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Monetary Policy Report to Congress

Report submitted to the Congress on February 16, 1983, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

THE PERFORMANCE OF THE ECONOMY IN 1982

The recession that began in mid-1981 continued through 1982, bringing the cumulative decline in real gross national product over that period to 2½ percent. Unemployment reached a postwar high, while industrial capacity utilization fell to a postwar low. At the same time, however, inflationary pressures were greatly reduced; and while some potential obstacles to growth clearly need attention, an economic environment conducive to sustainable recovery and expansion seemed to be emerging by year-end.

To a considerable extent, the recession and its attendant economic and financial stresses have reflected the difficulties inherent in reversing an inflationary trend that had been gaining momentum for more than a decade. By the late 1970s, the underlying inflation rate had accelerated to near the double-digit level, and expectations of rising wages and prices had become deeply embedded in the behavior of consumers, businesses, and investors. Growing financial dislocations and economic imbalances made it plain that inflation was having a debilitating effect on our economic performance. Although policies to curb the inflation were strengthened considerably in late 1979, the inflation rate remained quite high through 1980 and slowed only a little in 1981.

In this past year, however, the progress against inflation has been more dramatic. The rate of increase in most price measures in 1982 was only a third to half the peak inflation rates of 1979 and 1980, a much faster deceleration than had generally been thought possible when the year began. The slowdown was attributable to temporary influences to some extent, but there also has been more fundamental progress. In particular, expectations of inflation are being scaled down, productivity is improving, and indications of business and labor adapting their price and wage practices to the competitive realities of a new, less inflationary environment are widespread.

Reflecting both the sharp deceleration of price inflation and the cutbacks in economic activity, nominal gross national product grew only 3¼ percent over the four quarters of 1982, little more than a third the rate of growth in 1981. Nevertheless, the demands for money remained quite strong, as exceptional economic and financial uncertainties bolstered investors' desires to hold liquid balances, and as the attractiveness of depository accounts was enhanced by the progressive liberalization of deposit rate regulations.

The growth in aggregate debt outstanding also was quite strong, with a particularly steep increase in the credit needs of the federal government. Federal borrowing was extraordinarily large in the second half of 1982, when the federal sector absorbed nearly half of the funds raised by all domestic nonfinancial borrowers. State and local governments, too, issued substantial amounts of new debt in 1982, especially late in the year. Private credit demands, however, were curtailed sharply as economic activity weakened.

Interest rates fell appreciably in 1982, primarily in the second half. By the end of the year, short-term rates were about half the peak levels of 1981, and long-term rates also had declined considerably. In turn, the declines in rates helped trigger an improvement in activity toward year-end in the credit-sensitive sectors of the economy. In particular, automobile sales have perked up in recent months, and an upturn in the housing sector gained momentum as the year

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

progressed. Following an exceptionally rapid liquidation of business inventories in the fourth quarter, the pressures to reduce stocks appeared to be easing early in 1983 as both production and employment increased in January. All told, these and other recent data provide strong indications that recessionary forces are dissipating and that the economy may be entering the initial phases of a new expansion.

Interest Rates

A year ago, as 1982 began, interest rates were moving higher in association with stronger demands for money and credit, reversing a portion of the decline that occurred as the economy slipped into recession in the second half of 1981. However, the rise in rates was soon halted. Short-term interest rates showed little net change from late January through June, and then fell sharply in the third quarter, as sluggish money growth through the early part of the summer reduced the demand for bank reserves, easing pressures in money markets. With market rates falling and the economy still quite sluggish, the Federal Reserve reduced its discount rate 3½ percentage points over the second half of the year in seven separate steps, thereby accommodating the downward movement in money market rates. During this period, the broader monetary aggregates were running at or just above the annual target ranges, but this did not seem inappropriate in light of prevailing economic and financial conditions. By December short-term rates had fallen around 5 percentage points from their average levels in June.

