and energy, but oil prices declined substantially in early 1986.

The labor market, one of the few areas for which data for early 1986 were available at the time of this meeting, showed exceptional strength in January. Total nonfarm payroll employment rose 566,000—about twice the average monthly increase in the fourth quarter of 1985—and the unemployment rate declined to 6.7 percent, its lowest rate in six years. Hiring remained brisk at trade establishments and in finance and service industries, with those sectors accounting for about two-thirds of the rise. Employment gains in the construction industry were also strong, apparently due in part to unusually good weather throughout most of the country during the month. In the manufacturing sector, employment increased for the fourth consecutive month, and the average number of hours in the factory workweek remained at a high level.

The index of industrial production rose an estimated 0.7 percent further in December, after no change on balance over the preceding two months. Available information for January suggested some additional rise in that month. The index of capacity utilization for total industry rose in December for the second consecutive month, increasing 0.4 percentage point to 80.5 percent. Nevertheless, the year-end rate remained below the most recent peak of 82.0 percent recorded in the summer of 1984.

Total retail sales rose 1.9 percent in December, after having declined on balance over the previous two months. Sales increased for all major categories, but most of the rise was attributable to sizable gains in outlays for durable goods. Boosted by an expanded round of financing incentive programs, sales of domestic automobiles registered a strong rebound toward the end of December and were at an annual rate of 7.9 million units for the month as a whole—about 1½ million units above the rate in each of the preceding two months. Sales advanced further in January to a rate of 8.6 million units.

Total private housing starts rose sharply in December, more than offsetting the appreciable decline in the previous month, and newly issued permits for residential building also increased substantially. The strength in housing activity during the month was apparent in both the single-family and the multifamily sectors. For the fourth quarter as a whole, both housing starts and permits were at annual rates of nearly 1¾ million units—close to the pace recorded in earlier quarters and for the year 1985. Sales of new homes improved a bit around year-end, and sales of existing homes in the final quarter of 1985 registered their fifth consecutive quarterly increase.

Business capital spending strengthened somewhat in the fourth quarter. Growth in expenditures for producers' durable equipment was especially rapid, possibly reflecting firms' attempts to realize tax benefits that might be eliminated for equipment installed after 1985. New orders for nondefense capital goods grew appreciably in December but were essentially flat over the fourth quarter as a whole. Shipments of such goods, however, rose about 3½ percent in the quarter. Outlays for nonresidential construction rose about 5 percent in December after having changed little on balance since August.

In the final months of 1985, the rates of increase in consumer and producer prices were somewhat higher than in the spring and summer, reflecting mainly what appeared to be a temporary spurt in prices for food and energy-related items. In the agricultural component, prices of domestically produced crude foods had leveled off in December and apparently fell in January. In the energy sector, prices of crude oil and other petroleum products tumbled dramatically in early 1986, and the effects of these declines were likely to show through at the consumer level in coming months. Excluding the food and energy sectors, consumer prices rose in November and December at a pace close to that for the year as a whole, and producer prices changed little on balance over the two-month period. For the year 1985 consumer prices rose about 3¾ percent, compared with 4 percent in 1984; producer prices rose about 1¾ percent in both years. The index of average hourly earnings of nonfarm production workers increased 3 percent last year, about the same as in 1984.

The trade-weighted value of the dollar against major foreign currencies had declined about 4 percent further since the Committee's meeting in mid-December. Throughout the period, and particularly around the time of the January meeting of the G-5 countries, exchange market movements reflected varying assessments of official attitudes toward the dollar and differing views about the likely effects of sharply declining oil prices on various industrial and developing countries. Preliminary data on merchandise trade for the fourth quarter suggested that the deficit widened further from the already high third-quarter level. Both oil and non-oil imports rose, and exports were little changed. For the year 1985 the deficit was estimated at about $120 billion, up from $107 billion in 1984.

At its meeting on December 16–17, 1985, the Committee had adopted a directive that called for some limited decrease in the degree of pressure on reserve positions. The members expected such an approach to policy implementation to be consistent with growth of M2 and M3 at annual rates of about 6 to 8 percent over the period from November to March. Although the behavior of M1 continued to be subject to unusual uncertainty, the members expected expansion of that aggregate to slow to an annual rate of 7 to 9 percent over the four-month period. It was agreed that somewhat greater restraint might, and somewhat lesser restraint would, be acceptable over the intermeeting period, depending on the growth of the monetary aggregates, the strength of the business expansion, the performance of the dollar on foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

With respect to the Committee's longer-run ranges for monetary growth during 1985, M1 expanded at a rate well above the range of 3 to 8 percent, at an annual rate, set for the second half of the year; M2 grew at a rate somewhat below the upper end of its range of 6 to 9 percent for the year; and M3 expanded at a rate near the midpoint of its range of 6 to 9½ percent for 1985. Expansion in total domestic nonfinancial debt was above the upper end of its monitoring range of 9 to 12 percent for the year. In early 1986, there was evidence of a marked overall slowing in the monetary aggregates. M1, which had increased at an annual rate of about 12½ percent in December, grew only a little in January; on average over the two months, expansion in M1 was running near the lower end of the short-run range anticipated by the Committee at its previous meeting. M2, which had expanded moderately in December, decelerated markedly in January, reflecting both the slowdown in M1 and quite low growth in its nontransaction component. Expansion in M3 picked up somewhat in January as banks issued a substantial volume of large time deposits to support a further robust increase in bank credit; its growth over the two-month period was in line with the Committee's expectations.

Open market operations during the intermeeting period were directed toward achieving a slight decrease in pressures on reserve positions. Seasonal plus adjustment borrowing from the discount window, while rising sharply around year-end when excess reserves were particularly large, averaged only about $260 million during the two full maintenance periods ending in January. Open market operations were undertaken in an environment of large seasonal fluctuations in reserve needs, unusually high Treasury balances, a weakening tendency for the dollar in foreign exchange markets, incoming economic data that were somewhat stronger than had generally been anticipated and, as the period progressed, sharp further declines in oil prices. Under these conditions the federal funds rate generally hovered around the 8 percent level during much of the intermeeting interval and was considerably above that level for a few days around year-end. More recently, the rate moved down to a range of 7¾ to 7⅞ percent. Other short-term rates rose a little over the period, and intermediate- and long-term rates were unchanged to somewhat lower.

The staff projections presented at this meeting suggested that economic activity and employment would be somewhat stronger over the near term than had been anticipated at the time of the previous meeting. For the year 1985, the third successive year of economic expansion, real GNP was estimated to have increased about 2½ percent, and broad measures of inflation generally had risen at rates of around 3½ to 3¾ percent—close to, or somewhat below, those recorded in the preceding two years. Real GNP was expected to grow a little more this year than in 1985 and the average unemployment rate was projected to decline somewhat from the rate recorded last year. The rate of increase in prices over the coming year was expected to be little changed from that experienced in 1985. It was noted, however, that the sharp further declines in oil prices in the days before this meeting had not been incorporated in the projections.

In the Committee's discussion of the economic situation and outlook the members differed somewhat in their assessments of the prospects for business activity, but they generally agreed that further expansion at a somewhat faster pace than in 1985 was a reasonable expectation for 1986. At the same time, several members commented that the outlook remained subject to substantial uncertainties. Changes in the international prices of crude oil were so large and so recent that they were particularly difficult to evaluate. Members also referred to uncertainties surrounding prospects for fiscal policy stemming from the legal challenge to the Gramm–Rudman–Hollings legislation, the problems for business investors associated with pending tax reform legislation, and the difficulties of predicting and assessing changes in the foreign exchange value of the dollar.

While they recognized the limitations of any forecasts under present circumstances, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members presented at this meeting specific projections of economic activity, average prices, and the rate of unemployment. For the period from the fourth quarter of 1985 to the fourth quarter of 1986, forecasts for growth of real GNP centered on a range of 3 to 3½ percent, with a full range of 2¾ to 4¼ percent. Forecasts of growth in nominal GNP had a central tendency of 6½ to 7¼ percent and an overall range of 5 to 8½ percent. With regard to the rate of inflation, as indexed by the GNP deflator, the projections centered on rates of 3 to 4 percent and the range was 2½ to 4½ percent. Estimates of the rate of unemployment in the fourth quarter of 1986 varied from about 6¼ to 6¾ percent, with several in the area of 6½ percent. These forecasts were based on the Committee's objectives for growth in money and credit that were established at this meeting. It was also assumed that federal budget deficits would be on a declining trend and that the foreign exchange value of the dollar would not change enough after its substantial fall during 1985 to exert a significant further impact on economic activity and prices during 1986.

In the course of the Committee's discussion, members referred to the recent improvement in several key indicators of business activity. In themselves these indicators augured well for continuing economic growth over the year ahead. On the other hand some members commented that the current and prospective performance of several important sectors of the economy—such as agriculture and business fixed investment—did not suggest a strengthening expansion. However, the actual performance of those sectors among others would be influenced to an important extent by a number of broad, overriding factors.

Among the positive factors cited by the members were the recent decline in oil prices, lower interest rates, and higher stock prices. These developments generally had favorable implications for consumer spending, housing, and many types of business investment. Some members also referred to the rapid growth in M1 and to the ample availability of liquidity as factors that would tend to support the expansion over the year ahead. The decline in the foreign exchange value of the dollar, while exerting upward pressures on prices, was seen as another positive development in terms of its impact on economic activity, although views differed considerably with regard to the timing and extent of that impact.

On the negative side, members mentioned the downside risks inherent in the debt problems faced by many consumers and a number of industries, including agriculture, and the associated financial strains on some of their institutional lenders. The recent decline in oil prices, while a favorable development in terms of its overall impact on the economy, nonetheless had negative consequences for energy producers and therefore for important parts of the country. Several members also stressed the adverse repercussions of lower oil prices on a number of developing countries that were heavily dependent on oil exports to service their large debts to international lending institutions, including major U.S. banks.

The fiscal policy outlook, despite current legal complications, was seen as pointing to declining budgetary deficits. Members commented that the better prospects for action on the federal budget had already helped to reduce inflationary expectations and had exerted a quite favorable impact on domestic financial markets. The actual implementation of deficit-reducing measures—in terms of their direct effects on government spending—would tend to restrain the growth of income and economic activity. However, those effects might well be offset, at least in part, by increased private spending that would tend to be stimulated by downward adjustments in interest rates as markets anticipated or responded to reduced federal credit demands.

In their discussion of the outlook for inflation, the members expressed somewhat differing views. These ranged from expectations of little change, or perhaps some improvement, from the recent trend to the anticipation of some deterioration. In the context of the sizable decline in unemployment and poor productivity performance, some members commented that the economy's growth potential might be more limited than they had thought earlier and that relatively rapid business expansion might at some point, though not over the quarters immediately ahead, be associated with increasing inflationary pressures. Other members, while also troubled by productivity trends, nonetheless felt that the rate of unemployment was still sufficiently high and capacity utilization rates sufficiently low to rule out such a concern for the conduct of policy for the time being. Views also differed in emphasis with regard to the inflationary impact of the decline in the foreign exchange value of the dollar. The depreciation of the dollar, especially if it were to continue substantially further, could involve significant upward pressures on import prices at some point. Some members emphasized their view that the inflationary impact of the dollar decline would be greatly dampened by efforts of foreign business firms to retain market shares. Others, while recognizing that the effects of the dollar's decline could be delayed and in the short run offset by reduced oil prices, felt that the inflationary potential would be significant over time, depending in part on other economic policy developments. The members generally agreed that, in addition to oil price and federal budgetary developments, the strong price competition in many markets and restrained labor settlements were factors currently tending to curb inflationary pressures.

At this meeting the Committee reviewed the 1986 growth ranges for the monetary and credit aggregates that it had tentatively set in July 1985 within the framework of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act). Those tentative ranges included growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986, of 4 to 7 percent for M1 and 6 to 9 percent for both M2 and M3. The associated range for total domestic nonfinancial debt had been provisionally set at 8 to 11 percent for 1986.

Discussion of the tentative range for M1 focused on its appropriate width and level in light of the economic and financial circumstances that appeared to be in prospect for the year ahead and on its unusual behavior in recent years. While the members expressed some differing preferences regarding an appropriate range for M1, the differences were not very large. All of the members contemplated a marked slowing in M1 growth from that experienced in 1985 as a likely development despite their expectations of some pickup in the expansion of nominal GNP. Nonetheless, the members gave considerable emphasis to the uncertainties that continued to surround the outlook for the velocity of M1—the relationship between M1 and GNP. The sharp decline in M1 velocity during 1985 was unexpected although after the fact it could be explained to a considerable extent, though not entirely, by historical relationships of money to income and interest rates. Still, the changing composition of M1, involving a growing share of interest-bearing components, had increased the proportion of M1 that served both a transaction and a savings function and appeared to have made the behavior of this aggregate less predictable in comparison to earlier experience. Moreover, demand deposits had grown much more in 1985 than might have been anticipated and it was not clear whether that growth reflected more cautious cash management practices on the part of businesses or other perhaps transitory factors.

In the view of most, but not all, of the members it was desirable to widen the tentative M1 range in order to take account of the uncertainty in the relationship between M1 and economic activity and prices, but in general the suggested ranges involved approximately the same midpoints. The upper limits that were proposed generally assumed there would not be as large a drop in velocity this year as had occurred in 1985. But it was noted that in the absence of some reversal in the sharp 1985 drop in M1 velocity, growth toward the upper end of the range might well prove to be consistent with satisfactory economic performance. It might even be appropriate for M1 to run above the upper bound of its range should recent velocity trends persist. On the other hand, more moderate growth in M1 could be indicated to the extent that its velocity proved to be stronger than expected. In general, there was agreement that the behavior of M1 should be evaluated in light of its consistency with M2 and M3 and also in the context of broader economic and financial developments and the potential for inflationary pressures.

With regard to the broader monetary aggregates, the members indicated that the tentative ranges established in July for 1986 were still appropriate. Growth last year was generally in line with expectations, and on balance over the past few years, the behavior of M2 and M3 seemed to have been less affected than M1 by institutional and interest rate changes. In part that development reflected the fact that the broader aggregates include an array of deposit and money market instruments that often exhibit offsetting movements.

In the course of the Committee's discussion, consideration was given to the appropriate degree of emphasis to be given to M1 in policy implementation, at least until there was more evidence that the behavior of M1 velocity could be anticipated with a greater degree of confidence. Most of the members felt that the Committee's current procedures remained appropriate, taking account of the considerations underlying the range adopted and its interpretation. Some emphasized that M1 was likely to prove again to be a more useful guide for policy implementation in a variety of potential economic settings. One member commented that over time M1 would probably serve as a better indicator of future GNP than the broader measures of money. Alternatively, it was suggested that while M1 might have become a less reliable guide, at least under recently prevailing circumstances, it continued to have significant value as a policy indicator when considered in the context of the behavior of the broader aggregates. Collectively, the aggregates used by the Committee appeared to have more significance than any one of them viewed separately.

With respect to the monitoring range for total domestic nonfinancial debt, a majority of the members favored adopting the range of 8 to 11 percent for 1986 that had been tentatively established in July. A number of other members preferred somewhat higher ranges in the expectation that debt expansion, while decreasing from its actual pace in 1985, might still be around—or perhaps a bit above—the upper limit of the tentative range. In the course of the discussion, it was suggested that the Committee drop its monitoring range for debt, perhaps substituting another measure such as total liquid assets. It was pointed out, among other things, that the debt aggregate was subject to serious measurement problems, including a large amount of double counting—related for example to financial activities such as advance refundings and mortgage financing by state and local governments—and distortions arising from an extraordinary pace of share retirements financed by borrowing. It was also noted that the debt measure had been deviating substantially in recent years from past historical relationships to GNP. A majority of the members, while acknowledging the difficulties with this aggregate and agreeing that further study was needed, continued to feel that it served as a useful benchmark for evaluating the growth of debt in the economy and that its behavior should continue to be monitored, particularly in light of the Committee's concern about the increasing debt burden in the economy.

At the conclusion of the Committee's consideration of the long-run ranges, all of the members indicated that they favored or found acceptable monetary growth ranges for 1986 of 3 to 8 percent for M1 and 6 to 9 percent for both M2 and M3. A monitoring range of 8 to 11 percent was also accepted for total domestic nonfinancial debt. In keeping with the Committee's usual procedures under the Humphrey-Hawkins Act, the ranges would be reviewed at midyear, or sooner if deemed necessary, in the light of their behavior in relation to economic and financial developments.

The following paragraph relating to the long-run ranges was approved for the domestic policy directive:

> The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed to establish the following ranges for monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986. With respect to M1, the Committee recognized that, based on the experience of recent years, the behavior of that aggregate was subject to substantial uncertainties in relationship to economic activity and prices, depending among other things on its responsiveness to changes in interest rates. It agreed that an appropriate target range under existing circumstances would be 3 to 8 percent, but it intends to evaluate movements in M1 in the light of its consistency with the other monetary aggregates, developments in the economy and financial markets, and potential inflationary pressures. It adopted a range of 6 to 9 percent for M2 and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for the year 1986.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Black, Forrestal, Johnson, Keehn, Martin, Parry, Rice, Ms. Seger, and Mr. Wallich. Votes against this action: None.

In the Committee's discussion of policy implementation for the weeks immediately ahead, a number of members referred to the difficulty of clearly appraising the significance of the most recent economic and financial developments. While monetary expansion had slowed in recent weeks, the period of reduced growth was brief and it followed a period of substantial expansion. Strong employment growth did not appear to be fully matched by other current economic indicators. The needed correction of the value of the dollar entailed risks of a more fundamental change in market attitudes and a cumulating decline in the exchange rate that might discourage willingness to hold dollars at declining interest rates. In these circumstances, nearly all participants agreed that little or no change in reserve availability was warranted. In that connection, members also noted that the recent slowing of the monetary aggregates was reasonably in line with the Committee's expectations at the time of the December meeting for the November-to-March period.

In the course of the Committee's discussion it was noted that while monetary policy had been relatively accommodative for some time, short-term rates had shown little tendency to decline and the federal funds rate remained significantly above the discount rate even though borrowing at the discount window had dropped to rather low levels last month. Moreover, long-term rates had declined substantially since early fall. In that context, and against the already accommodative mode of open market operations, the point was made that the discount rate might need to be reduced to permit or accommodate a market tendency toward lower rates and that such a move would be a desirable complement to open market operations in the light of the risks of a slower rate of business expansion. More generally, in prevailing circumstances, the members wished to conduct open market operations in a manner that would not in itself signal or encourage higher interest rates or impede the tendency for some market rates to decline. At the same time, there was concern that policy implementation be sensitive to a situation in which a decline in the dollar might tend to feed upon itself, leading to an exaggerated fall with disturbing implications for inflation, financial markets, and the economy over time. In that connection it was noted that the desirability of a discount rate action would depend on evolving economic and financial circumstances; among other factors, in the light of the risks for the dollar in foreign exchange markets, such action would need to take account of the willingness of major central banks abroad to take broadly similar actions.

In the Committee's discussion of possible intermeeting adjustments in policy implementation, the members agreed that the appropriate degree of pressure on reserve positions should continue to be determined in light of the growth of the monetary aggregates judged in the context of incoming information about the economy, the outlook for prices, and conditions in domestic and international financial markets, including the value of the dollar in the foreign exchange markets. A majority of the members agreed with the suggestion that there should be no presumptions about the likely direction of any intermeeting adjustments, given the many uncertainties about prospective economic and financial developments and the behavior of the monetary aggregates. However, some members believed that policy implementation should remain especially alert to developments that might call for some easing of reserve conditions in light of the considerable risks that they saw of some weakening in the economic expansion.

At the conclusion of the Committee's discussion a majority of the members indicated their acceptance of a directive that called for maintaining unchanged conditions of reserve availability. The members expected such an approach to policy implementation to be consistent with growth in M2 and M3 at annual rates of about 6 percent and 7 percent respectively for the period from November to March. Over the same period they expected M1 to expand at an annual rate of around 7 percent, although the behavior of M1 was seen as still subject to unusual uncertainty. The Committee indicated that it might find somewhat greater or somewhat lesser reserve restraint acceptable over the intermeeting period depending on the growth of the monetary aggregates, the strength of the business expansion, the performance of the dollar on foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 6 to 10 percent.

At the conclusion of the meeting, the following domestic policy directive, embodying the Committee's long-run ranges and its short-run operating instructions, was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that economic activity is currently expanding at a moderate pace. Total nonfarm payroll employment increased substantially further in January, and the civilian unemployment rate declined to 6.7 percent. In December industrial production rose further, and available information suggests some additional rise in January. Retail sales increased considerably in December after declining on balance over the previous two months, and housing starts rebounded from their October–November pace. Business capital spending strengthened somewhat in the fourth quarter. Merchandise trade data for the fourth quarter suggest that the deficit widened further from the very high third-quarter level. In late 1985 consumer and producer prices rose somewhat more than earlier, but for the year as a whole broad measures of prices and wages increased at rates close to those recorded in 1984.

With respect to the Committee's ranges for longer-term monetary growth, M1 expanded at a rate well above the range set for the second half of 1985; M2 grew at a rate somewhat below the upper end of its range for the year; and M3 expanded at a rate near the midpoint of its range for 1985. Expansion in total domestic nonfinancial debt was above the upper end of its monitoring range for the year. In January growth in M1 and M2 slowed markedly, while growth in M3 picked up as banks issued a substantial volume of large time deposits to support further robust growth in bank credit. Interest rates have fluctuated considerably since the December meeting of the Committee; on balance, short-term interest rates have risen a little while longer-term rates are unchanged to somewhat lower. The trade-weighted value of the dollar against major foreign currencies has declined further.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed to establish the following ranges for monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986. With respect to M1, the Committee recognized that, based on the experience of recent years, the behavior of that aggregate was subject to substantial uncertainties in relationship to economic activity and prices, depending among other things on its responsiveness to changes in interest rates. It agreed that an appropriate target range under existing circumstances would be 3 to 8 percent, but it intends to evaluate movements in M1 in the light of its consistency with the other monetary aggregates, developments in the economy and financial markets, and potential inflationary pressures. It adopted a range of 6 to 9 percent for M2 and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for the year 1986.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M2 and M3 over the period from November to March at annual rates of about 6 percent and 7 percent, respectively; while the behavior of M1 continues to be subject to unusual uncertainty, growth at an annual rate of about 7 percent over the period is anticipated. Somewhat greater reserve restraint or somewhat lesser reserve restraint might be acceptable depending on behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

> Votes for the short-run operational paragraph: Messrs. Volcker, Corrigan, Angell, Black, Forrestal, Johnson, Keehn, Parry, Rice, and Wallich. Votes against this action: Mr. Martin and Ms. Seger.

Mr. Martin and Ms. Seger dissented because they preferred some easing of reserve conditions given the risks they saw of unacceptably sluggish economic expansion. Such risks would be reduced in their view by lower short-term interest rates, which had not declined in line with recent reductions in long-term interest rates and in inflation expectations. They also believed some modest easing could lead to market conditions that would facilitate a reduction in the discount rate.

Legal Developments

Orders Issued Under Bank Holding Company Act, Bank Service Corporation Act, and Federal Reserve Act

Orders Issued Under Section 3 of the Bank Holding Company Act

First Union Corporation
Charlotte, North Carolina

Order Approving Acquisition of a Bank Holding Company

First Union Corporation, Charlotte, North Carolina, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval under section 3(a)(3) of the Act, 12 U.S.C. § 1842(a)(3), to acquire First Bankers Corporation of Florida ("First Bankers"), Pompano Beach, Florida, a bank holding company, and thereby indirectly to acquire its bank subsidiaries.[1]

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

The Douglas Amendment prohibits Board approval of an application by a bank holding company to acquire a bank located outside the holding company's home state,[2] unless the state where the target bank is located has specifically authorized the acquisition.[3] Applicant's home state is North Carolina. The Board has previously found that Florida has by statute expressly authorized a North Carolina bank holding company, such as Applicant, to acquire a Florida bank or bank holding company, such as First Bankers.[4] Accordingly, approval of Applicant's proposal to acquire banks in Florida is not barred by the Douglas Amendment.

Applicant is the third largest commercial banking organization in North Carolina. It controls total deposits in North Carolina of $6.2 billion,[5] which represents 20 percent of the total deposits in commercial banking organizations in the state. Applicant also controls banks in South Carolina, Georgia and Florida. Consummation of the proposal would not increase the concentration of banking resources in North Carolina, South Carolina or Georgia because First Bankers does not operate in those states.

Applicant is the sixth largest commercial banking organization in Florida. It controls total deposits in Florida of $3.4 billion, which represents 4.9 percent of the total deposits in commercial banks in Florida. First Bankers is the 11th largest commercial banking organization in Florida. It controls total deposits of $1.1 billion, which represents 1.5 percent of the total deposits in commercial banks in Florida. Upon consummation of the transaction, Applicant would become the fifth largest commercial banking organization in Florida. It would control total deposits of $4.5 billion, which represents 6.4 percent of the deposits in Florida. Florida is unconcentrated, and would remain so after consummation of the proposal. Accordingly, the Board concludes that consummation of the proposal would not have a significant adverse effect on the concentration of banking resources in Florida.

The subsidiary banks of Applicant and First Bankers compete in the Central Brevard County, East Palm Beach, East Polk County, Miami-Ft. Lauderdale, Orlando, Pinellas County and South Brevard County

1. First Bankers controls two nonbanking companies, First Bankers Data Corp., and The First Bankers Management Group, Inc., both of Pompano Beach, Florida. Applicant has not applied under section 4(c)(8) of the Act to acquire these companies because they will be liquidated prior to the acquisition of First Bankers.

2. A bank holding company's home state for purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries were largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842(d).

3. 12 U.S.C. § 1842(d).

4. *E.g.*, *First Union Corporation*, 71 Federal Reserve Bulletin 971 (1985); *see also* Fla. Stat. Ann. § 658.295; N.C. Gen. Stat. §§ 53–209 *et seq.*

5. Unless otherwise indicated, all state data are as of September 30, 1985, and all market data are as of June 30, 1984.

banking markets.[6] The Board has considered the effect of the proposal on existing competition in each of these markets. In light of the changes in the Herfindahl-Hirschman Index ("HHI")[7] and the four-firm concentration ratios, the combined market shares of Applicant and First Bankers upon consummation of the proposal, and other facts of record, the Board concludes that consummation of the proposal would not have a significant adverse effect on existing competition in any of the relevant banking markets except East Polk County. In each of these other markets, the increase in the HHI upon consummation of the proposal would be less than 100,[8] and in all markets except the Orlando banking market, the HHI would remain below 1800.[9]

Applicant is the fifth largest of nine commercial banking organizations in the East Polk County banking market. It controls deposits of $50.2 million, which represents 6.7 percent of the deposits in commercial banks in the market. First Bankers is the fourth largest commercial banking organization in the market. It controls deposits of $122.1 million, which represents 16.3 percent of the deposits in commercial banks in the market. Upon consummation of the proposal, Applicant would become the second largest commercial banking organization in the market, and control 23 percent of the deposits in commercial banks in the market. The East Polk County commercial banking market is highly concentrated. The HHI is 1921, and would increase by 219 points to 2140 upon consummation of the proposal. The percentage of deposits held by the four largest banking organizations in the market is 83.8 and would increase to 90.5.

While consummation of the proposal would eliminate existing competition in the East Polk County banking market, the Board believes that the anticompetitive effects of this proposal are mitigated by the extent of competition afforded by thrift institutions.[10] Five thrift institutions control 37.2 percent of the deposits in depository institutions in the market. These thrifts are exercising their relatively new powers to offer consumer, and commercial and industrial loans. In view of this fact, the Board has considered the presence of thrift institutions as a significant factor in assessing the competitive effects of this transaction in the East Polk County banking market.[11] Accordingly, the Board concludes that consummation of the proposal would not have a significant adverse effect upon existing competition in the East Polk County banking market.

The Board also has considered the effect of this proposal upon probable future competition. There are 13 markets in which Applicant competes but First Bankers does not, and three markets in which First Bankers competes but Applicant does not. Based upon the number of potential entrants into these markets, the Board concludes that consummation of the proposal would not have any significant adverse effects upon probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant, First Bankers, and their subsidiaries are generally satisfactory. Applicant has raised a significant amount of capital in recent years to finance its interstate acquisitions. Although Applicant's tangible primary capital ratio will decline upon consummation of this proposal, that ratio will remain above the minimum level required by the Board's Capital Adequacy Guidelines.[12] Moreover, Applicant has indicated that it intends to maintain adequate capital, and its performance indicates that it has the ability to do so. Considerations relating to the conve-

6. The Central Brevard County banking market includes the towns of Cape Canaveral, Cocoa, Merritt Island, Rockledge, and Cocoa Cocoa Beach, all in Florida. The East Palm Beach banking market includes Palm Beach County, east of Loxahatchee, Florida. The East Polk County banking market includes the towns of Auburndale, Davenport, Haines City, Lake Alfred, Lake Wales and Winter Haven, all in Florida. The Miami-Ft. Lauderdale banking market includes Broward County, plus Dade County, both in Florida. The Orlando banking market includes Orange County, plus Seminole County, minus the town of Sanford in Seminole County, plus Osceola County, all in Florida. The Pinellas County banking market is defined as Pinellas County, Florida. The South Brevard County banking market includes the towns of Indialantic, Melbourne, Palm Bay, Satellite Beach, and West Melbourne, all in Florida.

7. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), any market in which the post-merger HHI is below 1000 is unconcentrated. Except in extraordinary circumstances, the Justice Department is unlikely to challenge mergers in an unconcentrated market. Any market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department is unlikely to challenge a merger that produces an increase in the HHI of less than 100 points. Any market in which the post-merger HHI is above 1800 is highly concentrated. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

8. The HHI in the Central Brevard County, East Palm Beach, Miami-Ft. Lauderdale, Orlando, Pinellas County, and South Brevard County banking markets would increase by 70, 25, 5, 20, 7, and 97 points, respectively.

9. In the Orlando banking market, the HHI would be 2362 upon consummation of the merger; however, the HHI would only increase 20 points in this market.

10. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *Citizens and Southern Georgia Corporation*, 72 Federal Reserve Bulletin 260 (1986); *Louisiana Bancshares, Inc.*, 72 Federal Reserve Bulletin 154 (1986); *NCNB Corporation*, 72 Federal Reserve Bulletin 59 (1986).

11. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, consummation of the proposal would increase the HHI by 131 points to 1526, and the percentage of deposits controlled by the four largest firms in the market would increase from 66.4 to 70.9. Applicant would control 17.8 percent of the deposits in depository institutions in the market.

12. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (April 24, 1985); 71 Federal Reserve Bulletin 445 (1985).

nience and needs of the communities to be served are consistent with approval of the application.

Based upon the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved. The acquisition 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 Richmond, pursuant to delegated authority.

By order of the Board of Governors, effective April 17, 1986.

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

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

Fort Wayne National Corporation
Fort Wayne, Indiana

Order Approving Merger of Bank Holding Companies

Fort Wayne National Corporation, Fort Wayne, Indiana, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.)*, has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to acquire through merger 100 percent of the voting shares of: Auburn Financial Corporation, Auburn, Indiana ("Auburn"), and thereby indirectly acquire Auburn's subsidiary bank, The Auburn State Bank, Auburn, Indiana; Dekalb Financial Corporation, Waterloo, Indiana ("Dekalb"), and thereby indirectly acquire its subsidiary bank, Citizens State Bank, Waterloo, Indiana; and Churubusco Bancorp, Churubusco, Indiana ("Churubusco"), and thereby indirectly acquire its subsidiary bank, Churubusco State Bank, Churubusco, Indiana.

Notice of the applications, affording interested persons an opportunity 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 applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is the ninth largest banking organization in Indiana, with one subsidiary bank, controlling $635.5 million in total deposits, which represents 1.8 percent of the deposits in commercial banks in the state.[1] Auburn, Dekalb and Churubusco each have one subsidiary bank. Their subsidiary banks are the 135th, 360th and 162nd largest, respectively, in the state, with the total deposits controlled by these institutions representing in each case less than 1 percent of the total deposits in commercial banks in the state.[2] Upon consummation of the proposal, Applicant would remain the state's ninth largest banking organization, controlling $761.3 million in total deposits, representing 2.16 percent of the state's commercial bank deposits. Accordingly, consummation of this proposal would not have any significant effect on the concentration of banking resources in Indiana.

Applicant, Auburn, Dekalb and Churubusco all operate in the Fort Wayne, Indiana banking market.[3] Applicant is the third largest of 18 commercial banking organizations in the market, controlling deposits representing 22.6 percent of the total deposits of commercial banks in that market. The subsidiary banks of Auburn, Dekalb and Churubusco are the 6th, 17th, and 8th largest commercial banking organizations, respectively, in the Fort Wayne market, controlling deposits of $64.3 million, $9.4 million and $52.1 million, representing respectively 2.3 percent, 0.3 percent and 1.9 percent of the total deposits of commercial banks in the market. Upon consummation of this proposal, Applicant would become the largest banking organization in the market, and would control 27.1 percent of the total deposits of commercial banks in the market.

The Fort Wayne banking market is highly concentrated, with the four largest commercial banking firms controlling 81.8 percent of the total deposits of commercial banks in the market. Upon consummation of the proposal, the four largest banking organizations would control 86.3 percent of the market. The Herfindahl–Hirschman Index ("HHI") is 1946 and would increase by 214 points to 2160 upon consummation of this proposal.[4]

1. All banking data are as of December 31, 1984.
2. The percentage of statewide bank deposits held by the subsidiary banks of Auburn, Dekalb and Churubusco are 0.18 percent, 0.03 percent and 0.15 percent, respectively.
3. The Fort Wayne banking market is approximated by Allen, DeKalb and Whitley counties in Indiana; Jefferson township in Wells County, Indiana; Hicksville township in Defiance County, Ohio; and Carryall township in Paulding County, Ohio.
4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge any merger that produces an increase in the HHI of more than 100 points unless other factors indicate that the merger will not substantially lessen competition. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

The Department has not objected to Board approval of this transaction.

Although consummation of the proposal would eliminate existing competition between Applicant and Auburn, Dekalb and Churubusco in the Fort Wayne banking market, numerous other commercial banking organizations would remain as competitors after consummation of the proposal. In addition, the Board has concluded that the effect of this proposal on existing competition is mitigated by the extent of competition offered by thrift institutions in the market.[5]

Four thrift institutions in the Fort Wayne banking market hold 17.1 percent of the total deposits of depository institutions in the market. These institutions compete with the commercial banks in the market for transaction accounts, consumer loans and commercial loans. In view of these facts, the Board considers the presence of thrift institutions a significant factor in assessing the competitive effects of this proposal.[6] Accordingly, in view of the competition provided by thrift institutions, the number of competitors remaining in the market and other facts of record, the Board concludes that consummation of the proposed acquisition is not likely to have a significant adverse effect on competition in the Fort Wayne banking market.

The financial and managerial resources of Applicant, Auburn, Dekalb and Churubusco, and their respective subsidiary banks are generally satisfactory and consistent with approval. As a result of this acquisition, Applicant proposes to offer several new or expanded services to the customers of the subsidiary banks of Auburn, Dekalb and Churubusco, including Master Card/VISA banking, securities brokerage activities, expanded trust and corporate banking services, and additional ATM services. Accordingly, considerations relating to the convenience and needs of the community are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is in the public interest and that the applications should be, and hereby are, approved. 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 this 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 April 23, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, and Johnson. Absent and not voting: Chairman Volcker and Governor Angell.

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

5. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *NCNB Corporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *Sun Banks, Inc.*, 69 FEDERAL RESERVE BULLETIN 934 (1983); *Merchants Bancorp, Inc.*, 69 FEDERAL RESERVE BULLETIN 865 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

6. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Applicant would control 20.5 percent of total deposits in the market, and Auburn, Dekalb and Churubusco would control 2.1, 0.3 and 1.7 percent, respectively. Consummation of the proposed acquisition would increase Applicant's share of deposits in the market to 24.6 percent, the HHI by 181 points to 1816, and the four-firm concentration ratio from 74.2 percent to 78.3 percent.

Gainer Corporation
Merrillville, Indiana

Order Approving Acquisition of a Bank Holding Company and Bank

Gainer Corporation, Merrillville, Indiana, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. § 1841 *et seq.)*, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire the successor by merger to Northern Indiana Bancshares, Inc., Valparaiso, Indiana, and thereby to acquire indirectly Northern Indiana Bank & Trust Company, Valparaiso, Indiana ("Bank").

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

Applicant, which controls three banks, is the fourth largest commercial banking organization in Indiana, with total deposits of $792.7 million, representing 2.2 percent of the total deposits in commercial banks in the state.[1] Bank is the 25th largest commercial bank in Indiana, with total deposits of $234.6 million, representing 0.7 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would remain the fourth largest commercial banking organization in Indiana, with total deposits of approximately $1.0 billion, representing

1. All banking data are as of December 31, 1984, adjusted to account for mergers and acquisitions consummated as of April 3, 1986.

approximately 2.9 percent of the total deposits in commercial banks in the state. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Indiana.

Applicant is the largest of 13 commercial banking organizations in the Gary-Hammond banking market,[2] controlling 28.8 percent of the total deposits in commercial banks in the market. Bank is the sixth largest commercial banking organization in the market, controlling 8.5 percent of the total deposits in commercial banks therein. Upon consummation of this proposal, Applicant would control 37.3 percent of the total deposits in commercial banks in the market.

The Gary-Hammond banking market is considered moderately concentrated, with a four-firm concentration ratio of 58.2 percent and a Herfindahl–Hirschman Index ("HHI") of 1373. Upon consummation of this proposal, the four-firm concentration ratio in the market would increase by 8.5 percent to 66.7 percent and the HHI would increase by 490 points to 1863.[3]

Although consummation of this proposal would eliminate existing competition between Applicant and Bank in the Gary-Hammond banking market, 11 other commercial banking organizations would remain as competitors. In addition, the Board has concluded that the effect of this proposal on existing competition is mitigated by the extent of competition offered by thrift institutions in the market.[4] Sixteen savings and loan associations in the market hold total deposits of $1.7 billion, representing 38.1 percent of the total deposits in the market.[5] These institutions compete with the commercial banks in the market for transaction accounts, consumer loans and commercial loans. Accordingly, in view of the competition provided by thrift institutions and the number of competitors remaining in the market, the Board concludes that consummation of the proposed acquisition is not likely to have a significant adverse effect on competition in the Gary-Hammond banking market.

The financial and managerial resources and future prospects of Applicant and Bank are considered generally satisfactory. Applicant has indicated that it proposes to provide several new services to Bank's customers including access to an ATM network, discount brokerage services, expanded lending services, FHA and VA mortgage loans, an expanded student loan program, and new trust services. Considerations relating to the convenience and needs of the community to be served are consistent with approval.

Based upon the foregoing and other facts of record, the Board has determined that consummation of the transaction would be in the public interest and that the application should be, and hereby is, approved. 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 the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective April 30, 1986.

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

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

2. The Gary-Hammond banking market is approximated by Lake and Porter Counties, Indiana.

3. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger is not likely substantially to lessen competition. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Department of Justice has not advised the Board of any objection to this transaction.

4. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *NCNB Corporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *Sun Banks, Inc.*, 69 FEDERAL RESERVE BULLETIN 934 (1983); *Merchants Bancorp, Inc.*, 69 FEDERAL RESERVE BULLETIN 865 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

5. If 50 percent of the deposits held by thrift institutions is included in the calculation of market concentration, Applicant would control 22.0 percent and Bank would control 6.5 percent of the total deposits in the market; the four-firm concentration ratio would be 44.5 percent; and the HHI would be 886. Following consummation of the proposal, Applicant would control 28.5 percent of the total deposits in the market, the four-firm concentration ratio would be 51.0 percent, and the HHI would be 1172.

Marshall & Ilsley Corporation
Milwaukee, Wisconsin

M&I Marytown Corporation
Marytown, Wisconsin

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

Marshall & Ilsley Corporation, Milwaukee, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. §§ 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire Marytown Bancshares, Inc., New Holstein, Wisconsin ("Company"), a one-bank holding company, and thereby indirectly acquire Company's banking subsidiary, Farmers & Merchants

Bank, Marytown, Wisconsin ("Bank"). This transaction would be effected by merging Company with and into M&I Marytown Corporation, Marytown, Wisconsin.[1]

Notice of the applications, affording interested persons an opportunity 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 applications and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant is the second largest commercial banking organization in Wisconsin and controls deposits of $3.5 billion, representing 11.9 percent of the total deposits in commercial banks in the state.[2] Company is one of the smaller commercial banking organizations in the state and controls deposits of $10.3 million, representing less than one percent of the total deposits in commercial banks in the state. Upon acquiring Company, Applicant would remain the second largest banking organization and control 12.0 percent of the total deposits in commercial banks in the state. Consummation of this proposal would have no significant effect on the concentration of banking resources in Wisconsin.

An existing banking subsidiary of Applicant, M&I New Holstein Bank, New Holstein, Wisconsin, competes directly with Bank in the New Holstein banking market.[3] Applicant is the third largest commercial banking organization in the market, controlling deposits of $27.2 million, representing 18 percent of the total deposits in commercial banks in the market. Company is the sixth largest commercial banking organization in the market, controlling deposits of $10.3 million, representing 6.9 percent of the total deposits in commercial banks therein.

Upon acquiring Company, Applicant would control 24.9 percent of the total deposits in commercial banks in the market. The share of deposits held by the four largest banking organizations in the market, currently 73 percent, would increase to 79.9 percent upon consummation of this proposal. The market's Herfindahl–Hirschman Index ("HHI") would increase by 248 points to 1856 upon consummation of the proposal, making this transaction one that would be subject to challenge under the Department of Justice Merger Guidelines.[4]

Although the proposed acquisition would eliminate some existing competition in the market, the Board has concluded that the effect of this proposal on existing competition is mitigated by the extent of competition offered by thrift institutions in the market.[5] Three thrift institutions located in the market hold deposits of $51.9 million, representing 25.6 percent of the total deposits in the market. These institutions compete with commercial banks in the provision of consumer loans, transaction accounts and commercial real estate loans, and are authorized to provide commercial lending services. In view of these facts, the Board considers the presence of thrift institutions a significant factor in assessing the competitive effects of this proposal.[6] The Board also notes that several competitors — six commercial banks and three thrift institutions — would remain in the market following consummation of this proposal. On the basis of these and other facts of record, the Board concludes that the effects of consummation of the proposal on existing competition in the New Holstein banking market would not be significantly adverse.

The financial and managerial resources and future prospects of Applicant and Company are considered satisfactory and consistent with approval of the application. Considerations related to the convenience and needs of the communities to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is in the public interest and that the applications should

1. M&I Marytown Corporation has applied for the Board's approval pursuant to section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) to become a bank holding company by merging with Company.

2. Banking data are as of December 31, 1984, and reflect Applicant's acquisition of Lancaster State Bank, Lancaster, Wisconsin, on December 31, 1985.

3. The New Holstein banking market is approximated by southern Calumet County (Stockbridge, Chilton, Charlestown, Brothertown, and New Holstein townships); Eaton and Schleswig townships in Manitowoc County; Russell and Rhine townships in Sheboygan County; and Calumet township in Fond du Lac County.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), any market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other facts of record indicate that the merger will not substantially lessen competition. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

The Department has not advised the Board of any objection to this transaction.

5. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *E.g.*, *NCNB Corporation*, 70 Federal Reserve Bulletin 225 (1984); *Sun Banks, Inc.*, 69 Federal Reserve Bulletin 934 (1983); *Merchants Bancorp, Inc.*, 69 Federal Reserve Bulletin 865 (1983); *First Tennessee National Corporation*, 69 Federal Reserve Bulletin 298 (1983).

6. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, the pre-acquisition four-firm concentration ratio would decrease to 62.3 percent and the HHI would decrease to 1254. Upon consummation of this proposal, the four-firm concentration ratio would increase to 68.1 percent and the HHI would increase by 179 points to 1433. The resulting market share of Applicant would decrease to 21.2 percent.

be approved. Accordingly, the applications are approved for the reasons stated above. The transactions 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 that period is extended for good cause by the Board or the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective April 8, 1986.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Rice, Seger, Angell, and Johnson.

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

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

Archer, Inc.
Palmer, Nebraska

Order Approving the Merger of Bank Holding Companies

Archer, Inc., Palmer, Nebraska ("Archer"), and its subsidiary Osceola Insurance, Inc., Osceola, Nebraska ("Osceola"), bank holding companies within the meaning of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. § 1841 *et seq.)*, have applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire The Gretna Company ("Gretna"), and thereby to acquire indirectly its subsidiary bank, Gretna State Bank ("Bank"), both of Gretna, Nebraska. Archer proposes to merge Gretna and Osceola, with the latter being the surviving institution.

Gretna also engages directly in the sale of credit life and credit accident and health insurance related to extensions of credit by Bank, and Archer and Osceola have applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)), to engage in these credit-related insurance agency activities. The sale of insurance that is limited to assuring repayment of the outstanding balance on a specific extension of credit by a bank holding company's subsidiary bank in the event of the death, disability or involuntary unemployment of the debtor has been determined by the Board to be closely related to banking and permissible for bank holding companies pursuant to 12 U.S.C. § 1843(c)(8)(A).

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (51 *Federal Register* 5101 (February 11, 1986)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act, 12 U.S.C. § 1842(c), and the considerations specified in section 4(c)(8) of the Act.

Archer is the 172nd largest commercial banking organization in Nebraska, holding total deposits of $18.5 million, representing less than one percent of total deposits in the state.[1] Bank is the 251st largest commercial bank in Nebraska, holding total deposits of $12.6 million, representing less than one percent of total deposits in the state. Consummation of this proposed transaction would not have significant adverse effects upon the concentration of banking resources in the state.

Bank operates in the Omaha, Nebraska-Council Bluffs, Iowa banking market,[2] where it is the 28th largest of 38 commercial banks, controlling 0.34 percent of total deposits in commercial banks in the market. Archer and Osceola do not compete in the Omaha-Council Bluffs market.

Principals of Archer, however, control an additional bank in the market, Bank of Papillion, Papillion, Nebraska, which holds deposits of $35.7 million, representing 0.97 percent of total deposits in commercial banks in the market and making it the 24th largest bank in the market. Principals of Archer also control Gretna, and this proposal represents the reorganization of these organizations into a single multibank holding company. Since Bank, like Bank of Papillion, is presently controlled by principals of Archer, the proposed transaction will not result in any lessening of competition between Bank of Papillion and Bank. In addition, Bank and Bank of Papillion are two of the smaller banks in the market, together controlling deposits of $48.3 million, representing 1.31 percent of total deposits in commercial banks in the Omaha-Council Bluffs market. The Board concludes that consummation of this transaction will not have any significant adverse effects upon competition in any relevant market.

Where the principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the bank holding company

1. Deposit data are as of December 31, 1984.
2. The Omaha, Nebraska-Council Bluffs, Iowa banking market is approximated by the Omaha, Nebraska-Council Bluffs, Iowa RMA.

proposal before it, also considers the entire chain and analyzes the financial and managerial resources and future prospects of the chain within the context of the Board's multibank holding company standards. After considering the facts of record, including recent operating changes within the chain banking organization, the Board has concluded that the financial and managerial resources and future prospects of Archer, Osceola and Bank are consistent with approval of this application. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Archer and Osceola have also applied, pursuant to section 4(c)(8) of the Act, to engage in the sale of credit life and credit accident and health insurance through acquisition of the insurance agency operated directly by Gretna. No adverse competitive effect would result from this acquisition because the insurance agency activities of Gretna are limited to the sale of credit life and credit accident and health insurance directly related to extensions of credit made by Bank.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. The proposed acquisition will allow Archer and Osceola to provide a convenient source for credit life insurance for Bank's borrowers. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application to acquire Gretna's insurance agency.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The merger with Gretna shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur 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. The determination with respect to Archer's acquisition of Gretna's insurance agency activities is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective April 14, 1986.

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

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

Banc One Corporation
Columbus, Ohio

Money Management Corporation
Merrillville, Indiana

Order Approving Acquisition of a Bank Holding Company

Banc One Corporation, Columbus, Ohio, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to acquire Money Management Corporation, Merrillville, Indiana ("Management"). As a result of this acquisition, Applicant would acquire indirectly Management's subsidiary bank, Bank of Indiana, N.A. ("Bank"), Gary, Indiana.

Banc One Corporation has also applied for the Board's approval under section 4(c)(13) of the Act (12 U.S.C. § 1843(c)(13)) to acquire all of the shares of British Swiss Trust Company, Charlottetown, Prince Edward Island, Canada, a currently inactive company.

Notice of the applications, 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.

Applicant is the second largest commercial banking organization in Ohio. Its 22 subsidiary banks control deposits of approximately $8.4 billion, representing 13.5 percent of the total deposits in commercial banks in Ohio.[1] Management is the seventeenth largest commercial banking organization in Indiana. Its sole bank subsidiary controls deposits of approximately $278.8 million, representing less than 1 percent of the total deposits in commercial banks in Indiana. Management

1. Statewide deposit data are as of September 30, 1985.

also controls British Swiss Trust Company, an inactive company chartered in Canada to engage in pension fund administration activities.

Section 3(d) of the Act (12 U.S.C. § 1843(d)) prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[2] unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."

Effective January 1, 1986, the statute laws of the State of Indiana authorized any bank holding company having its principal place of business in Ohio, Kentucky, Illinois and Michigan to acquire control of an Indiana bank or bank holding company, if the state where that bank holding company is located authorized the acquisition of that acquiror bank holding company "by the Indiana bank holding company or Indiana bank, sought to be acquired."[3]

Effective October 17, 1985, the statute laws of Ohio authorized a bank or bank holding company with its principal place of business in another state to charter or otherwise acquire an Ohio bank or bank holding company, only if the Ohio Superintendent of Banks determines that the laws of such other state permit an Ohio bank or bank holding company to acquire a bank or bank holding company in that state "on terms that are, on the whole, substantially no more restrictive" that those established under Ohio law.[4] Until October 1988, interstate acquisitions are authorized only from a limited number of states, including Indiana. The Ohio Superintendent of Banks has issued a "Determination of Reciprocity," in which she concludes that the interstate banking statute of Indiana is reciprocal with that of Ohio and authorizes banking acquisitions between the two states. The Director of the Indiana Department of Financial Institutions has also determined that the two state statutes are reciprocal and authorize such interstate acquisitions.

The Board concludes that the two statutes are reciprocal and that Indiana has by statute expressly authorized an Ohio bank holding company, such as Applicant, to acquire an Indiana bank or bank holding company, such as Management. Accordingly, the Board concludes that approval of Applicant's proposal to acquire indirectly a bank in Indiana is not barred by the Douglas Amendment.

All of Bank's 14 offices are located in the Gary-Hammond banking market[5] where Bank is the third largest banking organization, controlling 9.8 percent of the deposits in commercial banks in the market. Applicant's subsidiary banks do not operate in the Gary-Hammond market, and consummation of the proposed acquisition would have no adverse effect on competition in any relevant market.

The Board also examined the effect of the proposal on probable future competition in the relevant geographic markets. In light of the numerous other potential out-of-state entrants into the Ohio markets served by Applicant, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant, Management, and their subsidiaries are considered satisfactory. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

The Board has also considered the application to acquire British Swiss Trust Company and has determined that the factors that the Board must consider under section 4(c)(13) are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that consummation of the proposed acquisition would be in the public interest and that the application should be approved. Accordingly, 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 Cleveland, acting pursuant to delegated authority.[6]

By order of the Board of Governors, effective April 28, 1986.

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

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

2. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later.

3. Ind. Code § 28-2-15-18 (Supp. 1985).

4. Ohio Rev. Code Ann. §§ 1101.05 (Page Supp. 1985).

5. The Gary-Hammond banking market is approximated by Lake and Porter Counties, Indiana.

6. The Board notes that Applicant may not consummate this transaction unless and until it receives final approval by the Indiana Department of Financial Institutions pursuant to section 28-2-15-17 of the Indiana Code.

Wells Fargo & Company
San Francisco, California

Order Approving the Acquisition of a Bank Holding Company

Wells Fargo & Company, San Francisco, California, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.)* ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842), to acquire Crocker National Corporation, San Francisco, California ("Crocker"), and thereby indirectly acquire Crocker National Bank, San Francisco, California.

Wells Fargo also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)), to acquire the following subsidiaries of Crocker: Crocker Mortgage Company, Inc., San Diego, California, and thereby engage in originating, purchasing, and servicing mortgages, loans and other extensions of credit; Crocker Trust Company of California, Hawthorne, California, and thereby perform trust company services; Crocker Financial Corporation, Limited, Honolulu, Hawaii, and thereby operate an industrial loan company and engage in the sale of credit life, accident, and health insurance; Crocker Life Insurance Company, San Francisco, California, and thereby underwrite credit life and disability insurance for Crocker and its subsidiaries; Crocker Investment Management Corp., San Francisco, California, and thereby provide portfolio investment advice and general economic and financial information and advice; and CNC Insurance Agency, San Francisco, California, and thereby act as agent for the sale of credit life and disability insurance directly related to extensions of credit by subsidiaries of Crocker. The Board has determined that these activities are closely related to banking and are permissible for bank holding companies (12 C.F.R. §§ 225.25(b)(1), (2), (3), (4), (8), (9)).

Wells Fargo also has applied for the Board's approval under section 25(a) of the Federal Reserve Act ("Edge Act") to acquire Crocker Bank International, New York, New York, and Crocker International Investment Corporation, San Francisco, California. Wells Fargo has also provided notice under section 4(c)(14) of the Act (12 U.S.C. § 1843(c)(14)) of its intention to acquire Crocker Pacific Trade Corporation, San Francisco, California, an export trading company.

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (51 *Federal Register* 10,446 (March 26, 1986)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors and considerations set forth in section 3(c) and 4 of the Act (12 U.S.C. § 1842(c) and 1843), and the purposes of the Edge Act.

Wells Fargo is the third largest commercial banking organization in California, with one subsidiary bank that controls total domestic deposits of $18.3 billion, representing 10.0 percent of the total deposits in commercial banks in the state.[1] Crocker is the fifth largest commercial banking organization in the state, with one banking subsidiary that controls aggregate domestic deposits of $12.6 billion, representing 6.8 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed acquisition, Wells Fargo's share of total deposits in commercial banks in the state would increase to approximately 16.8 percent, and Wells Fargo would become the second largest commercial banking organization in the state.

Although the Board is concerned about the effect of this combination of the third and fifth largest commercial banking organizations in California on the concentration of banking resources within the state, certain conditions that would exist after the proposed merger mitigate that concern. A number of other large bank holding companies that are active competitors throughout the state would remain upon consummation of this proposal. In addition, California would remain moderately concentrated in terms of banking resources, with the share of the commercial bank deposits held by the four largest commercial banking organizations in California increasing from 61.5 percent to 68.3 percent. Furthermore, the Board notes that 48.9 percent of the combined deposits of banks and thrift institutions in the state is controlled by thrift institutions, which compete actively with commercial banks throughout the state. Thirty-three of the 49 depository institutions with deposits of $1.0 billion or more are thrifts, while only 16 are commercial banks. In view of the structure of banking in California, the Board concludes that consummation of this acquisition would not have any significantly adverse effects on the concentration of commercial banking resources in California.

Wells Fargo and Crocker are also among the larger commercial banking organizations in the United States. Based on consolidated assets, Wells Fargo is the thirteenth largest commercial banking organization in the country, with total assets of $29.4 billion.[2] Crocker is the twenty-fifth largest commercial banking

1. Data are as of June 30, 1985, unless otherwise noted, and do not reflect the proposed divestitures.

2. Data are as of December 31, 1985.

organization in the country, with total assets of $19.2 billion. Upon consummation of the proposal and a planned reduction in assets, Wells Fargo would become the tenth largest commercial banking organization in the country, with $42.5 billion of consolidated assets.

As the Board has previously noted, it views with concern any proposal involving a major expenditure of funds for expansion that could limit a bank holding company's ability to serve as a source of strength to its subsidiary banks, particularly its ability to raise new equity capital to deal with unforeseen difficulties.[3] The Board is also concerned about large acquisitions that reduce the amount of equity capital in the banking system. Thus in its evaluation of the financial aspects of this case, the Board has given special and careful attention to Wells Fargo's capital position and the fact that it has raised substantial additional equity capital to fund the acquisition.

After a review of the effect of the proposal on Wells Fargo's financial resources, the Board concludes that consummation of the proposal will not have a material adverse effect on Wells Fargo's capital and that Wells Fargo's financial resources will remain satisfactory. In reaching this conclusion, the Board has noted as a matter of particular importance the fact that more than 70 percent of the purchase price of this transaction will be financed with equity, including the issuance of more than $400 million in common stock, which already has been issued. In addition, after consummation of the proposal Wells Fargo intends to reduce its assets by $5.9 billion by September. After this reduction in assets, the tangible primary and total capital of both Wells Fargo and its subsidiary bank will be well in excess of the Board's minimum requirements for multinational organizations. Accordingly, the Board concludes that the financial resources of Wells Fargo and its subsidiary are consistent with approval.

The Board has also reviewed the effect of this proposal in light of Crocker's financial performance. In recent years, Crocker has suffered significant financial losses. As a result of these losses, Crocker's parent, Midland Bank plc, London, England, has restructured Crocker's management to improve its financial condition. Announcement of the merger has continued the uncertainty surrounding Crocker's management, and has resulted in the prospect of an adverse effect on Crocker's financial and managerial resources. The Board believes that Wells Fargo will provide the stability to Crocker's management that is needed to strengthen Crocker and improve its performance. Thus, considerations relating to banking factors lend weight toward approval of this application.

Wells Fargo's subsidiary bank competes with Crocker's subsidiary bank in 36 banking markets in California. Wells Fargo proposes to make certain divestitures in seven of these markets in order to alleviate the anticompetitive effects that would otherwise result from consummation of the proposal. The Board has reviewed the effect of the transaction in these seven markets in light of the proposed divestitures and in the other 29 relevant markets, and finds that the effect on existing competition that would result from this transaction in each of these markets is not so adverse as to warrant denial of the application. In this regard, The Department of Justice has informed the Board of its view that consummation of the transaction would not be significantly adverse if the divestitures proposed by Wells Fargo in the seven relevant banking markets are completed under the conditions described below.

Both Wells Fargo and Crocker are headquartered in the San Francisco market.[4] In the San Francisco banking market, Wells Fargo is the second largest commercial banking organization with total deposits of $10.5 billion, representing 19.5 percent of the total deposits in commercial banks in the market. Crocker is the third largest commercial banking organization with total deposits of $5.7 billion, representing 10.7 percent of total deposits in commercial banks in the market. After consummation of the proposal, Applicant would control approximately 30.2 percent of the total deposits in commercial banks in the market.

The San Francisco banking market is considered to be concentrated, with the four largest commercial banks controlling 72.4 percent of the deposits in commercial banks in the market. The Herfindahl-Hirschman Index ("HHI") for the market is 1998 and would increase by 418 points to 2416 upon consummation of the proposal.[5]

Although consummation of this proposal would eliminate existing competition between Wells Fargo and Crocker in the San Francisco market, more than

3. *Manufacturers Hanover Corporation*, 70 FEDERAL RESERVE BULLETIN 452 (1984).

4. The San Francisco banking market is approximated by the San Francisco-Oakland-San Jose RMA plus the city of St. Helena.

5. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)) ("Guidelines"), a market in which the post-merger HHI is over 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that produces an increase in the HHI of more than 50 points. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

100 commercial banking organizations would remain in the market as competitors after consummation of the proposal. These institutions include some of the country's larger commercial banks as well as a number of large foreign financial institutions. In addition, the competition provided by more than 60 thrift institutions in the market also mitigates the competitive effects of the transaction.[6] Thrift institutions hold combined deposits of approximately $33.3 billion, or approximately 38 percent of the total deposits in the market. Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans. In addition, some of the thrift institutions are engaged in the business of making commercial loans and are providing an alternative for such services in the San Francisco market. Accordingly, based upon the foregoing and other facts of record, the Board concludes that the effects of the proposal on competition in the San Francisco market would not be substantially adverse.[7]

There are 28 other markets in which both Wells Fargo and Crocker compete and where no divestiture is proposed. An analysis of these markets indicates that in 21 markets, taking into account the competition among commercial banks only, consummation of the proposal would not have a significant adverse effect on competition. Six of these markets would be only moderately concentrated after consummation of the proposal and in five of these six markets, the increase in Wells Fargo's market share is small.[8] In the sixth market, the increase in Wells Fargo's market share is mitigated by existence of numerous other competitors and the fact that the market would remain only moderately concentrated. The other 15 of the 21 markets are already considered concentrated under the guidelines and would remain so upon consummation.[9] However, the increase in concentration resulting from the proposal, as measured by the increase in the HHI in these markets, is not so significant as to warrant denial of the proposal. In addition, the presence of thrift institutions in these markets further mitigates any anticompetitive effects in the markets.

In the seven remaining markets where no divestitures are planned,[10] consummation of the proposal would result in a substantial increase in the market share of the resulting organization and the market would be highly concentrated in terms of commercial bank deposits only. After a review of the record, however, the Board believes that there are mitigating circumstances that indicate that consummation of the proposal would not have substantially adverse effects on competition. First, in each of these markets, numerous competitors, including the state's largest commercial banking organization, would remain after consummation of the proposal. Moreover, the anticompetitive effects of this transaction are further mitigated by the presence and competition afforded by numerous thrift institutions which control at least one-third of the combined deposits of banks and thrift institutions in each market.

The record indicates that most of the thrift institutions in these markets currently offer a full range of consumer services, NOW accounts and other transaction accounts, and some of them are currently involved in commercial lending activities. If 50 percent of the deposits of thrift institutions are included in the calculation of market concentration, six of these markets would be considered only moderately concentrated and in the seventh market the increase in concentration occasioned by this proposal, as measured by the increase in the HHI in the market, would not be significant.

In the seven markets where Wells Fargo proposes divestitures, it will divest seven branches with a total of approximately $225 million in deposits to a commercial banking organization not currently represented in the markets.[11] In four of these markets, Wells Fargo's market share will remain unchanged because it will divest all of Crocker's position in the market. In a fifth market, Wells Fargo will divest its pre-acquisition position in the market. On the basis of these divestitures and all of the facts of record, the Board concludes that consummation of the transaction would not tend substantially to lessen competition in these markets.

6. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

7. If 50 percent of deposits held by thrift institutions in the San Francisco banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market (one of which is a thrift institution) would be 55.8 percent. Wells Fargo would control 14.9 percent of the market's deposits and Crocker would control 8.2 percent of the market's deposits. The HHI would increase by 244 points to 1445 upon consummation of the proposal.

8. These markets are the Los Angeles, Modesto, San Joaquin County, San Diego, Santa Barbara and Ventura-Oxford banking markets, all in California.

9. These markets are as follows: Bakersfield, Central Riverside County, Fairfield, Fresno, Hemet, Imperial County, San Bernardino, San Luis Obispo County, Santa Cruz, Santa Maria, Santa Rosa, Southern Butte County, Ukiah, Visalia, and Watsonville.

10. These markets are the Antioch-Pittsburg, Chico, Merced, Monterey, Sacramento, Sonora and Woodland-Davis banking markets.

11. These markets are Colusa County, Placerville, Eureka, Redding, Salinas, Tehama County and Marysville banking markets.

In the remaining two markets, the Board concludes that consummation of the proposal would not substantially lessen competition after taking into account the competition afforded by thrift institutions in the markets and the proposed divestitures.[12] Moreover, the state's largest commercial banking organization is the largest bank in each market and controls a significant share of the market's deposits.

Where, as in this case, divestitures are proposed to avoid the otherwise substantial anticompetitive effects resulting from a proposed acquisition, the Board's policy requires that such divestitures take place on or before the date of consummation of the acquisition.[13] In accordance with the Board's policy, Wells Fargo is required to make every effort to complete the divestitures prior to consummation of its acquisition of Crocker. In this regard, the Board notes that Wells Fargo has entered into an agreement in principle with another commercial banking organization not represented in the markets in question for the sale of the seven branches to be divested, and the purchaser will file for the necessary regulatory approvals before consummation of Wells Fargo's acquisition of Crocker. Wells Fargo's action to reach an agreement for the sale of these branches is fully consistent with the Board's competitive divestiture policy.

Although the Board anticipates that every effort will be made to complete the divestitures before consummation of the Crocker acquisition, in some circumstances divestiture may not be possible before the expected consummation date because of the inability of the purchaser for the branches to obtain regulatory approval due to time constraints.[14]

The Board also has considered the effects of this proposal on probable future competition in the markets in which Wells Fargo and Crocker do not compete with each other. In light of the number of probable future entrants into each of these markets and other facts of record, the Board concludes that consummation of this proposal would not have any significant adverse effect on probable future competition in any relevant market.

In its evaluation of Wells Fargo's managerial resources, the Board has considered certain violations by Wells Fargo of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[15] In this regard, the Board notes that Wells Fargo has cooperated fully with law enforcement agencies. Wells Fargo and its subsidiaries have also undertaken a comprehensive remedial program to correct these violations and to prevent violations from occurring in the future. Wells Fargo has advised the Board that it has filed corrective currency transaction reports ("CTRs") appointed a senior officer responsible for ensuring compliance with CFTRA reporting requirements, and established a central control unit which has day-to-day responsibility for monitoring all reportable transactions, ensuring that reports are properly filed and administering the exemption list. Wells Fargo has also designated a currency transaction specialist to monitor all aspects of CFTRA reporting and instituted intensive internal training for bank personnel regarding compliance with the CFTRA. The Board has also consulted with the Office of the Comptroller of the Currency and other appropriate enforcement agencies with respect to this matter, and has considered Wells Fargo's past record of compliance with the law.

Based on the facts discussed above and other facts of record, the Board concludes that Wells Fargo's managerial resources are consistent with approval of the application. The convenience and needs of the communities to be served are also consistent with approval of this application.[16]

Applicant also has applied, pursuant to section 4(c)(8) of the Act, to acquire Crocker Life Insurance Company and Crocker Insurance Agency, Inc., both of San Francisco, California, and thereby engage in the underwriting and sale of credit-related insurance associated with loans by Crocker's subsidiary banks. Although Wells Fargo currently engages in the reinsurance of credit-related insurance, no adverse competitive effect would result from this acquisition because the activities of the firms would be limited to insurance directly related to extensions of credit made by the subsidiaries of Crocker. Wells Fargo also has applied to acquire Crocker Mortgage Corporation, San Diego, California ("CMC"), a company that engages in mortgage banking activities primarily in California and Hawaii. Wells Fargo presently engages in mortgage

12. If 50 percent of the deposits held by thrift institutions in the market were included in the calculation of market concentration, the markets would be considered only moderately concentrated and the increase in market concentration resulting from the proposal would not be substantial.

13. *Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *Interfirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982).

14. If the purchaser is unable to acquire the branches prior to Wells Fargo's acquisition of Crocker because of delay in securing regulatory approval, an independent trustee must be appointed for the branches prior to consummation with instructions to divest the branches promptly. This is consistent with the need to consummate the Crocker acquisition expeditiously in order to assure the expected improvements in Crocker's performance and avoid managerial or other problems that could result from delay.

15. 31 U.S.C. § 5311, *et. seq.;* 31 C.F.R. § 103.

16. The Board has received comments from a number of community groups concerning the acquisition. After a number of meetings with Wells Fargo, Wells Fargo issued a policy statement setting forth its commitment to help meet the needs of the community.

banking activities through its subsidiary bank in markets where CMC operates. There are numerous other competitors in these markets, however, and Wells Fargo's acquisition of CMC would not eliminate any significant competition in any relevant market.

Wells Fargo also proposes to acquire Crocker Trust Company of California, Hawthorne, California, a company that provides data processing and custodial activities, and Crocker Financial Corporation, Ltd., Honolulu, Hawaii, an industrial loan company that engages in consumer lending in Hawaii. Wells Fargo does not engage in these activities and thus the acquisition of Crocker's subsidiary will not eliminate any existing competition. Wells Fargo has also applied to acquire Crocker Investment Management Corporation, San Francisco, California ("CIMC"), a company that provides portfolio and general economic information advice. Wells Fargo also engages in this activity. Because of the large number of firms that engage in this activity, however, acquisition of CIMC will not have an adverse effect on competition.

Accordingly, it appears that Wells Fargo's acquisition of these nonbanking subsidiaries would not have a significantly adverse effect upon competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application to acquire Crocker's nonbanking subsidiaries.

The Board has also considered the notice of Wells Fargo's proposed investment in Crocker Pacific Trade Corporation under section 4(c)(14) of the Act and the acquisition of Crocker Bank International and Crocker International Investment Corporation under the Edge Act. Based on the facts of record, the Board has determined that disapproval of the proposed investments is not warranted.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The acquisition of Crocker 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 San Francisco, pursuant to delegated authority. The determinations as to Wells Fargo's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a 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 April 29, 1986.

Voting for this action: Chairman Volcker and Governors Rice, Seger, Angell, and Johnson. Abstaining from this action: Governor Martin. Absent and not voting: Governor Wallich.

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

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

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
AmBank Financial Services, Inc., Rock Island, Illinois	American Bank of Rock Island, Rock Island, Illinois	Chicago	April 2, 1986
Apollo Bancorp, Inc., Apollo, Pennsylvania	Apollo Trust Company, Apollo, Pennsylvania	Cleveland	April 11, 1986
Bankvest, Inc., Wilkes-Barre, Pennsylvania	First Peoples National Bank, Edwardsville, Pennsylvania	Philadelphia	April 28, 1986
Bryant-Irvin Bancshares, Inc., Benbrook, Texas	Citizens National Bank, Benbrook, Texas	Dallas	April 7, 1986
Central State Bancorp, Inc., Lexington, Tennessee	Central State Bank, Lexington, Tennessee	St. Louis	March 19, 1986
Central Wisconsin Bankshares, Inc., Wausau, Wisconsin	Valley View Bank, La Crosse, Wisconsin	Chicago	March 31, 1986
Champlain Bank Corporation, Willsboro, New York	Essex County-Champlain National Bank, Willsboro, New York	New York	April 2, 1986
Charter 17 Bancorp, Inc., Richmond, Indiana	PTC Financial Corporation, Peru, Indiana	Chicago	April 14, 1986
Citizens Community Bankshares, Inc., Wittenberg, Wisconsin	Iron Exchange Bank, Hurley, Wisconsin	Chicago	April 18, 1986
CNB Corp, Inc., Windber, Pennsylvania	Citizens National Bank in Windber, Windber, Pennsylvania	Cleveland	April 8, 1986
Comm. Bancorp, Inc., Forest City, Pennsylvania	The First National Bank of Nicholson, Nicholson, Pennsylvania	Philadelphia	March 27, 1986
Commerce Financial Corporation, Alma, Arkansas	Commercial Bank at Alma, Alma, Arkansas	St. Louis	April 14, 1986
Community Bankers' Corporation, Marion Center, Pennsylvania	Marion Center National Bank, Marion Center, Pennsylvania	Cleveland	March 31, 1986
Community Banks, Inc., Employee Stock Ownership Trust, Middleton, Wisconsin	Community Banks, Inc., Middleton, Wisconsin	Chicago	April 17, 1986
Community Banks, Inc., Millersburg, Pennsylvania	Peoples Bank of Shamokin, Shamokin, Pennsylvania	Philadelphia	April 14, 1986
Crown Bancshares, Inc., Omaha, Nebraska	First United Bank of Bellevue, Bellevue, Nebraska	Kansas City	March 31, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
DBT Financial Corporation, DeWitt, Arkansas	DeWitt Bank & Trust Company, DeWitt, Arkansas	St. Louis	April 18, 1986
Depositors Bancorp, Lexington, Massachusetts	Depositors Trust Company, Lexington, Massachusetts	Boston	March 25, 1986
Dominion Bankshares Corporation Roanoke, Virginia	State National Bank of Maryland, Rockville, Maryland	Richmond	April 3, 1986
First Alpine, Inc., Alpine, Texas	First National Bank in Alpine, Alpine, Texas	Dallas	April 17, 1986
First Bancshares of Muskogee, Inc., Muskogee, Oklahoma	First City Bank, N.A., Tulsa, Oklahoma	Kansas City	April 4, 1986
First Hanover Bancorp, Inc., Hanover, Illinois	Hanover State Bank, Hanover, Illinois	Chicago	April 18, 1986
First National Corporation of Sparta, Sparta, Tennessee	First National Bank of Sparta, Sparta, Tennessee	Atlanta	April 17, 1986
First Rainsville Bancshares, Inc., Rainsville, Alabama	First National Bank of Rainsville, Rainsville, Alabama	Atlanta	March 31, 1986
First Virginia Banks, Inc., Falls Church, Virginia	The Commercial Bank, Bel Air, Maryland	Richmond	April 21, 1986
Gateway Bancorp, Inc., Phoenix, Arizona	Gateway National Bank, Phoenix, Arizona	San Francisco	April 4, 1986
Grenada Sunburst System Corporation, Grenada, Mississippi	Grenada Bank, Grenada, Mississippi	St. Louis	April 11, 1986
Independent Community Bancshares, Inc., Kiel, Wisconsin	Newton State Bank, Newton, Wisconsin	Chicago	April 17, 1986
Interchange Financial Services Corporation, Saddle Brook, New Jersey	Interchange State Bank, Saddle Brook, New Jersey	New York	April 9, 1986
Interchange Financial Services Corporation, Saddle Brook, New Jersey	Interchange State Bank, Saddle Brook, New Jersey	New York	April 9, 1986
Kanbanc, Inc., Overland Park, Kansas	The Hepler State Bank, Hepler, Kansas Citizens State Bank of Pomona, Pomona, Kansas	Kansas City	April 18, 1986
Lafayette Bancshares, Inc., Lafayette, Minnesota	Citizens State Bank of Lafayette, Lafayette, Minnesota	Minneapolis	March 25, 1986
Lake Elmo Bancorp., Inc., Lake Elmo, Minnesota	State Bank of Lake Elmo, Lake Elmo, Minnesota	Minneapolis	April 15, 1986
Liberty Bancshares Inc., Montgomery, West Virginia	The Montgomery National Bank, Montgomery, West Virginia	Richmond	April 18, 1986
Medina Bancshares, Inc., Medina, Tennessee	Medina Banking Company, Medina, Tennessee	St. Louis	April 15, 1986
Mercantile Bancshares, Inc., Jonesboro, Arkansas	Mercantile Bank, Jonesboro, Arkansas	St. Louis	March 25, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
National Bancshares Corporation of Texas, San Antonio, Texas	Corpus Christi Bancshares, Inc., Corpus Christi, Texas	Dallas	March 27, 1986
National Industrial Bancorp, Inc., East Hartford, Connecticut	National Industrial Bank of Connecticut, Meriden, Connecticut	Boston	April 8, 1986
National Penn Bancshares, Inc., Boyertown, Pennsylvania	Constitution Bank, Philadelphia, Pennsylvania	Philadelphia	March 25, 1986
NBC Company, San Antonio, Texas	Corpus Christi Bancshares, Inc., Corpus Christi, Texas	Dallas	March 27, 1986
Norstar Bank of Upstate NY, Albany, New York	purchase certain assets and assume certain liabilities of six branches of The Bank of New York, New York, New York	New York	March 18, 1986
North Central Texas Bancshares, Inc., Iowa Park, Texas	Memphis State Bank, Memphis, Texas	Dallas	March 27, 1986
Oaklawn Financial Corporation, Texarkana, Texas	First Bank and Trust, New Boston, New Boston, Texas	Dallas	April 15, 1986
Pandora Bancshares Incorporated, Pandora, Ohio	The First National Bank of Pandora, Pandora, Ohio	Cleveland	April 18, 1986
Peninsula Financial Corporation, Ishpeming, Michigan	The Peninsula Bank of Ishpeming, Ishpeming, Michigan	Minneapolis	April 15, 1986
Piedmont BankGroup Incorporated, Martinsville, Virginia	The First National Bank of Stuart, Stuart, Virginia	Richmond	April 11, 1986
Premier Bancorporation, Inc., Libertyville, Illinois	Zion State Bank and Trust Company, Zion, Illinois	Chicago	April 17, 1986
Roscoe Financial Services, Inc., Roscoe, South Dakota	First State Bank of Roscoe, Roscoe, South Dakota	Minneapolis	April 4, 1986
Saver's Bancorp, Inc., Littleton, New Hampshire	Dartmouth Savings Bank, Hanover, New Hampshire	Boston	April 1, 1986
SouthTrust Corporation, Birmingham, Alabama	The Bank of Ozark, Ozark, Alabama	Atlanta	April 15, 1986
State Bancorp, Inc., New Hyde Park, New York	State Bank of Long Island, New Hyde Park, New York	New York	March 26, 1986
T N Bancshares, Inc., El Paso, Texas	Coronado Bancshares, Inc., El Paso, Texas Coronado Bank, El Paso, Texas	Dallas	April 11, 1986
Union Bancshares of Campbell County, Inc., Jellico, Tennessee	Union Bank, Jellico, Tennessee	Atlanta	March 31, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Union National Corporation, Mount Lebanon, Pennsylvania	Valley National Bank, Freeport, Pennsylvania	Cleveland	April 10, 1986
United Bankshares, Inc., Parkersburg, West Virginia	Intermountain Bankshares Inc., Charleston, West Virginia	Richmond	April 3, 1986
United Southeastern Bancshares, Inc., Athens, Alabama	Athens-Limestone Bank, Athens, Alabama	Atlanta	April 14, 1986
Williamsburg Bancshares, Inc., Williamsburg, Kentucky	Farmers National Bank of Williamsburg, Williamsburg, Kentucky	Cleveland	April 9, 1986
Wrightsville Bancshares, Inc., Wrightsville, Georgia	Bank of Wrightsville, Wrightsville, Georgia	Atlanta	April 2, 1986

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Banc One Corporation, Columbus, Ohio	HCL Leasing Corporation, Parsipanny, New Jersey	Cleveland	March 31, 1986
The Chase Manhattan Corporation, New York, New York	Genola II, Inc., Moberly, Missouri	New York	April 16, 1986
The Chase Manhattan Corporation, New York, New York	The New York Switch Corporation, Fort Lee, New Jersey	New York	March 18, 1986
Creditanstalt-Bankverein, Vienna, Austria	Pacific Overseas Finance Corporation, San Francisco, California	New York	March 27, 1986
Liberty BanCorporation, Durant, Iowa	F-P-H Agency, Inc., Durant, Iowa	Chicago	April 16, 1986
McLaughlin Holding Company, Moline, Illinois	MBC FINANCIAL CORP., Moline, Illinois	Chicago	April 10, 1986
Mid Town Bancorp, Inc., Chicago, Illinois	making real estate development loans and real estate rehabilitation loans	Chicago	April 14, 1986
Southern National Corporation, Lumberton, North Carolina	Southern International Corporation, Charlotte, North Carolina	Richmond	April 21, 1986
Sovran Financial Corporation, Norfolk, Virginia	Internet, Inc., Reston, Virginia	Richmond	March 28, 1986

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
The Bel Air Bank, Bel Air, Maryland	The Commercial Bank, Bel Air, Maryland	Richmond	April 21, 1986
City Bank and Trust Company, Moberly, Missouri	Farmers and Merchants Bank of Huntsville, Huntsville, Missouri	St. Louis	March 31, 1986
The New Waterford Interim Bank, New Waterford, Ohio	The New Waterford Bank, New Waterford, Ohio	Cleveland	March 27, 1986
The Merrill Trust Company, Bangor, Maine	Merrill Bank, N.A., Farmington, Maine	Boston	March 31, 1986
The Toledo Trust Company, Toledo, Ohio	First Buckeye Bank, N.A., Mansfield, Ohio	Cleveland	March 25, 1986

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.

CBC, Inc. v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).

Howe v. United States, et al., No. 85–4504-C (D. Mass., filed Dec. 6, 1985).

Myers, et al. v. Federal Reserve Board, No. 85–1427 (D. Idaho, filed Nov. 18, 1985).

Souser, et al. v. Volcker, et al., No. 85-C-2370, *et al.* (D. Colo., filed Nov. 1, 1985).

Podolak v. Volcker, No. C85–0456, *et. al.* (D. Wyo., filed Oct. 28, 1985).

Kolb v. Wilkinson, et al., No. C85–4184 (N.D. Iowa, filed Oct. 22, 1985).

Farmer v. Wilkinson, et al., No. 4–85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).

Kurkowski v. Wilkinson, et al., No. CV-85–0-916 (D. Neb., filed Oct. 16, 1985).

Jensen v. Wilkinson, et al., No. 85–4436-S, *et al.* (D. Kan., filed Oct. 10, 1985).

Alfson v. Wilkinson, et al., No. A1–85–267 (D. N.D., filed Oct. 8, 1985).

First National Bank of Blue Island Employee Stock Ownership Plan v. Board of Governors, No. 85–2615 (7th Cir., filed Sept. 23, 1985).

First National Bancshares II v. Board of Governors, No. 85–3702 (6th Cir., filed Sept. 4, 1985).

McHuin v. Volcker, et al., No. 85–2170 WARB (W.D. Okl., filed Aug. 29, 1985).

Independent Community Bankers Associaton of South Dakota v. Board of Governors, No. 84–1496 (D.C. Cir., filed Aug. 7, 1985).

Florida Bankers Association, et al. v. Board of Governors, No. 85–193 (U.S., filed Aug. 5, 1985).

Urwyler, et al. v. Internal Revenue Service, et al., No. CV-F-85–402 REC (E.D. Cal., filed July 18, 1985).

Johnson v. Federal Reserve System, et al., No. S85–0958(R) and S85–1269(N) (S.D. Miss., filed July 16, 1985).

Wight, et al. v. Internal Revenue Service, et al., No. CIV S-85–0012 MLS (E.D. Cal., filed July 12, 1985).

Cook v. Spillman, et al., No. CIV S-85–0953 EJG (E.D. Cal., filed July 10, 1985).

Florida Bankers Association v. Board of Governors, No. 84–3883 and No. 84–3884 (11th Cir., filed Feb. 15, 1985).

Florida Department of Banking v. Board of Governors, No. 84–3831 (11th Cir., filed Feb. 15, 1985), and No. 84–3832 (11th Cir., filed Feb. 15, 1985).

Lewis v. Volcker, et al., No. C-1–85–0099 (S.D. Ohio, filed Jan. 14, 1985).

Brown v. United States Congress, et al., No. 84–2887–6(IG) (S.D. Cal., filed Dec. 7, 1984).

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

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

Membership of the Board of Governors of the Federal Reserve System, 1913–86

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	do	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	do	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	do	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	do	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	do	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Szymczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	do	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	do	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	do	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond	Feb. 7, 1986	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934–Jan. 31, 1948
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Mar. 31, 1986

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

W.G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau, Jr.	Jan. 1, 1934–Feb. 1, 1936

Comptrollers of the Currency

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932
J.F.T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and vice Governor before Aug. 23, 1935.

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INTEREST AND EXCHANGE RATES

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1985			1986	1985		1986		
	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.	Feb.	Mar.
Reserves of depository institutions[2]									
1 Total	12.2	16.4	12.1	12.9	20.0	21.9	4.8	12.0r	13.4
2 Required	12.3	17.1	11.1	12.0	15.4	18.8	3.4	12.6	19.0
3 Nonborrowed	14.1	18.2	9.9	19.0	4.9	34.6	19.9	9.1r	16.9
4 Monetary base[3]	7.5	9.7	8.1	8.6	10.2	8.4	8.9	7.6r	8.3
Concepts of money, liquid assets, and debt[4]									
5 M1	10.5	14.5	10.7r	7.7	11.5	12.6	1.1	7.3	14.1
6 M2	6.3	9.5	6.0	4.2	5.9r	7.1r	1.5r	3.5r	6.4
7 M3	5.5	7.7r	6.5r	7.4	5.7r	7.4r	8.9r	6.0r	6.6
8 L	6.0	7.9r	9.5r	n.a.	11.8r	12.1r	7.2	5.8	n.a.
9 Debt	12.1	12.9	14.4	16.2	15.8r	21.8	18.3r	10.3	n.a.
Nontransaction components									
10 In M2[5]	5.0	8.0	4.6r	3.1	4.1r	5.3	1.7r	2.3r	3.9
11 In M3 only[6]	2.6	.2r	8.2r	20.0	5.4r	8.6r	38.9r	15.7r	7.2
Time and savings deposits									
Commercial banks									
12 Savings[7]	−1.0	7.6	3.2	1.9	3.9	−3.8	2.9	2.9	5.8
13 Small-denomination time[8]	2.1	−3.3	−1.6	5.2	.6	6.0	7.5	4.7	2.8
14 Large-denomination time[9,10]	6.9	−3.6r	14.1r	18.5	12.3r	10.4	45.6	7.0r	−17.7
Thrift institutions									
15 Savings[7]	3.8	12.9	7.5	3.4	7.4	.7	1.3	4.7r	8.0
16 Small-denomination time	1.0	−2.8	−2.9	6.7	.0	6.1	7.7	8.4r	7.9
17 Large-denomination time[9]	5.5	−1.0	5.2	10.0	2.3	8.5	6.9	11.4	27.1
Debt components[4]									
18 Federal	12.6	14.6	15.1	17.8	24.1	29.1	17.0	10.4	n.a.
19 Nonfederal	12.0	12.3	14.1r	15.7	13.3r	19.6	18.7r	10.2	n.a.
20 Total loans and securities at commercial banks[11]	9.7	9.6	8.8	9.7	16.4	16.6	15.3	4.1	9.5

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1986			1986						
	Jan.	Feb.	Mar.	Feb. 12	Feb. 19	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**206,784**	**199,811**	**199,955**	**198,077**	**200,179**	**198,841**	**199,657**	**200,138**	**199,346**	**198,876**
2 U.S. government securities[1]	181,208	174,309	174,710	172,271	174,534	173,935	175,429	175,010	173,891	173,841
3 Bought outright	179,076	174,088	174,492	172,271	174,534	173,935	175,429	174,421	173,891	173,466
4 Held under repurchase agreements	2,132	221	218	0	0	0	0	589	0	375
5 Federal agency obligations	8,754	8,248	8,246	8,213	8,195	8,193	8,187	8,299	8,187	8,335
6 Bought outright	8,227	8,204	8,187	8,213	8,195	8,193	8,187	8,187	8,187	8,187
7 Held under repurchase agreements	527	44	59	0	0	0	0	112	0	148
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	834	872	755	596	1,161	1,038	654	754	758	780
10 Float	758	1,056	773	1,131	1,046	1,159	357	761	619	231
11 Other Federal Reserve assets	15,230	15,326	15,471	15,866	15,243	14,516	15,030	15,314	15,890	15,690
12 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
13 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
14 Treasury currency outstanding	17,079	17,131	17,190	17,120	17,134	17,148	17,162	17,176	17,190	17,204
ABSORBING RESERVE FUNDS										
15 Currency in circulation	193,330	191,241	192,447	191,275	191,712	191,195	191,302	192,412	192,807	192,474
16 Treasury cash holdings	555	575	609	578	576	580	602	603	605	614
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	10,569	7,282	3,399	6,854	6,167	6,922	4,477	3,496	3,044	3,610
18 Foreign	260	221	260	199	207	232	286	246	264	266
19 Service-related balances and adjustments	1,985	1,951	1,863	1,860	1,886	2,158	1,904	2,104	1,718	1,757
20 Other	486	445	487	411	474	425	451	410	690	427
21 Other Federal Reserve liabilities and capital	6,287	6,326	6,391	6,391	6,117	6,243	6,645	6,600	6,184	6,278
22 Reserve balances with Federal Reserve Banks[2]	26,199	24,709	27,497	23,437	25,982	24,042	26,959	27,251	27,033	26,462
	End-of-month figures			Wednesday figures						
	1986			1986						
	Jan.	Feb.	Mar.	Feb. 12	Feb. 19	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**205,146**	**200,473**	**201,820**	**201,509**	**202,179**	**200,013**	**199,183**	**206,265**	**198,690**	**202,789**
24 U.S. government securities[1]	178,992	176,536	176,620	175,087	175,011	175,870	174,562	178,585	173,965	176,712
25 Bought outright	175,905	176,536	176,620	175,087	175,011	175,870	174,562	174,461	173,965	174,088
26 Held under repurchase agreements	3087	0	0	0	0	0	0	4,124	0	2,624
27 Federal agency obligations	8,850	8,187	8,187	8,195	8,195	8,187	8,187	8,973	8,187	9,222
28 Bought outright	8,227	8,187	8,187	8,195	8,195	8,187	8,187	8,187	8,187	8,187
29 Held under repurchase agreements	623	0	0	0	0	0	0	786	0	1,035
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	827	661	818	639	606	682	552	1,704	702	895
32 Float	663	−212	560	1,617	3,721	618	639	1,254	402	−146
33 Other Federal Reserve assets	15,814	15,301	15,635	15,971	14,646	14,656	15,243	15,749	15,434	16,106
34 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
35 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
36 Treasury currency outstanding	17,104	17,160	17,216	17,132	17,146	17,160	17,174	17,188	17,202	17,216
ABSORBING RESERVE FUNDS										
37 Currency in circulation	190,430	191,038	193,217	191,595	191,964	191,099	191,878	192,822	192,742	192,726
38 Treasury cash holdings	565	604	617	575	580	583	606	604	613	617
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	16,228	5,026	3,280	5,596	7,278	4,679	4,430	2,871	1,440	2,394
40 Foreign	256	277	274	204	223	254	320	238	248	187
41 Service-related balances and adjustments	1,505	1,525	1,542	1,505	1,512	1,512	1,525	1,523	1,536	1,537
42 Other	477	436	511	431	541	425	390	408	528	377
43 Other Federal Reserve liabilities and capital	6,622	6,735	6,162	5,997	5,931	6,142	6,509	6,084	5,976	6,144
44 Reserve balances with Federal Reserve Banks[2]	21,975	27,799	29,240	28,546	27,104	28,287	26,507	34,711	28,617	31,830

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1983	1984	1985	1985					1986	
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Reserve balances with Reserve Banks[1]	21,138	21,738	27,620	23,415	24,972	25,431	26,385	27,620	26,373	24,700
2 Total vault cash[2]	20,755	22,316	22,956	22,839	22,465	22,724	22,457	22,956	24,245	24,962
3 Vault cash used to satisfy reserve requirements[3]	17,908	18,958	20,522	19,548	19,475	20,038	19,997	20,522	21,687	21,952
4 Surplus vault cash[4]	2,847	3,358	2,434	3,291	2,990	2,686	2,460	2,434	2,559	3,010
5 Total reserves[5]	38,894	40,696	48,142	42,963	44,447	44,469	46,382	48,142	48,060	46,652
6 Required reserves	38,333	39,843	47,085	42,135	43,782	44,716	45,454	47,085	46,949	45,555
7 Excess reserve balances at Reserve Banks[6]	561	853	1,058	827	666	753	928	1,058	1,111	1,097
8 Total borrowings at Reserve Banks	774	3,186	1,318	1,073	1,289	1,187	1,741	1,318	770	884
9 Seasonal borrowings at Reserve Banks	96	113	56	221	203	172	107	56	36	56
10 Extended credit at Reserve Banks[7]	2	2,604	499	570	656	629	530	499	497	492
	Biweekly averages of daily figures for weeks ending									
	1985 and 1986									
	Dec. 4	Dec. 18	Jan. 1	Jan. 15	Jan. 29	Feb. 12	Feb. 26	Mar. 12r	Mar. 26	Apr. 9
11 Reserve balances with Reserve Banks[1]	27,029	27,503	27,928	28,282	24,710	23,924	24,989	27,102	26,704	28,291
12 Total vault cash[2]	22,543	22,464	23,612	23,591	24,684	26,078	24,348	22,577	22,986	22,121
13 Vault cash used to satisfy reserve requirements[3]	20,028	20,199	21,022	21,288	21,961	22,891	21,424	20,016	20,409	19,809
14 Surplus vault cash[4]	2,515	2,265	2,590	2,304	2,723	3,187	2,924	2,561	2,577	2,312
15 Total reserves[5]	47,057	47,702	48,950	49,570	46,671	46,815	46,413	47,118	47,113	48,100
16 Required reserves	46,005	46,875	47,644	48,294	45,753	45,629	45,406	46,142	46,187	47,470
17 Excess reserve balances at Reserve Banks[6]	1,052	828	1,307	1,276	918	1,187	1,008	976	926	630
18 Total borrowings at Reserve Banks	2,928	841	1,338	614	903	662	1,100	704	769	874
19 Seasonal borrowings at Reserve Banks	84	53	51	28	42	44	66	65	69	76
20 Extended credit at Reserve Banks[7]	503	524	472	471	529	480	506	475	535	576

1. Excludes required clearing balances and adjustments to compensate for float.
2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

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

Averages of daily figures, in millions of dollars

By maturity and source	1986 week ending Monday								
	Feb. 17	Feb. 24	Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31	Apr. 7	Apr. 14
One day and continuing contract									
1 Commercial banks in United States	64,533	65,474	67,344	74,710	70,119	67,991	66,593	77,452	75,488
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	32,073	33,709	35,606	40,201r	41,839	39,070	38,368	39,712	40,106
3 Nonbank securities dealers	9,956	11,690	10,825	9,486	9,918	9,022	9,113	10,027	10,498
4 All other	27,319	28,583	29,808	28,260r	28,364	27,653	23,446	26,583	25,542
All other maturities									
5 Commercial banks in United States	11,537	11,228	11,141	11,206	10,666	10,509	12,443	9,664	9,301
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	6,296	6,336	7,420	7,534r	7,635	7,747	8,080	7,287	7,590
7 Nonbank securities dealers	10,748	10,052	10,308	11,054	11,581	10,604	10,828	9,912	10,505
8 All other	11,185	10,874	10,844	10,676	10,093	10,625	14,646	9,434	10,013
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	28,433	29,360	29,047	32,275	30,347r	26,605	25,894	33,684	31,752
10 Nonbank securities dealers	8,954	10,155	11,502	12,983	11,964r	10,689	9,592	11,245	9,056

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[1]			Extended credit[2] First 60 days of borrowing		Extended credit[2] Next 90 days of borrowing		Extended credit[2] After 150 days		Effective date for current rates
	Rate on 4/25/86	Effective date	Previous rate	Rate on 4/25/86	Previous rate	Rate on 4/25/86	Previous rate	Rate on 4/25/86	Previous rate	
Boston	6½	4/21/86	7	6½	7	7½	8	8½	9	4/21/86
New York		4/21/86								4/21/86
Philadelphia		4/23/86								4/23/86
Cleveland		4/21/86								4/21/86
Richmond		4/21/86								4/21/86
Atlanta		4/22/86								4/22/86
Chicago		4/21/86								4/21/86
St. Louis		4/22/86								4/22/86
Minneapolis		4/21/86								4/21/86
Kansas City		4/21/86								4/21/86
Dallas		4/21/86								4/21/86
San Francisco	6½	4/21/86	7	6½	7	7½	8	8½	9	4/21/86

Range of rates in recent years[3]

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
July 3	7–7¼	7¼
1978— July 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
5	13–14	14
1981— May 8	14	14
Nov. 2	13–14	13
6	13	13
1981— Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985— May 20	7½–8	7½
24	7½	7½
1986— Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
23	6½	6½
In effect Apr. 25, 1986	6½	6½

1. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. As an alternative, for loans outstanding for more than 150 days, a Federal Reserve Bank may charge a flexible rate that takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic rate plus one percentage point. Where credit provided to a particular depository institution is anticipated to be outstanding for an unusually prolonged period and in relatively large amounts, the time period in which each rate under this structure is applied may be shortened. See section 201.3(b)(2) of Regulation A.

3. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970; Annual Statistical Digest, 1970–1979, 1980, 1981*, and *1982*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act		Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date		Percent	Effective date
Net demand[2]			*Net transaction accounts*[7,8]		
$0 million–$2 million	7	12/30/76	$0–$31.7 million	3	12/31/85
$2 million–$10 million	9½	12/30/76	Over $31.7 million	12	12/31/85
$10 million–$100 million	11¾	12/30/76			
$100 million–$400 million	12¾	12/30/76	*Nonpersonal time deposits*[9]		
Over $400 million	16¼	12/30/76	By original maturity		
			Less than 1½ years	3	10/6/83
Time and savings[2,3]			1½ years or more	0	10/6/83
Savings	3	3/16/67			
			Eurocurrency liabilities		
Time[4]			All types	3	11/13/80
$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			

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

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

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

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

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

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

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

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

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

5. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. Effective Dec. 9, 1982, the amount of the exemption was established at $2.1 million. Effective with the reserve maintenance period beginning Jan. 1, 1985, the amount of the exemption is $2.4 million. Effective with the reserve computation period beginning Dec. 31, 1985, the amount of the exemption is $2.6 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) authorized under 12 CFR section 1204.122; (2) net NOW accounts (NOW accounts less allowable deductions); (3) net other transaction accounts; and (4) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

6. For nonmember banks and thrift institutions that were not members of the Federal Reserve System on or after July 1, 1979, a phase-in period ends Sept. 3, 1987. For banks that were members on or after July 1, 1979, but withdrew on or before Mar. 31, 1980, the phase-in period established by Public Law 97–320 ends on Oct. 24, 1985. For existing member banks the phase-in period of about three years was completed on Feb. 2, 1984. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of $50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules of the Depository Institutions Deregulation Committee (DIDC) that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from $25 million to $26 million; effective Dec. 30, 1982, to $26.3 million; effective Dec. 29, 1983, to $28.9 million; effective Jan. 1, 1985, to $29.8 million; and effective Dec. 31, 1985, to $31.7 million.

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

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions[1]

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect Apr. 30, 1986		In effect Apr. 30, 1986	
	Percent	Effective date	Percent	Effective date
1 Savings	(2)	4/1/86	(2)	4/1/86
2 Negotiable order of withdrawal accounts	(3)	1/1/86	(3)	1/1/86
3 Money market deposit account	(4)	12/14/82	(4)	12/14/82
Time accounts				
4 7–31 days	(5)	1/1/86	(5)	9/1/86
5 More than 31 days	....	10/1/83	....	10/1/83

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.