Long-term interest rates also registered substantial declines in the second half of the year, responding not only to the easing in money markets, but also to the sustained moderation of inflation and to the weakness in economic activity. On balance, yields on bonds and conventional mortgages fell 3 to 4 percentage points between June and December. The decline in long-term yields and the promise of a sustained pickup in economic activity helped to maintain a sharp rise in stock prices beginning in the summer, with several broad market indexes reaching historic peaks late in the year and rising to still higher levels in early 1983.

In addition to the general cyclical factors affecting interest rates, the structure of rates across different markets this past year reflected, to an unusual degree, investor concerns about the financial health of borrowers. Severe stress was evident in a high level of bankruptcies, as well as in other difficulties experienced by many businesses and financial institutions in the United States and abroad. In these circumstances, lenders began to assess credit risks more carefully, demanding larger returns for extending credit to potentially troubled borrowers. Later in the year, however, these risk premiums dropped to more normal levels as an easing of overall credit conditions and anticipations of a pickup in economic activity relieved some of the anxieties in financial markets.

Even with the sharp declines of 1982, interest rates remain at high levels relative both to their historical levels and to current inflation rates. A major factor propping up long-term rates especially is the prospective size of federal government deficits, which threaten to remain massive even as the economy recovers, thereby competing with the rising demands of private borrowers for available savings. Moreover, although inflation moderated substantially in 1982, many potential investors, scarred by the experience of the 1970s, remained cautious about the longer-range outlook—and about the government's commitment to maintain forceful anti-inflationary policies.

Residential Construction

So far, the housing sector has been the main beneficiary of falling interest rates. A gradual upturn in housing activity that began in late 1981 gained momentum in the second half of 1982 as mortgage rates moved sharply lower. By last month the interest rate on commitments for conventional fixed-rate mortgages had dropped to 13 percent from a high of 18½ percent in the fall of 1981, and rates on many types of variable-rate loans had declined even more.

Homebuyers responded favorably to the rate reductions, and in the fourth quarter, sales of both new and existing homes rose to their highest levels since the recession began in mid-1981. Because the inventory of unsold new homes had been drawn down to a low level, the improvement in sales in the second half provided a direct impetus for new construction activity. Starts of new single-family dwellings in the fourth quarter were up almost 50 percent from depressed year-earlier levels, with most of that gain coming in the second half of the year. Starts of new multifamily units rose through most of the year, supported in part by federal subsidies.

Consumer Spending

Consumers continued to exhibit cautious spending patterns through most of 1982. Despite sharp reductions in personal tax liabilities at midyear, real after-tax income rose only 0.6 percent during the year, as reductions in employment cut deeply into wage and salary payments. At the same time, consumers were reluctant to finance purchases by taking on new debt. Domestic auto sales remained depressed through most of the year, with the pace for 1982 as a whole the worst in more than two decades. Foreign car sales also fell, but much less than sales of domestic makes.

Nevertheless, the economic situation in the consumer sector appeared to be improving as the year ended. With liquidity up and debt burdens down, consumers' financial positions, in the aggregate, have improved considerably from the overextended positions of the late 1970s. Consumer confidence began to perk up in the second half of 1982 as inflation remained moderate and as interest rates on consumer loans began gradually to decline. Spending, most notably on durable goods, started to grow more rapidly toward year-end. Sales of domestic autos rose significantly in November and have been maintained at a higher level into early 1983, apparently reflecting financing concessions as well as changes in manufacturers' design and pricing policies. Retail sales excluding autos also rose a little in late 1982, and in the fourth quarter, total consumer spending registered its strongest gain, in real terms, since late 1980.

Business Sector

The persistent weakness of economic activity in 1982 led to considerable stress in the private business sector. Among nonfarm businesses, low operating rates depressed corporate profits, and the financial condition of many firms weakened under the burden of reduced availability of internal funds, heavy short-term indebtedness, and high interest charges. Credit ratings deteriorated for many businesses, the incidence of dividend reductions or suspensions increased, and business bankruptcies rose to a postwar high.