2. Effective Apr. 1, 1986, the interest rate ceiling on savings deposits was removed. Before Apr. 1, 1986, savings deposits were subject to an interest rate ceiling of 5½ percent.

3. Before Jan. 1, 1986, NOW accounts with minimum denomination requirements of less than $1,000 were subject to an interest rate ceiling of 5¼ percent. NOW accounts with minimum required denominations of $1,000 or more and IRA/Keough (HR10) Plan accounts were not subject to interest rate ceilings. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

4. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average balance maintenance requirements was lowered to $1,000. Effective Jan. 1, 1986, the minimum denomination and average balance maintenance requirements were removed. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals. 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.

5. Before Jan. 1, 1986, deposits of less than $1,000 were subject to an interest rate ceiling of 5½ percent. Deposits of less than $1,000 issued to governmental units were subject to an interest rate ceiling of 8 percent. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1983	1984	1985	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	18,888	20,036	22,214	3,056	1,171	0	1,180	4,515	286	0
2 Gross sales	3,420	8,557	4,118	0	0	265	0	0	225	2,277
3 Exchange	0	0	0	0	350	0	−350	0	0	0
4 Redemptions	2,400	7,700	3,500	0	0	0	0	0	0	1,000
Others within 1 year										
5 Gross purchases	484	1,126	1,349	0	0	0	0	143	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	18,887	16,354	19,763	4,895	1,028	529	2,363	943	725	4,776
8 Exchange	−16,553	−20,840	−17,717	−3,275	−1,807	−942	−615	−1,529	−596	−2,148
9 Redemptions	87	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,896	1,638	2,185	6	0	0	0	868	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−15,533	−13,709	−17,459	−3,760	−1,028	−520	−1,731	−943	−703	−4,776
13 Exchange	11,641	16,039	13,853	1,825	1,457	942	650	1,529	596	1,548
5 to 10 years										
14 Gross purchases	890	536	458	6	0	0	0	345	0	0
15 Gross sales	0	300	100	0	0	0	0	0	0	0
16 Maturity shift	−2,450	−2,371	−1,857	−1,136	0	−10	−600	0	−22	0
17 Exchange	2,950	2,750	2,184	800	0	0	184	0	0	350
Over 10 years										
18 Gross purchases	383	441	293	0	0	0	0	197	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−904	−275	−447	0	0	0	−32	0	0	0
21 Exchange	1,962	2,052	1,679	650	0	0	131	0	0	250
All maturities										
22 Gross purchases	22,540	23,776	26,499	3,068	1,171	0	1,180	6,068	286	0
23 Gross sales	3,420	8,857	4,218	0	0	265	0	0	225	2,277
24 Redemptions	2,487	7,700	3,500	0	0	0	0	0	0	1,000
Matched transactions										
25 Gross sales	578,591	808,986	866,175	64,263	73,925	100,929	85,486	76,399	63,109	90,459
26 Gross purchases	576,908	810,432	865,968	64,209	72,347	100,197	84,769	78,962	61,156	94,368
Repurchase agreements										
27 Gross purchases	105,971	127,933	134,253	1,928	14,029	0	3,684	23,338	24,257	0
28 Gross sales	108,291	127,690	132,351	1,928	14,029	0	3,684	19,809	24,699	3,087
29 Net change in U.S. government securities	12,631	8,908	20,477	3,014	−408	−997	463	12,159	−2,335	−2,456
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	292	256	162	30	0	0	0	0	0	−40
Repurchase agreements										
33 Gross purchases	8,833	11,509	22,183	354	3,522	0	1,454	7,640	5,384	0
34 Gross sales	9,213	11,328	20,877	354	3,522	0	1,454	5,947	6,454	623
35 Net change in federal agency obligations	−672	−76	1,144	−30	0	0	0	1,693	−1,070	−663
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	−1,062	−418	0	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	**10,897**	**8,414**	**21,621**	**2,984**	**−408**	**−997**	**463**	**13,853**	**−3,405**	**−3,119**

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1986					1986		
	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Jan.	Feb.	Mar.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
2 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
3 Coin	586	587	582	582	562	562	589	570
Loans								
4 To depository institutions	682	552	1,704	702	895	827	661	818
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	8,187	8,187	8,187	8,187	8,187	8,227	8,187	8,187
8 Held under repurchase agreements	0	0	786	0	1,035	623	0	0
U.S. government securities								
Bought outright								
9 Bills	83,497	82,189	82,088	81,592	81,715	83,532	84,163	84,247
10 Notes	67,397	67,397	67,397	67,397	67,397	67,647	67,397	67,397
11 Bonds	24,976	24,976	24,976	24,976	24,976	24,726	24,976	24,976
12 Total bought outright[1]	175,870	174,562	174,461	173,965	174,088	175,905	176,536	176,620
13 Held under repurchase agreements	0	0	4,124	0	2,624	3,087	0	0
14 Total U.S. government securities	175,870	174,562	178,585	173,965	176,712	178,992	176,536	176,620
15 **Total loans and securities**	**184,739**	**183,301**	**189,262**	**182,854**	**186,829**	**188,669**	**185,384**	**185,625**
16 Items in process of collection	6,588	7,802	7,285	6,924	5,678	6,519	6,295	5,495
17 Bank premises	611	615	617	618	617	612	616	618
Other assets								
18 Denominated in foreign currencies[2]	7,349	7,830	7,843	7,845	7,855	7,336	7,829	7,673
19 All other[3]	6,696	6,798	7,289	6,971	7,634	7,866	6,856	7,344
20 **Total assets**	**222,377**	**222,741**	**228,686**	**221,602**	**224,983**	**227,372**	**223,377**	**223,133**
LIABILITIES								
21 Federal Reserve notes	175,108	175,897	176,820	176,735	176,690	174,453	175,072	177,189
Deposits								
22 To depository institutions	29,799	28,032	36,234	30,153	33,367	23,480	29,324	30,782
23 U.S. Treasury—General account	4,679	4,430	2,871	1,440	2,394	16,228	5,026	3,280
24 Foreign—Official accounts	254	320	238	248	187	256	277	274
25 Other	425	390	408	528	377	477	436	511
26 **Total deposits**	**35,157**	**33,172**	**39,751**	**32,369**	**36,325**	**40,441**	**35,063**	**34,847**
27 Deferred credit items	5,970	7,163	6,031	6,522	5,824	5,856	6,507	4,935
28 Other liabilities and accrued dividends[4]	2,234	2,125	2,144	2,053	2,195	2,372	2,273	2,184
29 **Total liabilities**	**218,469**	**218,357**	**224,746**	**217,679**	**221,034**	**223,122**	**218,915**	**219,155**
CAPITAL ACCOUNTS								
30 Capital paid in	1,799	1,800	1,801	1,816	1,820	1,789	1,800	1,821
31 Surplus	1,781	1,781	1,781	1,781	1,781	1,781	1,781	1,781
32 Other capital accounts	328	803	358	326	348	680	881	376
33 **Total liabilities and capital accounts**	**222,377**	**222,741**	**228,686**	**221,602**	**224,983**	**227,372**	**223,377**	**223,133**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	130,103	132,701	133,307	136,601	135,222	129,152	131,599	136,262
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	210,200	210,649	211,061	211,161	211,248	208,135	210,237	211,323
36 LESS: Held by bank	35,092	34,752	34,241	34,426	34,558	33,682	35,165	34,134
37 Federal Reserve notes, net	175,108	175,897	176,820	176,735	176,690	174,453	175,072	177,189
Collateral held against notes net:								
38 Gold certificate account	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
39 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	159,300	160,089	161,012	160,927	160,882	158,645	159,264	161,381
42 **Total collateral**	**175,108**	**175,897**	**176,820**	**176,735**	**176,690**	**174,453**	**175,072**	**177,189**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

NOTE: Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1986					1986		
	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Jan. 31	Feb. 28	Mar. 31
1 Loans—Total	682	552	1,704	702	895	827	661	818
2 Within 15 days	668	546	1,695	678	889	820	647	806
3 16 days to 90 days	14	6	9	24	6	7	14	12
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	175,870	174,562	178,585	173,965	176,712	178,992	176,536	176,620
10 Within 15 days[1]	8,272	8,670	12,218	8,730	8,800	5,197	4,893	4,190
11 16 days to 90 days	42,348	40,556	41,081	41,799	42,426	46,616	45,663	45,337
12 91 days to 1 year	55,830	55,899	55,849	53,999	56,049	55,114	56,543	57,350
13 Over 1 year to 5 years	32,298	32,315	32,315	32,315	32,315	35,543	32,315	32,621
14 Over 5 years to 10 years	15,113	15,113	15,113	15,113	15,113	14,763	15,113	15,113
15 Over 10 years	22,009	22,009	22,009	22,009	22,009	21,759	22,009	22,009
16 Federal agency obligations—Total	8,187	8,187	8,973	8,187	9,222	8,850	8,187	8,187
17 Within 15 days[1]	331	190	848	269	1,281	740	331	246
18 16 days to 90 days	704	885	863	656	617	976	704	617
19 91 days to 1 year	1,744	1,694	1,732	1,732	1,844	1,654	1,744	1,844
20 Over 1 year to 5 years	3,821	3,831	3,853	3,853	3,793	4,250	3,821	3,793
21 Over 5 years to 10 years	1,178	1,178	1,253	1,253	1,263	821	1,178	1,263
22 Over 10 years	409	409	424	424	424	409	409	424

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	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.[r]	1986 Mar.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves[2]**	**34.28**	**36.14**	**39.08**	**45.19**	**43.19**	**43.51**	**43.65**	**44.38**	**45.19**	**45.36**	**45.82**	**46.33**
2 Nonborrowed reserves	33.65	35.36	35.90	43.87	42.12	42.22	42.46	42.64	43.87	44.59	44.93	45.57
3 Nonborrowed reserves plus extended credit[3]	33.83	35.37	38.50	44.37	42.69	42.87	43.09	43.17	44.37	45.09	45.43	46.08
4 Required reserves	33.78	35.58	38.23	44.13	42.37	42.84	42.90	43.45	44.13	44.25	44.72	45.42
5 Monetary base[4]	170.04	185.39	198.80	216.44	210.85	212.08	213.12	214.93	216.44	218.04	219.41	220.90
	Not seasonally adjusted											
6 **Total reserves[2]**	**35.01**	**36.86**	**40.13**	**46.40**	**42.60**	**43.22**	**43.75**	**44.62**	**46.40**	**46.63**	**45.18**	**45.83**
7 Nonborrowed reserves	34.37	36.09	36.94	45.09	41.52	41.93	42.56	42.88	45.09	45.86	44.29	45.07
8 Nonborrowed reserves plus extended credit[3]	34.56	36.09	39.55	45.59	42.09	42.59	43.19	43.41	45.59	46.36	44.78	45.59
9 Required reserves	34.51	36.30	39.28	45.35	41.77	42.56	42.99	43.70	45.35	45.52	44.08	44.92
10 Monetary base[4]	173.07	188.66	201.94	219.75	211.16	211.65	212.75	215.42	219.75	218.16	216.20	218.36
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**41.85**	**38.89**	**40.70**	**48.14**	**42.96**	**44.45**	**45.47**	**46.38**	**48.14**	**48.06**	**46.65**	**47.27**
12 Nonborrowed reserves	41.22	38.12	37.51	46.82	41.89	43.16	44.28	44.64	46.82	47.29	45.77	46.51
13 Nonborrowed reserves plus extended credit[3]	41.41	38.12	40.09	47.41	42.50	43.83	44.90	45.07	47.41	47.79	46.22	47.17
14 Required reserves	41.35	38.33	39.84	47.08	42.14	43.78	44.72	45.45	47.08	46.95	45.55	46.36
15 Monetary base[4]	180.42	192.26	202.51	221.49	211.53	212.88	214.47	217.18	221.49	219.59	217.67	219.81

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

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

3. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

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

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1985	1986		
					Dec.r	Jan.r	Feb.r	Mar.
	Seasonally adjusted							
1 M1	479.9	527.1	558.5	626.6r	626.6	627.2	631.0	638.4
2 M2	1,952.6	2,186.0	2,373.8	2,565.5	2,565.5	2,568.5	2,576.3	2,590.4
3 M3	2,443.5	2,697.3	2,986.5	3,200.5r	3,200.5	3,224.2	3,240.6	3,258.9
4 L	2,850.1	3,163.5	3,532.3	3,837.3r	3,837.3	3,860.1	3,879.1	n.a.
5 Debt	4,661.1	5,191.9	5,951.8	6,802.1r	6,802.1	6,905.9	6,965.0	n.a.
M1 components								
6 Currency[2]	134.3	148.3	158.5	170.6	170.6	171.9	172.9	173.9
7 Travelers checks[3]	4.3	4.9	5.2	5.9	5.9	5.9	6.0	6.1
8 Demand deposits[4]	237.9	242.7	248.4	271.5	271.5	268.9	269.1	273.1
9 Other checkable deposits[5]	103.4	131.3	146.3	178.6r	178.6	180.5	183.1	185.3
Nontransactions components								
10 In M2[6]	1,472.7	1,658.9	1,815.4	1,938.9r	1,938.9	1,941.3	1,945.3	1,952.1
11 In M3 only[7]	490.9	511.3	612.7	635.1r	635.1	655.7	664.2	668.4
Savings deposits[9]								
12 Commercial Banks	163.7	133.4	122.3	124.4	124.4	124.7	125.0	125.6
13 Thrift institutions	194.2	173.2	167.3	179.1	179.1	179.3	179.9	181.0
Small denomination time deposits[9]								
14 Commercial Banks	380.4	351.1	387.2	384.1	384.1	386.5	388.0	388.8
15 Thrift institutions	472.4	434.1	500.3	496.2	496.2	499.6	503.2	506.7
Money market mutual funds								
16 General purpose and broker/dealer	185.2	138.2	167.5	176.5	176.5	177.7	180.9	185.8
17 Institution-only	51.1	43.2	62.7	64.6	64.6	67.3	67.7	70.3
Large denomination time deposits[10]								
18 Commercial Banks[11]	262.1	228.7	263.7	279.1	279.1	289.7	291.4	287.2
19 Thrift institutions	65.8	101.1	150.2	157.3	157.3	158.2	159.7	163.3
Debt components								
20 Federal debt	979.2	1,173.0	1,367.3	1,586.0	1,586.0	1,608.5	1,622.5	n.a.
21 Non-federal debt	3,681.8	4,019.0	4,584.6	5,216.0r	5,216.0	5,297.3	5,342.5	n.a.
	Not seasonally adjusted							
22 M1	490.9	538.8	570.5	640.0r	640.0	633.5	619.2	630.5
23 M2	1,958.6	2,192.8	2,380.8	2,573.6	2,573.6	2,577.3	2,569.6	2,592.5
24 M3	2,453.3	2,707.9	2,997.9	3,213.3r	3,213.3	3,231.8	3,232.5	3,259.2
25 L	2,856.4	3,170.1	3,537.5	3,843.5r	3,843.5	3,865.3	3,871.5	n.a.
26 Debt	4,655.7	5,186.5	5,946.2	6,795.0r	6,795.0	6,898.3	6,943.3	n.a.
M1 components								
27 Currency[2]	136.5	150.5	160.9	173.1	173.1	170.5	170.6	172.3
28 Travelers checks[3]	4.1	4.6	4.9	5.5	5.5	5.5	5.6	5.8
29 Demand deposits[4]	246.2	251.3	257.3	281.3	281.3	275.1	262.0	267.1
30 Other checkable deposits[5]	104.1	132.4	147.5	180.1r	180.1	182.4	181.0	185.3
Nontransactions components								
31 M2[6]	1,467.7	1,654.0	1,810.3	1,933.7r	1,933.7	1,943.7	1,950.4	1,962.0
32 M3 only[7]	494.7	515.1	617.0	639.7r	639.7	654.6	662.9	666.7
Money market deposit accounts								
33 Commercial banks	26.3	230.5	267.2	332.4r	332.4	336.7	336.9	340.2
34 Thrift institutions	16.9	148.7	149.7	179.6	179.6	179.0	179.4	180.2
Savings deposits[8]								
35 Commercial Banks	162.1	132.2	121.4	123.5	123.5	123.9	123.6	124.9
36 Thrift institutions	193.1	172.3	166.5	178.3	178.3	178.8	179.0	181.4
Small denomination time deposits[9]								
37 Commercial Banks	380.1	351.1	387.6	384.8	384.8	386.5	387.0	387.0
38 Thrift institutions	471.7	434.2	501.2	497.7	497.7	502.8	504.9	505.5
Money market mutual funds								
39 General purpose and broker/dealer	185.2	138.2	167.5	176.5	176.5	177.7	180.9	185.8
40 Institution-only	51.1	43.2	62.7	64.6	64.6	67.3	67.7	70.3
Large denomination time deposits[10]								
41 Commercial Banks[11]	265.2	230.8	265.5	280.9	280.9	288.5	290.3	287.7
42 Thrift institutions	65.8	101.4	150.6	157.8	157.8	159.0	160.6	163.1
Debt components								
43 Federal debt	976.4	1,170.2	1,364.7	1,583.7	1,583.7	1,606.7	1,621.0	n.a.
44 Non-federal debt	3,679.3	4,016.3	4,581.5	5,211.3r	5,211.3	5,291.6	5,322.3	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

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

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

8. Savings deposits exclude MMDAs.

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1983[1]	1984[1]	1985[1]	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	109,642.3	128,440.8	154,556.0	159,593.3	162,205.4	163,038.1	189,203.0	169,894.2	179,139.6
2 Major New York City banks	47,769.4	57,392.7	70,445.1	72,765.4	76,706.3	77,069.6	89,415.1	79,324.3	85,298.6
3 Other banks	61,873.1	71,048.1	84,110.9	86,827.9	85,499.2	85,968.5	99,787.9	90,569.9	93,841.0
4 ATS–NOW accounts[3]	1,405.5	1,588.7	1,920.8	2,465.3	2,212.7	2,227.8	2,452.5	2,027.5	2,193.5
5 Savings deposits[4]	741.4	633.1	539.0	509.1	562.0	533.4	418.6	362.4	364.6
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	379.7	434.4	496.5	510.9	513.2	508.1	581.9	531.8	560.8
7 Major New York City banks	1,528.0	1,843.0	2,168.9	2,326.3	2,422.2	2,368.5	2,567.0	2,306.3	2,473.8
8 Other banks	240.9	268.6	301.8	308.9	300.6	298.1	343.7	317.7	329.3
9 ATS–NOW accounts[3]	15.6	15.8	16.7	20.6	18.4	18.2	19.8	16.1	17.2
10 Savings deposits[4]	5.4	5.0	4.5	4.2	4.6	4.3	3.4	2.9	3.0
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	109,517.6	128,059.1	154,108.4	148,788.8	167,639.3	157,070.9	192,060.0	180,495.6	161,655.6
12 Major New York City banks	47,707.4	57,282.4	70,400.9	68,967.9	78,010.5	73,982.4	92,551.5	84,880.9	77,376.9
13 Other banks	64,310.2	70,776.9	83,707.8	79,820.9	89,628.8	83,088.6	99,508.5	95,614.7	84,278.6
14 ATS–NOW accounts[3]	1,397.0	1,579.5	1,903.4	2,289.9	2,157.7	2,007.8	2,354.4	2,406.1	2,065.3
15 MMDA[5]	567.4	848.8	1,179.0	1,192.2	1,293.0	1,221.5	1,493.2	1,543.8	1,334.9
16 Savings deposits[4]	742.0	632.9	538.7	490.1	579.9	496.3	405.3	392.4	331.1
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	379.9	433.5	497.4	475.0	532.1	489.3	574.9	554.2	520.0
18 Major New York City banks	1,510.0	1,838.6	2,191.1	2,216.6	2,507.4	2,332.4	2,594.1	2,393.7	2,314.0
19 Other banks	240.5	267.9	301.6	282.9	315.7	287.2	333.4	329.4	303.8
20 ATS–NOW accounts[3]	15.5	15.7	16.6	19.4	18.1	16.4	18.8	18.9	16.4
21 MMDA[5]	2.8	3.5	3.8	3.7	4.0	3.7	4.5	4.6	4.0
22 Savings deposits[4]	5.4	5.0	4.5	4.1	4.8	4.0	3.3	3.2	2.7

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS–NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1985									1986		
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**1,768.8**	**1,788.5**	**1,802.7**	**1,819.0**	**1,828.8**	**1,841.3**	**1,844.4**	**1,869.6**	**1,895.5**	**1,919.6**	**1,926.2r**	**1,941.5**
2 U.S. government securities	261.4	266.3	267.1	271.6	271.4	273.1	270.0	275.0	270.7	264.6	270.8	268.0
3 Other securities	140.2	142.2	144.5	145.4	148.2	151.3	154.8	160.7	174.5	189.6	184.9	180.5
4 Total loans and leases[2]	1,367.1	1,380.0	1,391.0	1,402.1	1,409.2	1,416.9	1,419.7	1,433.9	1,450.3	1,465.4	1,470.5r	1,493.0
5 Commercial and industrial	481.9	484.3	484.3	484.1	485.7	487.2	487.0	490.6	493.9	494.2	495.3	502.1
6 Bankers acceptances held[3]	5.4	4.9	4.7	5.1	5.0	4.7	4.7	4.9	5.2	5.3	4.8	5.0
7 Other commercial and industrial	476.5	479.3	479.6	479.0	480.7	482.5	482.3	485.7	488.6	489.0	490.5	497.1
8 U.S. addressees[4]	465.8	469.2	470.1	469.6	471.1	473.3	473.7	477.3	479.8	479.1	480.8	487.3
9 Non-U.S. addressees[4]	10.7	10.1	9.5	9.4	9.6	9.2	8.6	8.4	8.8	9.9	9.7	9.8
10 Real estate	390.8	394.8	398.7	403.7	407.1	409.9	414.5	419.2	423.2	426.1	430.5r	435.6
11 Individual	266.5	269.9	272.7	276.3	278.5	280.3	281.3	283.8	286.5	289.4	292.3r	294.8
12 Security	35.1	37.5	40.0	40.3	36.7	38.2	37.9	37.8	38.7	43.1	41.8	48.3
13 Nonbank financial institutions	31.0	31.4	31.1	31.4	32.1	32.3	32.0	32.8	34.1	33.7	32.2	32.2
14 Agricultural	39.4	39.4	39.4	39.6	39.6	40.1	40.3	40.5	40.8	40.9	41.0	41.0
15 State and political subdivisions	47.2	47.5	47.5	47.9	48.8	48.8	49.3	50.0	52.5r	58.3	58.1	58.0
16 Foreign banks	10.9	10.7	10.4	10.5	10.2	10.0	9.7	9.6	9.6	9.6	9.8	9.8
17 Foreign official institutions	6.9	6.9	6.7	6.6	6.4	6.6	6.8	6.9	7.0	7.0	7.0	6.8
18 Lease financing receivables	16.4	16.7	17.0	17.3	17.5	17.6	17.7	17.9	18.2	18.7	18.9	19.0
19 All other loans	40.9	40.9	43.3	44.4	46.5	46.0	43.2	44.9	46.1r	44.4r	43.5r	45.5
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**1,769.0**	**1,784.6**	**1,803.6**	**1,812.5**	**1,822.1**	**1,839.8**	**1,846.1**	**1,870.8**	**1,908.5**	**1,929.0**	**1,924.2r**	**1,937.2**
21 U.S. government securities	266.9	268.4	270.8	271.4	269.8	270.7	266.9	270.6	267.2	264.5	271.8	270.1
22 Other securities	139.9	142.8	144.2	144.0	147.7	150.7	154.2	160.8	176.5	190.8	185.2	180.7
23 Total loans and leases[2]	1,362.3	1,373.4	1,388.6	1,397.2	1,404.6	1,418.4	1,424.9	1,439.4	1,464.8	1,473.7	1,467.2r	1,486.4
24 Commercial and industrial	482.1	482.8	482.8	483.2	483.5	487.2	488.0	491.0	497.3	496.4	494.9	501.8
25 Bankers acceptances held[3]	5.5	4.9	4.8	5.0	4.9	4.6	4.6	4.8	5.5	5.4	4.7	5.0
26 Other commercial and industrial	476.6	477.9	477.9	478.2	478.6	482.6	483.4	486.2	491.8	491.0	490.1	496.8
27 U.S. addressees[4]	466.7	468.3	468.6	468.7	469.0	473.1	474.3	477.1	481.8	481.0	481.1r	487.7
28 Non-U.S. addressees[4]	9.9	9.6	9.3	9.5	9.6	9.4	9.1	9.1	10.0	10.0	9.1	9.1
29 Real estate	389.5	393.8	398.1	403.1	407.3	411.2	415.9	420.3	423.8	426.8	430.0r	434.3
30 Individual	264.3	267.7	270.7	274.5	278.3	281.5	283.4	285.8	290.0	292.2	292.0r	292.3
31 Security	35.0	36.0	39.9	38.3	35.8	36.7	37.7	39.7	43.4r	44.5	40.6	47.4
32 Nonbank financial institutions	31.1	31.2	31.1	31.5	32.3	32.4	32.0	32.7	34.2	33.7	31.9	32.1
33 Agricultural	38.8	39.3	39.9	40.4	40.5	40.9	40.9	40.6	40.4	40.3	40.1	40.1
34 State and political subdivisions	47.2	47.5	47.5	47.9	48.8	48.8	49.3	50.0	52.5r	58.3	58.1	58.0
35 Foreign banks	10.6	10.4	10.1	10.3	10.0	10.1	10.0	9.9	10.1	9.8	9.8	9.7
36 Foreign official institutions	6.9	6.9	6.7	6.6	6.4	6.6	6.8	6.9	7.0	7.0	7.0	6.8
37 Lease financing receivables	16.4	16.7	16.9	17.2	17.4	17.5	17.6	17.7	18.1	18.9	19.1r	19.2
38 All other loans	40.4	41.1	44.9	44.2	44.4	45.5	43.4	44.7	48.0	45.8	43.6r	44.7

1. Data are prorated averages of Wednesday estimates for domestically chartered insured banks, based on weekly sample reports and quarterly universe reports. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large U.S. agencies and branches and quarterly reports from all U.S. agencies and branches, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Excludes loans to commercial banks in the United States.

3. Includes nonfinancial commercial paper held.

4. *United States includes the 50 states and the District of Columbia.*

NOTE. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1985r									1986		
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.
Total nondeposit funds												
1 Seasonally adjusted[2]	102.1	109.2	110.9	106.3	109.8	111.6	115.2	118.4	123.8	127.0	127.5	136.6
2 Not seasonally adjusted	105.4	113.7	112.2	105.4	111.4	112.4	116.2	121.9	125.9	129.5	132.5	141.5
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	134.0	137.7	143.5	143.4	139.8	140.5	141.0	145.9	150.4	147.6	148.5	156.1
4 Not seasonally adjusted	137.3	142.1	144.8	142.4	141.5	141.4	142.0	149.4	152.4	150.1	153.5	161.0
5 Net balances due to foreign-related institutions, not seasonally adjusted	-31.9	-28.4	-32.6	-37.1	-30.0	-29.0	-25.8	-27.6	-26.6	-20.6	-21.0	-19.5
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-32.4	-29.5	-32.5	-38.3	-32.8	-30.7	-28.7	-30.3	-31.6	-28.0	-25.8	-26.5
7 Gross due from balances	74.8	74.5	76.4	79.2	75.8	74.7	74.2	74.1	76.1	74.4	69.5	71.6
8 Gross due to balances	42.4	44.9	44.0	40.8	43.0	44.0	45.4	43.8	44.5	46.4	43.7	45.2
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	.5	1.1	-.2	1.3	2.8	1.7	2.9	2.7	5.1	7.4	4.7	6.9
10 Gross due from balances	51.2	51.7	53.0	54.6	55.1	56.0	55.4	56.1	56.8	57.7	60.0	60.7
11 Gross due to balances	51.7	52.9	52.8	55.9	57.9	57.8	58.3	58.8	61.9	65.1	64.7	67.7
Security RP borrowings												
12 Seasonally adjusted[6]	80.8	81.4	83.5	83.7	83.3	85.3	84.7	84.8	88.0	86.1	87.7	87.6
13 Not seasonally adjusted	81.7	83.4	82.3	80.4	82.6	83.7	83.4	85.9	87.7	86.1	90.3	90.1
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	15.0	20.3	16.9	20.5	16.1	14.9	4.7	13.5	17.5	19.0	21.1	15.7
15 Not seasonally adjusted	15.4	20.9	14.9	23.1	13.4	16.8	5.4	7.9	14.6	24.0	24.2	15.7
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	333.6	330.4	328.9	324.2	327.2	330.8	333.9	335.9	337.6	349.4	351.8	347.7
17 Not seasonally adjusted	330.5	329.6	327.2	323.2	327.7	332.7	336.3	337.5	339.4	348.3	350.6	348.2

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.
Data for lines 1–4 and 12–17 have been revised in light of benchmarking and revised seasonal adjustment.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

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

Billions of dollars

Account	1985								1986		
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,908.6	1,927.3	1,948.5	1,952.1	1,969.9	1,979.1	2,027.7	2,059.3	2,057.9	2,071.6	2,084.6
2 Investment securities	390.3	392.1	392.3	393.7	397.0	396.3	404.6	413.6	427.2	427.3	422.1
3 U.S. government securities	254.4	255.3	256.1	254.2	254.4	249.3	251.8	249.9	249.0	252.1	250.9
4 Other	135.9	136.8	136.2	139.6	142.6	147.0	152.8	163.6	178.3	175.1	171.2
5 Trading account assets	23.5	23.1	22.3	24.2	26.4	25.0	32.0	31.1	30.1	33.9	30.1
6 Total loans	1,494.9	1,512.1	1,534.0	1,534.1	1,546.5	1,557.8	1,591.2	1,614.6	1,600.6	1,610.4	1,632.3
7 Interbank loans	124.0	123.1	133.0	128.6	129.1	131.7	147.0	149.6	136.5	139.2	141.1
8 Loans excluding interbank	1,370.8	1,388.9	1,401.0	1,405.5	1,417.5	1,426.1	1,444.1	1,465.0	1,464.1	1,471.2	1,491.3
9 Commercial and industrial	483.4	484.3	485.9	484.6	489.2	488.8	493.1	495.9	496.9	502.1	509.2
10 Real estate	395.8	400.0	405.6	409.3	412.8	418.3	421.8	425.0	428.6	431.6	436.1
11 Individual	268.5	272.1	276.1	280.0	282.1	285.1	286.8	291.1	292.7	292.3	292.6
12 All other	223.0	232.6	233.4	231.5	233.4	233.9	242.5	253.0	245.8	245.1	253.4
13 Total cash assets	202.3	190.4	198.0	188.4	188.2	190.1	207.7	211.6	188.1	194.6	199.4
14 Reserves with Federal Reserve Banks	20.7	21.6	21.0	24.5	24.9	19.6	20.5	27.6	22.0	26.3	29.2
15 Cash in vault	23.3	22.2	22.0	22.7	22.1	22.6	21.4	22.2	23.0	22.6	21.8
16 Cash items in process of collection	76.5	68.4	70.5	62.5	61.4	67.9	81.9	79.3	63.9	66.7	68.6
17 Demand balances at U.S. depository institutions	35.2	31.3	33.5	30.6	30.8	31.6	35.8	36.1	31.4	31.9	31.4
18 Other cash assets	46.6	46.8	51.0	48.2	49.1	48.4	48.1	46.5	47.8	47.1	48.4
19 Other assets	183.4	189.4	194.5	180.8	185.8	178.1	185.0	189.4	178.0	177.1	185.4
20 Total assets/total liabilities and capital	**2,294.2**	**2,307.1**	**2,341.1**	**2,321.3**	**2,344.0**	**2,347.3**	**2,420.5**	**2,460.3**	**2,424.0**	**2,443.3**	**2,469.3**
21 Deposits	1,661.5	1,659.8	1,685.0	1,676.9	1,683.0	1,705.6	1,743.9	1,763.6	1,729.5	1,736.9	1,754.2
22 Transaction deposits	480.3	474.0	492.3	475.4	474.9	491.4	521.9	536.4	488.2	491.3[r]	502.1
23 Savings deposits	418.7	425.6	434.3	436.4	438.3	443.8	448.4	450.0	451.9	455.1	459.8
24 Time deposits	762.5	760.1	758.4	765.0	769.8	770.4	773.6	777.1	789.4	790.4[r]	792.2
25 Borrowings	305.4	315.8	321.6	308.9	323.2	309.0	350.8	361.5	359.7	370.2	369.2
26 Other liabilities	176.0	179.7	181.1	182.0	183.6	177.9	170.6	178.5	177.9	178.7	187.5
27 Residual (assets less liabilities)	151.3	151.8	153.4	153.4	154.1	154.8	155.1	156.7	156.9	157.6	158.5
MEMO											
28 U.S. government securities (including trading account)	269.3	271.0	270.0	268.3	271.5	265.1	271.7	265.7	266.9	275.4	270.9
29 Other securities (including trading account)	144.4	144.3	144.6	149.7	151.9	156.2	164.9	178.9	190.4	185.8	181.3
DOMESTICALLY CHARTERED COMMERCIAL BANKS[2]											
30 Loans and securities	1,812.7	1,829.2	1,847.9	1,850.8	1,863.6	1,872.3	1,917.7	1,944.2	1,943.6	1,953.8	1,961.9
31 Investment securities	383.8	385.1	385.1	386.5	389.1	388.1	396.6	405.9	417.3	416.9	412.4
32 U.S. government securities	250.7	251.4	252.4	250.4	250.5	245.0	248.0	246.0	244.9	247.6	246.5
33 Other	133.1	133.8	132.7	136.0	138.6	143.1	148.7	159.9	172.4	169.3	165.8
34 Trading account assets	23.5	23.1	22.3	24.2	26.4	25.0	32.0	31.1	30.1	33.9	30.1
35 Total loans	1,405.5	1,420.9	1,440.5	1,440.1	1,448.1	1,459.2	1,489.1	1,507.2	1,496.3	1,502.9[r]	1,519.5
36 Interbank loans	100.6	100.6	110.0	104.7	103.8	106.8	121.1	121.2	113.0	112.6	116.5
37 Loans excluding interbank	1,304.9	1,320.3	1,330.5	1,335.5	1,344.2	1,352.4	1,368.0	1,386.0	1,383.3	1,390.3	1,402.9
38 Commercial and industrial	436.6	436.0	437.6	435.7	437.9	437.4	440.0	442.0	439.7	443.4	445.5
39 Real estate	390.4	394.4	399.9	403.7	407.0	412.7	416.3	419.4	423.1	426.1	430.5
40 Individual	268.3	271.8	275.9	279.8	281.8	284.8	286.5	290.9	292.5	292.0	292.3
41 All other	209.6	218.1	217.2	216.3	217.5	217.5	225.2	233.7	228.0	228.8	234.5
42 Total cash assets	191.2	179.2	185.3	176.4	176.1	178.0	195.8	199.3	173.2	181.2	185.3
43 Reserves with Federal Reserve Banks	19.6	20.9	20.4	23.8	24.4	18.6	19.5	26.1	21.2	25.8	28.7
44 Cash in vault	23.2	22.2	22.0	22.6	22.0	22.6	21.4	22.2	23.0	22.6	21.7
45 Cash items in process of collection	76.2	68.2	70.3	62.2	61.1	67.7	81.6	79.0	63.5	66.3	68.1
46 Demand balances at U.S. depository institutions	33.8	29.8	32.2	29.0	29.4	30.2	34.0	34.4	29.6	30.3	29.8
47 Other cash assets	38.3	38.1	40.4	38.8	39.2	38.9	39.2	37.7	35.9	36.2	36.9
48 Other assets	131.5	137.7	144.9	132.6	133.3	132.0	137.1	141.2	130.0	126.4[r]	135.5
49 Total assets/total liabilities and capital	**2,135.4**	**2,146.2**	**2,178.1**	**2,159.8**	**2,173.0**	**2,182.3**	**2,250.6**	**2,284.8**	**2,246.8**	**2,261.3**	**2,282.7**
50 Deposits	1,618.4	1,617.2	1,642.3	1,631.9	1,636.6	1,659.5	1,697.5	1,716.7	1,681.2	1,689.9[r]	1,705.8
51 Transaction deposits	473.8	467.7	486.0	468.9	468.3	484.9	515.2	529.3	481.3	484.3[r]	494.8
52 Savings deposits	417.5	424.3	432.9	435.1	436.9	442.4	446.9	448.5	450.4	453.5	458.2
53 Time deposits	727.1	725.2	723.3	727.9	731.4	732.2	735.4	738.9	749.5	752.1	752.7
54 Borrowings	246.1	253.8	258.4	249.6	259.0	248.0	280.5	290.0	292.2	299.2	299.7
55 Other liabilities	122.4	126.1	126.8	127.4	125.9	122.7	120.2	124.0	119.1	117.2	121.4
56 Residual (assets less liabilities)	148.6	149.1	150.7	150.8	151.5	152.2	152.5	154.0	154.3	154.9	155.8

1. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.
2. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1.4 Billion or More on December 31, 1982, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1986								
	Jan. 29r	Feb. 5r	Feb. 12r	Feb. 19r	Feb. 26r	Mar. 5	Mar. 12	Mar. 19	Mar. 26
1 Cash and balances due from depository institutions	87,188	96,175	92,807	107,382	93,408	100,133	99,573	96,650	97,287
2 **Total loans, leases and securities, net**	**913,201**	**918,757**	**916,097**	**926,536**	**920,866**	**935,777**	**932,784**	**926,093**	**922,615**
3 U.S. Treasury and government agency	87,104	89,223	90,329	93,110	94,769	92,193	91,492	89,804	90,179
4 Trading account	17,954	20,779	21,054	22,033	23,245	21,782	20,819	20,324	19,986
5 Investment account, by maturity	69,150	68,443	69,275	71,077	71,524	70,411	70,673	69,480	70,193
6 One year or less	18,378	18,347	18,325	18,424	18,309	18,533	18,871	19,321	18,930
7 Over one through five years	32,946	32,707	33,448	35,093	35,229	34,613	34,593	33,522	34,566
8 Over five years	17,825	17,389	17,502	17,560	17,986	17,264	17,208	16,636	16,697
9 Other securities	75,136	73,946	73,020	72,430	71,708	70,485	69,527	68,864	68,830
10 Trading account	7,860	7,339	6,616	6,460	5,767	5,547	5,017	4,825	4,870
11 Investment account	67,276	66,607	66,404	65,970	65,940	64,939	64,510	64,038	63,960
12 States and political subdivisions, by maturity	61,528	61,078	60,812	60,401	59,963	58,695	58,208	57,762	57,485
13 One year or less	11,430	11,623	11,654	11,585	11,502	10,840	10,493	10,353	10,388
14 Over one year	50,098	49,455	49,158	48,816	48,461	47,854	47,716	47,408	47,097
15 Other bonds, corporate stocks, and securities	5,748	5,528	5,592	5,569	5,978	6,244	6,302	6,277	6,475
16 Other trading account assets	4,283	4,150	3,657	4,303	4,942	4,696	5,124	5,529	5,246
17 Federal funds sold[1]	60,963	62,788	62,085	63,570	58,839	70,522	69,935	59,773	60,729
18 To commercial banks	36,636	37,727	38,195	38,110	33,337	40,082	40,917	32,410	34,492
19 To nonbank brokers and dealers in securities	16,150	16,168	14,778	16,137	15,881	19,923	19,574	19,138	18,617
20 To others	8,177	8,893	9,112	9,322	9,621	10,517	9,443	8,224	7,620
21 Other loans and leases, gross[2]	704,459	707,655	706,014	712,182	709,742	717,192	716,055	721,499	716,877
22 Other loans, gross[2]	688,778	692,052	690,252	696,406	693,646	701,357	700,163	705,616	700,982
23 Commercial and industrial[2]	254,652	255,836	256,420	256,554	257,737	259,785	258,756	260,706	258,884
24 Bankers acceptances and commercial paper	1,999	2,106	2,026	2,224	2,220	2,162	2,223	2,328	2,231
25 All other	252,653	253,730	254,394	254,329	255,517	257,623	256,533	258,378	256,653
26 U.S. addressees	247,973	248,985	249,698	249,642	250,852	253,023	251,941	253,831	252,081
27 Non-U.S. addressees	4,680	4,746	4,696	4,687	4,665	4,600	4,592	4,547	4,572
28 Real estate loans[2]	182,014	182,070	182,741	183,102	183,297	183,536	184,188	185,203	185,260
29 To individuals for personal expenditures	133,232	133,051	132,812	132,867	133,048	132,846	132,824	132,817	132,772
30 To depository and financial institutions	41,041	41,986	41,606	42,734	41,915	43,429	42,471	42,610	42,324
31 Commercial banks in the United States	11,735	12,593	12,403	12,680	13,293	13,539	13,029	13,202	13,122
32 Banks in foreign countries	5,287	5,475	4,942	5,959	5,028	5,845	5,152	5,105	5,141
33 Nonbank depository and other financial institutions	24,019	23,918	24,261	24,095	23,594	24,045	24,289	24,303	24,061
34 For purchasing and carrying securities	16,545	17,497	15,980	19,021	16,544	19,695	21,252	22,210	20,704
35 To finance agricultural production	6,463	6,463	6,355	6,309	6,276	6,308	6,255	6,264	6,236
36 To states and political subdivisions	37,015	36,790	36,748	36,819	36,742	36,807	36,751	36,754	36,640
37 To foreign governments and official institutions	2,999	3,047	3,376	3,476	3,286	3,214	3,116	3,104	3,246
38 All other	14,816	15,312	14,213	15,525	14,800	15,737	14,551	15,949	14,915
39 Lease financing receivables	15,681	15,603	15,763	15,776	16,096	15,835	15,892	15,883	15,895
40 LESS: Unearned income	5,077	5,027	5,018	5,035	5,034	4,948	4,985	4,983	4,976
41 Loan and lease reserve[2]	13,667	13,978	13,990	14,024	14,100	14,364	14,365	14,391	14,270
42 Other loans and leases, net[2]	685,715	688,650	687,005	693,123	690,608	697,880	696,706	702,124	697,631
43 All other assets	123,006	123,927	122,004	123,098	120,374	126,894	122,385	127,153	127,040
44 **Total assets**	**1,123,396**	**1,138,859**	**1,130,908**	**1,157,015**	**1,134,648**	**1,162,804**	**1,154,742**	**1,149,897**	**1,146,942**
45 Demand deposits	193,226	205,805	194,253	215,876	195,162	211,916	202,585	205,087	200,672
46 Individuals, partnerships, and corporations	147,168	153,627	149,660	162,266	149,182	157,118	157,320	156,133	152,937
47 States and political subdivisions	4,807	5,730	4,564	5,472	5,193	4,486	4,137	4,829	5,012
48 U.S. government	2,684	4,981	2,711	2,037	2,706	4,856	2,834	4,162	2,520
49 Depository institutions in United States	22,129	23,530	21,757	27,721	23,036	24,902	21,924	23,035	23,024
50 Banks in foreign countries	5,322	5,398	5,302	7,014	5,483	6,606	5,951	5,497	5,827
51 Foreign governments and official institutions	1,200	888	763	843	993	779	861	770	891
52 Certified and officers' checks	9,914	11,652	9,495	10,522	8,568	12,808	9,558	10,661	10,461
53 Transaction balances other than demand deposits	41,086	43,327	42,346	42,579	42,008	44,804	43,746	43,559	43,330
54 Nontransaction balances	491,985	494,094	493,868	494,304	493,330	493,290	493,920	493,315	493,942
55 Individuals, partnerships and corporations	453,920	454,908	454,384	455,266	453,877	453,950	454,700	454,367	454,758
56 States and political subdivisions	25,982	26,064	26,462	26,293	26,427	26,142	26,190	25,879	25,845
57 U.S. government	529	538	548	549	544	766	550	596	637
58 Depository institutions in the United States	9,619	10,683	10,613	10,414	10,732	10,718	10,874	10,854	11,086
59 Foreign governments, official institutions and banks	1,934	1,900	1,860	1,782	1,750	1,714	1,606	1,619	1,616
60 Liabilities for borrowed money	232,325	232,716	237,795	240,865	241,427	248,425	249,414	241,991	240,885
61 Borrowings from Federal Reserve Banks	200	150	145	140	140	120	1,182	145	173
62 Treasury tax-and-loan notes	17,000	12,331	14,529	14,577	16,504	8,553	6,122	11,844	9,405
63 All other liabilities for borrowed money[3]	215,126	220,235	223,121	226,149	224,782	239,752	242,110	230,002	231,307
64 Other liabilities and subordinated note and debentures	85,050	82,804	82,367	83,347	82,756	83,873	84,200	85,230	87,458
65 **Total liabilities**	**1,043,672**	**1,058,746**	**1,050,629**	**1,076,972**	**1,054,683**	**1,082,308**	**1,073,864**	**1,069,222**	**1,066,288**
66 Residual (total assets minus total liabilities)[4]	79,723	80,113	80,279	80,043	79,965	80,496	80,878	80,675	80,655
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	883,574	887,442	884,508	894,805	893,370	901,468	898,187	899,856	894,247
68 Total loans and leases (gross) adjusted[2,5]	717,051	720,123	717,501	724,962	721,950	734,093	732,043	735,660	729,992
69 Time deposits in amounts of $100,000 or more	164,746	165,631	165,805	164,685	164,511	163,171	162,770	162,134	161,924
70 Loans sold outright to affiliates—total[6]	1,848	1,660	1,762	1,783	1,776	1,762	1,823	1,918	1,918
71 Commercial and industrial	1,073	911	1,019	1,038	1,053	1,041	1,100	1,193	1,214
72 Other	774	749	742	745	724	721	724	724	704
73 Nontransaction savings deposits (including MMDAs)	194,111	195,175	194,897	196,175	195,822	196,695	197,794	197,783	198,102

1. Includes securities purchased under agreements to resell.
2. Levels of major loan items were affected by the Sept. 26, 1984, transaction between Continental Illinois National Bank and the Federal Deposit Insurance Corporation. For details see the H.4.2 statistical release dated Oct. 5, 1984.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
5. Exclusive of loans and federal funds transactions with domestic commercial banks.
6. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

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

Millions of dollars, Wednesday figures except as noted

Account	1986								
	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
1 Cash and balances due from depository institutions	21,534	26,060	24,645	28,565	22,952	26,055	27,675	25,493	27,075
2 **Total loans, leases and securities, net**[1]	**195,026**	**192,313**	**192,299**	**198,235**	**195,127**	**201,517**	**203,712**	**199,994**	**198,136**
Securities									
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	10,897	10,200	10,574	11,074	11,311	10,988	10,682	9,747	10,171
6 One year or less	1,524	1,470	1,360	1,338	1,365	1,299	1,215	1,492	1,596
7 Over one through five years	5,375	4,751	5,152	5,814	5,908	5,712	5,635	4,643	5,570
8 Over five years	3,998	3,979	4,062	3,922	4,039	3,976	3,832	3,612	3,004
9 Other securities[2]	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......
11 Investment account	15,756	15,496	15,413	15,341	15,618	15,624	15,626	15,515	15,567
12 States and political subdivisions, by maturity	13,967	13,927	13,840	13,779	13,693	13,495	13,490	13,399	13,382
13 One year or less	1,826	1,825	1,874	1,876	1,875	1,842	1,847	1,818	1,915
14 Over one year	12,141	12,102	11,966	11,904	11,818	11,653	11,643	11,581	11,467
15 Other bonds, corporate stocks and securities	1,789	1,568	1,573	1,561	1,926	2,129	2,136	2,116	2,186
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......
Loans and leases									
17 Federal funds sold[3]	30,335	27,639	28,936	29,341	27,791	30,107	33,921	28,733	29,414
18 To commercial banks	15,339	12,427	13,711	13,716	12,344	11,670	16,347	11,886	13,755
19 To nonbank brokers and dealers in securities	8,807	8,448	8,078	9,146	8,060	11,172	10,889	10,807	9,642
20 To others	6,189	6,763	7,146	6,480	7,386	7,265	6,684	6,040	6,018
21 Other loans and leases, gross	143,456	144,447	142,904	148,023	146,005	150,430	149,182	151,728	148,642
22 Other loans, gross	140,466	141,446	139,852	144,967	142,643	147,351	146,099	148,644	145,551
23 Commercial and industrial	57,739	57,624	57,815	57,982	58,365	58,951	58,298	58,396	57,635
24 Bankers acceptances and commercial paper	479	550	486	584	536	546	541	547	495
25 All other	57,260	57,074	57,329	57,398	57,829	58,406	57,757	57,849	57,140
26 U.S. addressees	56,649	56,463	56,720	56,812	57,262	57,833	57,180	57,271	56,551
27 Non-U.S. addressees	611	611	609	586	567	573	578	578	588
28 Real estate loans	30,166	30,119	30,256	30,393	30,268	30,421	30,630	31,014	30,924
29 To individuals for personal expenditures	17,740	17,709	17,708	17,842	17,861	17,831	17,804	17,849	17,872
30 To depository and financial institutions	12,341	12,977	12,356	13,867	13,216	14,047	13,099	13,322	13,380
31 Commercial banks in the United States	3,433	4,028	3,965	4,400	4,529	4,745	4,439	4,586	4,487
32 Banks in foreign countries	2,249	2,441	1,868	2,865	2,076	2,888	2,174	2,308	2,232
33 Nonbank depository and other financial institutions	6,658	6,508	6,523	6,601	6,611	6,414	6,487	6,428	6,661
34 For purchasing and carrying securities	8,069	8,637	7,307	9,912	8,214	11,122	11,898	12,794	11,163
35 To finance agricultural production	305	315	309	307	320	344	322	324	321
36 To states and political subdivisions	9,562	9,360	9,357	9,431	9,402	9,411	9,369	9,347	9,244
37 To foreign governments and official institutions	619	667	1,017	1,086	912	870	761	749	866
38 All other	3,924	4,039	3,727	4,146	4,085	4,353	3,915	4,849	4,144
39 Lease financing receivables	2,991	3,000	3,052	3,056	3,362	3,079	3,083	3,084	3,091
40 LESS: Unearned income	1,460	1,440	1,438	1,440	1,449	1,424	1,432	1,434	1,433
41 Loan and lease reserve	3,959	4,028	4,090	4,103	4,149	4,208	4,267	4,296	4,224
42 Other loans and leases, net	138,038	138,979	137,376	142,479	140,407	144,798	143,483	145,998	142,984
43 All other assets[4]	65,885	70,244	69,008	72,282	70,656	75,147	69,053	72,561	69,544
44 **Total assets**	**282,446**	**288,617**	**285,951**	**299,081**	**288,736**	**302,719**	**300,441**	**298,048**	**294,754**
Deposits									
45 Demand deposits	50,504	54,244	48,166	57,683	50,247	57,392	53,916	55,640	54,077
46 Individuals, partnerships, and corporations	33,684	35,442	32,977	38,950	34,661	36,220	37,511	37,881	36,317
47 States and political subdivisions	673	1,112	538	680	639	606	483	691	698
48 U.S. government	630	1,073	503	250	622	961	545	839	513
49 Depository institutions in the United States	5,578	5,368	4,769	6,265	5,539	6,542	5,282	5,797	5,762
50 Banks in foreign countries	4,032	4,165	3,999	5,642	4,255	5,313	4,661	4,263	4,467
51 Foreign governments and official institutions	1,026	715	594	673	822	628	723	627	783
52 Certified and officers' checks	4,881	6,370	4,784	5,223	3,708	7,120	4,711	5,540	5,536
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	4,443	4,666	4,565	4,524	4,483	4,987	4,594	4,612	4,622
54 Nontransaction balances	91,455	92,006	91,684	92,987	92,519	92,349	91,788	92,166	91,649
55 Individuals, partnerships and corporations	82,571	83,053	82,582	83,949	83,126	82,983	82,496	83,130	82,662
56 States and political subdivisions	5,741	5,739	5,886	5,925	6,053	5,954	5,937	5,794	5,645
57 U.S. government	51	35	38	52	46	45	41	40	43
58 Depository institutions in the United States	2,148	2,226	2,222	2,156	2,390	2,459	2,478	2,364	2,445
59 Foreign governments, official institutions and banks	944	952	956	904	904	907	836	839	855
60 Liabilities for borrowed money[5]	76,352	79,253	83,186	85,972	83,548	89,794	92,141	85,371	83,257
61 Borrowings from Federal Reserve Banks	......	......	......	......	......	......	800	......	......
62 Treasury tax-and-loan notes	4,964	3,281	4,337	4,237	4,729	2,274	1,413	3,208	2,535
63 All other liabilities for borrowed money[5]	71,388	75,972	78,849	81,735	78,819	87,521	89,927	82,164	80,722
64 Other liabilities and subordinated note and debentures	34,194	32,729	32,623	32,354	32,450	32,466	32,137	34,581	35,489
65 **Total liabilities**	**256,948**	**262,898**	**260,224**	**273,520**	**263,247**	**276,989**	**274,578**	**272,370**	**269,095**
66 Residual (total assets minus total liabilities)[6]	25,498	25,719	25,727	25,562	25,488	25,730	25,863	25,678	25,659
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	181,672	181,326	180,150	185,663	183,852	190,734	188,625	189,252	185,551
68 Total loans and leases (gross) adjusted[7]	155,019	155,631	154,164	159,248	156,922	164,122	162,317	163,989	159,813
69 Time deposits in amounts of $100,000 or more	36,664	36,886	37,038	37,105	36,975	36,778	35,645	35,948	35,567

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS WITH ASSETS OF $750 MILLION OR MORE ON JUNE 30, 1980 Assets and Liabilities ▲

Millions of dollars, Wednesday figures

Account[1]	1986								
	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
1 Cash and due from depository institutions	9,794	8,704	9,309	8,920	8,732	8,939	8,894	8,435	9,204
2 Total loans and securities	63,634	63,437	63,586	65,051	65,727	63,728	64,800	66,163	68,377
3 U.S. Treasury and govt. agency securities	3,506	3,960	3,730	3,931	3,932	3,789	3,906	3,883	3,784
4 Other securities	4,450	4,436	4,281	4,287	4,387	4,391	4,078	4,080	4,014
5 Federal funds sold[2]	4,778	3,630	4,314	5,282	6,509	2,989	3,485	3,823	4,312
6 To commercial banks in the United States	3,862	2,685	3,221	4,120	5,603	2,225	2,788	2,919	3,394
7 To others	917	945	1,093	1,162	906	764	696	904	918
8 Other loans, gross	50,900	51,411	51,261	51,552	50,899	52,559	53,331	54,377	56,266
9 Commercial and industrial	30,002	30,497	30,735	31,002	30,712	31,478	31,649	32,188	33,411
10 Bankers acceptances and commercial paper	2,088	2,196	2,109	2,150	2,075	2,186	2,042	2,230	2,372
11 All other	27,914	28,300	28,625	28,852	28,637	29,292	29,606	29,957	31,038
12 U.S. addressees	26,054	26,461	26,775	26,889	26,698	26,947	27,313	27,867	28,888
13 Non-U.S. addressees	1,860	1,840	1,850	1,963	1,940	2,345	2,293	2,090	2,150
14 To financial institutions	14,078	13,864	13,645	13,810	14,027	14,282	14,726	14,902	15,262
15 Commercial banks in the United States	11,070	10,762	10,759	10,972	11,157	11,316	11,650	11,773	12,288
16 Banks in foreign countries	1,056	1,124	1,020	1,031	1,133	1,124	1,091	1,069	1,012
17 Nonbank financial institutions	1,952	1,979	1,866	1,807	1,736	1,842	1,985	2,060	1,962
18 To foreign govts. and official institutions	702	650	641	657	613	598	607	606	654
19 For purchasing and carrying securities	2,619	2,790	2,676	2,422	1,926	2,562	2,708	3,084	3,397
20 All other	3,500	3,609	3,563	3,660	3,620	3,638	3,641	3,597	3,542
21 Other assets (claims on nonrelated parties)	21,920	22,258	22,516	22,961	23,024	22,594	22,901	22,758	22,783
22 Net due from related institutions	10,723	12,996	11,714	11,875	11,192	14,048	13,625	12,317	11,206
23 Total assets	106,070	107,395	107,125	108,808	108,676	109,309	110,220	109,674	111,570
24 Deposits or credit balances due to other than directly related institutions	32,872	32,516	32,137	31,904	31,396	31,144	30,835	31,792	32,462
25 Transaction accounts and credit balances[3]	2,586	2,585	2,631	2,826	2,427	2,975	2,419	2,777	2,841
26 Individuals, partnerships, and corporations	1,367	1,467	1,496	1,544	1,420	1,478	1,495	1,558	1,520
27 Other	1,219	1,118	1,135	1,282	1,007	1,496	923	1,219	1,321
28 Nontransaction accounts[4]	30,286	29,931	29,506	29,078	28,969	28,169	28,417	29,014	29,620
29 Individuals, partnerships, and corporations	23,840	23,732	22,908	23,088	22,912	22,458	22,878	23,661	24,019
30 Other	6,446	6,198	6,598	5,990	6,058	5,711	5,539	5,353	5,601
31 Borrowings from other than directly related institutions	38,594	41,357	39,660	42,024	40,155	44,366	44,065	40,906	39,320
32 Federal funds purchased[5]	17,187	20,612	18,588	20,959	18,043	22,187	21,920	18,439	16,772
33 From commercial banks in the United States	12,495	14,768	13,850	15,914	12,605	17,332	17,060	13,191	12,314
34 From others	4,692	5,844	4,738	5,045	5,439	4,855	4,860	5,248	4,457
35 Other liabilities for borrowed money	21,407	20,745	21,071	21,065	22,112	22,179	22,145	22,467	22,548
36 To commercial banks in the United States	19,356	18,737	18,877	18,917	19,848	20,170	20,510	20,679	20,744
37 To others	2,051	2,008	2,194	2,148	2,264	2,009	1,636	1,788	1,803
38 Other liabilities to nonrelated parties	23,576	24,292	24,367	24,611	25,053	24,252	24,755	24,900	24,476
39 Net due to related institutions	11,028	9,231	10,961	10,269	12,071	9,548	10,564	12,076	15,312
40 Total liabilities	106,070	107,395	107,125	108,808	108,676	109,309	110,220	109,674	111,570
MEMO									
41 Total loans (gross) and securities adjusted[6]	48,702	49,990	49,607	49,959	48,966	50,187	50,362	51,471	52,696
42 Total loans (gross) adjusted[6]	40,747	41,594	41,595	41,742	40,648	42,006	42,378	43,508	44,897

▲ Levels of many asset and liability items were revised beginning Oct. 31, 1984. For details, see the H.4.2 (504) statistical release dated Nov. 23, 1984.

1. Effective Jan. 1, 1986, The reporting panel includes 65 U.S. branches and agencies of foreign banks instead of the 50 banks previously reporting. Data shown for weeks before Jan. 1, 1986 are estimated to represent the new 65-bank panel. Minor definitional changes were made in a few items effective with Jan. 1 data due to a change in treatment of credit balances and other checkable deposits. Credit balances formerly were reported as a separate item and are now included in the transaction account breakdowns. Other checkable deposits are now included in transaction accounts. Before Jan. 1, 1986, they were included in savings (nontransaction) accounts.

2. Includes securities purchased under agreements to resell.

3. Includes credit balances, demand deposits, and other checkable deposits.

4. Includes savings deposits, money market deposit accounts, and time deposits.

5. Includes securities sold under agreements to repurchase.

6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984		1985			
					Sept.	Dec.	Mar.[3]	June	Sept.	Dec.
1 **All holders—Individuals, partnerships, and corporations**	**315.5**	**288.9**	**291.8**	**293.5**	**288.8**	**302.7**	**286.6**	**298.6**	**299.6**	**321.6**
2 Financial business	29.8	28.0	35.4	32.8	30.4	31.7	28.1	28.9	28.9	32.9
3 Nonfinancial business	162.8	154.8	150.5	161.1	158.9	166.3	158.3	164.7	168.1	178.4
4 Consumer	102.4	86.6	85.9	78.5	79.9	81.5	77.9	81.8	80.7	84.8
5 Foreign	3.3	2.9	3.0	3.3	3.3	3.6	3.5	3.7	3.5	3.5
6 Other	17.2	16.7	17.0	17.8	16.3	19.7	18.8	19.5	18.5	22.1
	Weekly reporting banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.[2]	1984		1985			
					Sept.	Dec.	Mar.[3]	June	Sept.	Dec.
7 **All holders—Individuals, partnerships, and corporations**	**147.4**	**137.5**	**144.2**	**146.2**	**145.3**	**157.1**	**147.8**	**151.4**	**153.7**	**168.8**
8 Financial business	21.8	21.0	26.7	24.2	23.7	25.3	22.6	22.9	23.3	26.6
9 Nonfinancial business	78.3	75.2	74.3	79.8	79.2	87.1	82.8	84.0	85.9	94.4
10 Consumer	35.6	30.4	31.9	29.7	29.8	30.5	29.1	29.9	30.6	32.4
11 Foreign	3.1	2.8	2.9	3.1	3.2	3.4	3.3	3.5	3.3	3.1
12 Other	8.6	8.0	8.4	9.3	9.3	10.9	10.0	11.0	10.6	12.3

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.
2. In January 1984 the weekly reporting panel was revised; it now includes 168 banks. Beginning with March 1984, estimates are constructed on the basis of 92 sample banks and are not comparable with earlier data. Estimates in billions of dollars for December 1983 based on the newly weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.
3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1981 Dec.	1982 Dec.	1983 Dec.[1]	1984 Dec.	1985 Dec.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**165,829**	**166,436**	**187,658**	**237,586**	**300,899**	**277,482**	**282,155**	**287,981**	**300,899**	**302,160**	**297,862**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	30,333	34,605	44,455	56,485	78,443	71,080	70,395	72,145	78,443	79,052	78,136
3 Bank-related (not seasonally adjusted)	6,045	2,516	2,441	2,035	1,602	2,333	2,077	1,969	1,602	1,414	1,475
Directly placed paper[5]											
4 Total	81,660	84,393	97,042	110,543	135,504	132,068	131,504	131,667	135,504	134,584	134,443
5 Bank-related (not seasonally adjusted)	26,914	32,034	35,566	42,105	44,778	43,224	42,570	41,490	44,778	35,660	36,948
6 Nonfinancial companies[6]	53,836	47,437	46,161	70,558	86,952	74,334	80,256	84,169	86,952	88,528	85,283
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**69,226**	**79,543**	**78,309**	**77,121r**	**68,180**	**70,845**	**69,272**	**67,890**	**68,180**	**68,205**	**67,188**
Holder											
8 Accepting banks	10,857	10,910	9,355	10,255	11,233	10,014	9,719	11,027	11,233	11,084	12,352
9 Own bills	9,743	9,471	8,125	9,065	9,507	8,501	8,041	8,903	9,507	9,346	10,127
10 Bills bought	1,115	1,439	1,230	1,191	1,726	1,513	1,679	2,123	1,726	1,738	2,225
Federal Reserve Banks											
11 Own account	195	1,480	418	0	0	0	0	0	0	0	0
12 Foreign correspondents	1,442	949	729	671	937	793	850	874	937	898	874
13 Others	56,731	66,204	68,225	67,309r	56,946	60,830	59,552	56,863	56,946	57,120	54,835
Basis											
14 Imports into United States	14,765	17,683	15,649	16,975	15,225	17,146	16,503	15,845	15,225	14,820	14,806
15 Exports from United States	15,400	16,328	16,880	15,859	13,189	13,242	13,116	13,030	13,189	12,951	13,115
16 All other	39,060	45,531	45,781	43,702r	36,688	38,776	38,362	37,516	36,688	37,277	36,648

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
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.
7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1984—Mar. 19	11.50	1984—Nov. 9	11.75	1984—Jan.	11.00	1985—Mar.	10.50
Apr. 5	12.00	28	11.25	Feb.	11.00	Apr.	10.50
May 8	12.50	Dec. 20	10.75	Mar.	11.21	May	10.31
June 25	13.00			Apr.	11.93	June	9.78
Sept. 27	12.75	1985—Jan. 15	10.50	May	12.39	July	9.50
Oct. 17	12.50	May 20	10.00	June	12.60	Aug.	9.50
29	12.00	June 18	9.50	July	13.00	Sept.	9.50
				Aug.	13.00	Oct.	9.50
				Sept.	12.97	Nov.	9.50
				Oct.	12.58	Dec.	9.50
				Nov.	11.77		
				Dec.	11.06	1986—Jan.	9.50
						Feb.	9.50
				1985—Jan.	10.61	Mar.	9.00
				Feb.	10.50	Apr.	8.50

NOTE. These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

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

	Instrument	1983	1984	1985	1985	1986			1986, week ending				
					Dec.	Jan.	Feb.	Mar.	Feb. 28	Mar. 7	Mar. 14	Mar. 21	Mar. 28
	MONEY MARKET RATES												
1	Federal funds[1,2]	9.09	10.22	8.10	8.27	8.14	7.86	7.48	7.82	7.89	7.52	7.47	7.25
2	Discount window borrowing[1,2,3]	8.50	8.80	7.69	7.50	7.50	7.50	7.10	7.50	7.50	7.07	7.00	7.00
	Commercial paper[4,5]												
3	1-month	8.87	10.05	7.94	7.87	7.78	7.70	7.30	7.66	7.52	7.20	7.22	7.25
4	3-month	8.88	10.10	7.95	7.75	7.71	7.63	7.20	7.59	7.40	7.13	7.13	7.13
5	6-month	8.89	10.16	8.01	7.62	7.62	7.54	7.08	7.48	7.27	7.04	7.01	7.00
	Finance paper, directly placed[4,5]												
6	1-month	8.80	9.97	7.91	7.81	7.75	7.68	7.24	7.61	7.43	7.18	7.19	7.19
7	3-month	8.70	9.73	7.77	7.57	7.52	7.47	7.15	7.44	7.34	7.14	7.11	7.03
8	6-month	8.69	9.65	7.75	7.51	7.47	7.40	7.10	7.37	7.30	7.11	7.05	6.96
	Bankers acceptances[5,6]												
9	3-month	8.90	10.14	7.92	7.65	7.62	7.54	7.09	7.50	7.27	7.05	7.04	7.01
10	6-month	8.91	10.19	7.96	7.52	7.55	7.41	6.94	7.31	7.11	6.95	6.88	6.83
	Certificates of deposit, secondary market[7]												
11	1-month	8.96	10.17	7.97	7.87	7.83	7.69	7.33	7.63	7.51	7.24	7.27	7.30
12	3-month	9.07	10.37	8.05	7.80	7.82	7.69	7.24	7.62	7.46	7.19	7.17	7.16
13	6-month	9.27	10.68	8.25	7.80	7.83	7.70	7.23	7.62	7.46	7.18	7.16	7.15
14	Eurodollar deposits, 3-month[8]	9.56	10.73	8.28	7.99	8.02	7.89	7.42	7.86	7.70	7.41	7.39	7.43
	U.S. Treasury bills[5]												
	Secondary market[9]												
15	3-month	8.61	9.52	7.48	7.10	7.07	7.06	6.56	7.04	6.79	6.59	6.49	6.39
16	6-month	8.73	9.76	7.66	7.14	7.16	7.11	6.57	7.04	6.77	6.58	6.55	6.42
17	1-year	8.80	9.92	7.80	7.16	7.21	7.11	6.59	7.02	6.76	6.59	6.57	6.46
	Auction average[10]												
18	3-month	8.63	9.58	7.48	7.07	7.04	7.03	6.59	6.96	6.92	6.55	6.52	6.36
19	6-month	8.75	9.80	7.66	7.09	7.13	7.08	6.60	7.00	6.87	6.54	6.55	6.43
20	1-year	8.86	9.91	7.80	7.06	7.31	7.19	6.61	n.a.	n.a.	6.61	n.a.	n.a.
	CAPITAL MARKET RATES												
	U.S. Treasury notes and bonds[11]												
	Constant maturities[12]												
21	1-year	9.57	10.89	8.43	7.67	7.73	7.61	7.03	7.52	7.22	7.03	7.01	6.89
22	2-year	10.21	11.65	9.27	8.15	8.14	7.97	7.21	7.81	7.43	7.17	7.20	7.10
23	2-½-year[13]	....	11.82	9.54	8.30	8.33	8.10	n.a.	8.05	n.a.	7.40	n.a.	7.20
24	3-year	10.45	11.89	9.64	8.40	8.41	8.10	7.30	7.91	7.51	7.26	7.29	7.19
25	5-year	10.80	12.24	10.13	8.73	8.68	8.34	7.46	8.06	7.66	7.40	7.46	7.36
26	7-year	11.02	12.40	10.51	9.11	9.03	8.58	7.67	8.20	7.90	7.61	7.71	7.52
27	10-year	11.10	12.44	10.62	9.26	9.19	8.70	7.78	8.29	8.01	7.72	7.80	7.63
28	20-year	11.34	12.48	10.97	9.75	9.59	9.08	8.09	8.56	8.31	8.09	8.14	7.93
29	30-year	11.18	12.39	10.79	9.54	9.40	8.93	7.96	8.47	8.17	7.95	7.98	7.81
	Composite[14]												
30	Over 10 years (long-term)	10.84	11.99	10.75	9.60	9.51	9.07	8.13	8.57	8.31	8.14	8.17	7.98
	State and local notes and bonds												
	Moody's series[15]												
31	Aaa	8.80	9.61	8.60	7.98	7.74	7.26	6.73	6.90	6.65	6.65	6.80	6.80
32	Baa	10.17	10.38	9.58	9.05	8.79	8.30	7.58	7.80	7.50	7.50	7.70	7.60
33	*Bond Buyer* series[16]	9.51	10.10	9.11	8.43	8.08	7.44	7.08	6.98	6.88	6.89	7.34	7.21
	Corporate bonds												
	Seasoned issues[17]												
34	All industries	12.78	13.49	12.05	10.89	10.75	10.40	9.79	10.08	9.89	9.78	9.80	9.71
35	Aaa	12.04	12.71	11.37	10.16	10.05	9.67	9.00	9.29	9.08	8.98	9.03	8.94
36	Aa	12.42	13.31	11.82	10.63	10.46	10.13	9.49	9.81	9.59	9.48	9.52	9.43
37	A	13.10	13.74	12.28	11.19	11.04	10.67	10.15	10.40	10.29	10.15	10.14	10.04
38	Baa	13.55	14.19	12.72	11.58	11.44	11.11	10.50	10.82	10.59	10.52	10.50	10.42
39	A-rated, recently-offered utility bonds[18]	12.73	13.81	12.06	10.91	10.74	10.20	9.41	9.48	9.56	9.37	9.38	9.29
	MEMO: Dividend/price ratio[19]												
40	Preferred stocks	11.02	11.59	10.49	10.05	9.85	9.62	9.13	9.66	9.14	9.06	9.10	9.21
41	Common stocks	4.40	4.64	4.25	3.88	3.90	3.72	3.50	3.62	3.63	3.50	3.45	3.43

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-½-year small saver certificates. (See table 1.16.)
14. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
15. General obligations based on Thursday figures; Moody's Investors Service.
16. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
17. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
18. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
19. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1983	1984	1985	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.63	92.46	108.09	111.64	109.09	106.62	107.57	113.93	119.33	120.16	126.43	133.97
2 Industrial	107.45	108.01	123.79	126.94	124.92	122.35	123.65	130.53	136.77	137.13	144.03	152.75
3 Transportation	89.36	85.63	104.11	111.67	109.92	104.96	103.72	108.61	113.52	115.72	124.18	128.66
4 Utility	47.00	46.44	56.75	59.68	56.99	55.93	55.84	59.07	61.69	62.46	65.18	68.06
5 Finance	95.34	89.28	114.21	119.85	114.68	110.21	112.36	122.83	128.86	132.36	142.13	153.94
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.41	160.50	186.84	192.54	188.31	184.06	186.18	197.45	207.26	208.19	219.37	232.33
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	216.48	207.96	229.10	235.21	232.65	226.27	225.00	236.53	243.28	245.27	246.09	264.91
Volume of trading (thousands of shares)												
8 New York Stock Exchange	85,418	91,084	109,191	111,952	87,468	97,910	110,569	122,263	133,446	130,872	152,590	160,755
9 American Stock Exchange	8,215	6,107	8,355	7,284	7,275	7,057	7,648	9,183	11,890	11,105	14,057	15,902
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker–dealers[3]	**23,000**	**22,470**	**28,390**	**25,220**	**25,780**	**25,330**	**26,350**	**26,400**	**28,390**	**26,810**	**27,450**	**29,090**
Free credit balances at brokers[4]												
11 Margin-account[5]	n.a.	1,755	2,715	1,950	1,810	1,745	1,715	2,080	2,715	2,645	2,550	2,710
12 Cash-account	8,430	10,215	12,840	9,700	9,440	10,080	9,630	10,340	12,840	11,695	12,355	13,920
	Margin-account debt at brokers (percentage distribution, end of period)											
13 Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
By equity class (in percent)[6]												
14 Under 40	22.0	18.0	34.0	34.0	35.0	40.0	37.0	35.0	34.0	32.0	28.0	29.0
15 40–49	22.0	18.0	20.0	20.0	21.0	22.0	22.0	20.0	20.0	20.0	19.0	19.0
16 50–59	16.0	16.0	19.0	19.0	18.0	16.0	17.0	19.0	19.0	20.0	21.0	21.0
17 60–69	9.0	9.0	11.0	11.0	11.0	9.0	10.0	11.0	11.0	11.0	13.0	13.0
18 70–79	6.0	5.0	8.0	8.0	8.0	6.0	7.0	7.0	8.0	8.0	9.0	9.0
19 80 or more	6.0	6.0	8.0	8.0	7.0	7.0	7.0	8.0	8.0	9.0	10.0	9.0
	Special miscellaneous-account balances at brokers (end of period)											
20 Total balances (millions of dollars)[7]	**58,329**	**75,840**	**99,310**	**89,240**	**90,930**	**91,400**	**92,250**	**95,240**	**99,310**	**99,290**	**104,228**	**103,450**
Distribution by equity status (percent)												
21 Net credit status	63.0	59.0	58.0	59.0	59.0	59.0	58.0	57.0	58.0	59.0	60.0	61.0
Debt status, equity of												
22 60 percent or more	28.0	29.0	31.0	32.0	30.0	31.0	31.0	32.0	31.0	33.0	32.0	31.0
23 Less than 60 percent	9.0	11.0	11.0	9.0	11.0	10.0	11.0	11.0	11.0	8.0	8.0	8.0

Margin requirements (percent of market value and effective date)[8]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
24 Margin stocks	70	80	65	55	65	50
25 Convertible bonds	50	60	50	50	50	50
26 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
7. 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.
8. 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	1983	1984	1985									1986	
			Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	FSLIC insured institutions												
1 **Assets**	**819,168**	**978,514**	**995,430**	**1,003,225**	**1,012,312**	**1,022,410**	**1,034,979**	**1,040,968**	**1,049,251**	**1,061,362**	**1,069,399**	**1,069,866**	**1,079,060**
2 Mortgages	521,308	599,021	613,334	617,574	623,275	627,310	632,839	638,158	644,598	647,885	649,848	651,959	652,527
3 Mortgage-backed securities	90,902	108,219	108,174	106,433	102,892	105,869	108,685	113,086	111,422	110,400	110,710	111,831	113,593
4 Cash and investment securities[1]	109,923	135,640	127,225	129,918	132,109	133,001	135,136	130,791	130,859	139,609	143,110	139,660	144,618
5 Other	......	91,516	96,903	98,034	100,595	101,281	101,564	101,896	102,679	103,034	103,312	103,977	104,483
6 **Liabilities and net worth**	**819,168**	**978,514**	**995,430**	**1,003,225**	**1,012,312**	**1,022,410**	**1,034,979**	**1,040,968**	**1,049,251**	**1,061,362**	**1,069,399**	**1,069,866**	**1,079,060**
7 Savings capital	671,059	784,724	801,293	809,083	817,551	822,105	826,841	831,274	833,193	837,496	843,933	847,598	852,212
8 Borrowed money	98,511	137,123	132,230	129,082	130,269	134,019	139,507	144,880	147,355	152,768	156,249	150,826	151,863
9 FHLBB	57,253	71,719	72,785	74,159	75,897	77,756	80,129	81,485	82,569	82,718	84,000	82,602	82,327
10 Other	41,258	65,404	59,445	54,923	54,372	56,263	59,378	63,395	64,786	70,050	72,249	68,224	69,536
11 Other	16,619	18,746	22,468	24,215	22,055	23,252	25,199	21,864	24,284	26,035	21,996	24,186	26,793
12 Net worth[2]	32,980	37,921	39,476	40,845	42,436	43,034	43,432	43,950	44,419	45,063	46,820	47,256	48,192
13 MEMO: Mortgage loan commitments outstanding[3]	56,785	65,836	68,671	69,683	69,585	68,805	66,120	65,743	65,056	65,447	61,985	61,284	64,115
	Savings banks[4]												
14 **Assets**	**193,535**	**203,898**	**210,469**	**212,509**	**212,163**	**213,824**	**215,298**	**215,560**	**215,893**	**216,793**	**216,693**	**216,673**	n.a.
Loans													
15 Mortgage	97,356	102,895	105,102	105,869	105,891	106,441	107,322	108,842	109,171	109,494	110,371	108,973	n.a.
16 Other	19,129	24,954	28,000	28,530	29,211	30,339	30,195	29,672	29,967	31,217	30,875	31,752	n.a.
Securities													
17 U.S. government	15,360	14,643	14,504	14,895	14,074	13,960	13,868	13,686	13,734	13,434	13,113	12,568	n.a.
18 Mortgage-backed securities	18,205	19,215	19,750	19,527	19,160	19,779	20,101	20,368	20,012	19,828	19,482	21,372	n.a.
19 State and local government	2,177	2,077	2,097	2,094	2,093	2,086	2,105	2,107	2,163	2,148	2,323	2,298	n.a.
20 Corporate and other[7]	25,375	23,747	24,139	24,344	24,047	23,738	23,735	23,534	23,039	22,816	21,212	20,828	n.a.
21 Cash	6,263	4,954	4,679	5,004	4,935	4,544	4,821	4,916	4,893	4,771	6,219	5,645	n.a.
22 Other assets	9,670	11,413	12,288	12,246	12,770	12,937	13,151	12,345	12,914	13,085	13,098	13,287	n.a.
23 **Liabilities**	**193,535**	**203,898**	**210,469**	**212,509**	**212,163**	**213,824**	**215,298**	**215,560**	**215,893**	**216,793**	**216,693**	**216,673**	n.a.
24 Deposits	172,665	180,616	184,478	185,802	186,091	186,824	187,207	187,722	187,239	187,552	185,930	186,321	n.a.
25 Regular[8]	170,135	177,418	180,804	182,113	182,218	182,881	183,222	183,560	183,296	183,716	181,881	182,399	n.a.
26 Ordinary savings	38,554	33,739	33,211	33,457	33,526	33,495	33,398	33,252	33,303	33,638	33,021	32,365	n.a.
27 Time	95,129	104,732	104,527	104,843	104,756	104,737	104,448	104,668	104,024	104,116	103,269	104,436	n.a.
28 Other	2,530	3,198	3,689	3,674	3,873	3,943	3,985	4,162	3,943	3,836	4,049	3,922	n.a.
29 Other liabilities	10,154	12,504	14,959	15,546	14,348	15,137	15,971	15,546	15,996	16,309	17,375	17,086	n.a.
30 General reserve accounts	10,368	10,510	10,803	10,913	11,238	11,453	11,704	11,882	12,299	12,567	12,821	12,925	n.a.
	Life insurance companies[8]												
31 **Assets**	**654,948**	**722,979**	**748,865**	**757,523**	**765,891**	**772,452**	**778,293**	**783,828**	**791,483**	**802,024**	**816,203**	n.a.	n.a.
Securities													
32 Government	50,752	63,899	66,402	67,880	68,636	68,983	69,975	71,095	72,334	73,451	77,230	n.a.	n.a.
33 United States[6]	28,636	42,204	44,200	45,593	46,260	46,514	47,343	48,181	49,300	50,321	53,559	n.a.	n.a.
34 State and local	9,986	8,713	8,923	8,998	9,044	8,980	9,201	9,293	9,475	9,615	10,086	n.a.	n.a.
35 Foreign[7]	12,130	12,982	13,279	13,289	13,332	13,489	13,431	13,621	13,559	13,515	13,585	n.a.	n.a.
36 Business	322,854	359,333	379,247	384,342	388,448	393,386	397,202	399,474	403,832	410,141	414,424	n.a.	n.a.
37 Bonds	257,986	295,998	311,123	314,021	317,029	321,752	325,647	329,133	331,675	335,129	337,205	n.a.	n.a.
38 Stocks	64,868	63,335	68,124	70,321	71,419	71,634	71,555	70,341	72,157	75,012	77,219	n.a.	n.a.
39 Mortgages	150,999	156,699	159,393	160,470	161,485	162,690	163,027	163,929	165,687	167,306	170,460	n.a.	n.a.
40 Real estate	22,234	25,767	26,828	27,215	27,831	28,240	28,450	28,476	28,637	28,844	28,662	n.a.	n.a.
41 Policy loans	54,063	54,505	54,439	54,384	54,320	54,300	54,238	54,225	54,142	54,121	54,200	n.a.	n.a.
42 Other assets	54,046	63,776	62,556	63,232	65,171	64,853	65,401	66,629	57,313	68,161	71,227	n.a.	n.a.
	Credit unions[9]												
43 **Total assets/liabilities and capital**	**81,961**	**93,036**	**101,268**	**104,992**	**106,783**	**107,991**	**111,150**	**113,016**	**114,783**	**117,029**	**118,010**	**118,933**	**122,623**
44 Federal	54,482	63,205	68,903	71,342	72,021	72,932	74,869	75,567	76,415	77,829	77,861	78,619	80,024
45 State	27,479	29,831	32,365	33,650	34,762	35,059	36,281	37,449	38,368	39,200	40,149	40,314	42,599
46 *Loans outstanding*	*50,083*	*62,561*	*64,341*	*65,298*	*66,817*	*67,662*	*69,171*	*70,765*	*71,811*	*72,404*	*73,513*	*73,513*	*74,207*
47 Federal	32,930	42,337	43,414	44,042	44,707	44,963	46,036	46,702	47,065	47,538	47,933	48,055	48,059
48 State	17,153	20,224	20,927	21,256	22,110	22,699	23,135	24,063	24,746	24,866	25,580	25,458	26,148
49 Savings	74,739	84,348	91,275	95,278	96,702	98,026	99,834	101,318	103,677	105,384	105,963	107,238	110,541
50 Federal (shares)	49,889	57,539	62,867	66,680	66,243	67,070	68,087	68,592	70,063	71,117	70,926	72,166	73,227
51 State (shares and deposits)	24,850	26,809	28,408	28,598	30,459	30,956	31,747	32,726	33,614	34,267	35,037	35,072	37,314

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
5. Excludes checking, club, and school accounts.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
8. Data for December 1984 through April 1985 have been revised.
9. As of June 1982, data include federally chartered or federally insured, state-chartered credit unions serving natural persons. Before that date, data were estimates of all credit unions.

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

Savings banks: Estimates of National Council of Savings Institutions for all savings banks in the United States.

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

Credit unions: Estimates by the National Credit Union Administration for a group of federal and federally insured state credit unions serving natural persons. Figures are preliminary and revised annually to incorporate recent data.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Calendar year 1984 H2	1985 H1	1985 H2	1985 Dec.	1986 Jan.	1986 Feb.
U.S. budget									
1 Receipts	600,562	666,457	733,996	341,393	380,619	364,791	68,193	76,710	53,370
2 Outlays	795,917	841,800	936,809	446,949	463,735	488,740	84,079	82,849	78,290
3 Surplus, or deficit (−)	−195,355	−175,343	−202,813	−105,557	−83,115	−123,950	−15,886	−6,140	−24,920
4 Trust funds	23,056	30,565	53,540	31,473	22,592	30,278	15,268	1,710	433
5 Federal funds[1]	−218,410	−205,908	−256,353	−137,032	−105,707	−154,229	−31,155	−7,849	−25,354
Off-budget entities (surplus, or deficit (−))[2]									
6 Federal Financing Bank outlays	−10,404	−7,277	−7,339	−1,913	−6,274	−529	1,020	−188	282
7 Other[3]	−1,953	−2,719	−1,779	−77	−1,567	−545	210	−163	58
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−207,711	−185,339	−211,931	−109,474	−90,553	−125,022	−14,656	−6,492	−24,580
Source of financing									
9 Borrowing from the public	212,425	170,817	197,269	118,209	87,054	136,567	33,261	12,660	16,010
10 Cash and monetary assets (decrease, or increase (−))[4]	−9,889	5,636	10,673	−16,683	−6,479	−10,428	−21,020	−9,503	12,969
11 Other[5]	5,176	8,885	3,989	7,948	9,978	1,117	2,415	3,334	−4,400
MEMO									
12 Treasury operating balance (level, end of period)	37,057	22,345	17,060	17,649	24,013	30,935	30,935	40,215	26,326
13 Federal Reserve Banks	16,557	3,791	4,174	5,316	3,288	9,351	9,351	16,228	5,026
14 Tax and loan accounts	20,500	18,553	12,886	12,333	20,725	21,584	21,584	23,987	21,300

1. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
2. The recently enacted Gramm–Rudman legislation folds the unified and previously off-budget outlays into a total outlays and total deficit framework. However, the latest "Monthly Treasury Statement" continues to distinguish between the old unified and off-budget spending categories.
3. Other off-budget includes Postal Service Fund; Rural electrification and telephone revolving fund; Rural Telephone Bank; Synthetic fuels corporation fund; U.S. Railway Association; and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
4. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," "Daily Treasury Statement," and the *Budget of the U.S. Government, Fiscal Year 1987.*

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1984	Fiscal year 1985	Calendar year						
			1984		1985		1986		
			H1	H2	H1	H2	Jan.	Feb.	Mar.
RECEIPTS									
1 **All sources**	**666,457**	**733,996**	**341,808**	**341,392**	**380,618**	**364,790**	**76,710**	**53,370**	**49,557**
2 Individual income taxes, net	295,960	330,918	144,691	157,229	166,783	169,987	40,150	25,370	12,572
3 Withheld	279,350	298,941	140,657	145,210	149,288	155,725	26,146	27,295	25,141
4 Presidential Election Campaign Fund	35	35	29	5	29	6	0	2	8
5 Nonwithheld	81,346	97,685	61,463	19,403	76,155	22,295	14,484	1,253	3,482
6 Refunds	64,770	65,743	57,458	7,387	58,684	8,038	480	3,181	16,060
Corporation income taxes									
7 Gross receipts	74,179	77,413	40,328	35,190	42,193	36,528	3,588	1,941	10,714
8 Refunds	17,286	16,082	10,045	6,847	8,370	7,751	763	1,321	2,601
9 Social insurance taxes and contributions, net	241,902	268,805	131,372	118,690	144,598	128,017	26,983	22,046	22,785
10 Employment taxes and contributions[1]	212,180	238,288	114,102	105,624	126,038	116,276	25,363	19,207	22,229
11 Self-employment taxes and contributions[2]	8,709	10,468	7,667	1,086	9,482	985	737	641	643
12 Unemployment insurance	25,138	25,758	14,942	10,706	16,213	9,281	1,211	2,467	190
13 Other net receipts[3]	4,580	4,759	2,329	2,360	2,350	2,458	408	372	366
14 Excise taxes	37,361	35,865	18,304	18,961	17,259	18,470	3,167	2,265	2,531
15 Customs deposits	11,370	12,079	5,576	6,329	5,807	6,354	1,097	948	1,036
16 Estate and gift taxes	6,010	6,422	3,102	3,029	3,204	3,323	587	487	533
17 Miscellaneous receipts[4]	16,965	18,576	8,481	8,812	9,144	9,861	1,901	1,635	1,989
OUTLAYS									
18 **All types**	**851,781**	**946,323**	**420,700**	**446,943**	**463,842**	**488,739**	**82,849**	**78,290**	**79,700**
19 National defense	227,413	252,748	114,639	118,286	124,186	134,675	20,945	21,268	24,002
20 International affairs	15,876	16,176	5,426	8,550	6,675	8,367	550	−208	1,676
21 General science, space, and technology	8,317	8,627	3,981	4,473	4,230	4,727	689	840	549
22 Energy	7,086	5,685	1,080	1,423	680	3,305	248	179	967
23 Natural resources and environment	12,593	13,357	5,463	7,370	5,892	7,553	1,216	838	838
24 Agriculture	13,613	25,565	7,129	8,524	11,705	15,412	3,270	2,103	1,207
25 Commerce and housing credit	6,917	4,229	2,572	2,663	−260	644	280	−725	−319
26 Transportation	23,669	25,838	10,616	13,673	11,440	15,360	2,025	1,723	1,963
27 Community and regional development	7,673	7,680	3,154	4,836	3,408	3,901	603	519	615
28 Education, training, employment, social services	27,579	29,342	13,445	13,737	14,149	14,481	2,666	2,727	2,377
29 Health	30,417	33,542	15,551	15,692	16,945	17,237	3,174	2,885	2,385
30 Social security and medicare	235,764	254,446	119,420	119,613	128,351	129,037	22,399	21,641	22,009
31 Income security	112,668	128,200	58,684	61,558	65,246	59,457	10,778	10,683	10,409
32 Veterans benefits and services	25,614	26,352	12,849	13,317	11,956	14,527	2,077	2,327	1,080
33 Administration of justice	5,660	6,277	2,807	2,992	3,016	3,212	646	567	511
34 General government	5,053	5,228	2,462	2,552	2,857	3,634	313	375	1,165
35 General-purpose fiscal assistance	6,768	6,353	2,943	3,458	2,659	3,391	1,163	172	61
36 Net interest[5]	111,058	129,436	54,748	61,293	65,143	67,448	12,364	12,958	10,668
37 Undistributed offsetting receipts[6]	−31,957	−32,759	−16,270	−17,061	−14,436	−17,953	−2,557	−2,583	−2,464

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Net interest function includes interest received by trust funds.
6. 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 1987*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1983	1984				1985			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**1,415.3**	**1,468.3**	**1,517.2**	**1,576.7**	**1,667.4**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**
2 Public debt securities	1,410.7	1,463.7	1,512.7	1,572.3	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9
3 Held by public	1,174.4	1,223.9	1,255.1	1,309.2	1,373.4	1,415.2	1,460.5	1,506.6	1,597.1
4 Held by agencies	236.3	239.8	257.6	263.1	289.6	295.5	314.2	316.5	348.9
5 Agency securities	4.6	4.6	4.5	4.5	4.5	4.4	4.4	4.4	4.4
6 Held by public	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.3	3.3
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,411.4**	**1,464.5**	**1,513.4**	**1,573.0**	**1,663.7**	**1,711.4**	**1,775.3**	**1,823.8**	**1,932.4**
9 Public debt securities	1,410.1	1,463.1	1,512.1	1,571.7	1,662.4	1,710.1	1,774.0	1,822.5	1,931.1
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,490.0	1,490.0	1,520.0	1,573.0	1,823.8	1,823.8	1,823.8	1,823.8	2,078.7

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* and *Daily Treasury Statement* (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	1981	1982	1983	1984	1985			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	1,028.7	1,197.1	1,410.7	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9
By type								
2 Interest-bearing debt	1,027.3	1,195.5	1,400.9	1,660.6	1,695.2	1,759.8	1,821.0	1,943.4
3 Marketable	720.3	881.5	1,050.9	1,247.4	1,271.7	1,310.7	1,360.2	1,437.7
4 Bills	245.0	311.8	343.8	374.4	379.5	381.9	384.2	399.9
5 Notes	375.3	465.0	573.4	705.1	713.8	740.9	776.4	812.5
6 Bonds	99.9	104.6	133.7	167.9	178.4	187.9	199.5	211.1
7 Nonmarketable[1]	307.0	314.0	350.0	413.2	423.6	449.1	460.8	505.7
8 State and local government series	23.0	25.7	36.7	44.4	47.7	53.9	62.8	87.5
9 Foreign issues[2]	19.0	14.7	10.4	9.1	9.1	8.3	6.6	7.5
10 Government	14.9	13.0	10.4	9.1	9.1	8.3	6.6	7.5
11 Public	4.1	1.7	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	68.1	68.0	70.7	73.1	74.1	75.4	77.0	78.1
13 Government account series[3]	196.7	205.4	231.9	286.2	292.2	311.0	313.9	332.2
14 Non-interest-bearing debt	1.4	1.6	9.8	2.3	15.5	14.8	2.1	2.5
By holder[4]								
15 U.S. government agencies and trust funds	203.3	209.4	236.3	289.6	295.5	314.2	316.5	348.9
16 Federal Reserve Banks	131.0	139.3	151.9	160.9	161.0	169.1	169.7	181.3
17 Private investors	694.5	848.4	1,022.6	1,212.5	1,254.1	1,292.0	1,338.2	1,431.3
18 Commercial banks	111.4	131.4	188.8	183.4	195.0	196.3	196.9	192.2
19 Money market funds	21.5	42.6	22.8	25.9	26.7	24.8	22.7	25.1
20 Insurance companies	29.0	39.1	56.7	76.4	80.4	85.0	88.6	93.2
21 Other companies	17.9	24.5	39.7	50.1	50.8	50.7	54.9	62.0
22 State and local governments	104.3	127.8	155.1	179.4	189.7	198.9	n.a.	n.a.
Individuals								
23 Savings bonds	68.1	68.3	71.5	74.5	75.4	76.7	78.2	79.8
24 Other securities	42.7	48.2	61.9	69.3	69.7	72.0	73.2	74.9
25 Foreign and international[5]	136.6	149.5	166.3	192.9	186.4	200.7	209.8	214.6
26 Other miscellaneous investors[6]	163.0	217.0	259.8	360.6	380.0	386.9	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. government agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. government deposit accounts, and U.S. government-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

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

	Item	1983	1984	1985	1986			1986 week ending Wednesday					
					Jan.	Feb.	Mar.	Feb. 19	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
	Immediate delivery[2]												
1	U.S. government securities	42,135	52,778	75,331	89,176	102,447	103,928	102,792	103,477	134,948	103,687	91,292	92,909
	By maturity												
2	Bills	22,393	26,035	32,900	36,042	34,744	36,264	35,569	34,278	42,941	35,539	35,539	32,613
3	Other within 1 year	708	1,305	1,811	2,083	1,850	1,995	1,843	1,647	2,499	1,673	2,225	1,884
4	1–5 years	8,758	11,733	18,361	20,580	25,662	24,230	25,706	27,138	30,153	22,688	19,030	25,615
5	5–10 years	5,279	7,606	12,703	17,327	20,883	23,604	19,796	20,945	33,976	23,958	19,563	19,060
6	Over 10 years	4,997	6,099	9,556	13,143	19,307	17,836	19,879	19,469	25,379	19,830	14,936	13,738
	By type of customer												
7	U.S. government securities dealers	2,257	2,919	3,336	3,128	2,903	3,013	2,746	2,602	2,543	3,102	2,565	2,166
8	U.S. government securities brokers	21,045	25,580	36,222	46,057	51,385	52,450	48,991	51,348	69,953	52,991	45,344	46,715
9	All others[3]	18,833	24,278	35,773	39,991	48,159	48,465	51,056	49,528	62,452	47,595	43,382	44,028
10	Federal agency securities	5,576	7,846	11,640	13,655	15,243	17,366	20,739	15,835	17,201	16,193	19,534	17,228
11	Certificates of deposit	4,333	4,947	4,016	4,493	3,739	4,478	3,733	4,251	4,799	6,005	3,665	3,516
12	Bankers acceptances	2,642	3,243	3,242	3,195	3,281	3,749	3,672	3,184	3,887	3,879	3,741	3,462
13	Commercial paper	8,036	10,018	12,717	17,792	16,366	16,705	18,350	16,006	17,173	17,231	17,314	15,029
	Futures transactions[4]												
14	Treasury bills	6,655	6,947	5,561	4,497	5,423	3,607	3,815	6,540	5,703	4,972	2,881	2,249
15	Treasury coupons	2,501	4,503	6,069	8,136	9,140	9,056	8,266	9,586	12,324	11,109	8,486	6,092
16	Federal agency securities	265	262	240	41	2	7	2	1	3	11	1	3
	Forward transactions[5]												
17	U.S. government securities	1,493	1,364	1,283	1,318	2,592	1,743	1,639	1,374	1,405	1,684	2,068	1,739
18	Federal agency securities	1,646	2,843	3,857	6,122	6,655	7,172	8,045	6,178	7,350	8,355	8,043	5,494

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. 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.

2. Data for immediate transactions do not include forward transactions.

3. 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.

4. 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.