Signs of growing financial distress also were evident in the farm sector of the economy. Because of weak demand and exceptionally large crop harvests in 1982, farm prices slumped and income was low for the third year in a row. Land prices in the farm sector have fallen substantially in some areas since mid-1981, farm proprietors' equity has declined, and debt-to-asset ratios have risen noticeably in the past two years. Difficulties in servicing debt have increased, especially among those farmers who came to rely more heavily on credit financing in earlier years, and farm bankruptcies and foreclosures have become more numerous.

Confronted with weak demand and financial strains, many business firms moved aggressively in 1982 to trim inventories and curtail capital spending. In real terms, total fixed investment expenditures in the business sector fell more than 8 percent over the four quarters of 1982. Cutbacks in spending for equipment accounted for nearly all of the decline; purchases fell especially rapidly for heavy industrial machinery such as engines, construction equipment, farm machinery, and transportation equipment.

Business investment spending on nonresidential structures slowed in the first half of 1982 and then turned down in the second half. Much of the decline was concentrated in outlays for oil and gas drilling, which fell sharply over the year as drilling incentives weakened in response to worldwide reductions in energy demand and declines in petroleum prices. In contrast, business spending for new buildings was well maintained through 1982, although part of this strength probably reflected the continuation of projects started some time ago. Forward-looking indicators, such as the constant-dollar value of new construction contracts, fell substantially during the year while vacancy rates for office buildings climbed sharply. These and other indicators suggest that capital spending by businesses, especially for construction, could continue to weaken for some months.

Depressed aggregate demand also caused businesses to liquidate inventories at a rapid pace in 1982. The weakening of final sales in the second half of 1981 had led to an unintended buildup of inventories, and in early 1982 businesses began liquidating those excess stocks at a rapid pace. However, the runoff of inventories halted around midyear, possibly because businesses generally anticipated a midyear upturn in sales. When no such upturn occurred, a second round of inventory liquidation began, and stocks were reduced at a particularly rapid pace in the fourth quarter. By year-end many industries had reduced inventories to below prerecession levels, but stocks in some sectors still appeared large relative to the prevailing sales pace.

Reflecting the reductions in inventories and capital spending, businesses reduced their credit usage appreciably in 1982. The strong rally in the stock market that began during the summer also helped reduce borrowing, as firms started relying more heavily on equity financing and relatively less on new debt issuance. Falling long-term interest rates enabled businesses to accomplish some lengthening of their debt maturities toward the end of 1982, but even so, business balance sheets at year-end were heavily laden with short-term debt.

Government Sector

Total government purchases of goods and services rose 2½ percent in real terms during 1982, about the same as in the previous year. At the federal level, real outlays for national defense expanded rapidly for the second year in a row. Spending also rose considerably for agricultural programs, as the federal government accumulated farm inventories under programs designed to keep farm prices and farm incomes from falling further. Federal purchases of other goods and services, on balance, were cut back sharply.

The credit demands of the federal government rose steeply in 1982, and accounted for almost 40 percent of total credit flows to the domestic nonfinancial sectors of the economy. Federal borrowing from the public rose from $87 billion in 1981 to $161 billion in 1982, as the federal deficit widened in response to weak growth in taxable incomes, reductions in tax rates, the further rise in government purchases, and a recession-induced increase in unemployment compensation and other transfer payments.

Real purchases of goods and services by state and local governments were little changed over the four quarters of 1982. Faced with a recession-induced shrinkage in tax revenues and cutbacks in federal support, many state legislatures enacted increases in sales, income, or corporate taxes to help maintain service levels. In addition, state and local borrowing increased substantially, not only to finance traditional functions but also, in a number of cases, to support mortgage lending in local communities. A surge in new bond issues in the fourth quarter was in part an attempt by state and local governments to raise funds before a requirement to register all new issues of tax-exempt securities after year-end (later postponed to mid-1983) was scheduled to take effect.