5. 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.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1983	1984	1985	1986			1986 week ending Wednesday				
				Jan.	Feb.	Mar.	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
	Positions										
Net immediate[2]											
1 U.S. government securities	14,082	5,429	7,391	8,657	11,716	10,804	12,677	14,637	11,301	7,468	10,897
2 Bills	10,800	5,500	10,075	14,023	16,085	12,127	15,303	15,192	11,907	11,440	12,473
3 Other within 1 year	921	63	1,050	1,640	2,801	2,955	3,250	3,070	2,811	2,989	2,907
4 1–5 years	1,912	2,159	5,154	9,779	8,793	9,598	8,247	8,252	9,426	7,639	10,776
5 5–10 years	−78	−1,119	−6,202	−12,337	−11,172	−10,339	−9,246	−7,620	−9,342	−11,239	−11,965
6 Over 10 years	528	−1,174	−2,686	−4,448	−4,793	−3,536	−4,878	−4,257	−3,501	−3,361	−3,295
7 Federal agency securities	7,313	15,294	22,860	34,498	33,044	37,210	33,284	35,785	36,442	38,375	37,821
8 Certificates of deposit	5,838	7,369	9,192	10,868	9,436	10,605	9,827	10,409	10,266	10,737	10,689
9 Bankers acceptances	3,332	3,874	4,586	4,673	5,608	5,773	5,935	5,517	5,178	5,707	6,306
10 Commercial paper	3,159	3,788	5,570	5,919	6,832	8,678	7,277	8,456	7,932	8,679	9,055
Futures positions											
11 Treasury bills	−4,125	−4,525	−7,322	−14,663	−18,504	−27,524	−20,266	−25,948	−28,321	−27,179	−27,664
12 Treasury coupons	−1,033	1,794	4,465	3,966	5,003	5,279	5,406	5,553	5,200	5,198	5,300
13 Federal agency securities	171	233	−722	−612	−313	−233	−313	−320	−334	−301	−87
Forward positions											
14 U.S. government securities	−1,936	−1,643	−911	−1,978	−928	−2,981	−261	−1,351	−3,106	−4,144	−2,762
15 Federal agency securities	−3,561	−9,205	−9,420	−12,167	−10,039	−12,151	−9,499	−10,109	−11,862	−13,693	−12,211
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	29,099	44,078	68,035	87,103	86,481	91,649	85,138	96,267	94,404	96,504	85,265
17 Term agreements	52,493	68,357	80,509	100,238	101,330	104,905	102,277	103,968	105,433	106,946	105,460
Repurchase agreements[5]											
18 Overnight and continuing	57,946	75,717	101,410	131,069	131,711	138,072	131,372	137,799	137,992	137,548	139,413
19 Term agreements	44,410	57,047	77,748	84,681	86,748	94,667	88,378	91,034	95,636	96,389	95,024

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

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 net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. 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. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1982	1983	1984	1985				1986	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **Federal and federally sponsored agencies**	**237,787**	**240,068**	**271,220**	**288,657**	**292,584**	**293,930**	**293,905**	**290,546**	**290,810**
2 Federal agencies	33,055	33,940	35,145	35,903	35,990	36,121	36,390	36,400	36,376
3 Defense[1]	354	243	142	82	79	75	71	66	63
4 Export-Import Bank[2,3]	14,218	14,853	15,882	15,419	15,417	15,417	15,678	15,677	15,677
5 Federal Housing Administration[4]	288	194	133	117	116	115	115	113	109
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,471	1,404	1,337	1,940	1,940	1,940	1,940	1,940	1,940
8 Tennessee Valley Authority	14,365	14,970	15,435	16,106	16,199	16,335	16,347	16,365	16,348
9 United States Railway Association[6]	194	111	51	74	74	74	74	74	74
10 Federally sponsored agencies[7]	204,732	206,128	236,075	252,754	256,594	257,809	257,515	254,146	254,434
11 Federal Home Loan Banks	55,967	48,930	65,085	72,384	73,260	73,840	74,447	73,201	73,201
12 Federal Home Loan Mortgage Corporation	4,524	6,793	10,270	12,720	13,239	11,016	11,926	13,044	13,695
13 Federal National Mortgage Association[8]	70,052	74,594	83,720	91,693	92,578	94,576	93,896	92,658	93,179
14 Farm Credit Banks	73,004	72,816	71,193	68,287	69,274	69,933	68,851	66,600	64,955
15 Student Loan Marketing Association	2,293	3,402	5,745	7,670	8,243	8,444	8,395	8,643	9,404
MEMO									
16 **Federal Financing Bank debt**[9]	**126,424**	**135,791**	**145,217**	**153,513**	**153,565**	**154,226**	**153,373**	**153,709**	**153,418**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,177	14,789	15,852	15,409	15,409	15,409	15,670	15,670	15,670
18 Postal Service[6]	1,221	1,154	1,087	1,690	1,690	1,690	1,690	1,690	1,690
19 Student Loan Marketing Association	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	12,640	13,245	13,710	14,381	14,474	14,610	14,622	14,690	14,673
21 United States Railway Association[6]	194	111	51	74	74	74	74	74	74
Other Lending[10]									
22 Farmers Home Administration	53,261	55,266	58,971	64,169	63,969	64,189	64,234	64,354	63,774
23 Rural Electrification Administration	17,157	19,766	20,693	21,676	21,792	21,826	20,654	20,678	20,739
24 Other	22,774	26,460	29,853	31,114	31,157	31,428	31,429	31,553	31,798

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: Notes, bonds, and debentures. Some data are estimated.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1983	1984	1985	1985 July	Aug.	Sept.	Oct.	Nov.	Dec.	1986 Jan.	Feb.
1 **All issues, new and refunding**[1]	**86,421**	**106,641**	**214,189**	**12,268**	**15,239**	**13,345**	**20,780**	**32,144**	**57,430**	**1,572**	**3,255**
Type of issue											
2 General obligation	21,566	26,485	52,622	5,257	3,160	3,953	5,852	6,695	8,754	751	1,021
3 U.S. government loans[2]	96	16	14	0	0	0	0	0	0	0	0
4 Revenue	64,855	80,156	161,567	7,011	12,079	9,392	14,928	25,449	48,676	821	2,234
5 U.S. government loans[2]	253	17	27	6	2	0	6	7	0	0	0
Type of issuer											
6 State	7,140	9,129	13,004	786	800	1,501	1,337	1,648	2,146	296	255
7 Special district and statutory authority	51,297	63,550	134,363	6,893	9,484	7,580	12,374	21,563	39,147	762	1,715
8 Municipalities, counties, townships, school districts	27,984	33,962	66,822	4,589	4,955	4,264	6,371	21,563	16,137	697	1,285
9 **Issues for new capital, total**	**72,441**	**94,050**	**156,050**	**7,660**	**10,709**	**9,878**	**13,984**	**21,362**	**46,788**	**1,350**	**1,887**
Use of proceeds											
10 Education	8,099	7,553	16,658	797	1,194	1,317	1,518	1,954	3,901	370	422
11 Transportation	4,387	7,552	12,070	651	252	471	1,264	3,734	3,480	246	347
12 Utilities and conservation	13,588	17,844	26,852	720	1,987	1,358	2,924	3,266	7,070	315	212
13 Social welfare	26,910	29,928	63,181	3,155	4,283	3,989	4,305	8,672	22,589	6	110
14 Industrial aid	7,821	15,415	12,892	553	1,524	735	1,507	2,029	3,583	0	190
15 Other purposes	11,637	15,758	24,398	1,784	1,469	2,009	2,466	1,707	6,165	413	606

1. Par amounts of long-term issues based on date of sale.
2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1983	1984	1985	1985 July	Aug.	Sept.	Oct.	Nov.	Dec.	1986 Jan.	Feb. ^{p}
1 **All issues**[1]	**120,149**	**132,531**	**201,751**	**12,042**	**14,861**	**11,304**	**11,595**	**13,568**	**19,429**	**17,479**	**23,869**
2 **Bonds**[2]	**68,570**	**109,903**	**166,236**	**8,835**	**11,465**	**8,833**	**9,271**	**10,913**	**14,440**	**14,079**	**19,509**
Type of offering											
3 Public	47,444	73,579	120,039	8,835	11,465	8,833	9,271	10,913	14,440	14,079	19,509
4 Private placement	21,126	36,326	46,195	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	16,851	24,607	52,278	2,688	2,352	2,079	1,953	4,072	2,704	4,694	3,950
6 Commercial and miscellaneous	7,540	13,726	15,215	1,642	921	186	898	933	735	624	1,216
7 Transportation	3,833	4,694	5,743	76	459	177	348	125	187	633	373
8 Public utility	9,125	10,679	12,957	434	857	1,042	863	1,114	1,090	820	2,540
9 Communication	3,642	2,997	10,456	110	1,295	367	690	100	2,318	0	1,200
10 Real estate and financial	27,577	53,199	69,587	3,885	5,581	4,982	4,519	4,569	7,407	7,308	10,230
11 **Stocks**[3]	**51,579**	**22,628**	**35,515**	**3,207**	**3,396**	**2,471**	**2,324**	**2,655**	**4,989**	**3,400**	**4,360**
Type											
12 Preferred	7,213	4,118	6,505	631	754	653	406	782	908	570	975
13 Common	44,366	18,510	29,010	2,576	2,642	1,818	1,918	1,873	4,081	2,830	3,385
Industry group											
14 Manufacturing	14,135	4,054	5,700	605	235	820	279	746	1,045	827	1,264
15 Commercial and miscellaneous	13,112	6,277	9,149	568	1,293	507	403	596	1,220	683	434
16 Transportation	2,729	589	1,544	0	127	107	113	21	200	78	302
17 Public utility	5,001	1,624	1,966	87	73	47	408	12	201	176	153
18 Communication	1,822	419	978	99	18	7	41	5	146	231	282
19 Real estate and financial	14,780	9,665	16,178	1,848	1,650	983	1,080	1,275	2,177	1,405	1,925

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. Monthly data 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	1984	1985	1985						1986	
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	107,480	222,673	20,284	18,049	16,936	22,099	20,585	23,560	32,466	27,433
2 Redemptions of own shares[3]	77,032	132,440	11,502	10,837	9,963	10,653	11,138	18,337	15,836	11,849
3 Net sales	30,448	90,233	8,782	7,212	6,973	11,446	9,447	5,223	16,630	15,584
4 Assets[4]	137,126	251,695	195,707	201,608	203,210	218,720	237,410	251,536	265,487	289,552
5 Cash position[5]	12,181	20,607	16,943	17,959	18,700	21,987	21,894	20,590	22,425	23,732
6 Other	124,945	231,088	178,764	183,649	184,510	196,733	215,516	230,946	243,062	265,820

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	1983	1984	1985	1984				1985			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Corporate profits with inventory valuation and capital consumption adjustment	213.8	273.3	295.5	268.0	277.8	271.2	276.2	281.7	288.1	309.1	303.1
2 Profits before tax	205.0	237.6	225.3	247.4	247.4	227.7	228.0	220.0	218.7	228.6	233.8
3 Profits tax liability	75.2	93.6	85.0	99.1	100.6	87.4	87.4	83.4	82.3	87.4	87.1
4 Profits after tax	129.8	144.0	140.2	148.3	146.7	140.3	140.6	136.6	136.4	141.1	146.7
5 Dividends	70.8	78.1	83.5	75.3	77.5	78.9	80.7	82.0	83.1	83.9	85.0
6 Undistributed profits	59.0	65.9	56.7	73.1	69.2	61.3	60.0	54.6	53.3	57.3	61.7
7 Inventory valuation	−9.9	−5.4	−.6	−13.0	−5.6	−1.3	−1.6	.7	2.2	4.7	−10.1
8 Capital consumption adjustment	18.8	41.0	70.9	33.5	36.0	44.8	49.8	61.1	67.2	75.9	79.4

SOURCE. *Survey of Current Business* (Department of Commerce).

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1979	1980	1981	1982	1983	1984		1985		
						Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**1,214.8**	**1,328.3**	**1,419.6**	**1,437.1**	**1,575.9**	**1,685.9**	**1,703.0**	**1,715.9**	**1,725.2**	**1,750.5**
2 Cash	118.0	127.0	135.6	147.8	171.8	161.3	173.6	167.9	170.6	178.6
3 U.S. government securities	16.7	18.7	17.7	23.0	31.0	33.0	36.2	34.7	34.1	31.1
4 Notes and accounts receivable	459.0	507.5	532.5	517.4	583.0	639.1	633.1	647.4	648.5	653.2
5 Inventories	505.1	543.0	584.0	579.0	603.4	659.3	656.9	664.7	663.7	670.1
6 Other	116.0	132.1	149.7	169.8	186.7	193.2	203.2	201.1	208.3	217.4
7 **Current liabilities**	**807.3**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,155.0**	**1,163.6**	**1,171.5**	**1,176.0**	**1,203.8**
8 Notes and accounts payable	460.8	514.4	547.1	550.7	595.7	642.2	647.8	635.3	647.3	664.2
9 Other	346.5	376.2	424.1	435.3	463.9	512.9	515.8	536.2	528.7	539.5
10 **Net working capital**	**407.5**	**437.8**	**448.3**	**451.1**	**516.3**	**530.8**	**539.5**	**544.4**	**549.3**	**546.7**
11 MEMO: Current ratio[1]	1.505	1.492	1.462	1.458	1.487	1.460	1.464	1.465	1.467	1.454

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	1984	1985	1986[1]	1984		1985				1986	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]
1 **Total nonfarm business**	**354.44**	**386.41**	**395.13**	**361.48**	**368.29**	**371.16**	**387.83**	**388.90**	**397.74**	**390.66**	**400.68**
Manufacturing											
2 Durable goods industries	66.24	73.14	70.99	68.26	71.43	69.87	73.96	72.85	75.87	71.11	72.71
3 Nondurable goods industries	72.58	80.01	80.86	74.18	75.53	75.78	80.36	81.19	82.70	79.17	81.04
Nonmanufacturing											
4 Mining	16.86	15.88	13.89	16.82	17.00	15.66	16.51	15.94	15.40	14.11	14.30
Transportation											
5 Railroad	6.79	7.06	6.90	7.31	6.44	6.02	7.48	8.13	6.61	6.35	7.41
6 Air	3.56	4.78	6.14	3.72	3.65	4.20	3.66	5.20	6.06	6.70	5.67
7 Other	6.17	6.13	5.98	6.47	6.18	6.01	6.37	5.77	6.39	5.84	5.86
Public utilities											
8 Electric	37.03	36.12	35.45	36.63	35.40	36.65	36.04	35.34	36.45	35.53	34.81
9 Gas and other	10.44	12.62	13.05	11.28	11.52	11.81	12.43	12.80	13.44	13.10	13.99
10 Commercial and other[2]	134.75	150.67	161.88	136.80	141.13	145.16	151.02	151.69	154.81	158.74	164.88

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1981	1982	1983	1984			1985			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	72.4	78.1	87.4	90.5	95.6	96.7	99.1	106.0	116.4	120.8
2 Business	100.3	101.4	113.4	124.4	124.5	135.2	142.1	144.6	141.4	152.8
3 Real estate	17.9	20.2	22.5	23.0	25.2	26.3	27.2	28.4	29.0	30.4
4 Total	190.5	199.7	223.4	238.0	245.3	258.3	268.5	279.0	286.5	304.0
Less:										
5 Reserves for unearned income	30.0	31.9	33.0	33.9	36.0	36.5	36.6	38.6	41.0	40.9
6 Reserves for losses	3.2	3.5	4.0	4.4	4.3	4.4	4.9	4.8	4.9	5.0
7 Accounts receivable, net	157.3	164.3	186.4	199.6	205.0	217.3	227.0	235.6	240.6	258.1
8 All other	27.1	30.7	34.0	35.8	36.4	35.4	35.9	39.5	46.3	46.8
9 **Total assets**	**184.4**	**195.0**	**220.4**	**235.4**	**241.3**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**
LIABILITIES										
10 Bank loans	16.1	18.3	18.7	18.3	19.7	21.3	19.8	18.5	18.2	21.0
11 Commercial paper	57.2	51.1	59.7	68.5	66.8	72.5	79.1	82.6	93.6	96.9
Debt										
12 Other short-term	11.3	12.7	13.9	15.5	16.1	16.2	16.8	16.6	16.6	17.2
13 Long-term	56.0	64.4	68.1	69.7	73.8	77.2	78.3	85.7	86.4	93.0
14 All other liabilities	18.5	21.2	30.1	32.1	32.6	33.1	35.4	36.9	36.6	39.6
15 Capital, surplus, and undivided profits	25.3	27.4	29.8	31.4	32.3	32.3	33.5	34.8	35.7	37.1
16 **Total liabilities and capital**	**184.4**	**195.0**	**220.4**	**235.4**	**241.3**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**

NOTE. Components may not add to totals due to rounding.
These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Feb. 28, 1986[1]	Changes in accounts receivable			Extensions			Repayments		
		1985	1986		1985	1986		1985	1986	
		Dec.	Jan.	Feb.	Dec.	Jan.	Feb.	Dec.	Jan.	Feb.
1 **Total**	**156,337**	**2,129**	**2,704**	**1,303**	**29,677**	**28,862**	**28,644**	**27,548**	**26,158**	**27,341**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	14,721	−76	242	360	821	1,128	1,256	896	886	896
3 Business, industrial, and farm equipment	20,257	527	−5	−237	1,365	686	692	838	691	929
Wholesale financing										
4 Automotive	24,586	2,277	285	1,029	11,813	10,681	10,732	9,536	10,396	9,703
5 Equipment	4,431	−265	153	−15	536	689	540	801	536	555
6 All other	7,421	156	305	38	1,799	1,779	1,563	1,643	1,474	1,525
Leasing										
7 Automotive	15,821	−109	272	178	719	949	787	828	677	609
8 Equipment	40,267	−15	700	46	1,696	1,932	1,573	1,711	1,232	1,527
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,665	−348	668	−28	9,502	9,560	10,094	9,850	8,892	10,122
10 All other business credit	12,168	−18	84	−68	1,427	1,458	1,407	1,445	1,374	1,475

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1983	1984	1985	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	92.8	96.8	104.1	104.6	104.1	107.5	111.5	108.4	115.1r	109.2
2 Amount of loan (thousands of dollars)	69.5	73.7	77.4	76.7	77.1	78.5	80.3	77.6	84.3r	81.0
3 Loan/price ratio (percent)	77.1	78.7	77.1	76.0	76.0	75.5	75.0	74.4	75.6r	76.1
4 Maturity (years)	26.7	27.8	26.9	26.7	26.7	26.4	26.7	25.4	26.8r	26.8
5 Fees and charges (percent of loan amount)[2]	2.40	2.64	2.53	2.62	2.49	2.57	2.59	2.55	2.64r	2.74
6 Contract rate (percent per annum)	12.20	11.87	11.12	10.69	10.64	10.55	10.47	10.40	10.21	10.01
Yield (percent per annum)										
7 FHLBB series[3]	12.66	12.37	11.58	11.17	11.09	11.01	10.94	10.89	10.68r	10.48
8 HUD series[4]	13.43	13.80	12.28	12.02	11.86	11.56	11.03	10.82	10.49	10.60
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.11	13.81	12.24	12.04	11.87	11.28	10.70	10.78	10.59	n.a.
10 GNMA securities[6]	12.25	13.13	11.61	11.29	11.16	10.81	10.39	10.25	9.79	9.44
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	74,847	83,339	94,574	96,769	97,228	97,807	98,282	98,671	98,820	98,795
12 FHA/VA-insured	37,393	35,148	34,244	34,084	33,885	33,828	33,684	33,583	33,466	33,368
13 Conventional	37,454	48,191	60,331	62,685	63,343	63,979	64,598	65,088	65,354	65,427
Mortgage transactions (during period)										
14 Purchases	17,554	16,721	21,510	1,739	1,767	1,624	1,663	1,188	1,159	1,410
15 Sales	3,528	978	1,301	101	200	100	319	0	n.a.	n.a.
Mortgage commitments[7]										
16 Contracted (during period)	18,607	21,007	20,155	1,638	1,733	1,199	1,858	1,315	2,578	1,917
17 Outstanding (end of period)	5,461	6,384	3,402	3,974	3,840	3,330	3,402	3,211	4,480r	4,851
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,996	9,283	12,399	13,088	13,025	13,194	14,022	14,412	n.a.	n.a.
19 FHA/VA	974	910	841	829	823	816	825	800	n.a.	n.a.
20 Conventional	5,022	8,373	11,558	12,259	12,202	12,378	13,197	13,612	n.a.	n.a.
Mortgage transactions (during period)										
21 Purchases	23,089	21,886	44,012	4,219	3,215	3,680	6,096	3,709	n.a.	n.a.
22 Sales	19,686	18,506	38,905	4,501	3,076	3,449	5,202	3,106	n.a.	n.a.
Mortgage commitments[9]										
23 Contracted (during period)	32,852	32,603	48,989	2,919	3,995	4,854	5,651	5,305	n.a.	n.a.
24 Outstanding (end of period)	16,964	13,318	16,613	n.a.	n.a.	n.a.	16,613	n.a.	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1983	1984	1985	1984	1985			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**1,811,540**	**2,022,769**	**2,250,370**	**2,022,769**	**2,069,664**	**2,127,381**	**2,187,756**	**2,250,370**
2 1- to 4-family	1,189,811	1,319,413	1,469,075	1,319,413	1,347,567	1,385,620	1,426,569	1,469,075
3 Multifamily	158,718	178,795	203,556	178,795	184,591	189,818	195,368	203,556
4 Commercial	350,389	412,924	471,037	412,924	425,941	441,212	457,064	471,037
5 Farm	112,622	111,637	106,702	111,637	111,565	110,731	108,755	106,702
6 Selected financial institutions	1,130,781	1,267,488	1,386,865	1,267,488	1,289,271	1,321,054	1,353,888	1,386,865
7 Commercial banks[1]	330,521	374,780	423,003	374,780	383,598	396,141	410,653	423,003
8 1- to 4-family	182,514	196,540	214,340	196,540	198,849	203,654	209,724	214,340
9 Multifamily	18,410	20,216	22,906	20,216	20,609	21,544	22,239	22,906
10 Commercial	120,210	147,845	174,336	147,845	153,827	160,315	167,603	174,336
11 Farm	9,387	10,179	11,421	10,179	10,313	10,628	11,087	11,421
12 Savings banks	131,940	154,441	177,774	154,441	161,032	165,705	174,427	177,774
13 1- to 4-family	93,649	107,302	122,323	107,302	111,592	114,375	119,952	122,323
14 Multifamily	17,247	19,817	23,360	19,817	20,668	21,357	22,604	23,360
15 Commercial	21,016	27,291	32,009	27,291	28,741	29,942	31,757	32,009
16 Farm	28	31	82	31	31	31	114	82
17 Savings and loan associations	494,789	555,277	587,799	555,277	559,263	569,291	575,864	587,799
18 1- to 4-family	387,924	421,489	432,564	421,489	421,024	425,021	426,432	432,564
19 Multifamily	44,333	55,750	67,006	55,750	57,660	60,231	62,499	67,006
20 Commercial	62,403	77,605	87,617	77,605	80,070	83,447	86,255	87,617
21 Farm	129	433	612	433	509	592	678	612
22 Life insurance companies	150,999	156,699	167,887	156,699	158,162	161,485	163,929	167,887
23 1- to 4-family	15,319	14,120	13,499	14,120	13,840	13,562	13,382	13,499
24 Multifamily	19,107	18,938	19,453	18,938	18,964	18,983	18,972	19,453
25 Commercial	103,831	111,175	122,925	111,175	113,187	116,812	119,543	122,925
26 Farm	12,742	12,466	12,010	12,466	12,171	12,128	12,032	12,010
27 Finance companies[2]	22,532	26,291	30,402	26,291	27,216	28,432	29,015	30,402
28 Federal and related agencies	148,328	158,993	166,183	158,993	163,531	165,912	166,248	166,183
29 Government National Mortgage Association	3,395	2,301	1,473	2,301	1,964	1,825	1,640	1,473
30 1- to 4-family	630	585	539	585	576	564	552	539
31 Multifamily	2,765	1,716	934	1,716	1,388	1,261	1,088	934
32 Farmers Home Administration	2,141	1,276	733	1,276	1,062	790	577	733
33 1- to 4-family	1,159	213	183	213	156	223	185	183
34 Multifamily	173	119	113	119	82	136	139	113
35 Commercial	409	497	159	497	421	163	72	159
36 Farm	400	447	278	447	403	268	181	278
37 Federal Housing and Veterans Administration	4,894	4,816	4,903	4,816	4,878	4,888	4,918	4,903
38 1- to 4-family	1,893	2,048	2,246	2,048	2,181	2,199	2,251	2,246
39 Multifamily	3,001	2,768	2,657	2,768	2,697	2,689	2,667	2,657
40 Federal National Mortgage Association	78,256	87,940	98,282	87,940	91,975	94,777	96,769	98,282
41 1- to 4-family	73,045	82,175	91,966	82,175	86,129	88,788	90,590	91,966
42 Multifamily	5,211	5,765	6,316	5,765	5,846	5,989	6,179	6,316
43 Federal Land Banks	52,010	52,261	47,548	52,261	52,104	51,056	49,255	47,548
44 1- to 4-family	3,081	3,074	2,798	3,074	3,064	3,006	2,895	2,798
45 Farm	48,929	49,187	44,750	49,187	49,040	48,050	46,360	44,750
46 Federal Home Loan Mortgage Corporation	7,632	10,399	13,244	10,399	11,548	12,576	13,089	13,244
47 1- to 4-family	7,559	9,654	11,208	9,654	10,642	11,288	11,457	11,208
48 Multifamily	73	745	2,036	745	906	1,288	1,632	2,036
49 Mortgage pools or trusts[3]	285,073	332,057	413,913	332,057	347,793	365,748	388,948	413,913
50 Government National Mortgage Association	159,850	179,981	212,145	179,981	185,954	192,925	201,026	212,145
51 1- to 4-family	155,950	175,589	207,198	175,589	181,419	188,228	196,198	207,198
52 Multifamily	3,900	4,392	4,947	4,392	4,535	4,697	4,828	4,947
53 Federal Home Loan Mortgage Corporation	57,895	70,822	99,088	70,822	76,759	83,327	91,915	99,088
54 1- to 4-family	57,273	70,253	98,182	70,253	75,781	82,369	90,997	98,182
55 Multifamily	622	569	906	569	978	958	918	906
56 Federal National Mortgage Association	25,121	36,215	54,987	36,215	39,370	42,755	48,769	54,987
57 1- to 4-family	25,121	35,965	54,036	35,965	38,772	41,985	47,857	54,036
58 Multifamily	n.a.	250	951	250	598	770	912	951
59 Farmers Home Administration	42,207	45,039	47,693	45,039	45,710	46,741	47,238	47,693
60 1- to 4-family	20,404	21,813	22,186	21,813	21,928	21,962	22,090	22,186
61 Multifamily	5,090	5,841	6,675	5,841	6,041	6,377	6,415	6,675
62 Commercial	7,351	7,559	8,189	7,559	7,681	8,014	8,192	8,189
63 Farm	9,362	9,826	10,643	9,826	10,060	10,388	10,541	10,643
64 Individual and others[4]	247,358	264,231	283,409	264,231	269,069	274,667	278,672	283,409
65 1- to 4-family	141,758	152,302	165,405	152,302	154,398	159,964	162,992	165,405
66 Multifamily	38,786	41,909	45,296	41,909	43,619	43,538	44,276	45,296
67 Commercial	35,169	40,952	45,802	40,952	42,014	42,519	43,642	45,802
68 Farm	31,645	29,068	26,906	29,068	29,038	28,646	27,762	26,906

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Assumed to be entirely 1- to 4-family loans.
3. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
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 other U.S. agencies.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1984	1985	1985							1986	
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Amounts outstanding (end of period)r										
1 **Total**	**453,580**	**535,098**	**493,253**	**500,039**	**506,090**	**516,420**	**522,978**	**528,621**	**535,098**	**542,753**	**547,727**
By major holder											
2 Commercial banks	209,158	240,796	226,825	229,088	230,644	233,545	235,364	238,620	240,796	243,256	244,820
3 Finance companies[2]	96,126	120,095	106,106	107,498	109,457	114,927	117,565	118,356	120,095	123,717	126,001
4 Credit unions	66,544	75,127	70,689	71,446	71,938	72,433	73,474	74,117	75,127	75,810	76,361
5 Retailers[3]	37,061	39,187	38,327	38,423	38,751	38,723	38,890	39,039	39,187	39,416	39,497
6 Savings institutions	40,330	55,555	47,235	49,474	51,115	52,656	53,509	54,307	55,555	56,290	56,934
7 Gasoline companies	4,361	4,337	4,072	4,110	4,185	4,136	4,176	4,182	4,337	4,264	4,114
By major type of credit											
8 Automobile	173,122	206,482	189,459	191,201	192,923	198,656	201,994	203,766	206,482	210,661	213,196
9 Commercial banks	83,900	92,764	89,799	90,350	90,234	90,784	91,402	92,127	92,764	93,489	93,730
10 Credit unions	28,614	30,577	29,543	29,716	29,775	29,556	29,904	30,166	30,577	30,855	31,079
11 Finance companies	54,663	73,391	61,960	62,586	64,071	69,201	71,415	71,996	73,391	76,410	78,310
12 Savings institutions	5,945	9,750	8,157	8,549	8,843	9,115	9,273	9,477	9,750	9,907	10,077
13 Revolving	98,514	118,296	109,260	110,904	112,373	113,850	115,218	117,050	118,296	119,682	120,722
14 Commercial banks	58,145	73,893	66,891	68,172	69,079	70,453	71,507	73,076	73,893	74,991	75,963
15 Retailers	33,064	34,560	34,013	34,065	34,330	34,264	34,382	34,486	34,560	34,770	34,843
16 Gasoline companies	4,361	4,337	4,072	4,110	4,185	4,136	4,176	4,182	4,337	4,264	4,114
17 Savings institutions	2,944	5,506	4,284	4,557	4,779	4,997	5,153	5,306	5,506	5,657	5,802
18 Mobile home	24,184	25,461	24,768	25,015	25,173	25,341	25,320	25,315	25,461	25,371	25,564
19 Commercial banks	9,623	9,578	9,596	9,576	9,608	9,662	9,596	9,584	9,578	9,457	9,571
20 Finance companies	9,161	9,116	9,107	9,141	9,114	9,092	9,089	9,057	9,116	9,125	9,161
21 Savings institutions	5,400	6,767	6,065	6,298	6,451	6,587	6,635	6,674	6,767	6,789	6,832
22 Other	157,760	184,859	169,766	172,919	175,621	178,573	180,446	182,490	184,859	187,039	188,245
23 Commercial banks	57,490	64,561	60,539	60,990	61,723	62,646	62,859	63,833	64,561	65,319	65,557
24 Finance companies	32,302	37,588	35,039	35,771	36,272	36,634	37,061	37,303	37,588	38,182	38,530
25 Credit unions	37,930	44,550	41,146	41,730	42,163	42,877	43,570	43,951	44,550	44,955	45,282
26 Retailers	3,997	4,627	4,314	4,358	4,421	4,459	4,508	4,553	4,627	4,646	4,653
27 Savings institutions	26,041	33,533	28,728	30,070	31,042	31,957	32,448	32,850	33,533	33,937	34,223
	Net change (during period)r										
28 **Total**	**77,341**	**81,518**	**4,391**	**6,786**	**6,051**	**10,330**	**6,558**	**5,643**	**6,477**	**7,655**	**4,974**
By major holder											
29 Commercial banks	39,819	31,638	1,432	2,263	1,556	2,901	1,819	3,256	2,176	2,460	1,564
30 Finance companies[2]	9,961	23,969	1,323	1,392	1,959	5,470	2,638	791	1,739	3,622	2,284
31 Credit unions	13,456	8,583	415	757	492	495	1,041	643	1,010	683	551
32 Retailers[3]	2,900	2,126	14	96	328	−28	167	149	148	229	81
33 Savings institutions	11,038	15,225	1,225	2,239	1,641	1,541	853	798	1,248	735	644
34 Gasoline companies	167	−24	−18	38	75	−49	40	6	155	−73	−150
By major type of credit											
35 Automobile	27,214	33,360	1,926	1,742	1,722	5,733	3,338	1,772	2,716	4,179	2,535
36 Commercial banks	16,352	8,864	601	551	−116	550	618	725	637	725	241
37 Credit unions	3,223	1,963	32	173	59	−219	348	262	411	278	224
38 Finance companies	4,576	18,728	893	626	1,485	5,130	2,214	581	1,395	3,019	1,900
39 Savings institutions	3,063	3,805	400	392	294	272	158	204	273	157	170
40 Revolving	20,145	19,782	888	1,644	1,469	1,477	1,368	1,832	1,246	1,386	1,040
41 Commercial banks	15,949	15,748	673	1,281	907	1,374	1,054	1,569	817	1,098	972
42 Retailers	2,512	1,496	−21	52	265	−66	118	104	74	210	73
43 Gasoline companies	167	−24	−18	38	75	−49	40	6	155	−73	−150
44 Savings institutions	1,517	2,562	254	273	222	218	156	153	200	151	145
45 Mobile home	1,990	1,277	98	247	158	168	−21	−5	146	−90	193
46 Commercial banks	−199	−45	−1	−20	32	54	−66	−12	−6	−121	114
47 Finance companies	544	−45	15	34	−27	−22	−3	−32	59	9	36
48 Savings institutions	1,645	1,367	84	233	153	136	48	39	93	22	43
49 Other	27,992	27,099	1,479	3,153	2,702	2,952	1,873	2,044	2,369	2,180	1,206
50 Commercial banks	7,717	7,071	159	451	733	923	213	974	728	758	238
51 Finance companies	4,841	5,286	415	732	501	362	427	242	285	594	348
52 Credit unions	10,233	6,620	383	584	433	714	693	381	599	405	327
53 Retailers	388	630	35	44	63	38	49	45	74	19	7
54 Savings institutions	4,813	7,492	487	1,342	972	915	491	402	683	404	286

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30-day charge credit held by travel and entertainment companies.
4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

	Item	1983	1984	1985	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.
	INTEREST RATES										
	Commercial banks[1]										
1	48-month new car[2]	13.92	13.71	n.a.	12.72	n.a.	n.a.	12.39	n.a.	n.a.	12.29
2	24-month personal	16.50	16.47	n.a.	15.84	n.a.	n.a.	15.61	n.a.	n.a.	15.52
3	120-month mobile home[2]	16.08	15.58	n.a.	14.72	n.a.	n.a.	14.66	n.a.	n.a.	14.57
4	Credit card	18.78	18.77	n.a.	18.62	n.a.	n.a.	18.57	n.a.	n.a.	18.48
	Auto finance companies										
5	New car	12.58	14.62	n.a.	10.87	8.84	9.97	11.71	12.52	9.99	9.70
6	Used car	18.74	17.85	n.a.	17.57	17.31	17.21	17.28	17.22	16.60	16.74
	OTHER TERMS[3]										
	Maturity (months)										
7	New car	45.9	48.3	n.a.	51.1	51.2	51.5	52.0	52.1	51.2	51.3
8	Used car	37.9	39.7	n.a.	41.6	41.4	41.4	41.5	41.4	42.8	42.5
	Loan-to-value ratio										
9	New car	86	88	n.a.	91	92	93	92	92	92	92
10	Used car	92	92	n.a.	95	95	95	95	95	95	95
	Amount financed (dollars)										
11	New car	8,787	9,333	n.a.	10,422	10,449	10,498	10,205	9,925	10,064	10,074
12	Used car	5,033	5,691	n.a.	6,139	6,097	6,091	6,167	6,255	6,165	6,194

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1980	1981	1982	1983	1984	1985	1983 H1	1983 H2	1984 H1	1984 H2	1985 H1	1985 H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**341.8**	**372.7**	**395.3**	**542.9**	**765.9**	**883.8**	**506.0**	**579.7**	**713.4**	**818.4**	**735.8**	**1,032.0**
By sector and instrument												
2 U.S. government	79.2	87.4	161.3	186.6	198.8	223.6	221.9	151.2	172.2	225.4	184.0	263.2
3 Treasury securities	79.8	87.8	162.1	186.7	199.0	223.7	222.0	151.4	172.4	225.5	184.1	263.3
4 Agency issues and mortgages	−.6	−.5	−.9	−.1	−.2	−.1	−.1	−.1	−.2	−.1	−.1	−.1
5 Private domestic nonfinancial sectors	262.6	285.3	234.1	356.3	567.1	660.2	284.1	428.5	541.2	593.1	551.8	768.7
6 Debt capital instruments	188.1	154.5	152.6	253.7	325.3	474.3	227.3	280.1	287.7	362.8	367.4	581.2
7 Tax-exempt obligations	30.3	23.4	48.6	57.3	65.8	173.4	57.3	57.4	38.9	92.6	88.4	258.4
8 Corporate bonds	26.7	21.8	18.7	16.0	47.1	67.9	21.4	10.6	31.9	62.3	68.0	67.8
9 Mortgages	131.2	109.3	85.4	180.3	212.4	233.0	148.6	212.1	216.9	207.9	211.1	255.0
10 Home mortgages	94.2	72.2	50.5	116.9	130.7	152.8	98.7	135.2	135.6	125.7	133.8	171.7
11 Multifamily residential	7.6	4.8	5.4	11.9	20.7	25.7	6.1	17.6	23.6	17.7	22.5	28.9
12 Commercial	19.2	22.2	25.2	48.9	62.0	59.0	42.2	55.7	58.5	65.6	57.0	61.1
13 Farm	10.2	10.0	4.2	2.6	−1.0	−4.5	1.6	3.6	−.8	−1.2	−2.3	−6.7
14 Other debt instruments	74.5	130.8	81.4	102.6	241.9	185.9	56.8	148.4	253.5	230.2	184.3	187.5
15 Consumer credit	4.7	22.6	17.7	56.7	94.8	103.6	38.0	75.4	98.0	91.6	113.0	94.2
16 Bank loans n.e.c.	37.0	54.7	54.2	26.8	79.5	30.7	13.7	39.8	89.9	69.0	24.0	37.4
17 Open market paper	5.7	19.2	−4.7	−1.6	24.2	12.9	−10.0	6.9	33.5	15.0	13.3	12.4
18 Other	27.1	34.4	14.2	20.7	43.3	38.8	15.1	26.3	32.1	54.6	34.0	43.5
19 By borrowing sector	262.6	285.3	234.1	356.3	567.1	660.2	284.1	428.5	541.2	593.1	551.8	768.7
20 State and local governments	17.2	6.8	25.9	37.6	45.0	128.5	36.0	39.2	21.4	68.6	71.5	185.6
21 Households	118.9	119.7	87.9	187.4	239.2	297.7	152.3	222.6	236.0	242.3	261.8	333.5
22 Farm	15.2	16.6	6.8	4.1	−.1	−6.8	.8	7.4	−.7	.5	−7.6	−6.1
23 Nonfarm noncorporate	31.2	38.6	41.3	70.8	90.8	84.0	56.1	85.5	96.9	84.7	80.8	87.1
24 Corporate	80.1	103.6	72.1	56.4	192.3	156.9	39.0	73.8	187.7	196.9	145.2	168.6
25 Foreign net borrowing in United States	27.2	27.2	15.7	18.9	2.8	−.4	15.4	22.4	23.0	−17.4	−2.4	1.5
26 Bonds	.8	5.4	6.7	3.8	4.1	4.9	4.6	2.9	1.1	7.0	5.2	4.7
27 Bank loans n.e.c.	11.5	3.7	−6.2	4.9	−7.8	−6.9	11.4	−1.6	−4.5	−11.1	−5.6	−8.1
28 Open market paper	10.1	13.9	10.7	6.0	2.5	−1.0	−4.6	16.5	20.9	−16.0	−4.6	2.5
29 U.S. government loans	4.7	4.2	4.5	4.3	4.0	2.5	3.9	4.6	5.5	2.6	2.6	2.4
30 ***Total domestic plus foreign***	**369.0**	**399.9**	**411.0**	**561.7**	**768.7**	**883.4**	**521.3**	**602.1**	**736.4**	**801.0**	**733.4**	**1,033.5**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**57.6**	**89.0**	**80.2**	**89.2**	**138.2**	**187.5**	**69.1**	**109.3**	**126.5**	**149.9**	**167.0**	**208.1**
By instrument												
32 U.S. government related	44.8	47.4	64.9	67.8	74.9	99.4	66.2	69.4	69.6	80.1	92.7	106.1
33 Sponsored credit agency securities	24.4	30.5	14.9	1.4	30.4	20.6	−4.1	6.9	29.9	30.9	26.0	15.1
34 Mortgage pool securities	19.2	15.0	49.5	66.4	44.4	78.8	70.3	62.5	39.7	49.2	66.7	91.0
35 Loans from U.S. government	1.2	1.9	.4	.....	.....	.....	.....	.....	.....	.....	.....	.....
36 Private financial sectors	12.8	41.6	15.3	21.4	63.3	88.1	2.9	40.0	56.9	69.7	74.3	101.9
37 Corporate bonds	1.8	3.5	13.7	12.6	25.9	28.6	10.3	14.9	20.7	31.1	33.2	24.0
38 Mortgages	*	*	.1	*	.4	−.2	*	*	.4	.4	−.1	−.2
39 Bank loans n.e.c.	−.9	.9	1.9	−.2	1.0	4.2	−3.3	3.0	−.5	2.4	1.1	7.2
40 Open market paper	4.8	20.9	−1.1	16.0	20.4	41.3	7.9	24.1	20.4	20.4	28.4	54.3
41 Loans from Federal Home Loan Banks	7.1	16.2	.8	−7.0	15.7	14.2	−12.1	−2.0	15.9	15.5	11.7	16.7
By sector												
42 Sponsored credit agencies	25.6	32.4	15.3	1.4	30.4	20.6	−4.1	6.9	29.9	30.9	26.0	15.1
43 Mortgage pools	19.2	15.0	49.5	66.4	44.4	78.8	70.3	62.5	39.7	49.2	66.7	91.0
44 Private financial sectors	12.8	41.6	15.3	21.4	63.3	88.1	2.9	40.0	56.9	69.7	74.3	101.9
45 Commercial banks	.5	.4	1.2	.5	4.4	3.8	.8	.2	4.8	3.9	5.2	2.4
46 Bank affiliates	6.9	8.3	5.9	12.6	16.9	9.2	10.1	15.1	26.0	7.8	9.2	9.2
47 Savings and loan associations	7.4	15.5	2.5	−2.1	22.7	21.7	−9.3	5.2	19.7	25.6	11.1	32.3
48 Finance companies	−1.1	18.2	6.3	11.3	19.3	54.4	2.1	20.5	6.3	32.4	49.8	59.1
49 REITs	−.5	−.2	*	−.2	.8	−.1	−.1	−.3	.8	.8	.*	−.2
	All sectors											
50 **Total net borrowing**	**426.6**	**488.9**	**491.2**	**651.0**	**906.9**	**1070.9**	**590.4**	**711.5**	**863.0**	**950.9**	**900.3**	**1,241.6**
51 U.S. government securities	122.9	133.0	225.9	254.4	273.8	323.1	288.2	220.7	241.9	305.6	276.8	369.4
52 State and local obligations	30.3	23.4	48.6	57.3	65.8	173.4	57.3	57.4	38.9	92.6	88.4	258.4
53 Corporate and foreign bonds	29.3	30.7	39.0	32.4	77.1	101.4	36.3	28.4	53.8	100.5	106.3	96.5
54 Mortgages	131.1	109.2	85.4	180.3	212.7	232.8	148.6	212.0	217.2	208.2	210.8	254.7
55 Consumer credit	4.7	22.6	17.7	56.7	94.8	103.6	38.0	75.4	98.0	91.6	113.0	94.2
56 Bank loans n.e.c.	47.7	59.2	49.9	31.5	72.7	28.0	21.8	41.2	84.9	60.4	19.5	36.4
57 Open market paper	20.6	54.0	4.9	20.4	47.1	53.2	−6.7	47.5	74.8	19.3	37.2	69.3
58 Other loans	40.1	56.7	19.9	17.9	63.0	55.5	6.9	29.0	53.4	72.7	48.4	62.6
	External corporate equity funds raised in United States											
59 **Total new share issues**	**21.2**	**−3.3**	**33.6**	**66.3**	**−33.6**	**28.2**	**81.9**	**50.7**	**−41.2**	**−25.9**	**25.1**	**31.2**
60 Mutual funds	4.5	6.0	16.8	31.5	37.1	99.6	35.3	27.7	39.0	35.3	92.0	107.1
61 All other	16.8	−9.3	16.8	34.8	−70.7	−71.4	46.6	23.0	−80.2	−61.2	−66.9	−75.9
62 Nonfinancial corporations	12.9	−11.5	11.4	28.3	−77.0	−81.6	38.2	18.4	−84.5	−69.4	−75.7	−87.5
63 Financial corporations	1.8	1.9	4.0	2.5	5.2	4.6	2.6	2.4	5.0	5.3	4.6	4.7
64 Foreign shares purchased in United States	2.1	.3	1.5	4.0	1.1	5.6	5.7	2.2	−.7	2.9	4.2	6.9

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	1980	1981	1982	1983	1984	1985	1983 H1	1983 H2	1984 H1	1984 H2	1985 H1	1985 H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**341.8**	**372.7**	**395.3**	**542.9**	**765.9**	**883.8**	**506.0**	**579.7**	**713.4**	**818.4**	**735.8**	**1,032.0**
By public agencies and foreign												
2 Total net advances	97.1	97.7	114.1	117.4	144.6	220.9	120.5	114.4	124.2	165.1	195.9	245.8
3 U.S. government securities	15.8	17.1	22.7	27.6	36.0	46.8	41.0	14.1	30.5	41.4	47.0	46.5
4 Residential mortgages	31.7	23.5	61.0	76.1	56.5	92.6	80.2	72.1	52.8	60.1	86.0	99.3
5 FHLB advances to savings and loans	7.1	16.2	.8	−7.0	15.7	14.2	−12.1	−2.0	15.9	15.5	11.7	16.7
6 Other loans and securities	42.5	40.9	29.5	20.8	36.6	67.3	11.4	30.2	25.0	48.1	51.2	83.3
Total advanced, by sector												
7 U.S. government	23.7	24.0	15.9	9.7	17.1	22.5	9.1	10.3	7.8	26.4	19.7	25.3
8 Sponsored credit agencies	45.6	48.2	65.5	69.8	73.3	103.9	68.6	71.0	73.6	73.0	97.7	110.1
9 Monetary authorities	4.5	9.2	9.8	10.9	8.4	21.6	15.7	6.1	12.1	4.7	26.6	16.6
10 Foreign	23.3	16.2	22.8	27.1	45.9	72.8	27.2	27.0	30.7	61.0	51.9	93.8
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	44.8	47.4	64.9	67.8	74.9	99.4	66.2	69.4	69.6	80.1	92.7	106.1
12 Foreign	27.2	27.2	15.7	18.9	2.8	−.4	15.4	22.4	23.0	−17.4	−2.4	1.5
Private domestic funds advanced												
13 Total net advances	316.7	349.6	361.8	512.1	699.0	762.0	467.1	557.1	681.8	716.1	630.2	893.8
14 U.S. government securities	107.1	115.9	203.1	226.9	237.8	276.4	247.2	206.6	211.4	264.2	229.8	322.9
15 State and local obligations	30.3	23.4	48.6	57.3	65.8	173.4	57.3	57.4	38.9	92.6	88.4	258.4
16 Corporate and foreign bonds	19.3	18.8	14.8	14.9	34.8	31.4	21.4	8.5	25.3	44.3	41.9	21.0
17 Residential mortgages	70.0	53.5	−5.3	52.6	94.8	85.8	24.6	80.6	106.3	83.3	70.3	101.3
18 Other mortgages and loans	97.1	154.2	101.4	153.0	281.5	209.2	104.6	202.0	315.8	247.1	211.5	206.9
19 Less: Federal Home Loan Bank advances	7.1	16.2	.8	−7.0	15.7	14.2	−12.1	−2.0	15.9	15.5	11.7	16.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	283.8	321.7	288.4	384.6	555.6	531.5	332.0	437.2	552.5	558.7	456.8	606.4
21 Commercial banking	100.6	102.3	107.2	136.1	181.7	170.8	121.0	151.3	195.2	168.1	147.2	194.4
22 Savings institutions	54.5	27.8	30.1	139.8	146.3	104.5	131.3	148.3	167.9	124.7	61.7	147.4
23 Insurance and pension funds	94.5	97.6	107.4	94.2	119.0	118.1	83.0	105.3	112.0	126.0	101.6	134.5
24 Other finance	34.2	94.0	43.7	14.5	108.6	138.1	−3.3	32.3	77.4	139.9	146.3	130.0
25 Sources of funds	283.8	321.7	288.4	384.6	555.2	531.5	332.0	437.2	552.5	558.7	456.8	606.4
26 Private domestic deposits and RPs	169.6	211.9	196.2	209.3	298.8	201.5	203.8	214.8	292.2	305.5	185.2	217.5
27 Credit market borrowing	12.8	41.6	15.3	21.4	63.3	88.1	2.9	40.0	56.9	69.7	74.3	101.9
28 Other sources	101.3	68.2	77.0	153.9	193.5	241.9	125.3	182.4	203.4	183.5	197.3	287.0
29 Foreign funds	−21.7	−8.7	−26.7	22.1	19.0	17.3	−14.2	58.5	27.2	10.9	10.7	24.0
30 Treasury balances	−2.6	−1.1	6.1	−5.3	4.0	9.8	9.9	−20.6	1.2	6.8	20.3	−.7
31 Insurance and pension reserves	83.7	90.7	103.2	95.1	110.3	110.2	83.5	106.8	119.5	101.2	100.6	119.7
32 Other, net	41.8	−12.7	−5.6	41.9	60.1	104.5	46.1	37.7	55.5	64.6	65.6	144.0
Private domestic nonfinancial investors												
33 Direct lending in credit markets	45.8	69.5	88.7	148.9	206.7	318.6	137.9	159.9	186.3	227.1	247.7	389.4
34 U.S. government securities	24.6	29.3	32.1	88.3	125.8	155.3	96.9	79.7	126.3	125.3	121.6	188.9
35 State and local obligations	7.0	11.1	29.2	43.5	43.2	99.4	47.2	39.9	25.3	61.2	47.2	151.6
36 Corporate and foreign bonds	−11.0	−3.9	8.1	−5.5	15.3	6.9	−10.8	−.3	7.5	23.0	39.7	−25.8
37 Open market paper	−3.1	2.7	−.6	6.5	−1.4	30.9	−6.6	19.7	3.2	−6.1	8.3	53.5
38 Other	28.4	30.3	19.9	16.1	23.8	26.0	11.3	20.8	24.0	23.7	30.9	21.1
39 Deposits and currency	181.1	221.9	203.3	228.4	303.4	211.8	225.6	231.3	303.6	303.2	199.5	223.7
40 Currency	10.3	9.5	9.7	14.3	8.6	12.4	14.8	13.8	15.9	1.3	18.4	6.5
41 Checkable deposits	5.4	18.1	17.6	26.7	24.1	45.2	53.0	−.4	30.4	17.7	17.9	72.2
42 Small time and savings accounts	82.9	47.0	138.1	218.3	149.8	134.3	278.9	157.7	130.7	169.0	161.4	107.2
43 Money market fund shares	29.2	107.5	24.7	−44.1	47.2	−2.2	−84.0	−4.2	30.2	64.2	4.2	−8.6
44 Large time deposits	45.6	36.8	11.9	−5.9	83.6	14.1	−55.1	43.4	97.6	69.6	*	28.1
45 Security RPs	6.5	2.5	3.8	14.3	−5.8	10.1	11.0	17.5	3.3	−15.0	1.7	18.5
46 Deposits in foreign countries	1.1	.5	−2.5	4.8	−4.0	−2.2	7.0	2.7	−4.5	−3.6	−4.1	−.3
47 **Total of credit market instruments, deposits and currency**	**226.9**	**291.4**	**292.0**	**377.3**	**510.1**	**530.3**	**363.5**	**391.2**	**489.9**	**530.3**	**447.2**	**613.0**
48 Public holdings as percent of total	26.3	24.4	27.8	20.9	18.8	25.0	23.1	19.0	16.9	20.6	26.7	23.8
49 Private financial intermediation (in percent)	89.6	92.0	79.7	75.1	79.5	69.8	71.1	78.5	81.0	78.0	72.5	67.8
50 Total foreign funds	1.6	7.6	−3.9	49.2	64.9	90.2	13.0	85.5	57.9	71.9	62.6	117.7
Memo: Corporate equities not included above												
51 **Total net issues**	**21.2**	**−3.3**	**33.6**	**66.3**	**−33.6**	**28.2**	**81.9**	**50.7**	**−41.2**	**−25.9**	**25.1**	**31.2**
52 Mutual fund shares	4.5	6.0	16.8	31.5	37.1	99.6	35.3	27.7	39.0	35.3	92.0	107.1
53 Other equities	16.8	−9.3	16.8	34.8	−70.7	−71.4	46.6	23.0	−80.2	−61.2	−66.9	−75.9
54 Acquisitions by financial institutions	24.9	20.9	36.9	56.7	10.3	47.4	76.4	36.9	2.1	18.5	60.7	34.1
55 Other net purchases	−3.6	−24.3	−3.3	9.6	−43.9	−19.2	5.5	13.7	−43.4	−44.5	−35.6	−2.9

Notes by line number.
1. Line 1 of table 1.57.
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, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed 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[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1983	1984	1985	1985						1986		
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.[r]	Mar.
1 **Industrial production**	**109.2**	**121.8**	**124.5**	**124.1**	**125.2**	**125.1**	**124.4**	**125.4**	**126.4**	**126.6**	**125.7**	**125.1**
Market groupings												
2 Products, total	113.9	127.1	131.7	131.6	133.0	133.1	131.8	133.5	134.1	134.5	133.2	132.5
3 Final, total	114.7	127.8	132.0	131.8	133.3	133.3	131.9	133.7	134.4	134.5	133.1	131.9
4 Consumer goods	109.3	118.2	120.7	120.1	121.5	121.8	120.8	122.7	124.2	123.8	123.5	122.7
5 Equipment	121.7	140.5	147.1	147.3	149.0	148.6	146.6	148.3	147.9	148.7	145.7	144.2
6 Intermediate	111.2	124.9	130.6	130.7	132.0	132.3	131.5	132.7	132.9	134.4	133.7	134.4
7 Materials	102.8	114.6	114.7	113.8	114.5	114.2	114.2	114.3	115.9	115.9	115.4	115.0
Industry groupings												
8 Manufacturing	110.2	123.9	127.1	126.9	128.2	127.7	127.2	128.4	129.1	129.9	128.9	128.3
Capacity utilization (percent)[2]												
9 Manufacturing	74.0	80.8	80.3	80.1	80.7	80.1	79.6	80.2	80.4	80.7	79.9	79.3
10 Industrial materials industries	75.3	82.3	80.2	79.5	79.9	79.5	79.3	79.2	80.1	80.0	79.6	79.2
11 Construction contracts (1977 = 100)[3]	138.0	150.0	161.0	164.0	164.0	167.0	168.0	162.0	162.0	146.0	162.0	149.0
12 Nonagricultural employment, total[4]	137.1	143.6	148.5	148.5	148.9	149.3	149.8	150.1	150.6	151.2	151.4	151.7
13 Goods-producing, total	100.1	106.1	107.5	107.2	107.3	107.1	107.5	107.6	107.9	108.5	108.3	107.9
14 Manufacturing, total	94.8	99.8	99.9	99.5	99.6	99.1	99.4	99.7	99.9	100.0	99.9	99.7
15 Manufacturing, production-worker	87.6	93.0	92.4	91.8	91.9	91.5	91.8	92.0	92.4	92.4	92.4	92.2
16 Service-producing	157.3	164.1	170.9	171.1	171.7	172.4	173.0	173.5	174.0	174.6	175.1	175.7
17 Personal income, total	440.1	482.8	511.0	510.5	511.3	513.6	516.7	519.3	525.1	525.4	527.6	528.5
18 Wages and salary disbursements	390.7	427.8	457.1	456.9	459.2	461.9	464.3	467.1	471.5	472.6	474.2	476.5
19 Manufacturing	295.9	326.8	340.7	339.2	340.7	341.3	344.9	344.8	348.4	347.7	346.0	347.4
20 Disposable personal income[5]	175.8	193.6	203.1	202.7	202.8	203.5	204.9	205.9	208.2	209.0	210.0	210.5
21 Retail sales (1977 = 100)[6]	162.0	179.0	190.6	189.9	194.2	198.4	190.6	191.6	194.0	194.8	195.0	193.5
Prices[7]												
22 Consumer	298.4	311.1	322.2	322.8	323.5	324.5	325.5	326.6	327.4	328.4	327.5	326.0
23 Producer finished goods	285.2	291.1	293.7	294.8	293.5	290.0	294.7	296.7	297.2	296.2	292.3	288.1

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

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 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1983	1984	1985	1985 Aug.	Sept.	Oct.	Nov.	Dec.	1986 Jan.[r]	Feb.[r]	Mar.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**176,414**	**178,602**	**180,440**	**180,657**	**180,831**	**181,011**	**181,186**	**181,349**	**181,898**	**182,055**	**182,223**
2 Labor force (including Armed Forces)[1]	113,749	115,763	117,695	117,595	118,049	118,355	118,376	118,466	119,014	119,322	119,445
3 Civilian labor force	111,550	113,544	115,461	115,343	115,790	116,114	116,130	116,229	116,786	117,088	117,207
Employment											
4 Nonagricultural industries[2]	97,450	101,685	103,971	104,115	104,502	104,755	104,899	105,055	105,655	105,465	105,503
5 Agriculture	3,383	3,321	3,179	3,095	3,017	3,058	3,070	3,151	3,299	3,096	3,285
Unemployment											
6 Number	10,717	8,539	8,312	8,133	8,271	8,301	8,161	8,023	7,831	8,527	8,419
7 Rate (percent of civilian labor force)	9.6	7.5	7.2	7.1	7.1	7.1	7.0	6.9	6.7	7.3	7.2
8 Not in labor force	62,665	62,839	62,745	63,062	62,782	62,656	62,810	62,883	62,884	62,733	62,778
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**90,196**	**94,461**	**97,698**	**97,977**	**98,217**	**98,559**	**98,801**	**99,086**	**99,496**	**99,649**	**99,841**
10 Manufacturing	18,434	19,412	19,426	19,362	19,279	19,338	19,381	19,433	19,447	19,434	19,392
11 Mining	952	974	969	965	962	960	954	952	947	928	899
12 Contract construction	3,948	4,345	4,661	4,688	4,721	4,753	4,754	4,770	4,906	4,875	4,867
13 Transportation and public utilities	4,954	5,171	5,300	5,282	5,317	5,327	5,342	5,350	5,357	5,342	5,352
14 Trade	20,881	22,134	23,195	23,305	23,344	23,440	23,473	23,550	23,697	23,792	23,882
15 Finance	5,468	5,682	5,924	5,959	5,987	6,011	6,048	6,068	6,098	6,130	6,151
16 Service	19,694	20,761	21,929	22,073	22,155	22,244	22,365	22,450	22,540	22,600	22,749
17 Government	15,869	15,984	16,295	16,343	16,452	16,486	16,484	16,513	16,504	16,548	16,549

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 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

4. In addition to the revisions noted here, data for January through June 1985 have been revised as follows: Jan., 21,382; Feb., 21,480; Mar., 21,644; Apr., 21,723; May, 21,813; and June, 21,856. These data were reported incorrectly in the BULLETIN for November 1985 through March 1986.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1985			1986	1985			1986	1985			1986
	Q2	Q3	Q4r	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**124.2**	**124.8**	**125.4**	**125.8**	**154.0**	**155.1**	**156.2**	**157.2**	**80.7**	**80.5**	**80.3**	**80.0**
2 Mining	110.0	108.5	107.6	104.8	133.6	133.9	134.1	134.3	82.3	81.0	80.2	78.1
3 Utilities	113.6	111.4	113.7	114.6	134.5	135.4	136.3	136.9	84.4	82.3	83.4r	83.7
4 **Manufacturing**	**126.6**	**127.6**	**128.2**	**129.0**	**157.7**	**158.9**	**160.2**	**161.3**	**80.3**	**80.3**	**80.0r**	**80.0**
5 Primary processing	108.1	109.5	110.4	112.0	132.0	132.4	132.8	133.2	81.9	82.7	83.1	84.1
6 Advanced processing	137.9	138.6	139.0	139.2	173.2	174.9	176.7	178.3	79.6	79.2	78.7	78.1
7 **Materials**	**114.5**	**114.2**	**114.8**	**115.4**	142.5	**143.4**	**144.3**	**145.0**	**80.4**	**79.6**	**79.5**	**79.6**
8 Durable goods	121.4	120.7	121.4	121.9	157.4	158.9	160.5	161.6	77.1	76.0	75.6	75.4
9 Metal materials	80.2	79.4	82.4	81.8	117.3	117.3	117.3	116.7	68.4	67.7	70.3r	70.1
10 Nondurable goods	111.2	113.7	113.8	116.3	137.8	138.2	138.7	139.1	80.7	82.2	82.0	83.6
11 Textile, paper, and chemical	*111.0*	*114.1*	*114.0*	*116.6*	*137.0*	*137.4*	*137.8*	*138.1*	*81.0*	83.0	82.7r	84.4
12 Paper	121.8	123.8	124.5	n.a.	136.2	136.3	136.5	n.a.	89.4	90.8	91.2r	n.a.
13 Chemical	112.6	114.6	114.2	n.a.	142.0	142.6	143.1	n.a.	79.3	80.4	79.8r	n.a.
14 Energy materials	105.2	103.2	104.2	103.5	120.3	120.6	120.9	121.2	87.5	85.5	86.1	85.4

Series	Previous cycle[1]		Latest cycle[2]		1985	1985						1986		
	High	Low	High	Low	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.r	Jan.r	Feb.r	Mar.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**80.9**	**80.2**	**80.7**	**80.5**	**79.8**	**80.3**	**80.7**	**80.7**	**80.0**	**79.4**
16 Mining	92.8	87.8	95.2	76.9	82.1	81.2	80.9	81.0	80.9	79.7	80.0	80.0	77.6	76.7
17 Utilities	95.6	82.9	88.5	78.0	86.7	81.9	81.5	83.4	82.7	82.3	85.3	82.8	84.2	84.0
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**80.4**	**80.1**	**80.7**	**80.1**	**79.6**	**80.2**	**80.4**	**80.7**	**79.9**	**79.3**
19 Primary processing	91.9	68.3	89.1	65.1	81.5	82.3	82.9	82.8	83.1	83.0	83.3	84.8	84.0	83.4
20 Advanced processing	86.0	71.1	85.1	69.5	79.8	79.1	79.6	79.0	78.0	79.0	79.0	78.9	78.0	77.4
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**81.5**	**79.5**	**79.9**	**79.5**	**79.3**	**79.2**	**80.1**	**80.0**	**79.6**	**79.2**
22 Durable goods	91.8	64.4	89.8	60.9	79.1	75.8	76.6	75.4	75.2	75.8	75.8	76.3	75.3	74.7
23 Metal materials	99.2	67.1	93.6	45.7	68.2	66.4	69.4	67.3	69.4	70.8	70.7	71.3	70.2	68.8
24 Nondurable goods	91.1	66.7	88.1	70.6	81.1	81.7	82.1	82.9	81.9	81.5	82.7	83.4	83.5	83.9
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	82.0	82.7	82.8	83.7	82.4	82.1	83.5	84.1	84.3	84.8
26 Paper	98.4	70.6	97.3	79.9	92.6	91.7	90.1	90.7	88.8	90.1	94.7	94.8	94.3	n.a.
27 Chemical	92.5	64.4	87.9	63.3	80.2	80.1	79.8	81.2	80.5	78.8	80.1	81.0	81.5	n.a.
28 Energy materials	94.6	86.9	94.0	82.2	87.4	85.8	85.1	85.6	86.2	84.7	87.4	85.2	85.7	85.2

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1985 avg.	1985 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.r	1986 Jan.	Feb.p	Mar.e
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**124.5**	**124.0**	**124.1**	**124.1**	**124.3**	**124.1**	**125.2**	**125.1**	**124.4**	**125.4**	**126.4**	**126.6**	**125.7**	**125.1**
2 Products	57.72	131.7	130.3	130.8	131.4	131.6	131.6	133.0	133.1	131.8	133.5	134.1	134.5	133.2	132.5
3 Final products	44.77	132.0	130.8	131.3	131.7	131.6	131.8	133.3	133.3	131.9	133.7	134.4	134.5	133.1	131.9
4 Consumer goods	25.52	120.7	119.8	119.5	120.0	120.4	120.1	121.5	121.8	120.8	122.7	124.2	123.8	123.5	122.7
5 Equipment	19.25	147.1	145.4	146.9	147.1	146.6	147.3	149.0	148.6	146.6	148.3	147.9	148.7	145.7	144.2
6 Intermediate products	12.94	130.6	128.6	129.3	130.3	131.4	130.7	132.0	132.3	131.5	132.7	132.9	134.4	133.7	134.4
7 Materials	42.28	114.7	115.5	115.0	114.2	114.3	113.8	114.5	114.2	114.2	114.3	115.9	115.9	115.4	115.0
Consumer goods															
8 Durable consumer goods	6.89	112.9	113.5	111.5	111.8	112.0	111.3	114.0	112.9	111.4	115.5	116.8	116.6	116.4	113.0
9 Automotive products	2.98	115.1	115.1	113.1	113.6	113.4	115.0	120.0	117.8	112.9	116.8	116.6	117.0	118.9	111.5
10 Autos and trucks	1.79	112.0	110.5	109.0	109.6	109.4	113.7	120.2	116.6	108.7	113.7	112.0	116.2	118.8	106.1
11 Autos, consumer	1.16	98.9	101.3	100.5	98.1	97.0	101.1	101.3	98.8	92.3	94.9	99.9	103.6	107.0	95.1
12 Trucks, consumer	.63	136.3	127.5	124.7	130.9	132.3	137.2	155.4	149.7	139.1	148.6	134.5	139.5	140.6	.....
13 Auto parts and allied goods	1.19	119.7	122.0	119.4	119.6	119.4	116.8	119.6	119.5	119.3	121.4	123.4	118.2	119.1	119.6
14 Home goods	3.91	111.3	112.2	110.2	110.4	110.9	108.4	109.5	109.3	110.2	114.5	116.9	116.4	114.6	114.2
15 Appliances, A/C and TV	1.24	129.5	131.8	126.9	129.3	131.5	121.6	124.5	123.7	126.3	139.4	145.4	138.8	136.6	136.1
16 Appliances and TV	1.19	130.3	131.8	127.1	128.7	131.7	123.2	125.5	125.6	128.6	141.9	148.4	141.5	139.3	.....
17 Carpeting and furniture	.96	119.4	117.7	118.1	116.9	119.6	122.2	119.5	120.2	120.1	122.9	118.9	122.3	121.1	.....
18 Miscellaneous home goods	1.71	93.6	95.0	93.7	93.1	91.2	91.2	93.0	92.7	92.9	91.9	95.2	96.9	95.0	.....
19 Nondurable consumer goods	18.63	123.6	122.1	122.5	123.1	123.5	123.4	124.2	125.1	124.3	125.4	127.0	126.4	126.2	126.3
20 Consumer staples	15.29	129.4	127.9	128.5	129.0	129.6	129.3	130.3	131.0	130.1	131.0	133.0	132.1	132.2	132.4
21 Consumer foods and tobacco	7.80	129.7	128.0	129.4	128.9	130.5	130.1	130.8	131.5	129.5	130.7	132.4	131.0	131.5	.....
22 Nonfood staples	7.49	129.1	127.7	127.6	129.1	128.7	128.5	129.7	130.5	130.6	131.2	133.6	133.2	133.0	133.2
23 Consumer chemical products	2.75	147.5	145.1	145.1	147.3	145.4	145.4	149.1	151.4	149.4	152.4	152.9	153.8	154.4	.....
24 Consumer paper products	1.88	143.7	141.7	142.0	143.7	144.6	144.9	143.9	144.7	145.5	145.7	148.0	143.7	142.8	.....
25 Consumer energy	2.86	101.9	101.9	101.5	102.1	102.2	101.5	101.8	101.0	102.9	101.4	105.6	106.6	106.1	.....
26 Consumer fuel	1.44	88.5	87.0	90.0	90.2	88.8	89.2	91.1	85.8	90.2	90.1	92.3	94.9	92.9	.....
27 Residential utilities	1.42	.....	117.1	113.2	114.4	115.9	114.0	112.7	116.5	115.8	112.9	119.2	118.5	.....	.....
Equipment															
28 Business and defense equipment	18.01	147.8	146.1	147.7	147.9	147.4	147.9	149.7	149.4	147.5	149.7	149.4	150.6	148.6	147.8
29 Business equipment	14.34	141.3	140.2	142.0	141.9	140.7	141.3	143.0	142.2	139.6	141.7	141.4	143.3	141.5	140.2
30 Construction, mining, and farm	2.08	67.7	67.1	68.4	67.4	67.7	68.6	67.2	67.0	65.9	68.2	68.3	67.7	65.6	.....
31 Manufacturing	3.27	112.8	112.0	112.4	113.1	111.9	113.5	115.1	114.8	111.7	112.8	112.8	113.1	112.4	112.0
32 Power	1.27	83.6	79.6	81.8	82.8	84.1	85.6	84.5	85.1	85.5	84.7	87.1	86.7	85.7	85.6
33 Commercial	5.22	219.3	218.9	221.8	222.8	219.6	219.5	222.8	219.4	213.9	217.7	217.9	219.7	217.9	218.3
34 Transit	2.49	106.1	104.5	106.0	102.9	103.4	103.3	106.0	108.3	109.7	111.2	107.7	114.9	111.5	105.0
35 Defense and space equipment	3.67	173.6	169.0	170.1	171.2	173.4	173.9	175.5	177.5	178.7	180.7	180.7	179.3	176.3	177.4
Intermediate products															
36 Construction supplies	5.95	119.0	116.9	117.4	118.1	119.2	119.4	121.5	121.3	120.0	120.9	120.7	123.9	122.8	123.5
37 Business supplies	6.99	140.5	138.6	139.4	140.7	141.7	140.3	140.9	141.7	141.2	142.7	143.3	143.3	143.0	.....
38 General business supplies	5.67	144.4	141.9	143.4	144.4	146.1	144.4	145.1	145.4	144.8	146.7	146.8	147.3	146.4	.....
39 Commercial energy products	1.31	123.7	124.5	122.4	124.6	122.7	122.7	122.5	125.7	125.7	125.3	128.1	125.9	128.5	.....
Materials															
40 Durable goods materials	20.50	121.8	123.3	122.8	120.7	120.8	120.2	121.8	120.2	120.4	121.7	122.1	123.1	121.7	120.8
41 Durable consumer parts	4.92	100.7	102.1	101.8	100.1	98.7	98.3	100.0	99.0	100.2	101.6	101.5	103.9	102.2	99.9
42 Equipment parts	5.94	159.0	163.3	161.1	157.8	157.3	157.0	158.7	156.5	154.0	155.0	155.1	154.8	154.0	153.7
43 Durable materials n.e.c.	9.64	109.7	109.6	110.0	108.2	109.6	108.6	110.2	108.7	109.9	111.4	112.3	113.4	111.7	111.2
44 Basic metal materials	4.64	84.8	85.1	86.6	82.0	85.0	82.5	85.1	82.8	85.8	87.6	88.5	87.5	85.5	.....
45 Nondurable goods materials	10.09	112.2	110.3	110.4	111.3	111.8	112.8	113.5	114.7	113.4	113.0	114.9	115.9	116.1	116.8
46 Textile, paper, and chemical materials	7.53	112.4	111.3	110.5	110.9	111.7	113.5	113.8	115.1	113.5	113.2	115.2	116.1	116.5	117.1
47 Textile materials	1.52	97.7	93.0	94.1	95.0	97.3	100.2	104.4	104.1	101.2	104.4	102.1	102.3	102.5	.....
48 Pulp and paper materials	1.55	123.7	125.4	121.3	120.9	123.3	125.0	122.8	123.7	121.1	123.0	129.3	129.5	129.0	.....
49 Chemical materials	4.46	113.6	112.7	112.3	112.9	112.6	114.0	113.8	115.9	115.0	112.8	114.8	116.1	116.9	.....
50 Miscellaneous nondurable materials	2.57	111.3	107.2	110.1	112.5	112.0	110.8	112.7	113.5	113.3	112.5	113.9	115.3	115.0	.....
51 Energy materials	11.69	104.3	106.2	105.3	105.3	105.1	103.5	102.7	103.4	104.2	102.5	105.8	103.2	103.8	103.4
52 Primary energy	7.57	107.8	110.2	107.9	107.8	109.0	107.4	106.4	106.8	108.2	106.7	109.0	106.8	106.4	.....
53 Converted fuel materials	4.12	97.9	99.0	100.6	100.6	98.1	96.2	95.9	97.0	96.8	94.7	100.1	96.7	99.0	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1985 avg.	1985 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.r	1986 Jan.	Feb.p	Mar.e
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.6	111.8	111.1	111.3	111.6	109.4	109.1	110.3	109.9	108.9	110.8	109.6	108.3	107.6
2 Mining	......	9.83	109.0	110.5	109.6	109.8	110.6	108.7	108.3	108.4	108.4	106.9	107.4	107.4	104.2	103.0
3 Utilities	......	5.96	113.2	113.9	113.6	113.7	113.4	110.7	110.3	113.2	112.4	112.2	116.5	113.3	115.3	115.1
4 Manufacturing	......	84.21	127.1	126.3	126.6	126.6	126.7	126.9	128.2	127.7	127.2	128.4	129.1	129.9	128.9	128.3
5 Nondurable	......	35.11	125.6	123.9	124.3	124.7	125.5	125.6	126.6	126.9	126.4	127.3	128.0	129.0	128.7	128.9
6 Durable	......	49.10	128.2	128.0	128.2	127.9	127.6	127.9	129.4	128.3	127.7	129.2	129.9	130.6	129.0	127.8
Mining																
7 Metal	10	.50	75.1	83.6	81.2	78.3	77.5	60.9	73.1	71.4	74.2	78.3	74.3	76.0	73.5	.....
8 Coal	*11.12*	*1.60*	*127.5*	*131.9*	*128.5*	*128.7*	*134.0*	*128.0*	*127.7*	*126.3*	*130.1*	*125.5*	*128.0*	*130.6*	*124.9*	*122.5*
9 Oil and gas extraction	13	7.07	106.3	106.8	106.5	106.9	106.9	106.9	105.5	106.0	104.8	103.5	104.4	103.5	100.1	98.9
10 Stone and earth minerals	14	.66	118.8	118.7	118.5	118.7	117.9	116.6	117.7	119.3	120.4	119.0	114.0	117.1	120.7	.....
Nondurable manufactures																
11 Foods	20	7.96	131.0	128.5	130.8	131.4	131.8	132.2	132.6	132.5	130.7	131.4	132.6	133.2	133.0	.....
12 Tobacco products	21	.62	.....	103.4	98.4	95.7	98.9	96.0	97.7	97.8	105.3	104.5	103.5	88.5	.....	.....
13 Textile mill products	22	2.29	102.5	99.4	99.0	100.0	103.3	104.1	106.3	106.7	104.9	108.0	106.3	107.5	107.3	.....
14 Apparel products	23	2.79	101.8	101.3	100.2	100.3	99.2	100.6	100.4	101.8	102.6	103.9	105.0	105.8	104.0	.....
15 Paper and products	26	3.15	127.4	126.9	125.1	124.1	127.1	129.0	127.5	128.6	127.3	128.2	132.3	133.3	131.9	.....
16 Printing and publishing	27	4.54	155.3	152.6	154.2	155.4	156.7	154.3	156.3	156.2	157.0	159.0	158.4	158.7	158.2	158.7
17 Chemicals and products	28	8.05	127.1	126.5	125.8	126.7	126.4	126.4	128.2	129.0	127.9	128.0	128.5	130.6	131.7	.....
18 Petroleum products	29	2.40	86.7	84.7	87.3	87.4	87.1	88.3	88.2	85.9	87.7	87.3	88.7	93.5	91.4	89.4
19 Rubber and plastic products	30	2.80	147.0	144.1	144.9	144.3	145.5	145.6	148.0	148.6	148.7	150.5	150.0	150.5	150.0	.....
20 Leather and products	31	.53	70.9	69.4	69.9	71.0	71.5	72.2	72.7	72.3	71.4	72.1	69.9	68.3	66.9	.....
Durable manufactures																
21 Lumber and products	24	2.30	.....	109.5	110.9	112.2	113.5	113.0	114.8	115.9	116.5	115.6	116.5	119.7	.....	.....
22 Furniture and fixtures	25	1.27	*142.0*	*139.2*	*141.0*	*142.0*	*141.9*	*145.3*	*144.3*	*143.2*	*141.9*	*144.1*	*142.1*	*143.9*	*144.1*	.....
23 Clay, glass, stone products	32	2.72	114.8	111.4	114.5	116.3	116.1	115.1	116.2	116.2	115.6	115.2	118.2	120.1	119.3	.....
24 Primary metals	33	5.33	80.6	81.8	81.4	76.4	78.3	79.0	82.0	80.3	83.1	83.6	81.7	84.7	82.8	79.9
25 Iron and steel	331.2	3.49	70.7	73.2	71.9	65.4	67.6	68.7	71.6	69.7	74.4	75.3	72.0	75.5	72.6	.....
26 Fabricated metal products	34	6.46	107.8	108.6	109.1	108.3	107.4	107.3	107.8	107.5	108.4	107.9	108.8	109.3	108.3	107.7
27 Nonelectrical machinery	35	9.54	146.6	146.5	148.9	149.1	145.6	147.5	149.2	146.5	143.0	145.6	146.0	146.2	145.0	145.0
28 Electrical machinery	36	7.15	169.3	173.1	168.9	169.3	169.5	165.7	166.1	165.1	165.1	168.9	171.9	168.3	165.0	165.0
29 Transportation equipment	37	9.13	123.2	120.8	120.7	120.9	121.8	123.7	126.8	126.2	124.5	126.5	126.8	128.9	127.8	122.9
30 Motor vehicles and parts	371	5.25	112.8	111.3	110.9	110.5	110.5	112.8	116.8	115.3	111.7	114.5	115.4	117.9	117.9	109.3
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	137.5	133.7	134.1	134.9	137.1	138.5	140.4	141.1	141.9	142.9	142.3	144.0	141.3	141.3
32 Instruments	38	2.66	139.9	139.0	138.5	139.9	140.7	141.1	141.8	139.4	139.8	140.7	140.6	142.0	141.8	142.7
33 Miscellaneous manufactures	39	1.46	96.4	96.0	98.3	98.3	96.8	95.9	97.2	96.4	95.9	94.5	96.3	100.8	97.0	.....
Utilities																
34 Electric	......	4.17	119.5	119.5	119.1	119.5	119.4	117.5	116.7	120.6	119.3	118.7	124.4	120.2	122.4	.....
				Gross value (billions of 1972 dollars, annual rates)												
MAJOR MARKET																
35 Products, total	......	**517.5**	**773.4**	**769.5**	**773.3**	**774.4**	**773.5**	**769.0**	**778.7**	**777.9**	**772.2**	**782.8**	**783.3**	**793.3**	**787.2**	**781.1**
36 Final	......	405.7	614.8	613.3	616.2	616.2	614.0	610.1	618.6	617.8	613.0	622.4	622.1	629.7	625.1	618.1
37 Consumer goods	......	272.7	364.8	364.6	364.7	365.1	364.0	361.7	366.2	365.6	363.8	370.5	373.6	375.1	374.7	371.4
38 Equipment	......	133.0	250.1	244.8	248.0	250.8	251.0	250.3	252.4	252.2	249.3	251.9	248.5	254.6	250.4	246.7
39 Intermediate	......	111.9	158.6	153.9	155.6	158.3	159.7	160.4	160.1	160.1	159.2	160.4	161.2	163.7	162.1	163.0

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1983	1984	1985	1985 May	1985 June	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.r	1985 Dec.r	1986 Jan.r	1986 Feb.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,605	1,682	1,726	1,778	1,712	1,694	1,784	1,808	1,688	1,661	1,873	1,907	1,803
2 1-family	902	922	953	933	961	967	990	949	965	918	978	1,094	1,022
3 2-or-more-family	703	759	773	845	751	727	794	859	723	743	895	813	781
4 Started	1,703	1,749	1,742	1,684	1,693	1,673	1,737	1,653	1,784	1,654	1,882	2,034	1,997
5 1-family	1,067	1,084	1,072	1,041	1,036	1,068	1,071	1,006	1,118	1,006	1,098	1,335	1,204
6 2-or-more-family	635	665	669	643	657	605	666	647	666	648	784	699	793
7 Under construction, end of period[1]	1,003	1,051	1,063	1,082	1,073	1,071	1,079	1,065	1,089	1,087	1,088	1,097	1,116
8 1-family	524	556	539	579	574	577	582	568	578	570	561	572	585
9 2-or-more-family	479	494	524	504	499	494	499	496	512	517	528	524	530
10 Completed	1,390	1,652	1,703	1,635	1,758	1,722	1,720	1,778	1,541	1,721	1,762	1,774	1,725
11 1-family	924	1,025	1,072	1,028	1,078	1,042	1,032	1,100	1,072	1,095	1,141	1,071	1,029
12 2-or-more-family	466	627	631	607	680	680	688	678	469	626	621	703	696
13 Mobile homes shipped	296	296	284	287	272	285	286	283	291	287	285	280	266
Merchant builder activity in 1-family units													
14 Number sold	622	639	688	684	710	745	708	681	637	722	712	712	685
15 Number for sale, end of period[1]	304	358	352	355	354	351	348	350	353	353	351	355	356
Price (thousands of dollars)[2]													
Median													
16 Units sold	75.5	80.0	84.3	80.1	86.3	82.1	83.3	84.6	85.4	87.2	88.6	86.0	87.3
Average													
17 Units sold	89.9	97.5	101.1	98.1	99.6	99.4	99.2	102.6	102.7	104.1	107.1	102.4	106.3
EXISTING UNITS (1-family)													
18 Number sold	2,719	2,868	3,217	3,040	3,070	3,170	3,430	3,480	3,530	3,450	3,520	3,300	3,270
Price of units sold (thousands of dollars)[2]													
19 Median	69.8	72.3	75.4	75.2	76.5	76.7	77.2	75.9	75.2	74.9	75.5	77.1	77.4
20 Average	82.5	85.9	90.6	90.3	91.9	92.7	93.2	91.4	91.2	90.3	91.8	93.0	93.1
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**268,730**	**312,989**	**342,363**	**339,943**	**343,837**	**344,206**	**343,246**	**346,084**	**344,502r**	**343,847**	**351,669**	**356,099**	**360,504**
22 Private	218,016	257,802	280,023	276,420	278,939	279,521	279,371	282,505	282,115r	281,284	286,914	287,992	293,569
23 Residential	121,309	145,058	148,250	142,254	147,158	148,699	146,858	148,915	150,873r	149,670	150,690	152,556	155,758
24 Nonresidential, total	96,707	112,744	131,773	134,166	131,781	130,822	132,513	133,590	131,242r	131,614	136,224	135,436	137,811
Buildings													
25 Industrial	12,863	13,746	15,767	16,443	15,170	15,384	15,118	15,567	15,630r	16,271	17,357	16,035	17,696
26 Commercial	35,787	48,102	60,050	60,064	58,290	57,956	59,910	61,227	60,740r	61,101	64,496	64,482	64,754
27 Other	11,660	12,298	12,406	12,929	12,786	12,578	12,957	12,769	12,250r	12,495	12,048	12,469	12,908
28 Public utilities and other	36,397	38,598	43,550	44,730	45,535	44,904	44,528	44,027	42,622r	41,747	42,323	42,450	42,453
29 Public	50,715	55,186	62,342	63,523	64,897	64,686	63,875	63,580	62,387r	62,563	64,755	68,106	66,935
30 Military	2,544	2,839	3,152	3,349	3,426	3,364	2,966	3,008	3,086r	3,040	3,452	3,659	3,971
31 Highway	14,143	16,295	19,951	22,314	21,093	19,589	20,224	19,585	19,193r	19,826	20,827	22,110	22,259
32 Conservation and development	4,822	4,656	4,959	5,051	5,410	5,075	4,824	5,254	4,892r	5,176	4,978	5,616	4,448
33 Other	29,206	31,396	34,280	32,809	34,968	36,658	35,861	35,733	35,216r	34,521	35,498	36,721	36,257

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 Mar. 1986 (1967 = 100)[1]
	1985 Mar.	1986 Mar.	1985			1986	1985		1986			
			June	Sept.	Dec.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
CONSUMER PRICES[2]												
1 **All items**	**3.7**	**2.3**	**3.3**	**2.4**	**5.3**	**−1.9**	**.6**	**.4**	**.3**	**−.4**	**−.4**	**326.0**
2 Food	2.5	1.8	.6	2.1	5.9	−1.4	.7	.6	.2	−.7	.1	315.4
3 Energy items	−.4	−8.5	6.9	−3.2	3.3	−34.2	.6	.4	.1	−3.8	−6.5	381.3
4 All items less food and energy	4.8	4.1	3.5	3.4	5.4	4.1	.5	.3	.4	.2	.4	323.6
5 Commodities	3.8	1.0	−.9	1.1	3.6	.3	.2	.2	.3	−.1	−.1	262.0
6 Services	5.3	6.0	6.2	4.8	6.5	6.5	.7	.4	.5	.4	.6	391.5
PRODUCER PRICES												
7 Finished goods	.2	−1.4	2.2	−2.4	9.2	−12.4	.7r	.6r	−.7	−1.6	−1.1	288.1
8 Consumer foods	−1.0	−.5	−5.7	−2.9	15.0	−6.6	1.1	.8r	−.4	−1.6	.3	272.2
9 Consumer energy	−8.5	−20.5	24.7	−11.3	22.2	−68.0	2.3r	2.6r	−4.2	−9.4	−13.4	551.1
10 Other consumer goods	2.4	2.2	1.9	.0	4.5	2.7	.2r	.2	.0	−.1	.8	256.1
11 Capital equipment	2.4	1.7	1.5	−.9	5.3	.9	.2	.1	−.1	.1	.3	304.3
12 Intermediate materials[3]	.1	−2.8	.6	−1.3	2.7	−11.8	.3	.3	−.5	−1.4	−1.3	315.5
13 Excluding energy	.8	−.3	.8	−.7	−.3	−.9	.0	.0	.0	−.2	.0	304.4
Crude materials												
14 Foods	−10.0	−7.8	−16.7	−20.6	47.0	−25.2	4.2r	−.5	−2.6	−3.6	−1.0	224.0
15 Energy	−4.3	−17.1	4.4	−5.9	−2.0	−51.1	−.8r	.3r	.1	−8.2	−8.9	618.4
16 Other	−6.9	−3.8	−7.8	−4.4	1.0	−3.2	.1r	−.2r	−.3	−3.0	2.6	245.6

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	1983	1984	1985	1985				1986
				Q1	Q2	Q3	Q4	Q1
GROSS NATIONAL PRODUCT								
1 **Total**	**3,401.6**	**3,774.7**	**3,988.5**	**3,917.5**	**3,960.6**	**4,016.9**	**4,059.3**	**4,116.7**
By source								
2 Personal consumption expenditures	2,229.3	2,423.0	2,582.3	2,525.0	2,563.3	2,606.1	2,634.8	2,670.6
3 Durable goods	289.6	331.1	361.5	351.5	356.5	376.0	362.0	362.4
4 Nondurable goods	817.0	872.4	912.2	895.7	910.2	914.5	928.3	939.2
5 Services	1,122.7	1,219.6	1,308.6	1,277.8	1,296.6	1,315.6	1,344.6	1,369.1
6 Gross private domestic investment	501.9	674.0	669.3	657.6	672.8	666.1	680.7	708.0
7 Fixed investment	508.3	607.0	661.8	639.1	657.3	665.9	685.0	678.3
8 Nonresidential	356.3	427.9	476.2	459.6	474.2	478.5	492.5	479.6
9 Structures	126.1	147.6	170.2	166.1	169.7	170.4	174.5	174.2
10 Producers' durable equipment	230.2	280.2	306.0	293.5	304.5	308.1	318.0	305.4
11 Residential structures	152.0	179.1	185.6	179.4	183.1	187.4	192.5	198.7
12 Change in business inventories	−6.4	67.1	7.5	18.5	15.5	.2	−4.3	29.7
13 Nonfarm	.8	58.0	11.8	14.2	10.8	3.1	19.0	30.4
14 Net exports of goods and services	−5.3	−59.2	−78.5	−42.3	−70.3	−87.8	−113.4	−95.1
15 Exports	354.1	384.6	369.9	379.6	369.2	363.2	367.8	378.4
16 Imports	359.4	443.8	448.4	421.9	439.5	451.0	481.2	473.6
17 Government purchases of goods and services	675.7	736.8	815.4	777.2	794.8	832.5	857.2	833.1
18 Federal	284.8	312.9	355.4	334.4	337.8	364.8	384.7	354.3
19 State and local	390.9	423.9	460.0	442.8	457.1	467.7	472.5	478.8
By major type of product								
20 Final sales, total	3,408.0	3,707.6	3,981.1	3,899.0	3,945.0	4,016.7	4,063.6	4,086.9
21 Goods	1,394.7	1,585.9	1,639.3	1,628.3	1,636.1	1,650.7	1,642.2	1,667.8
22 Durable	572.3	679.5	709.2	706.2	705.9	714.8	710.0	712.8
23 Nondurable	822.4	906.3	930.1	922.1	930.2	935.9	932.2	955.0
24 Services	1,678.0	1,806.6	1,930.5	1,887.6	1,908.2	1,939.9	1,986.4	2,011.3
25 Structures	328.9	382.2	418.6	401.5	416.3	426.2	430.6	437.5
26 Change in business inventories	−6.4	67.1	7.5	18.5	15.5	.2	−4.3	29.7
27 Durable goods	−.8	37.0	6.4	16.9	1.8	−6.4	13.4	20.9
28 Nondurable goods	−5.5	30.1	1.0	1.6	13.7	6.6	−17.7	8.8
29 **MEMO: Total GNP in 1982 dollars**	**3,277.7**	**3,492.0**	**3,570.0**	**3,547.8**	**3,557.4**	**3,584.1**	**3,590.8**	**3,619.2**
NATIONAL INCOME								
30 **Total**	**2,718.3**	**3,039.3**	**3,211.3**	**3,155.3**	**3,192.2**	**3,228.0**	**3,269.9**	**n.a.**
31 Compensation of employees	2,025.9	2,221.3	2,372.5	2,320.4	2,356.9	2,385.2	2,427.5	2,462.4
32 Wages and salaries	1,675.4	1,835.2	1,960.3	1,917.7	1,947.6	1,970.1	2,005.8	2,034.8
33 Government and government enterprises	324.2	346.1	370.8	362.6	367.4	372.6	379.7	384.9
34 Other	1,351.6	1,488.9	1,589.7	1,555.1	1,580.2	1,597.5	1,626.1	1,649.9
35 Supplement to wages and salaries	350.5	386.2	412.2	402.7	409.4	415.1	421.7	427.6
36 Employer contributions for social insurance	171.0	192.8	205.8	201.8	204.6	206.7	210.2	213.3
37 Other labor income	179.5	193.4	206.4	200.9	204.8	208.4	211.5	214.3
38 Proprietors' income[1]	192.3	233.7	242.2	239.4	240.9	237.5	250.9	252.4
39 Business and professional[1]	178.0	201.6	221.0	212.9	218.1	225.3	227.6	236.4
40 Farm[1]	14.3	32.1	21.2	26.5	22.8	12.2	23.3	16.0
41 Rental income of persons[2]	12.8	10.8	13.8	11.0	13.8	14.5	15.9	17.8
42 Corporate profits[1]	213.8	273.3	295.5	281.7	288.1	309.1	303.1	n.a.
43 Profits before tax[3]	205.0	237.6	225.3	220.0	218.7	228.6	233.8	n.a.
44 Inventory valuation adjustment	−10.0	−5.4	−.6	.7	2.2	4.7	−10.1	14.2
45 Capital consumption adjustment	18.8	41.0	70.9	61.1	67.2	75.9	79.4	81.7
46 Net interest	273.6	300.2	287.4	302.9	292.4	281.8	272.6	268.9

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	1983	1984	1985	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,836.4**	**3,111.9**	**3,293.5**	**3,240.9**	**3,280.1**	**3,298.5**	**3,354.3**	**3,397.9**
2 Wage and salary disbursements	1,675.8	1,834.9	1,960.5	1,917.6	1,948.6	1,970.1	2,005.8	2,034.8
3 Commodity–producing industries	523.0	577.9	607.3	600.1	604.7	607.6	616.9	620.6
4 Manufacturing	397.4	438.9	457.6	453.5	454.9	457.2	464.7	466.0
5 Distributive industries	404.2	441.6	468.8	459.8	467.4	471.2	476.8	482.8
6 Service industries	424.4	469.4	513.6	495.2	508.1	518.7	532.4	546.6
7 Government and government enterprises	324.2	346.1	370.8	362.5	368.4	372.6	379.7	384.9
8 Other labor income	179.5	193.4	206.4	200.9	204.8	208.4	211.5	214.3
9 Proprietors' income[1]	192.3	233.7	242.2	239.4	240.9	237.5	250.9	252.4
10 Business and professional[1]	178.0	201.6	221.0	212.9	218.1	225.3	227.6	236.4
11 Farm[1]	14.3	32.1	21.2	26.5	22.8	12.2	23.3	16.0
12 Rental income of persons[2]	12.8	10.8	13.8	11.0	13.8	14.5	15.9	17.8
13 Dividends	68.0	74.6	78.9	77.9	78.7	79.1	79.8	82.1
14 Personal interest income	385.7	442.2	456.3	462.8	460.5	450.6	451.4	451.6
15 Transfer payments	442.2	454.7	484.5	477.6	481.0	488.1	491.2	502.2
16 Old–age survivors, disability, and health insurance benefits	221.7	235.7	253.4	249.2	250.7	256.5	257.1	264.4
17 LESS: Personal contributions for social insurance	119.8	132.4	149.1	146.3	148.3	149.7	152.0	157.4
18 EQUALS: Personal income	2,836.4	3,111.9	3,293.5	3,240.9	3,280.1	3,298.5	3,354.3	3,397.9
19 LESS: Personal tax and nontax payments	411.1	441.8	492.7	501.7	462.4	498.2	508.5	503.8
20 EQUALS: Disposable personal income	2,425.4	2,670.2	2,800.8	2,739.2	2,817.7	2,800.2	2,845.9	2,894.1
21 LESS: Personal outlays	2,292.2	2,497.7	2,671.8	2,608.4	2,650.6	2,697.6	2,730.6	2,769.6
22 EQUALS: Personal saving	133.2	172.5	129.0	130.9	167.2	102.6	115.2	124.4
MEMO								
Per capita (1982 dollars)								
23 Gross national product	13,959.5	14,727.9	14,918.5	14,875.4	14,884.5	14,958.6	14,949.2	15,036.1
24 Personal consumption expenditures	9,139.2	9,447.0	9,665.7	9,595.8	9,638.0	9,722.8	9,701.9	9,783.1
25 Disposable personal income	9,942.0	10,412.0	10,483.0	10,411.0	10,595.0	10,447.0	10,479.0	10,601.0
26 Saving rate (percent)	5.5	6.5	4.6	4.8	5.9	3.7	4.0	4.3
GROSS SAVING								
27 **Gross saving**	**469.8**	**584.5**	**553.4**	**578.3**	**571.7**	**537.3**	**526.1**	**n.a.**
28 Gross private saving	600.6	693.0	694.3	677.7	723.6	681.8	694.2	n.a.
29 Personal saving	133.2	172.5	129.0	130.9	167.2	102.6	115.2	124.4
30 Undistributed corporate profits[1]	67.9	101.6	126.9	116.3	122.6	137.8	131.0	n.a.
31 Corporate inventory valuation adjustment	−10.0	−5.4	−.6	.7	2.2	4.7	−10.1	14.2
Capital consumption allowances								
32 Corporate	245.0	256.6	269.2	264.3	266.8	270.9	274.8	277.0
33 Noncorporate	154.6	162.3	169.2	166.3	167.0	170.5	173.2	173.6
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (−), national income and product accounts	−130.8	−108.5	−141.0	−99.4	−151.9	−144.5	−168.0	n.a.
36 Federal	−179.4	−172.9	−200.0	−162.6	−209.1	−201.3	−226.9	n.a.
37 State and local	48.6	64.4	59.0	63.2	57.3	56.9	58.8	n.a.
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**469.2**	**583.0**	**554.0**	**580.8**	**567.0**	**539.9**	**528.2**	**578.5**
40 Gross private domestic	501.9	674.0	669.3	657.6	672.8	666.1	680.7	708.0
41 Net foreign	−32.7	−91.0	−115.3	−76.8	−105.8	−126.2	−152.5	−129.5
42 **Statistical discrepancy**	**−.6**	**−1.5**	**.6**	**2.5**	**−4.7**	**2.5**	**2.1**	**2.1**

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	1983	1984	1985p	1984	1985			
				Q4	Q1	Q2	Q3	Q4p
1 Balance on current account	-45,994	-107,358	-117,664	-31,805	-24,183	-27,626	-29,300	-36,559
2 Not seasonally adjusted	....	....	....	-28,982	-23,491	-27,980	-33,101	-33,093
3 Merchandise trade balance[2]	-67,216	-114,107	-124,289	-30,885	-23,365	-28,487	-32,955	-39,482
4 Merchandise exports	201,712	219,916	213,990	56,242	55,198	53,530	52,276	52,986
5 Merchandise imports	-268,928	-334,023	-338,279	-87,127	-78,563	-82,017	-85,231	-92,468
6 Military transactions, net	-163	-1,765	-2,046	-575	-212	-586	-429	-818
7 Investment income, net[3]	25,401	19,109	24,683	4,003	2,530	5,378	8,651	8,124
8 Other service transactions, net	4,837	819	-1,229	-253	36	-503	-571	-194
9 Remittances, pensions, and other transfers	-2,566	-2,891	-3,538	-782	-934	-843	-866	-896
10 U.S. government grants (excluding military)	-6,287	-8,522	-11,246	-3,313	-2,238	-2,585	-3,130	-3,293
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-5,006	-5,516	-2,628	-734	-850	-853	-392	-532
12 Change in U.S. official reserve assets (increase, -)	-1,196	-3,130	-3,858	-1,109	-233	-356	-121	-3,147
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-66	-979	-897	-194	-264	-180	-264	-189
15 Reserve position in International Monetary Fund	-4,434	-995	908	-143	281	72	388	168
16 Foreign currencies	3,304	-1,156	-3,869	-772	-250	-248	-245	-3,126
17 Change in U.S. private assets abroad (increase, -)[3]	-48,842	-11,800	-31,698	-13,003	621	-1,342	-12,235	-18,742
18 Bank-reported claims	-29,928	-8,504	-5,926	-4,933	135	4,095	-1,521	-8,635
19 Nonbank-reported claims	-6,513	6,266	n.a.	970	1,201	1,863	-1,873	n.a.
20 U.S. purchase of foreign securities, net	-7,007	-5,059	-7,871	-3,663	-2,494	-2,214	-1,708	-1,456
21 U.S. direct investments abroad, net[3]	-5,394	-4,503	-19,092	-5,377	1,779	-5,086	-7,133	-8,651
22 Change in foreign official assets in the United States (increase, +)	5,795	3,424	-1,908	7,119	-11,204	8,465	2,435	-1,604
23 U.S. Treasury securities	6,972	4,690	-610	5,814	-7,219	8,722	-90	-2,023
24 Other U.S. government obligations	-476	167	-329	-67	-307	136	24	-182
25 Other U.S. government liabilities[4]	552	453	148	-197	-462	575	-95	130
26 Other U.S. liabilities reported by U.S. banks	545	663	372	2,052	-3,099	-134	2,974	631
27 Other foreign official assets[5]	-1,798	-2,549	-1,489	-483	-117	-834	-378	-160
28 Change in foreign private assets in the United States (increase, +)[3]	78,527	93,895	125,017	26,191	24,915	17,849	32,113	50,140
29 U.S. bank-reported liabilities	49,341	31,674	40,610	4,481	13,345	195	6,527	20,543
30 U.S. nonbank-reported liabilities	-118	4,284	n.a.	-1,863	-2,655	-1,324	509	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	8,721	22,440	20,910	9,501	2,633	5,106	7,452	5,719
32 Foreign purchases of other U.S. securities, net	8,636	12,983	50,712	9,380	9,510	7,135	11,674	22,393
33 Foreign direct investments in the United States, net[3]	11,947	22,514	16,255	4,692	2,082	6,737	5,951	1,485
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	16,717	30,486	32,739	13,341	10,934	3,863	7,500	10,444
36 Owing to seasonal adjustments	....	....	....	4,305	-425	-597	-3,650	4,674
37 Statistical discrepancy in recorded data before seasonal adjustment	16,717	30,486	32,739	9,036	11,359	4,460	11,150	5,770
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	-1,196	-3,130	-3,858	-1,109	-233	-356	-121	-3,147
39 Foreign official assets in the United States (increase, +)	5,243	2,971	-2,056	7,316	-10,742	7,890	2,530	-1,734
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	-8,283	-4,143	-6,750	812	-2,021	-1,808	-1,961	-960
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	194	190	58	61	10	12	15	22

1. Seasonal factors are not calculated for lines 6, 10, 12-16, 18-20, 22-34, and 38-41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	200,486	217,865	213,146	16,584	17,034	17,618	17,721	16,994	17,006	17,735
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	258,048	325,726	345,276	26,247	31,349	28,429	30,010	30,728	32,005	28,895
3 **Trade balance**	**−57,562**	**107,861**	**−132,129**	**−9,663**	**−14,315**	**−10,811**	**−12,290**	**−13,734**	**−14,999**	**−11,160**

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	1982	1983	1984	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 **Total**	**33,958**	**33,747**	**34,934**	**38,295**	**41,657**	**42,852**	**43,191**	**43,673**	**45,505**	**44,919**
2 Gold stock, including Exchange Stabilization Fund[1]	11,148	11,121	11,096	11,090	11,090	11,090	11,090	11,090	11,090	11,090
3 Special drawing rights[2,3]	5,250	5,025	5,641	6,847	6,926	7,253	7,293	7,441	7,960	7,839
4 Reserve position in International Monetary Fund[2]	7,348	11,312	11,541	11,686	11,843	11,955	11,952	11,824	12,172	12,025
5 Foreign currencies[4]	10,212	6,289	6,656	8,672	11,798	12,554	12,856	13,318	14,283	13,965

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1982	1983	1984	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Deposits	328	190	253	535	267	340	480	256	276	273
Assets held in custody										
2 U.S. Treasury securities[1]	112,544	117,670	118,267	120,978	118,000	117,814	121,004	121,995	124,905	127,611
3 Earmarked gold[2]	14,716	14,414	14,265	14,245	14,242	14,240	14,245	14,193	14,172	14,167

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[1]

Millions of dollars, end of period

Asset account	1982	1983	1984	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
	All foreign countries									
1 **Total, all currencies**	**469,712**	**477,090**	**453,656**	**457,777[r]**	**456,676[r]**	**454,492**	**455,935**	**458,076[r]**	**446,714**	**447,827**
2 Claims on United States	91,805	115,542	113,393	122,970[r]	119,526	121,806	115,587	119,716[r]	116,775	113,841
3 Parent bank	61,666	82,026	78,109	83,735	85,463	87,255	82,327	87,201	84,410	80,939
4 Other banks in United States[2]	30,139	33,516	13,664	14,160[r]	13,258	12,808	12,096	13,076[r]	11,746	11,751
5 Nonbanks[2]			21,620	22,075	20,805	21,743	21,164	19,439[r]	20,619	21,151
6 Claims on foreigners	358,493	342,689	320,162	313,444[r]	314,997	310,480	317,498	315,763	308,207	310,385
7 Other branches of parent bank	91,168	96,004	95,184	89,678	87,673	86,912	89,580	91,399	88,393	88,282
8 Banks	133,752	117,668	100,397	99,296[r]	102,334	98,578	102,907	103,014	100,460	99,798
9 Public borrowers	24,131	24,517	23,343	22,971[r]	23,389	23,478	23,613	23,395	23,366	23,682
10 Nonbank foreigners	109,442	107,785	101,238	101,499[r]	101,601	101,512	101,398	97,955	95,988	98,623
11 Other assets	19,414	18,859	20,101	21,363[r]	22,153[r]	22,206	22,850	22,597[r]	21,732	23,601
12 **Total payable in U.S. dollars**	**361,982**	**371,508**	**350,636**	**342,124[r]**	**335,302[r]**	**331,610**	**329,622**	**336,288[r]**	**321,625**	**314,789**
13 Claims on United States	90,085	113,436	111,426	120,222[r]	116,630	118,630	112,419	116,648[r]	113,715	110,485
14 Parent bank	61,010	80,909	77,229	85,806	84,252	86,101	81,162	85,971	83,264	79,605
15 Other banks in United States[2]	29,075	32,527	13,500	13,553[r]	12,697	12,258	11,463	12,473[r]	11,091	11,076
16 Nonbanks[2]			20,697	20,863	19,681	20,271	19,794	18,204[r]	19,360	19,804
17 Claims on foreigners	259,871	247,406	228,600	212,207[r]	208,868	203,009	207,258	209,924[r]	198,828	194,778
18 Other branches of parent bank	73,537	78,431	78,746	72,475	69,241	68,576	70,548	72,689	68,748	67,458
19 Banks	106,447	93,332	76,940	71,050[r]	71,013	67,344	69,646	71,738	65,790	63,714
20 Public borrowers	18,413	17,890	17,626	17,145[r]	17,386	17,432	17,277	17,169[r]	16,958	17,127
21 Nonbank foreigners	61,474	60,977	55,288	51,537[r]	51,228	49,657	49,787	48,328	47,332	46,479
22 Other assets	12,026	10,666	10,610	9,695[r]	9,804[r]	9,971	9,945	9,716[r]	9,082	9,526
	United Kingdom									
23 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**151,118**	**150,276**	**149,607**	**152,456**	**148,599**	**150,835**	**148,538**
24 Claims on United States	27,354	34,433	27,731	35,256	32,620	33,816	33,774	33,150	36,308	33,458
25 Parent bank	23,017	29,111	21,918	28,156	25,829	26,956	26,718	26,970	26,837	27,281
26 Other banks in United States[2]	4,337	5,322	1,429	1,474	1,334	1,269	1,289	1,106	1,173	1,133
27 Nonbanks[2]			4,384	5,626	5,457	5,591	5,767	5,074	5,298	5,044
28 Claims on foreigners	127,734	119,280	111,828	110,513	112,529	110,325	112,865	110,224	109,301	109,826
29 Other branches of parent bank	37,000	36,565	37,953	32,654	32,418	32,110	30,600	31,576	30,394	30,218
30 Banks	50,767	43,352	37,443	37,796	40,504	37,858	40,482	39,250	39,257	39,393
31 Public borrowers	6,240	5,898	5,334	5,054	5,112	5,482	5,735	5,644	5,949	6,065
32 Nonbank foreigners	33,727	33,465	31,098	35,009	34,495	34,875	36,048	33,754	33,161	34,150
33 Other assets	5,979	5,019	4,882	5,349	5,127	5,466	5,817	5,225	5,226	5,254
34 **Total payable in U.S. dollars**	**123,740**	**126,012**	**112,809**	**110,973**	**108,731**	**108,024**	**108,699**	**108,626**	**108,566**	**105,022**
35 Claims on United States	26,761	33,756	26,868	34,207	31,505	32,569	32,553	32,085	35,292	32,360
36 Parent bank	22,756	28,756	21,495	27,853	25,358	26,495	26,210	26,568	29,470	26,874
37 Other banks in United States[2]	4,005	5,000	1,363	1,355	1,247	1,194	1,205	1,005	1,089	1,047
38 Nonbanks[2]			4,010	4,999	4,900	4,880	5,138	4,512	4,733	4,439
39 Claims on foreigners	92,228	88,917	82,945	73,807	74,301	72,323	72,842	73,482	70,356	69,621
40 Other branches of parent bank	31,648	31,838	33,607	27,031	26,596	26,719	24,989	26,011	25,083	24,474
41 Banks	36,717	32,188	26,805	24,382	25,458	23,888	25,667	26,139	24,013	23,598
42 Public borrowers	4,329	4,194	4,030	3,599	3,633	3,966	3,982	3,999	4,252	4,367
43 Nonbank foreigners	19,534	20,697	18,503	18,795	18,614	17,750	18,204	17,333	17,008	17,182
44 Other assets	4,751	3,339	2,996	2,959	2,925	3,132	3,304	3,059	2,918	3,041
	Bahamas and Caymans									
45 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**138,780[r]**	**135,519**	**135,262**	**133,645**	**142,055**	**130,413**	**128,851**
46 Claims on United States	59,403	75,309	77,296	74,530[r]	72,744	73,572	69,923	74,874	68,576	68,304
47 Parent bank	34,653	48,720	49,449	47,815	47,299	47,918	45,811	50,553	44,586	43,866
48 Other banks in United States[2]	24,750	26,589	11,544	11,827[r]	11,138	10,812	10,082	11,223[r]	9,867	9,815
49 Nonbanks[2]			16,303	14,888	14,307	14,842	14,030	13,098[r]	14,123	14,623
50 Claims on foreigners	81,450	72,868	65,598	61,110[r]	59,466	58,467	60,503	63,894	58,510	56,958
51 Other branches of parent bank	18,720	20,626	17,661	16,479	15,428	15,856	17,050	19,042	16,468	15,872
52 Banks	42,699	36,842	30,246	27,678[r]	27,087	25,861	26,768	28,182	25,476	25,268
53 Public borrowers	6,413	6,093	6,089	6,540[r]	6,598	6,417	6,440	6,458	6,320	6,186
54 Nonbank foreigners	13,618	12,592	11,602	10,413[r]	10,353	10,333	10,245	10,212	10,246	9,632
55 Other assets	4,303	3,906	3,917	3,140[r]	3,309	3,223	3,219	3,287[r]	3,327	3,589
56 **Total payable in U.S. dollars**	**139,605**	**145,641**	**141,562**	**133,791[r]**	**130,135**	**129,787**	**127,997**	**136,794**	**124,981**	**122,980**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1982	1983	1984	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.p
	All foreign countries									
57 **Total, all currencies**	**469,712**	**477,090**	**453,656**	**457,777r**	**456,676r**	**454,492**	**455,935**	**458,076r**	**446,714**	**447,827**
58 Negotiable CDs[3]	n.a.	n.a.	37,725	37,880	39,676	38,044	36,607	34,607	34,597	33,458
59 To United States	179,015	188,070	147,583	144,659r	143,556	140,142	143,169	155,273r	142,201	137,173
60 Parent bank	75,621	81,261	78,739	77,682r	78,631	75,479	81,171	83,649	76,799	72,273
61 Other banks in United States	33,405	29,453	18,409	16,086r	17,017	15,602	15,460	16,894	14,724	13,992
62 Nonbanks	69,989	77,356	50,435	50,891r	47,908	49,061	46,538	54,730r	50,678	50,908
63 To foreigners	270,853	269,685	247,907	252,697r	250,345	252,253	252,205	246,006r	248,788	255,061
64 Other branches of parent bank	90,191	90,615	93,909	90,477	87,854	88,539	88,438	89,529	86,351	87,468
65 Banks	96,860	92,889	78,203	80,931	82,421	82,470	81,871	76,878	84,106	83,850
66 Official institutions	19,614	18,896	20,281	21,234	21,020	21,322	21,658	19,523	19,921	21,854
67 Nonbank foreigners	64,188	68,845	55,514	60,055r	59,050	59,922	60,238	60,076r	58,410	61,889
68 Other liabilities	19,844	19,335	20,441	22,541r	23,099r	24,053	23,954	22,190r	21,128	22,135
69 **Total payable in U.S. dollars**	**379,270**	**388,291**	**367,145**	**357,453r**	**350,394**	**346,883**	**345,810**	**353,470r**	**337,029**	**329,110**
70 Negotiable CDs[3]	n.a.	n.a.	35,227	34,025	35,695	33,995	32,838	31,063	31,182	30,202
71 To United States	175,528	184,305	143,571	139,037r	136,917	134,266	137,036	149,896r	136,809	131,083
72 Parent bank	73,295	79,035	76,254	74,374r	74,778	71,996	77,892	80,623	73,897	68,937
73 Other banks in United States	33,040	28,936	17,935	15,465r	16,092	15,128	14,896	16,264	14,011	13,294
74 Nonbanks	69,193	76,334	49,382	49,198r	46,047	47,142	44,248	53,009r	48,901	48,852
75 To foreigners	192,510	194,139	178,260	174,625r	167,785	168,378	165,393	163,361r	160,112	159,326
76 Other branches of parent bank	72,921	73,522	77,770	73,764	69,606	70,007	69,261	70,943	67,174	65,996
77 Banks	57,463	57,022	45,123	42,850	41,180	41,559	39,682	37,323	38,469	36,716
78 Official institutions	15,055	13,855	15,773	16,238	16,224	16,010	15,905	14,354	14,796	15,819
79 Nonbank foreigners	47,071	51,260	39,594	41,773r	40,775	40,802	40,545	40,741r	39,673	40,795
80 Other liabilities	11,232	9,847	10,087	9,766	9,997	10,244	10,543	9,150r	8,926	8,499
	United Kingdom									
81 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**151,118**	**150,276**	**149,607**	**152,456**	**148,599**	**150,835**	**148,538**
82 Negotiable CDs[3]	n.a.	n.a.	34,413	34,151	35,819	33,913	32,708	31,260	30,788	29,419
83 To United States	53,954	55,799	25,250	25,158	25,547	24,958	27,933	29,422r	29,901	26,705
84 Parent bank	13,091	14,021	14,651	14,336	14,592	13,893	18,167	19,330	19,845	16,783
85 Other banks in United States	12,205	11,328	3,125	2,839	3,526	2,602	2,453	2,974	2,264	1,965
86 Nonbanks	28,658	30,450	7,474	7,983	7,429	8,463	7,313	7,118r	7,792	7,957
87 To foreigners	99,567	95,847	77,424	82,317	79,671	80,646	81,446	78,525r	80,724	82,666
88 Other branches of parent bank	18,361	19,038	21,631	22,348	20,233	20,175	21,932	23,389	21,858	21,954
89 Banks	44,020	41,624	30,436	31,518	32,041	33,102	32,200	28,581	32,326	32,088
90 Official institutions	11,504	10,151	10,154	10,823	10,824	10,812	10,519	9,676	10,093	10,956
91 Nonbank foreigners	25,682	25,034	15,203	17,628	16,573	16,557	16,795	16,879r	16,447	17,668
92 Other liabilities	7,546	7,086	7,298	9,492	9,239	10,090	10,369	9,392	9,422	9,748
93 **Total payable in U.S. dollars**	**130,261**	**131,167**	**117,497**	**115,065**	**112,816**	**111,263**	**112,681**	**112,697**	**112,073**	**108,152**
94 Negotiable CDs[3]	n.a.	n.a.	33,070	31,906	33,380	31,574	30,570	29,337	28,845	27,655
95 To United States	53,029	54,691	24,105	23,119	23,329	22,854	25,581	27,756r	28,150	24,967
96 Parent bank	12,814	13,839	14,339	13,773	13,995	13,350	17,651	18,956	19,461	16,513
97 Other banks in United States	12,026	11,044	2,980	2,628	3,309	2,479	2,295	2,826	2,090	1,835
98 Nonbanks	28,189	29,808	6,786	6,718	6,025	7,025	5,635	5,974r	6,599	6,619
99 To foreigners	73,477	73,279	56,923	56,208	52,245	52,469	52,091	51,980r	50,762	51,686
100 Other branches of parent bank	14,300	15,403	18,294	18,241	15,999	15,480	16,687	18,493	16,614	16,829
101 Banks	28,810	29,320	18,356	16,975	15,787	17,053	15,840	14,344	14,872	14,457
102 Official institutions	9,668	8,279	8,871	9,005	9,055	8,877	8,357	7,661	8,242	8,747
103 Nonbank foreigners	20,699	20,277	11,402	11,987	11,404	11,059	11,207	11,482r	11,034	11,653
104 Other liabilities	3,755	3,197	3,399	3,832	3,862	4,366	4,439	3,624	4,316	3,844
	Bahamas and Caymans									
105 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**138,780r**	**135,519**	**135,262**	**133,645**	**142,055**	**130,413**	**128,851**
106 Negotiable CDs[3]	n.a.	n.a.	615	356	686	745	747	610	1,076	1,237
107 To United States	104,425	111,299	102,955	96,044r	94,375	92,978	92,508	103,548	91,943	91,705
108 Parent bank	47,081	50,980	47,162	43,582r	44,647	43,083	43,509	44,546	38,850	39,380
109 Other banks in United States	18,466	16,057	13,938	12,152	12,092	11,946	11,874	12,778	11,185	10,854
110 Nonbanks	38,878	44,262	41,855	40,310r	37,636	37,949	37,125	46,224	41,908	41,471
111 To foreigners	38,274	38,445	40,320	39,659r	37,668	38,787	37,307	35,053	35,271	33,773
112 Other branches of parent bank	15,796	14,936	16,782	17,632	16,023	17,201	15,593	14,075	14,755	13,072
113 Banks	10,166	11,876	12,405	11,443	11,420	11,120	10,954	10,669	11,108	10,842
114 Official institutions	1,967	1,919	2,054	1,687	1,763	1,872	2,278	1,776	1,505	1,737
115 Nonbank foreigners	10,345	11,274	9,079	8,897r	8,462	8,594	8,482	8,533	7,903	8,122
116 Other liabilities	2,457	2,339	2,921	2,721	2,790	2,752	3,083	2,844	2,123	2,136
117 **Total payable in U.S. dollars**	**141,908**	**148,278**	**143,582**	**134,893r**	**131,226**	**130,992**	**129,575**	**138,322**	**126,536**	**124,572**

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1983	1984	1985					1986	
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p	Feb.p
1 **Total**[1]	**177,950**	**180,552**	**181,131**	**180,328**	**178,331**	**179,931**	**178,743**	**180,768**	**179,921**
By type									
2 Liabilities reported by banks in the United States[2]	25,534	26,089	23,340	25,889	27,014	29,276	26,611	28,228	26,469
3 U.S. Treasury bills and certificates[3]	54,341	59,976	60,921	56,493	54,398	54,331	53,252	53,294	54,420
U.S. Treasury bonds and notes									
4 Marketable	68,514	69,019	75,117	76,181	74,972	74,695	77,447	77,809	78,400
5 Nonmarketable[4]	7,250	5,800	3,550	3,550	3,550	3,550	3,550	3,550	2,750
6 U.S. securities other than U.S. Treasury securities[5]	22,311	19,668	18,382	18,215	18,397	18,079	17,883	17,887	17,882
By area									
7 Western Europe[1]	67,645	69,776	75,234	74,514	74,257	76,832	74,290	74,328	72,454
8 Canada	2,438	1,528	1,664	1,561	1,586	1,507	1,314	1,118	1,762
9 Latin America and Caribbean	6,248	8,561	9,531	10,539	10,100	10,871	11,121	11,506	10,218
10 Asia	92,572	93,954	89,606	88,326	87,288	85,836	86,995	89,083	90,243
11 Africa	958	1,264	1,110	1,397	1,410	1,629	1,824	1,897	1,779
12 Other countries[6]	8,089	5,469	4,166	3,991	3,690	3,256	3,199	2,836	3,465

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	1982	1983	1984	1985			
				Mar.	June	Sept.	Dec.p
1 Banks' own liabilities	4,844	5,219	8,586	7,992	10,238	12,168	15,168
2 Banks' own claims	7,707	7,231	11,984	12,565	14,179	15,125	16,088
3 Deposits	4,251	2,731	4,998	5,941	7,362	8,498	8,329
4 Other claims	3,456	4,501	6,986	6,625	6,817	6,627	7,759
5 Claims of banks' domestic customers[1]	676	1,059	569	440	243	328	832

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	1982	1983	1984	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.ᵖ
1 **All foreigners**	**307,056**	**369,607**	**407,306**	**420,118**	**420,801**	**418,485**	**421,398**	**434,671ʳ**	**430,562**	**435,639**
2 Banks' own liabilities	227,089	279,087	306,898	321,300	323,382	322,801	324,106	340,373ʳ	334,778	339,276
3 Demand deposits	15,889	17,470	19,571	17,735	20,926	18,450	20,959	21,107ʳ	19,647	19,656
4 Time deposits[1]	68,797	90,632	110,413	119,024	115,221	114,438	114,302	116,716ʳ	114,334	116,622
5 Other[2]	23,184	25,874	26,268	25,711	29,754	28,932	29,856	29,468ʳ	30,721	31,380
6 Own foreign offices[3]	119,219	145,111	150,646	158,830	157,481	160,981	158,989	173,082ʳ	170,076	171,618
7 Banks' custody liabilities[4]	79,967	90,520	100,408	98,818	97,419	95,684	97,292	94,298	95,784	96,362
8 *U.S. Treasury bills and certificates*[5]	55,628	68,669	76,368	75,699	73,398	72,163	73,189	68,785	69,801	72,631
9 Other negotiable and readily transferable instruments[6]	20,636	17,467	18,747	16,707	17,160	16,755	16,979	17,964	17,930	15,547
10 Other	3,702	4,385	5,293	6,412	6,861	6,766	7,124	7,549	8,054	8,184
11 **Nonmonetary international and regional organizations**[7]	**4,922**	**5,957**	**4,454**	**7,353**	**7,467**	**6,766**	**7,803**	**5,566**	**7,487**	**9,997**
12 Banks' own liabilities	1,909	4,632	2,014	5,569	3,275	1,842	1,535	2,366	2,714	4,456
13 Demand deposits	106	297	254	252	243	143	252	85	96	184
14 Time deposits[1]	1,664	3,584	1,267	4,366	2,261	1,299	1,051	2,067	2,369	4,022
15 Other[2]	139	750	493	951	771	399	233	214	250	250
16 Banks' custody liabilities[4]	3,013	1,325	2,440	1,784	4,192	4,924	6,268	3,200	4,773	5,540
17 U.S. Treasury bills and certificates	1,621	463	916	742	2,759	3,636	5,069	1,736	3,216	4,219
18 Other negotiable and readily transferable instruments[6]	1,392	862	1,524	1,042	1,433	1,287	1,195	1,464	1,556	1,322
19 Other	0	0	0	1	0	1	5	0	1	0
20 **Official institutions**[8]	**71,647**	**79,876**	**86,065**	**84,261**	**82,382**	**81,412**	**83,608**	**79,862ʳ**	**81,522**	**80,889**
21 Banks' own liabilities	16,640	19,427	19,039	17,836	20,262	21,178	23,323	20,825ʳ	22,585	22,069
22 Demand deposits	1,899	1,837	1,823	1,538	2,151	1,707	2,018	2,077	1,638	1,601
23 Time deposits[1]	5,528	7,318	9,374	9,340	8,954	10,277	10,523	10,935ʳ	10,675	10,332
24 Other[2]	9,212	10,272	7,842	6,959	9,157	9,195	10,783	7,813ʳ	10,272	10,136
25 Banks' custody liabilities[4]	55,008	60,448	67,026	66,425	62,120	60,234	60,284	59,037	58,937	58,820
26 U.S. Treasury bills and certificates[5]	46,658	54,341	59,976	60,921	56,493	54,398	54,331	53,252	53,294	54,420
27 Other negotiable and readily transferable instruments[6]	8,321	6,082	6,966	5,291	5,492	5,767	5,848	5,711	5,526	4,052
28 Other	28	25	84	213	135	69	105	75	117	348
29 **Banks**[9]	**185,881**	**226,887**	**248,893**	**256,475**	**257,733**	**257,323**	**255,059**	**274,991ʳ**	**266,164**	**269,114**
30 Banks' own liabilities	169,449	205,347	225,368	234,231	235,106	235,372	233,226	252,290ʳ	243,460	246,454
31 *Unaffiliated foreign banks*	50,230	60,236	74,722	75,401	77,625	74,391	74,237	79,208ʳ	73,384	74,836
32 Demand deposits	8,675	8,759	10,556	8,594	10,468	9,045	10,043	10,271	9,792	9,658
33 Time deposits[1]	28,386	37,439	47,095	49,873	48,779	47,833	46,797	48,962ʳ	44,733	45,609
34 Other[2]	13,169	14,038	17,071	16,935	18,377	17,514	17,397	19,975ʳ	18,860	19,569
35 Own foreign offices[3]	119,219	145,111	150,646	158,830	157,481	160,981	158,989	173,082ʳ	170,076	171,618
36 Banks' custody liabilities[4]	16,432	21,540	23,525	22,244	22,627	21,951	21,832ʳ	22,701	22,704	22,661
37 U.S. Treasury bills and certificates	5,809	10,178	11,448	9,966	9,952	9,897	9,429ʳ	9,554	9,223	9,501
38 Other negotiable and readily transferable instruments[6]	7,857	7,485	7,236	6,569	6,462	5,906	5,853	6,153	5,990	5,876
39 Other	2,766	3,877	4,841	5,710	6,213	6,148	6,551	6,994	7,491	7,283
40 **Other foreigners**	**44,606**	**56,887**	**67,894**	**72,029**	**73,219**	**72,984**	**74,928ʳ**	**74,251ʳ**	**75,390**	**75,638**
41 Banks' own liabilities	39,092	49,680	60,477	63,664	64,740	64,409	66,021	64,892ʳ	66,020	66,297
42 Demand deposits	5,209	6,577	6,938	7,351	8,064	7,555	8,646	8,673ʳ	8,122	8,212
43 Time deposits	33,219	42,290	52,678	55,446	55,227	55,029	55,932	54,752ʳ	56,558	56,659
44 Other[2]	664	813	861	867	1,449	1,825	1,444	1,467	1,340	1,425
45 Banks' custody liabilities[4]	5,514	7,207	7,417	8,365	8,479	8,575	8,907	9,359	9,370	9,341
46 U.S. Treasury bills and certificates	1,540	3,686	4,029	4,071	4,193	4,232	4,360	4,243	4,067	4,491
47 Other negotiable and readily transferable instruments[6]	3,065	3,038	3,021	3,805	3,774	3,795	4,084	4,636	4,858	4,297
48 Other	908	483	367	489	513	548	463	480	444	553
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	14,307	10,346	10,476	8,903	9,228	9,088	9,152	9,845	9,612	7,386

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1982	1983	1984	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.[p]
1 **Total**	**307,056**	**369,607**	**407,306**	**420,118**	**420,801**	**418,485**	**421,398**	**434,671[r]**	**430,562**	**435,639**
2 **Foreign countries**	**302,134**	**363,649**	**402,852**	**412,765**	**413,334**	**411,719**	**413,595**	**429,105[r]**	**423,075**	**425,642**
3 Europe	117,756	138,072	153,145	160,095	157,265	158,893	163,483	163,438[r]	161,204	156,783
4 Austria	519	585	615	711	767	613	655	693	692	769
5 Belgium-Luxembourg	2,517	2,709	4,114	5,416	5,725	5,262	5,556	5,214	5,137	4,732
6 Denmark	509	466	438	617	778	558	624	513	536	533
7 Finland	748	531	418	377	350	594	497	491	373	506
8 France	8,171	9,441	12,701	15,626	15,741	15,984	15,863	15,540	15,631	15,148
9 Germany	5,351	3,599	3,358	5,359	5,224	4,366	7,265	4,835	5,622	5,309
10 Greece	537	520	699	531	593	536	574	664	612	551
11 Italy	5,626	8,462	10,762	9,537	9,088	9,717	9,069	9,642[r]	7,739	7,210
12 Netherlands	3,362	4,290	4,731	4,588	4,568	4,295	4,359	4,212[r]	4,069	4,024
13 Norway	1,567	1,673	1,548	1,156	1,043	1,132	1,008	848	781	552
14 Portugal	388	373	597	672	641	647	619	652	669	685
15 Spain	1,405	1,603	2,082	2,034	2,140	2,094	2,122	2,113	1,899	1,792
16 Sweden	1,390	1,799	1,676	2,008	1,668	1,760	1,482	1,344	1,622	1,693
17 Switzerland	29,066	32,246	31,740	29,475	29,290	28,495	28,992	28,742	26,119	25,606
18 Turkey	296	467	584	404	516	417	288	429	504	404
19 United Kingdom	48,172	60,683	68,671	73,530	70,540	73,913	74,645	76,571[r]	80,549	79,706
20 Yugoslavia	499	562	602	622	647	626	675	673	595	600
21 Other Western Europe[1]	7,006	7,403	7,192	6,884	7,432	7,403	8,619	9,635[r]	7,643	6,472
22 U.S.S.R.	50	65	79	45	37	51	36	105	43	64
23 Other Eastern Europe[2]	576	596	537	503	477	429	533	523	369	427
24 Canada	12,232	16,026	16,059	16,739	17,358	16,288	16,428[r]	17,426	18,037	21,464
25 Latin America and Caribbean	114,163	140,088	153,381	157,638	157,480	157,227	155,209	167,745[r]	161,112	160,488
26 Argentina	3,578	4,038	4,394	5,187	5,634	5,872	5,899	6,029	5,786	5,549
27 Bahamas	44,744	55,818	56,897	55,497	53,694	54,518	53,398	57,621	53,532	54,288
28 Bermuda	1,572	2,266	2,370	2,741	2,124	2,238	2,415	2,765	2,596	2,383
29 Brazil	2,014	3,168	5,275	5,918	5,894	5,861	5,614	5,369	6,049	5,885
30 British West Indies	26,381	34,545	36,773	38,359	38,931	37,163	35,863	42,645	40,469	40,762
31 Chile	1,626	1,842	2,001	1,966	1,907	1,940	2,867	2,042	2,019	1,997
32 Colombia	2,594	1,689	2,514	2,543	2,599	2,562	2,920	3,102	3,336	3,129
33 Cuba	9	8	10	9	13	64	7	11	16	6
34 Ecuador	455	1,047	1,092	1,043	1,251	1,029	1,255	1,238	1,211	1,172
35 Guatemala	670	788	896	995	1,005	957	1,087	1,071	1,146	1,132
36 Jamaica	126	109	183	152	144	122	150	122	244	126
37 Mexico	8,377	10,392	12,303	13,381	13,809	13,610	13,948	14,045	13,702	13,253
38 Netherlands Antilles	3,597	3,879	4,220	4,364	4,973	4,666	4,617	4,875	4,696	4,560
39 Panama	4,805	5,924	6,951	7,430	7,168	8,251	6,506	7,492[r]	7,416	7,147
40 Peru	1,147	1,166	1,266	1,143	1,159	1,093	1,124	1,166	1,124	1,100
41 Uruguay	759	1,244	1,394	1,557	1,576	1,498	1,534	1,549	1,730	1,726
42 Venezuela	8,417	8,632	10,545	10,940	11,121	11,404	11,345	11,919	11,467	11,739
43 Other Latin America and Caribbean	3,291	3,535	4,297	4,414	4,479	4,381	4,661	4,683[r]	4,571	4,533
44 Asia	48,716	58,570	71,187	70,473	73,292	71,643	71,047	72,266[r]	74,874	78,821
China										
45 Mainland	203	249	1,153	1,117	1,937	1,809	1,380	1,594	1,003	1,624
46 Taiwan	2,761	4,051	4,990	6,065	6,280	6,455	7,427	7,799	9,094	9,661
47 Hong Kong	4,465	6,657	6,581	8,001	7,924	7,964	8,170	8,062[r]	8,215	8,193
48 India	433	464	507	484	644	473	562	711	606	629
49 Indonesia	857	997	1,033	1,337	1,363	1,570	1,381	1,466	1,524	1,738
50 Israel	606	1,722	1,268	885	1,189	2,118	1,595	1,595[r]	1,458	1,358
51 Japan	16,078	18,079	21,640	22,537	23,597	22,059	21,689	23,077[r]	25,047	26,472
52 Korea	1,692	1,648	1,730	1,580	1,657	1,751	1,685	1,665[r]	1,503	1,602
53 Philippines	770	1,234	1,383	1,694	1,607	1,325	1,189	1,140[r]	928	1,086
54 Thailand	629	747	1,257	1,073	1,029	1,014	1,066	1,358	1,199	1,141
55 Middle-East oil-exporting countries[3]	13,433	12,976	16,804	14,817	15,352	15,252	14,941	14,523	15,175	16,292
56 Other Asia	6,789	9,748	12,841	10,885	10,713	9,852	9,961	9,276[r]	9,122	9,025
57 Africa	3,124	2,827	3,396	3,501	3,635	3,723	3,989	4,883[r]	4,643	4,347
58 Egypt	432	671	647	737	923	885	780	1,363	1,080	986
59 Morocco	81	84	118	162	157	140	145	163	98	92
60 South Africa	292	449	328	420	370	404	462	388	567	421
61 Zaire	23	87	153	103	115	136	140	163	73	92
62 Oil-exporting countries[4]	1,280	620	1,189	1,092	1,049	1,076	1,407	1,494	1,644	1,607
63 Other Africa	1,016	917	961	986	1,021	1,082	1,056	1,312[r]	1,182	1,150
64 Other countries	6,143	8,067	5,684	4,319	4,303	3,945	3,440	3,347	3,205	3,739
65 Australia	5,904	7,857	5,300	3,850	3,762	3,451	2,906	2,779	2,707	3,024
66 All other	239	210	384	469	541	494	534	568	498	714
67 Nonmonetary international and regional organizations	4,922	5,957	4,454	7,353	7,467	6,766	7,803	5,566	7,487	9,997
68 International	4,049	5,273	3,747	6,458	6,542	5,770	6,952	4,551	6,109	8,801
69 Latin American regional	517	419	587	739	796	646	580	894	909	863
70 Other regional[5]	357	265	120	156	129	350	271	121	470	333

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1982	1983	1984	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.p
1 **Total**	**355,705**	**391,312**	**399,422**	**387,607**	**392,778**	**380,556**	**384,041**	**403,209r**	**385,805**	**389,537**
2 **Foreign countries**	**355,636**	**391,148**	**398,623**	**387,168**	**392,395**	**379,787**	**383,429r**	**402,178r**	**384,513**	**388,922**
3 Europe	85,584	91,927	98,274	100,711	105,734	101,668	106,440	108,360r	103,643	100,097
4 Austria	229	401	433	703	763	673	614	598	485	561
5 Belgium-Luxembourg	5,138	5,639	4,794	5,501	6,147	5,882	6,801	5,741r	5,831	5,257
6 Denmark	554	1,275	648	492	615	636	558	706	864	940
7 Finland	990	1,044	898	738	905	789	909	823	843	741
8 France	7,251	8,766	9,157	10,287	11,029	10,190	9,785	9,134r	9,107	7,980
9 Germany	1,876	1,284	1,306	948	999	1,036	1,355	1,257r	1,208	1,307
10 Greece	452	476	817	959	1,016	966	854	991	933	884
11 Italy	7,560	9,018	9,119	6,532	7,436	7,597	7,765	8,833	7,477	6,929
12 Netherlands	1,425	1,267	1,356	1,200	1,297	1,110	1,389	1,258r	1,248	1,249
13 Norway	572	690	675	683	858	788	755	697	692	652
14 Portugal	950	1,114	1,243	1,181	1,211	1,141	1,123	1,058	1,021	936
15 Spain	3,744	3,573	2,884	2,156	2,438	2,310	2,199	1,908	1,780	1,897
16 Sweden	3,038	3,358	2,230	2,496	2,474	2,643	2,546	2,203r	2,174	2,278
17 Switzerland	1,639	1,863	2,123	2,629	3,091	2,604	3,162	3,161	2,836	2,381
18 Turkey	560	812	1,130	1,234	1,303	1,355	1,269	1,200	1,512	1,517
19 United Kingdom	45,781	47,364	55,445	58,952	60,105	57,579	61,180	64,594r	61,717	60,455
20 Yugoslavia	1,430	1,718	1,886	1,954	1,899	1,867	1,879	1,964r	1,901	1,953
21 Other Western Europe[1]	368	477	596	629	699	1,206	1,082	998	717	734
22 U.S.S.R	263	192	142	239	199	165	128	130	169	287
23 Other Eastern Europe[2]	1,762	1,598	1,389	1,198	1,252	1,131	1,086	1,107	1,129	1,159
24 Canada	13,678	16,341	16,109r	17,005	16,940	15,941	16,209	16,466r	17,274	18,281
25 Latin America and Caribbean	187,969	205,491	207,862	196,966	196,388	190,759	191,663	202,401r	189,048	190,701
26 Argentina	10,974	11,749	11,050	11,293	11,855	11,236	11,486	11,462r	11,463	11,594
27 Bahamas	56,649	59,633	58,009	53,559	53,414	51,236	49,015	57,756r	49,864	49,784
28 Bermuda	603	566	592	502	480	1,017	498	499r	542	380
29 Brazil	23,271	24,667	26,315	26,441	26,017	25,397	25,376	25,283r	25,209	25,159
30 British West Indies	29,101	35,527	38,205	35,861	35,096	34,258	37,063	38,640r	34,236	36,367
31 Chile	5,513	6,072	6,839	6,476	6,524	6,145	6,198	6,603r	6,525	6,487
32 Colombia	3,211	3,745	3,499	3,205	3,195	3,210	3,222	3,259	3,185	3,040
33 Cuba	3	0	0	0	0	4	0	0	0	0
34 Ecuador	2,062	2,307	2,420	2,430	2,486	2,411	2,419	2,390	2,439	2,369
35 Guatemala[3]	124	129	158	149	168	168	197	194	174	167
36 Jamaica[3]	181	215	252	228	228	222	222	224	228	213
37 Mexico	29,552	34,802	34,885	32,375	32,349	31,720	32,424	32,255r	31,826	32,072
38 Netherlands Antilles	839	1,154	1,350	1,135	1,170	1,387	1,071	1,340	1,022	1,043
39 Panama	10,210	7,848	7,707	6,923	7,108	6,526	6,519	6,650r	6,532	5,881
40 Peru	2,357	2,536	2,384	2,221	2,206	2,016	1,990	1,947	1,874	1,891
41 Uruguay	686	977	1,088	1,018	1,035	947	954	960r	966	956
42 Venezuela	10,643	11,287	11,017	11,028	11,052	10,838	10,876	10,871r	10,947	11,302
43 Other Latin America and Caribbean	1,991	2,277	2,091	2,122	2,005	2,022	2,135	2,067r	2,015	1,995
44 Asia	60,952	67,837	66,316	63,778	64,547	62,847	60,551	66,166r	65,903	71,185
China										
45 Mainland	214	292	710	560	1,148	997	748	639	750	820
46 Taiwan	2,288	1,908	1,849	1,527	1,525	1,329	1,258	1,535	1,297	1,286
47 Hong Kong	6,787	8,489	7,293	7,999	7,718	6,917	6,472	6,796	6,923	7,607
48 India	222	330	425	460	461	388	439	450	332	284
49 Indonesia	348	805	724	623	718	653	608	698	692	793
50 Israel	2,029	1,832	2,088	1,955	1,875	1,901	1,958	1,991r	1,834	1,697
51 Japan	28,379	30,354	29,066	27,785	27,002	28,558	26,741	31,209r	32,222	36,506
52 Korea	9,387	9,943	9,285	9,337	9,223	9,096	8,908	9,241r	8,857	9,099
53 Philippines	2,625	2,107	2,555	2,487	2,445	2,239	2,285	2,224	2,206	2,236
54 Thailand	643	1,219	1,125	745	781	756	788	840	793	766
55 Middle East oil-exporting countries[4]	3,087	4,954	5,044	4,116	4,845	4,576	4,239	4,298	3,975	3,869
56 Other Asia	4,943	5,603	6,152	6,185	6,805	5,436	6,106	6,245	6,021	6,220
57 Africa	5,346	6,654	6,615	5,718	5,700	5,463	5,421	5,407r	5,416	5,459
58 Egypt	322	747	728	585	634	668	685	721	677	690
59 Morocco	353	440	583	598	592	610	584	575	591	612
60 South Africa	2,012	2,634	2,795	2,214	2,062	1,968	1,848	1,942r	1,965	1,948
61 Zaire	57	33	18	25	22	21	21	20	18	19
62 Oil-exporting countries[5]	801	1,073	842	722	859	674	677	630	582	568
63 Other	1,802	1,727	1,649	1,574	1,531	1,521	1,606	1,520	1,584	1,621
64 Other countries	2,107	2,898	3,447	2,991	3,087	3,111	3,144	3,379r	3,230	3,199
65 Australia	1,713	2,256	2,769	2,227	2,304	2,293	2,341	2,401r	2,409	2,367
66 All other	394	642	678	764	783	818	803	978	821	832
67 Nonmonetary international and regional organizations[6]	68	164	800	438	382	768	612	1,030	1,292	616

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."

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	1982	1983	1984	1985					1986	
				Aug.	Sept.	Oct.	Nov.	Dec.r	Jan.	Feb.p
1 **Total**	**396,015**	**426,215**	**432,338**	....	**426,246**	....	....	**432,090**	....	....
2 Banks' own claims on foreigners	355,705	391,312	399,422	387,607	392,778	380,556	384,041	403,209	385,805	389,537
3 Foreign public borrowers	45,422	57,569	62,237	60,961	62,196	60,132	59,920	60,331	60,385	60,454
4 Own foreign offices[1]	127,293	146,393	156,216	155,375	159,520	156,011	158,752	176,535	163,369	168,998
5 Unaffiliated foreign banks	121,377	123,837	124,192	118,005	118,048	113,117	114,714	116,244	112,012	110,437
6 Deposits	44,223	47,126	48,486	50,216	49,406	46,707	47,136	47,416	45,683	44,092
7 Other	77,153	76,711	75,706	67,789	68,642	66,410	67,578	68,829	66,329	66,345
8 All other foreigners	61,614	63,514	56,777	53,266	53,013	51,296	50,654	50,098	50,039	49,648
9 Claims of banks' domestic customers[2]	40,310	34,903	32,916	....	33,468	....	....	28,881	....	....
10 Deposits	2,491	2,969	3,380	....	3,314	....	....	3,335	....	....
11 Negotiable and readily transferable instruments[3]	30,763	26,064	23,805	....	24,827	....	....	19,332	....	....
12 Outstanding collections and other claims	7,056	5,870	5,732	....	5,327	....	....	6,214	....	....
13 MEMO: Customer liability on acceptances	38,153	37,715	37,103	....	30,517	....	....	28,180	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	42,499	46,337	40,714	38,796r	38,205r	37,632r	37,856r	37,307	38,318	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.

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	1982	1983	1984	1985			
				Mar.	June	Sept.	Dec.
1 **Total**	**228,150**	**243,715**	**243,952**	**240,325**	**231,724**	**231,768**	**227,238**
By borrower							
2 Maturity of 1 year or less[1]	173,917	176,158	167,858	165,951	158,622	161,675	160,162
3 Foreign public borrowers	21,256	24,039	23,912	23,688	23,784	26,466	26,312
4 All other foreigners	152,661	152,120	143,947	142,263	134,838	135,210	133,850
5 Maturity of over 1 year[1]	54,233	67,557	76,094	74,374	73,102	70,093	67,076
6 Foreign public borrowers	23,137	32,521	38,695	38,169	37,535	36,257	34,510
7 All other foreigners	31,095	35,036	37,399	36,206	35,567	33,836	32,566
By area							
Maturity of 1 year or less[1]							
8 Europe	50,500	56,117	58,498	60,660	55,620	57,867	56,425
9 Canada	7,642	6,211	6,028	7,576	6,155	6,060	6,386
10 Latin America and Caribbean	73,291	73,660	62,791	60,342	63,510	62,963	63,040
11 Asia	37,578	34,403	33,504	30,903	27,569	29,049	27,779
12 Africa	3,680	4,199	4,442	4,109	4,003	3,954	3,753
13 All other[2]	1,226	1,569	2,593	2,360	1,764	1,782	2,779
Maturity of over 1 year[1]							
14 Europe	11,636	13,576	9,605	8,545	8,739	8,078	7,643
15 Canada	1,931	1,857	1,882	2,181	2,116	1,932	1,804
16 Latin America and Caribbean	35,247	43,888	56,144	55,411	53,507	52,049	50,662
17 Asia	3,185	4,850	5,323	5,221	5,123	5,212	4,502
18 Africa	1,494	2,286	2,033	1,963	1,996	1,665	1,538
19 All other[2]	740	1,101	1,107	1,053	1,622	1,157	926

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1981	1982	1983	1984				1985			
				Mar.	June[7]	Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**415.2**	**438.7**	**437.3**	**435.1**	**432.4**	**411.9**	**409.2**	**411.3**	**402.5**	**403.9**	**403.5**
2 G-10 countries and Switzerland	175.5	179.7	168.0	166.0	157.9	148.2	148.0	152.8	146.9	153.1	155.7
3 Belgium-Luxembourg	13.3	13.1	12.4	11.0	10.9	9.8	8.8	9.4	9.0	9.6	9.2
4 France	15.3	17.1	16.3	15.9	14.2	14.3	14.1	14.6	13.6	14.9	12.6
5 Germany	12.9	12.7	11.3	11.7	10.9	10.0	9.0	8.9	9.6	9.9	11.0
6 Italy	9.6	10.3	11.4	11.2	11.5	9.7	10.1	10.0	8.5	8.4	9.7
7 Netherlands	4.0	3.6	3.5	3.4	3.0	3.4	3.9	3.8	3.7	3.4	3.9
8 Sweden	3.7	5.0	5.1	5.2	4.3	3.5	3.2	3.1	2.8	3.1	2.7
9 Switzerland	5.5	5.0	4.3	4.3	4.2	3.9	3.9	4.2	4.0	4.1	4.4
10 United Kingdom	70.1	72.1	65.4	65.1	60.6	57.5	60.0	65.1	65.7	68.0	66.9
11 Canada	10.9	10.4	8.3	8.6	8.9	8.1	7.9	9.0	8.0	7.5	8.0
12 Japan	30.2	30.2	29.9	29.7	29.3	27.9	27.2	24.8	22.0	24.3	27.3
13 Other developed countries	28.4	33.7	36.1	35.7	37.2	36.4	33.9	33.0	32.5	32.3	30.5
14 Austria	1.9	1.9	1.9	2.0	1.9	1.8	1.6	1.6	1.6	1.7	1.5
15 Denmark	2.3	2.4	3.4	3.4	3.1	2.9	2.2	2.1	1.9	2.1	2.4
16 Finland	1.7	2.2	2.4	2.1	2.3	1.9	1.9	1.8	1.8	1.8	1.6
17 Greece	2.8	3.0	2.8	3.0	3.3	3.2	2.9	2.9	2.9	2.8	2.6
18 Norway	3.1	3.3	3.3	3.2	3.2	3.2	3.0	2.9	2.9	3.4	2.9
19 Portugal	1.1	1.5	1.5	1.4	1.7	1.6	1.4	1.4	1.3	1.4	1.3
20 Spain	6.6	7.5	7.1	7.1	7.3	6.9	6.5	6.4	5.9	6.2	5.8
21 Turkey	1.4	1.4	1.7	1.9	2.0	2.0	1.9	1.9	2.0	2.1	1.9
22 Other Western Europe	2.1	2.3	1.8	1.8	1.9	1.7	1.7	1.7	1.8	1.7	2.0
23 South Africa	2.8	3.7	4.7	4.8	4.7	5.0	4.5	4.2	3.9	3.3	3.2
24 Australia	2.5	4.4	5.5	5.2	5.8	6.3	6.2	6.2	6.4	5.8	5.2
25 OPEC countries[2]	24.8	27.4	28.9	28.6	27.0	25.2	25.8	25.4	23.8	24.1	21.8
26 Ecuador	2.2	2.2	2.2	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.2
27 Venezuela	9.9	10.5	9.9	9.7	9.5	9.2	9.3	9.3	9.3	9.2	8.9
28 Indonesia	2.6	3.2	3.8	4.0	4.3	4.0	3.9	3.8	3.6	3.6	3.4
29 Middle East countries	7.5	8.7	10.0	9.8	8.4	7.4	8.2	7.8	6.6	6.7	5.7
30 African countries	2.5	2.8	3.0	3.0	2.7	2.5	2.3	2.3	2.2	2.3	1.6
31 Non-OPEC developing countries	96.3	107.1	111.6	112.2	113.5	112.7	112.9	111.8	111.0	111.2	106.8
Latin America											
32 Argentina	9.4	8.9	9.5	9.5	9.2	9.1	8.7	8.6	8.6	9.3	8.9
33 Brazil	19.1	22.9	23.1	25.1	25.4	26.3	26.3	26.4	26.6	26.1	25.6
34 Chile	5.8	6.3	6.4	6.5	6.7	7.1	7.0	7.0	6.9	6.9	6.9
35 Colombia	2.6	3.1	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.6	2.7
36 Mexico	21.6	24.5	26.1	25.6	26.2	26.2	26.0	25.7	25.6	25.2	25.3
37 Peru	2.0	2.6	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.0	1.8
38 Other Latin America	4.1	4.0	4.2	4.4	4.1	3.9	3.9	3.7	3.6	3.5	3.4
Asia											
China											
39 Mainland	.2	.2	.3	.3	.6	.5	.7	.7	.3	1.1	.5
40 Taiwan	5.1	5.3	5.3	4.9	5.4	5.3	5.3	5.4	5.5	5.2	4.5
41 India	.3	.6	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.2	1.4
42 Israel	2.1	2.3	1.9	1.6	1.9	1.7	1.8	1.7	2.3	1.5	1.6
43 Korea (South)	9.4	10.9	11.3	11.1	11.3	10.5	10.9	10.6	10.3	10.7	9.7
44 Malaysia	1.7	2.1	2.9	2.8	2.9	3.1	3.0	2.9	3.0	2.9	2.5
45 Philippines	6.0	6.3	6.2	6.7	6.3	5.9	6.0	6.1	6.0	6.1	5.8
46 Thailand	1.5	1.6	2.2	2.1	1.9	1.8	1.8	1.7	1.6	1.6	1.4
47 Other Asia	1.0	1.1	1.0	.9	1.1	1.0	1.2	1.1	1.0	1.1	1.1
Africa											
48 Egypt	1.1	1.2	1.5	1.4	1.4	1.2	1.2	1.1	1.0	1.0	1.0
49 Morocco	.7	.7	.8	.8	.8	.8	.8	.8	.8	.9	.9
50 Zaire	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.3	2.4	2.3	2.2	1.9	1.9	2.1	2.2	2.0	2.0	1.9
52 Eastern Europe	7.8	6.2	5.3	4.9	4.9	4.5	4.4	4.3	4.3	4.6	4.1
53 U.S.S.R.	.6	.3	.2	.2	.2	.2	.1	.2	.3	.2	.1
54 Yugoslavia	2.5	2.2	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.5	2.2
55 Other	4.7	3.7	2.8	2.5	2.4	2.1	2.0	1.9	1.8	1.9	1.8
56 Offshore banking centers	63.7	66.8	70.5	71.4	74.6	67.4	67.0	66.9	66.8	61.4	67.4
57 Bahamas	19.0	19.0	21.8	24.6	27.5	23.8	21.5	21.9	22.0	16.9	21.6
58 Bermuda	.7	.9	.9	.7	.7	1.0	.9	.7	.9	.8	.7
59 Cayman Islands and other British West Indies	12.4	12.9	12.2	12.0	12.2	11.1	11.7	12.4	12.4	12.5	13.4
60 Netherlands Antilles	3.2	3.3	4.2	3.3	3.3	3.1	3.4	3.3	3.2	2.3	2.3
61 Panama[4]	7.7	7.6	6.0	6.3	6.6	5.7	6.8	5.7	5.5	6.2	6.2
62 Lebanon	.2	.1	.1	.1	.1	.1	.1	.1	.1	.0	.1
63 Hong Kong	11.8	13.9	15.0	14.4	13.9	13.1	12.8	12.9	13.1	13.2	13.3
64 Singapore	8.7	9.2	10.3	10.0	10.3	9.5	9.8	10.0	9.7	9.4	9.8
65 Others[5]	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	18.8	17.9	17.0	16.3	17.4	17.4	17.3	17.1	17.3	17.6	17.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984		1985		
				Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**28,618**	**27,512**	**25,346**	**31,438**	**29,357**	**26,243**	**24,591**	**25,012[r]**
2 Payable in dollars	24,909	24,280	22,233	28,538	26,389	23,466	21,945	22,342[r]
3 Payable in foreign currencies	3,709	3,232	3,113	2,900	2,968	2,777	2,646	2,670[r]
By type								
4 Financial liabilities	12,157	11,066	10,572	16,488	14,509	11,722	11,489	11,743[r]
5 Payable in dollars	9,499	8,858	8,700	14,602	12,553	9,873	9,533	9,780[r]
6 Payable in foreign currencies	2,658	2,208	1,872	1,886	1,955	1,849	1,956	1,963[r]
7 Commercial liabilities	16,461	16,446	14,774	14,950	14,849	14,521	13,103	13,269
8 Trade payables	10,818	9,438	7,765	7,015	7,005	7,052	5,854	5,576
9 Advance receipts and other liabilities	5,643	7,008	7,009	7,936	7,843	7,469	7,249	7,693
10 Payable in dollars	15,409	15,423	13,533	13,936	13,836	13,593	12,413	12,562
11 Payable in foreign currencies	1,052	1,023	1,241	1,014	1,013	928	690	707
By area or country								
Financial liabilities								
12 Europe	6,825	6,501	5,742	6,697	6,728	6,138	5,934	6,534[r]
13 Belgium-Luxembourg	471	505	302	428	471	298	351	367
14 France	709	783	843	910	995	896	865	849
15 Germany	491	467	502	521	489	506	474	493
16 Netherlands	748	711	621	605	590	619	604	624[r]
17 Switzerland	715	792	486	514	569	541	566	593
18 United Kingdom	3,565	3,102	2,839	3,470	3,297	3,039	2,825	3,318[r]
19 Canada	963	746	764	825	863	840	850	826[r]
20 Latin America and Caribbean	3,356	2,751	2,596	7,253	5,086	3,147	3,106	2,619[r]
21 Bahamas	1,279	904	751	3,052	1,926	1,341	1,107	1,145[r]
22 Bermuda	7	14	13	11	13	25	10	4
23 Brazil	22	28	32	33	35	29	27	23
24 British West Indies	1,241	1,027	1,041	3,271	2,103	1,521	1,734	1,234[r]
25 Mexico	102	121	213	260	367	25	32	28
26 Venezuela	98	114	124	130	137	3	3	3
27 Asia	976	1,039	1,424	1,662	1,777	1,555	1,555	1,728
28 Japan	792	715	991	1,174	1,209	1,033	965	1,098
29 Middle East oil-exporting countries[2]	75	169	170	151	155	124	147	82
30 Africa	14	17	19	16	14	12	14	14
31 Oil-exporting countries[3]	0	0	0	1	0	0	0	0
32 All other[4]	24	12	27	35	41	31	30	22
Commercial liabilities								
33 Europe	3,770	3,831	3,245	4,052	4,001	3,519	3,485	3,894
34 Belgium-Luxembourg	71	52	62	34	48	37	53	56
35 France	573	598	437	430	438	401	425	432
36 Germany	545	468	427	561	622	590	431	601
37 Netherlands	220	346	268	238	245	272	284	386
38 Switzerland	424	367	241	405	257	233	353	293
39 United Kingdom	880	1,027	732	1,224	1,095	752	740	869
40 Canada	897	1,495	1,841	1,906	1,975	1,727	1,494	1,384
41 Latin America and Caribbean	1,044	1,570	1,473	1,780	1,871	1,717	1,244	1,237
42 Bahamas	2	16	1	1	7	11	12	2
43 Bermuda	67	117	67	110	114	112	77	105
44 Brazil	67	60	44	68	124	101	90	120
45 British West Indies	2	32	6	8	32	21	1	15
46 Mexico	340	436	585	641	586	654	492	415
47 Venezuela	276	642	432	628	636	395	309	283
48 Asia	9,384	8,144	6,741	5,547	5,285	5,721	5,259	5,197
49 Japan	1,094	1,226	1,247	1,429	1,256	1,241	1,232	1,429
50 Middle East oil-exporting countries[2,5]	7,008	5,503	4,178	2,364	2,372	2,786	2,396	2,099
51 Africa	703	753	553	597	588	765	633	570
52 Oil-exporting countries[3]	344	277	167	251	233	294	265	235
53 All other[4]	664	651	921	1,068	1,128	1,070	988	988

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984		1985		
				Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**36,185**	**28,725**	**34,911**	**30,939**	**29,839**	**28,672**	**26,968**	**28,967**r
2 Payable in dollars	32,582	26,085	31,815	28,148	27,242	26,100	24,339	26,101r
3 Payable in foreign currencies	3,603	2,640	3,096	2,792	2,597	2,571	2,629	2,866
By type								
4 Financial claims	21,142	17,684	23,780	20,435	19,192	18,375	16,512	19,024r
5 Deposits	15,081	13,058	18,496	15,626	14,559	14,368	12,657	15,135r
6 Payable in dollars	14,456	12,628	17,993	15,187	14,140	13,871	12,101	14,432r
7 Payable in foreign currencies	625	430	503	439	420	497	556	704
8 Other financial claims	6,061	4,626	5,284	4,808	4,633	4,007	3,856	3,889r
9 Payable in dollars	3,599	2,979	3,328	3,116	3,190	2,442	2,375	2,351r
10 Payable in foreign currencies	2,462	1,647	1,956	1,693	1,442	1,565	1,480	1,538
11 Commercial claims	15,043	11,041	11,131	10,505	10,646	10,297	10,456	9,943
12 Trade receivables	14,007	9,994	9,721	9,012	9,177	8,784	9,089	8,406
13 Advance payments and other claims	1,036	1,047	1,410	1,493	1,470	1,513	1,367	1,537
14 Payable in dollars	14,527	10,478	10,494	9,845	9,912	9,787	9,863	9,319
15 Payable in foreign currencies	516	563	637	659	735	510	592	624
By area or country								
Financial claims								
16 Europe	4,596	4,873	6,488	5,783	5,754	5,774	5,445	6,452r
17 Belgium-Luxembourg	43	15	37	15	15	29	15	12
18 France	285	134	150	151	126	92	51	132r
19 Germany	224	178	163	192	224	196	175	158r
20 Netherlands	50	97	71	62	66	81	46	127r
21 Switzerland	117	107	38	64	66	46	16	53r
22 United Kingdom	3,546	4,064	5,817	5,068	4,856	5,042	4,867	5,725r
23 Canada	6,755	4,377	5,989	4,492	3,979	3,934	3,747	4,022r
24 Latin America and Caribbean	8,812	7,546	10,234	8,987	8,170	7,612	6,475	7,450r
25 Bahamas	3,650	3,279	4,771	3,435	3,282	3,018	2,153	2,290r
26 Bermuda	18	32	102	5	6	4	6	5r
27 Brazil	30	62	53	84	100	98	96	92
28 British West Indies	3,971	3,255	4,206	4,580	4,021	3,924	3,657	4,504r
29 Mexico	313	274	293	232	215	201	206	201
30 Venezuela	148	139	134	128	125	101	100	73r
31 Asia	758	698	764	900	961	856	639	969r
32 Japan	366	153	297	371	353	509	281	725
33 Middle East oil-exporting countries[2]	37	15	4	7	13	6	6	6r
34 Africa	173	158	147	160	210	101	111	104r
35 Oil-exporting countries[3]	46	48	55	37	85	32	25	31
36 All other[4]	48	31	159	113	117	97	95	26
Commercial claims								
37 Europe	5,405	3,826	3,670	3,618	3,801	3,360	3,689	3,294
38 Belgium-Luxembourg	234	151	135	128	165	149	212	158
39 France	776	474	459	411	440	375	408	385
40 Germany	561	357	349	368	374	358	375	340
41 Netherlands	299	350	334	298	335	340	301	286
42 Switzerland	431	360	317	289	271	253	376	208
43 United Kingdom	985	811	809	949	1,063	885	950	785
44 Canada	967	633	829	1,026	1,021	1,248	1,065	1,101
45 Latin America and Caribbean	3,479	2,526	2,695	2,027	2,052	1,973	2,124	2,063
46 Bahamas	12	21	8	14	8	9	11	18
47 Bermuda	223	261	190	88	115	164	65	63
48 Brazil	668	258	493	219	214	210	193	212
49 British West Indies	12	12	7	10	7	6	29	7
50 Mexico	1,022	775	884	595	583	493	616	566
51 Venezuela	424	351	272	245	206	192	224	246
52 Asia	3,959	3,050	3,063	2,901	3,073	2,985	2,721	2,726
53 Japan	1,245	1,047	1,114	1,089	1,191	1,154	968	884
54 Middle East oil-exporting countries[2]	905	751	737	703	668	666	593	544
55 Africa	772	588	588	595	470	510	522	494
56 Oil-exporting countries[3]	152	140	139	135	134	141	139	131
57 All other[4]	461	417	286	338	229	221	336	265

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	1984	1985	1986 Jan.–Feb.	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	59,834	81,538	19,478	6,371	4,802	7,232	8,409	11,172r	8,723	10,755
2 Foreign sales	62,814	76,617	15,815	5,721	4,690	6,560	7,137	9,010r	6,987	8,828
3 **Net purchases, or sales (–)**	**–2,980**	**4,921**	**3,663**	**650**	**112**	**673**	**1,273**	**2,161r**	**1,736**	**1,927**
4 **Foreign countries**	**–3,109**	**4,837**	**3,656**	**649**	**163**	**644**	**1,362**	**1,996r**	**1,748**	**1,908**
5 Europe	–3,077	2,068	2,738	369	170	554	948	1,339	1,172	1,566
6 France	–405	–437	–130	–41	–120	–82	–85	–105	–63	–68
7 Germany	–50	730	368	76	29	235	270	283	134	234
8 Netherlands	–357	–122	230	18	25	33	47	125	109	121
9 Switzerland	–1,542	–75	881	–23	–87	125	107	280	287	593
10 United Kingdom	–677	1,674	1,248	295	293	210	579	700	614	634
11 Canada	1,691	355	60	68	34	–31	–70	93	121	–61
12 Latin America and Caribbean	495	1,671	144	109	–35	78	243	305r	–69	213
13 Middle East[1]	–1,992	238	189	35	54	8	–174	227	208	–19
14 Other Asia	–378	313	418	58	–26	–16	384	–25	264	154
15 Africa	–22	24	56	9	0	–4	–1	12	25	30
16 Other countries	175	168	51	1	–34	55	32	44	26	24
17 **Nonmonetary international and regional organizations**	**129**	**84**	**7**	**1**	**–51**	**28**	**–89**	**165**	**–12**	**20**
BONDS[2]										
18 Foreign purchases	39,296	87,109	15,315	5,547	7,482	7,401	12,466	9,755r	6,029	9,286
19 Foreign sales	26,199	43,055	7,869	3,741	3,632	2,786	4,284	4,558r	2,939	4,930
20 **Net purchases, or sales (–)**	**13,096**	**44,054**	**7,446**	**1,806**	**3,850**	**4,614**	**8,182**	**5,197r**	**3,090**	**4,356**
21 **Foreign countries**	**12,799**	**44,149**	**7,400**	**2,118**	**4,176**	**4,768**	**7,824**	**5,555r**	**3,193**	**4,208**
22 Europe	11,697	40,002	5,933	1,834	3,949	3,662	6,835	5,176r	2,804	3,130
23 France	207	210	–6	169	42	8	–15	0	27	–33
24 Germany	1,724	2,001	44	103	159	308	897	408	–2	46
25 Netherlands	100	222	88	25	–4	0	158	13	85	3
26 Switzerland	643	3,987	747	243	154	249	804	1,013	235	512
27 United Kingdom	8,429	32,717	5,055	1,368	3,519	3,036	4,903	3,696r	2,435	2,620
28 Canada	–62	189	–29	–24	–31	42	110	19	2	–31
29 Latin America and Caribbean	376	484	45	–81	–64	81	124	68r	18	27
30 Middle East[1]	–1,030	–2,643	–174	–80	–187	11	–215	–435	–174	0
31 Other Asia	1,817	6,068	1,604	465	508	966	975	703	541	1,064
32 Africa	1	11	2	1	0	1	0	4	1	1
33 Other countries	0	38	18	3	1	6	–5	19	2	17
34 **Nonmonetary international and regional organizations**	**297**	**–95**	**46**	**–312**	**–326**	**–154**	**358**	**–358**	**–103**	**149**
	Foreign securities									
35 Stocks, net purchases, or sales (–)	–1,101	–3,909	–649	–213	–221	–72	–309	–413r	123	–772
36 Foreign purchases	14,816	21,009	5,440	1,689	1,564	2,172	2,171	2,740r	2,508	2,933
37 Foreign sales	15,917	24,919	6,089	1,902	1,785	2,244	2,480	3,153r	2,384	3,705
38 Bonds, net purchases, or sales (–)	–3,930	–4,127	–958	305	–420	–689	162	–138r	–67	–892
39 Foreign purchases	56,017	81,048	20,280	6,959	6,840	8,538	8,902	8,370r	9,796	10,484
40 Foreign sales	59,948	85,175	21,238	6,654	7,260	9,227	8,740	8,507r	9,862	11,376
41 **Net purchases, or sales (–), of stocks and bonds**	**–5,031**	**–8,037**	**–1,607**	**92**	**–641**	**–761**	**–147**	**–551r**	**57**	**–1,664**
42 **Foreign countries**	**–4,642**	**–9,100**	**–1,908**	**302**	**–876**	**–748**	**–370**	**–886r**	**–31**	**–1,877**
43 Europe	–8,655	–9,941	–2,300	–258	–764	–577	–1,062	–424r	–379	–1,921
44 Canada	542	–1,784	–538	36	2	–27	14	–394	–219	–319
45 Latin America and Caribbean	2,460	1,858	522	178	191	48	32	85r	220	302
46 Asia	1,356	650	958	387	–322	–193	812	–352r	395	563
47 Africa	–108	75	18	9	–2	–5	37	42	7	10
48 Other countries	–238	42	–567	–51	19	6	–204	156	–56	–512
49 **Nonmonetary international and regional organizations**	**–389**	**1,063**	**301**	**–210**	**235**	**–13**	**223**	**335**	**88**	**213**

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 Transactions

Millions of dollars

Country or area	1984	1985	1986	1985					1986	
			Jan.–Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.p
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**21,501**	**29,767**	−1,067	**−3,345**	**6,533**	**−653**	**2,510**	**6,460r**	**−1,359**	**292**
2 Foreign countries[2]	16,496	29,284	2,939	1,027	3,988	−122	2,286	3,066r	−884	3,823
3 Europe[2]	11,014	3,962	1,931	953	958	−701	−941	180	114	1,818
4 Belgium-Luxembourg	287	476	31	92	49	10	29	−44	33	−2
5 Germany[2]	2,929	1,917	592	937	294	17	−101	302	132	460
6 Netherlands	449	269	−235	386	127	−126	155	−82	26	−261
7 Sweden	40	976	−7	−89	−33	−41	−42	−41	−200	193
8 Switzerland[2]	656	760	183	72	25	116	−151	−116	68	115
9 United Kingdom	5,188	−2,143	1327	−82	283	−735	−530	50	−60	1,388
10 Other Western Europe	1,466	1,706	41	−363	214	58	−301	111	116	−75
11 Eastern Europe	0	0	−1	0	0	0	0	0	0	−1
12 Canada	1,586	−190	−591	−144	106	138	−394	−71	−461	−131
13 Latin America and Caribbean	1,418	4,312	691	524	562	125	735	90	107	584
14 Venezuela	14	238	−117	33	2	91	72	−41	−53	−63
15 Other Latin America and Caribbean	536	2,343	534	95	556	110	367	265	86	448
16 Netherlands Antilles	869	1,731	274	397	4	−76	296	−133	74	200
17 Asia	2,431	20,776	667	−416	2,225	244	2,935	2,833r	−584	1,251
18 Japan	6,289	18,859	740	875	1,884	1,630	3,039	902	−861	1,601
19 Africa	−67	112	−20	−1	0	9	1	9	−8	−12
20 All other	114	311	262	111	137	63	−51	25	−52	314
21 Nonmonetary international and regional organizations	5,009	482	−4,006	−4,372	2,545	−530	223	3,393	−474	−3,532
22 International	4,612	−394	−3,960	−4,400	1,883	−430	−15	3,001	−194	−3,766
23 Latin American regional	0	18	65	0	−1	0	8	7	14	51
MEMO										
24 Foreign countries[2]	16,496	29,284	2,939	1,027	3,988	−122	2,286	3,066r	−884	3,823
25 Official institutions	505	8,389	954	104	1,064	−1,209	−276	2,712r	362	591
26 Other foreign[2]	15,992	20,896	1,986	923	2,924	1,087	2,562	355	−1,246	3,232
Oil-exporting countries										
27 Middle East[3]	−6,270	−1,640	−79	−1,132	−838	−818	−457	740	222	−301
28 Africa[4]	−101	7	1	0	0	4	0	2	1	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. 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 Mar. 31, 1986		Country	Rate on Mar. 31, 1986		Country	Rate on Mar. 31, 1986	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.0	Aug. 1985	France[1]	8.25	Mar. 1986	Norway	8.0	June 1983
Belgium	9.75	Dec. 1985	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	14.0	Mar. 1986	United Kingdom[2]	....	....
Canada	10.44	Mar. 1986	Japan	4.0	Mar. 1986	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

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	1983	1984	1985	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Eurodollars	9.57	10.75	8.27	8.14	8.08	8.02	7.99	8.02	7.89	7.42
2 United Kingdom	10.06	9.91	12.16	11.49	11.49	11.50	11.66	12.78	12.60	11.70
3 Canada	9.48	11.29	9.64	9.10	8.73	8.85	9.25	10.23	11.81	10.94
4 Germany	5.73	5.96	5.40	4.64	4.77	4.82	4.80	4.65	4.47	4.49
5 Switzerland	4.11	4.35	4.92	4.59	4.53	4.07	4.13	4.08	3.85	3.84
6 Netherlands	5.58	6.08	6.29	5.72	5.89	5.90	5.79	5.71	5.74	5.44
7 France	12.44	11.66	9.91	9.57	9.29	8.95	8.92	8.95	8.81	8.28
8 Italy	18.95	17.08	14.86	13.95	14.16	14.29	14.71	14.88	15.91	16.05
9 Belgium	10.51	11.41	9.60	9.33	8.97	8.66	9.14	9.75	9.75	9.75
10 Japan	6.49	6.32	6.47	6.31	6.47	7.29	7.36	6.54	6.04	5.47

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	1983	1984	1985	1985			1986		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Australia/dollar[1]	90.14	87.937	70.026	70.25	67.74	68.11	70.00	69.93	70.79
2 Austria/schilling	17.968	20.005	20.676	18.569	18.236	17.658	17.151	16.389	15.976
3 Belgium/franc	51.121	57.749	59.336	53.618	52.474	51.251	49.843	47.748	46.603
4 Brazil/cruzeiro	573.27	1841.50	6205.10	8203.57	8913.95	9915.71	11345.26	13020.00	13.84[3]
5 Canada/dollar	1.2325	1.2953	1.3658	1.3667	1.3765	1.3954	1.4070	1.4043	1.4009
6 China, P.R./yuan	1.9809	2.3308	2.9434	3.0782	3.2086	3.2095	3.2095	3.2152	3.2202
7 Denmark/krone	9.1483	10.354	10.598	9.5880	9.3918	9.1221	8.9468	8.6048	8.4096
8 Finland/markka	5.5636	6.0007	6.1971	5.6836	5.5709	5.4824	5.4131	5.2465	5.1517
9 France/franc	7.6203	8.7355	8.9799	8.0641	7.9095	7.6849	7.4821	7.1575	6.9964
10 Germany/deutsche mark	2.5539	2.8454	2.9419	2.6446	2.5954	2.5122	2.4384	2.3317	2.2752
11 Greece/drachma	87.895	112.73	138.40	145.74	153.037	150.186	148.69	143.48	141.43
12 Hong Kong/dollar	7.2569	7.8188	7.7911	7.7908	7.8042	7.8064	7.8081	7.8042	7.8125
13 India/rupee	10.1040	11.348	12.332	12.033	12.1010	12.1524	12.243	12.370	12.289
14 Ireland/pound[1]	124.81	108.64	106.62	117.00	119.19	122.48	124.75	129.79	132.87
15 Italy/lira	1519.30	1756.10	1908.90	1785.43	1753.72	1713.50	1663.14	1588.21	1548.43
16 Japan/yen	237.55	237.45	238.47	214.68	204.07	202.79	199.89	184.85	178.69
17 Malaysia/ringgit	2.3204	2.3448	2.4806	2.4529	2.4341	2.4291	2.4489	2.4704	2.5367
18 Netherlands/guilder	2.8543	3.2083	3.3184	2.9819	2.9230	2.8293	2.7489	2.6343	2.5678
19 New Zealand/dollar[1]	66.790	57.837	49.752	56.931	57.230	52.633	51.657	53.177	52.820
20 Norway/krone	7.3012	8.1596	8.5933	7.9099	7.8076	7.6524	7.5541	7.2789	7.1711
21 Portugal/escudo	111.610	147.70	172.07	164.59	162.963	160.798	157.99	152.63	149.40
22 Singapore/dollar	2.1136	2.1325	2.2008	2.1387	2.1084	2.1213	2.1289	2.1401	2.1600
23 South Africa/rand[1]	89.85	69.534	45.57	38.38	37.57	37.05	42.40	47.94	49.04
24 South Korea/won	776.04	807.91	861.89	894.49	893.35	893.13	892.75	888.57	886.66
25 Spain/peseta	143.500	160.78	169.98	161.712	159.658	156.052	152.91	147.31	143.06
26 Sri Lanka/rupee	23.510	25.428	27.187	27.421	27.449	27.420	26.342	27.596	27.623
27 Sweden/krona	7.6717	8.2706	8.6031	7.9557	7.8127	7.6817	7.5938	7.3997	7.2610
28 Switzerland/franc	2.1006	2.3500	2.4551	2.1692	2.1306	2.1042	2.0660	1.9547	1.9150
29 Taiwan/dollar	n.a.	39.633	39.889	40.195	39.981	39.906	39.405	39.239	39.027
30 Thailand/baht	22.991	23.582	27.193	26.569	26.315	26.715	26.676	26.492	26.418
31 United Kingdom/pound[1]	151.59	133.66	129.74	142.15	143.96	144.47	142.44	142.97	146.74
MEMO									
32 United States/dollar[2]	125.34	138.19	143.01	130.71	128.08	125.80	123.65	118.77	116.05

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.
3. Currency reform.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		.....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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THE FEDERAL RESERVE ACT, as amended through August 31, 1985, with an appendix containing provisions of certain other statutes affecting the Federal Reserve System. 576 pp. $7.00.
REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.
ANNUAL PERCENTAGE RATE TABLES (Truth in Lending—Regulation Z) *Vol. I* (Regular Transactions). 1969. 100 pp. *Vol. II* (Irregular Transactions). 1969. 116 pp. Each volume $2.25; 10 or more of same volume to one address, $2.00 each.
FEDERAL RESERVE MEASURES OF CAPACITY AND CAPACITY UTILIZATION. 1978. 40 pp. $1.75 each; 10 or more to one address, $1.50 each.
THE BANK HOLDING COMPANY MOVEMENT TO 1978: A COMPENDIUM. 1978. 289 pp. $2.50 each; 10 or more to one address, $2.25 each.
INTRODUCTION TO FLOW OF FUNDS. 1980. 68 pp. $1.50 each; 10 or more to one address, $1.25 each.
PUBLIC POLICY AND CAPITAL FORMATION. 1981. 326 pp. $13.50 each.
SEASONAL ADJUSTMENT OF THE MONETARY AGGREGATES: REPORT OF THE COMMITTEE OF EXPERTS ON SEASONAL ADJUSTMENT TECHNIQUES. 1981. 55 pp. $2.75 each.
FEDERAL RESERVE REGULATORY SERVICE. Looseleaf; updated at least monthly. (Requests must be prepaid.)
Consumer and Community Affairs Handbook. $60.00 per year.
Monetary Policy and Reserve Requirements Handbook. $60.00 per year.
Securities Credit Transactions Handbook. $60.00 per year.
Federal Reserve Regulatory Service. 3 vols. (Contains all three Handbooks plus substantial additional material.) $175.00 per year.
Rates for subscribers outside the United States are as follows and include additional air mail costs:
Federal Reserve Regulatory Service, $225.00 per year.
Each Handbook, $75.00 per year.
THE U.S. ECONOMY IN AN INTERDEPENDENT WORLD: A MULTICOUNTRY MODEL, May 1984. 590 pp. $14.50 each.
WELCOME TO THE FEDERAL RESERVE.
PROCESSING AN APPLICATION THROUGH THE FEDERAL RESERVE SYSTEM. August 1985. 30 pp.
THE MONETARY AUTHORITY OF THE FEDERAL RESERVE, May 1984. (High School Level.)
WRITING IN STYLE AT THE FEDERAL RESERVE. August 1984. 93 pp. $2.50 each.
REMARKS BY CHAIRMAN PAUL A. VOLCKER, AT XIII AMERICAN-GERMAN BIENNIAL CONFERENCE, March 1985.
REMARKS BY CHAIRMAN PAUL A. VOLCKER, TO THE EMPIRE CLUB OF CANADA AND THE CANADIAN CLUB OF TORONTO, October 28, 1985.

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Short pamphlets suitable for classroom use. Multiple copies available without charge.

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Consumer Handbook to Credit Protection Laws
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Series on the Structure of the Federal Reserve System
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Federal Reserve Bank Board of Directors
Federal Reserve Banks
Organization and Advisory Committees
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Community Development Corporations and the Federal Reserve
Construction Loan Disclosures and Regulation Z
Finance Charges Under Regulation Z
How to Determine the Credit Needs of Your Community
Regulation Z: The Right of Rescission
The Right to Financial Privacy Act
Signature Rules in Community Property States: Regulation B
Signature Rules: Regulation B
Timing Requirements for Adverse Action Notices: Regulation B
What An Adverse Action Notice Must Contain: Regulation B
Understanding Prepaid Finance Charges: Regulation Z

STAFF STUDIES: Summaries Only Printed in the Bulletin

Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

Staff Studies 115–125 are out of print.

114. MULTIBANK HOLDING COMPANIES: RECENT EVIDENCE ON COMPETITION AND PERFORMANCE IN BANKING MARKETS, by Timothy J. Curry and John T. Rose. Jan. 1982. 9 pp.
126. DEFINITION AND MEASUREMENT OF EXCHANGE MARKET INTERVENTION, by Donald B. Adams and Dale W. Henderson. August 1983. 5 pp.
127. U.S. EXPERIENCE WITH EXCHANGE MARKET INTERVENTION: JANUARY–MARCH 1975, by Margaret L. Greene. August 1984. 16 pp.
128. U.S. EXPERIENCE WITH EXCHANGE MARKET INTERVENTION: SEPTEMBER 1977–DECEMBER 1979, by Margaret L. Greene. October 1984. 40 pp.
129. U.S. EXPERIENCE WITH EXCHANGE MARKET INTERVENTION: OCTOBER 1980–OCTOBER 1981, by Margaret L. Greene. August 1984. 36 pp.
130. EFFECTS OF EXCHANGE RATE VARIABILITY ON INTERNATIONAL TRADE AND OTHER ECONOMIC VARIABLES: A REVIEW OF THE LITERATURE, by Victoria S. Farrell with Dean A. DeRosa and T. Ashby McCown. January 1984. *Out of print.*
131. CALCULATIONS OF PROFITABILITY FOR U.S. DOLLAR–DEUTSCHE MARK INTERVENTION, by Laurence R. Jacobson. October 1983. 8 pp.
132. TIME-SERIES STUDIES OF THE RELATIONSHIP BETWEEN EXCHANGE RATES AND INTERVENTION: A REVIEW OF THE TECHNIQUES AND LITERATURE, by Kenneth Rogoff. October 1983. 15 pp.
133. RELATIONSHIPS AMONG EXCHANGE RATES, INTERVENTION, AND INTEREST RATES: AN EMPIRICAL INVESTIGATION, by Bonnie E. Loopesko. November 1983. *Out of print.*
134. SMALL EMPIRICAL MODELS OF EXCHANGE MARKET INTERVENTION: A REVIEW OF THE LITERATURE, by Ralph W. Tryon. October 1983. 14 pp.
135. SMALL EMPIRICAL MODELS OF EXCHANGE MARKET INTERVENTION: APPLICATIONS TO CANADA, GERMANY, AND JAPAN, by Deborah J. Danker, Richard A. Haas, Dale W. Henderson, Steven A. Symansky, and Ralph W. Tryon. April 1985. 27 pp.
136. THE EFFECTS OF FISCAL POLICY ON THE U.S. ECONOMY, by Darrell Cohen and Peter B. Clark. January 1984. 16 pp. *Out of print.*
137. THE IMPLICATIONS FOR BANK MERGER POLICY OF FINANCIAL DEREGULATION, INTERSTATE BANKING, AND FINANCIAL SUPERMARKETS, by Stephen A. Rhoades. February 1984. *Out of print.*
138. ANTITRUST LAWS, JUSTICE DEPARTMENT GUIDELINES, AND THE LIMITS OF CONCENTRATION IN LOCAL BANKING MARKETS, by James Burke. June 1984. 14 pp.
139. SOME IMPLICATIONS OF FINANCIAL INNOVATIONS IN THE UNITED STATES, by Thomas D. Simpson and Patrick M. Parkinson. August 1984. 20 pp.
140. GEOGRAPHIC MARKET DELINEATION: A REVIEW OF THE LITERATURE, by John D. Wolken. November 1984. 38 pp.
141. A COMPARISON OF DIRECT DEPOSIT AND CHECK PAYMENT COSTS, by William Dudley. November 1984. 15 pp.
142. MERGERS AND ACQUISITIONS BY COMMERCIAL BANKS, 1960–83, by Stephen A. Rhoades. December 1984. 30 pp.
143. COMPLIANCE COSTS AND CONSUMER BENEFITS OF THE ELECTRONIC FUND TRANSFER ACT: RECENT SURVEY EVIDENCE, by Frederick J. Schroeder. April 1985. 23 pp.
144. SCALE ECONOMIES IN COMPLIANCE COSTS FOR CONSUMER CREDIT REGULATIONS: THE TRUTH IN LENDING AND EQUAL CREDIT OPPORTUNITY LAWS, by Gregory E. Elliehausen and Robert D. Kurtz. May 1985. 10 pp.
145. SERVICE CHARGES AS A SOURCE OF BANK INCOME AND THEIR IMPACT ON CONSUMERS, by Glenn B. Canner and Robert D. Kurtz. August 1985. 31 pp.
146. THE ROLE OF THE PRIME RATE IN THE PRICING OF BUSINESS LOANS BY COMMERCIAL BANKS, 1977–84, by Thomas F. Brady. November 1985. 25 pp.
147. REVISIONS IN THE MONETARY SERVICES (DIVISIA) INDEXES OF THE MONETARY AGGREGATES, by Helen T. Farr and Deborah Johnson. December 1985. 42 pp.
148. THE MACROECONOMIC AND SECTORAL EFFECTS OF THE ECONOMIC RECOVERY TAX ACT: SOME SIMULATION RESULTS, by Flint Brayton and Peter B. Clark. December 1985. 17 pp.

149. THE OPERATING PERFORMANCE OF ACQUIRED FIRMS IN BANKING BEFORE AND AFTER ACQUISITION, by Stephen A. Rhodes. April 1986. 32 pp.
150. STATISTICAL COST ACCOUNTING MODELS IN BANKING: A REEXAMINATION AND AN APPLICATION, by John T. Rose and John D. Wolken. May 1986. 13 pp.

REPRINTS OF BULLETIN ARTICLES

Most of the articles reprinted do not exceed 12 pages.

The Commercial Paper Market since the Mid-Seventies. 6/82.
Foreign Experience with Targets for Money Growth. 10/83.
Intervention in Foreign Exchange Markets: A Summary of Ten Staff Studies. 11/83.
A Financial Perspective on Agriculture. 1/84.
Survey of Consumer Finances, 1983. 9/84.
Bank Lending to Developing Countries. 10/84.
Survey of Consumer Finances, 1983: A Second Report. 12/84.
Union Settlements and Aggregate Wage Behavior in the 1980s. 12/84.
The Thrift Industry in Transition. 3/85.
A Revision of the Index of Industrial Production. 7/85.
Financial Innovation and Deregulation in Foreign Industrial Countries. 10/85.
Recent Developments in the Bankers Acceptance Market. 1/86.
The Use of Cash and Transaction Accounts by American Families. 2/86.
Financial Characteristics of High-Income Families. 3/86
U. S. International Transactions in 1985. 5/86.

Anticipated Schedule of Release Dates for Periodic Releases—Board of Governors of the Federal Reserve System[1]

Weekly Releases	*Approximate release days*	*Date or period to which data refer*
Aggregate Reserves of Depository Institutions and the Monetary Base. H.3 (502) [1.20]	Thursday	Week ended previous Wednesday
Actions of the Board: Applications and Reports Received. H.2 (501)	Friday	Week ended previous Saturday
Assets and Liabilities of Insured Domestically Chartered and Foreign Related Banking Institutions. H.8 (510) [1.25]	Monday	Wednesday, 3 weeks earlier
Changes in State Member Banks. K.3 (615)	Tuesday	Week ended previous Saturday
Factors Affecting Reserves of Depository Institutions and Condition Statement of Federal Reserve Banks. H.4.1 (503) [1.11]	Thursday	Week ended previous Wednesday
Foreign Exchange Rates. H.10 (512) [3.28]	Monday	Week ended previous Friday
Money Stock, Liquid Assets, and Debt Measures. H.6 (508) [1.21]	Thursday	Week ended Wednesday of previous week
Selected Borrowings in Immediately Available Funds of Large Member Banks. H.5 (507) [1.13]	Wednesday	Week ended Thursday of previous week
Selected Interest Rates. H.15 (519) [1.35]	Monday	Week ended previous Saturday
Weekly Consolidated Condition Report of Large Commercial Banks, and Domestic Subidiaries. H.4.2 (504) [1.26, 1.28, 1.29, 1.30]	Friday	Wednesday, 1 week earlier

Monthly Releases		
Capacity Utilization: Manufacturing, Mining, Utilities and Industrial Materials. G.3 (402) [2.12]	Midmonth	Previous month
Changes in Status of Banks and Branches. G.4.5 (404)	1st of month	Previous month
Commercial and Industrial Loan Commitments at Selected Large Commercial Banks. G.21 (423)	2nd week of month	2nd month previous
Consumer Installment Credit. G.19 (421) [1.55, 1.56]	Midmonth	2nd month previous
Debits and Deposit Turnover at Commercial Banks. G.6 (406) [1.22]	12th of month	Previous month
Finance Companies. G.20 (422) [1.51, 1.52]	5th working day of month	2nd month previous
Foreign Exchange Rates. G.5 (405) [3.28]	1st of month	Previous month
Industrial Production. G.12.3 (414) [2.13]	Midmonth	Previous month
Loans and Securities at all Commercial Banks. G.7 (407) [1.23]	3rd week of month	Previous month
Major Nondeposit Funds of Commercial Banks. G 10 (411) [1.24]	3rd week of month	Previous month
Maturity Distribution of Outstanding Negotiable Time Certificates of Deposit at Large Commercial Banks. G.9 (410)	3rd week of month	Last Wednesday of previous month
Monthly Report of Assets and Liabilities of International Banking Facilities. G.14 (416)	2nd week of month	Wednesday, 2 weeks earlier
Research Library—Recent Acquisitions. G.15 (417)	1st of month	Previous month

1. Release dates are those anticipated or usually met. However, please note that for some releases there is normally a certain variability because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.

The Bulletin table that reports these data is designated in brackets.

Monthly Releases—Continued	*Approximate release days*	*Date or period to which data refer*
Selected Interest Rates. G.13 (415) [1.35]	3rd working day of month	Previous month

Quarterly Releases

Agricultural Finance Databook. E.15 (125)	End of March, June, September, and December	January, April, July, and October
Country Exposure Lending Survey. E.16 (126)	January, April, July, and October	Previous 3 months
Domestic Offices, Commercial Bank Assets and Liabilities Consolidated Report of Condition. E.3.4 (113) [1.26, 1.28]	March, June, September, and December	Previous 6 months
Flow of Funds: Seasonally Adjusted and Unadjusted. Z.1 (780) [1.58, 1.59]	23rd of February, May, August, and November	Previous quarter
Flow of Funds Summary Statistics Z.7. (788) [1.57, 1.58]	15th of February, May, August, and November	Previous quarter
Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks. E.11 (121)	15th of March, June, September, and December	Previous quarter
Survey of Terms of Bank Lending. E.2 (111) [1.34]	Midmonth of March, June, September, and December	February, May, August, and November
List of OTC Margin Stocks. E.7 (117)	January, April, July, and October	February, May, August, and November

Annual Releases

Aggregate Summaries of Annual Surveys of Securities Credit Extension. C.2 (101)	February	End of previous June

Index to Statistical Tables

References are to pages A3–A68 although the prefix "A" is omitted in this index

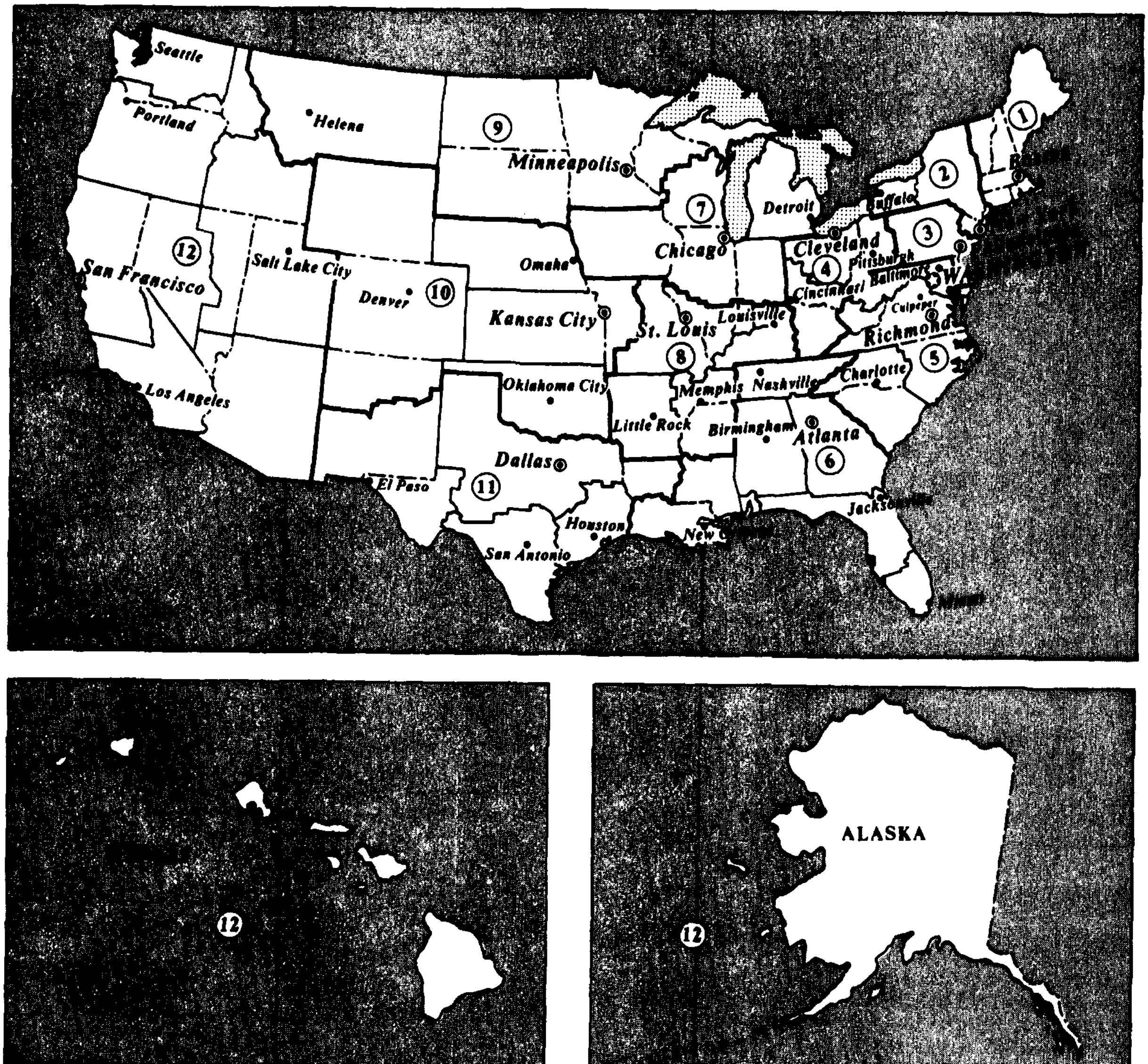
Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON* 02106	Joseph A. Baute George N. Hatsopoulos	Frank E. Morris Robert W. Eisenmenger	
NEW YORK* 10045	John Brademas Clifton R. Wharton, Jr.	E. Gerald Corrigan Thomas M. Timlen	
Buffalo 14240	Mary Ann Lambertsen		John T. Keane
PHILADELPHIA 19105	Robert M. Landis Nevius M. Curtis	Edward G. Boehne Richard L. Smoot	
CLEVELAND* 44101	William H. Knoell E. Mandell de Windt	Karen N. Horn William H. Hendricks	
Cincinnati 45201	Robert E. Boni		Charles A. Cerino
Pittsburgh 15230	James E. Haas		Harold J. Swart
RICHMOND* 23219	Leroy T. Canoles, Jr. Robert A. Georgine	Robert P. Black Jimmie R. Monhollon	
Baltimore 21203	Robert L. Tate		Robert D. McTeer, Jr.
Charlotte 28230	Wallace J. Jorgenson		Albert D. Tinkelenberg
Culpeper Communications and Records Center 22701			John G. Stoides
ATLANTA 30303	John H. Weitnauer, Jr. Bradley Currey, Jr.	Robert P. Forrestal Jack Guynn	Delmar Harrison
Birmingham 35283	A. G. Trammell		Fred R. Herr
Jacksonville 32231	E. William Nash, Jr.		James D. Hawkins
Miami 33152	Sue McCourt Cobb		Patrick K. Barron
Nashville 37203	Patsy R. Williams		Jeffrey J. Wells
New Orleans 70161	Sharon A. Perlis		Henry H. Bourgaux
CHICAGO* 60690	Robert J. Day Marcus Alexis	Silas Keehn Daniel M. Doyle	
Detroit 48231	Robert E. Brewer		Roby L. Sloan
ST. LOUIS 63166	W.L. Hadley Griffin Mary P. Holt	Thomas C. Melzer Joseph P. Garbarini	
Little Rock 72203	Sheffield Nelson		John F. Breen
Louisville 40232	William C. Ballard, Jr.		James E. Conrad
Memphis 38101	G. Rives Neblett		Paul I. Black, Jr.
MINNEAPOLIS 55480	John B. Davis, Jr. Michael W. Wright	Gary H. Stern Thomas E. Gainor	
Helena 59601	Marcia S. Anderson		Robert F. McNellis
KANSAS CITY 64198	Irvine O. Hockaday, Jr. Robert G. Lueder	Roger Guffey Henry R. Czerwinski	
Denver 80217	James E. Nielson		Wayne W. Martin
Oklahoma City 73125	Patience S. Latting		William G. Evans
Omaha 68102	Kenneth L. Morrison		Robert D. Hamilton
DALLAS 75222	Robert D. Rogers Bobby R. Inman	Robert H. Boykin William H. Wallace	James L. Stull
El Paso 79999	Peyton Yates		Joel L. Koonce, Jr.
Houston 77252	Walter M. Mischer, Jr.		J.Z. Rowe
San Antonio 78295	Lawrence L. Crum		Thomas H. Robertson
SAN FRANCISCO 94120	Alan C. Furth Fred W. Andrew	Robert T. Parry Richard T. Griffith	
Los Angeles 90051	Richard C. Seaver		Robert M. McGill
Portland 97208	Paul E. Bragdon		Angelo S. Carella
Salt Lake City 84125	Don M. Wheeler		E. Ronald Liggett
Seattle 98124	John W. Ellis		Gerald R. Kelly

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

✪ Board of Governors of the Federal Reserve System

◉ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

· Federal Reserve Bank Facility