International Payments and Trade

Following a steep advance in 1981, the weighted-average value of the dollar appreciated another 20 percent from the beginning of 1982 through early November. The strengthening apparently was in large part a response to the progress made in reducing inflation and the sense of a continuing commitment of U.S. authorities to ensure greater economic stability. Moreover, during a period of major strains in the international financial system and considerable economic uncertainty, there evidently was a view that dollar assets, especially U.S. assets, would provide a "safe haven." Since early November the foreign exchange value of the dollar has fallen a little, on net, as market participants have reacted to the prospect of very large deficits in 1983 in the U.S. merchandise trade and current accounts.

A movement toward deficit in the U.S. current account was already evident in 1982. Reflecting the effects of the strong dollar, as well as sluggish economic growth abroad, real exports of goods and services decreased 13 percent over the four quarters of 1982. The volume of imports of goods and services also declined during 1982, but the decline was smaller than for exports; the increasing price competitiveness of foreign goods, which resulted in part from the strong dollar, helped support import demand. As a result of these trade patterns, net exports, in real terms, fell $15 billion over the four quarters of 1982; the trade sector thus made an atypically large contribution to the recession. The U.S. current account, which was in small surplus for 1981 as a whole, recorded surpluses in the first half of the year but then swung into deficit in the second half as exports weakened.

The external financial position of several large borrowing countries—notably Argentina, Brazil, and Mexico—worsened in 1982. These financing problems have placed severe strains on the banking system and on international markets generally, as the need arose to refinance or reschedule existing debt. During the year, borrowers and private and official lending institutions made repeated cooperative efforts to address these problems, and the debtor countries, to gain control of rising debt burdens, are adopting strong policies of internal and external adjustment. As a result, debtor countries have reduced their demand for exports from major industrial countries, particularly the United States because of its close ties to Latin America.

Labor Markets

Employment in the United States fell steadily throughout 1982, and by year-end total nonfarm payroll employment was more than 2¾ million below its July 1981 peak. As is typical in recessions, the largest job losses were in the cyclically sensitive manufacturing and construction industries. In addition, employment fell in the oil- and gas-drilling industries, and trade employment suffered an unusually sizable decline. Employment in the service sector continued to grow in 1982, but at a slower pace than in recent years.

The back-to-back recessions of the early 1980s were accompanied by a rise in total unemployment of about 5½ million, and by the end of 1982, the unemployment rate, at 10.8 percent, was nearly 2 percentage points above its previous postwar peak. Increases in unemployment were especially large among adult men, who hold a disproportionate number of jobs in the cyclically sensitive industries. As the recession persisted through 1982, the number of workers unemployed for longer than a half-year increased to more than 2½ million. In order to support the incomes of these long-term unemployed, the period of eligibility for unemployment benefits was lengthened twice, to as much as 55 weeks for some workers.

Nevertheless, a little improvement in labor demand began to be evident around the turn of the year. The incidence of layoffs appeared to be moderating toward the end of 1982; unemployed workers have been recalled in some industries. And in January of this year, the civilian unemployment rate declined to 10.4 percent.

Wages and Labor Costs

The falloff in labor demand in 1982, along with the general unwinding of inflation, led to a sharp slowing in the rise of wages and labor costs. The wage rates of production workers increased about 6 percent during 1982, the smallest advance in 15 years. The moderation in wage increases was especially striking among new contracts negotiated under major collective bargaining agreements; in 1982, first-year wage increases under these agreements averaged 3¼ percent, less than half the average increases reached when these workers last negotiated. In some particularly hard-pressed industries, workers agreed to new contracts that eliminated altogether the fixed wage increases that had been customary in past wage agreements, and in some cases there were outright wage reductions. Nevertheless, with price inflation slowing even more rapidly than nominal wages, real wage rates in the nonfarm business sector actually rose faster than in most recent years.

Labor costs per unit of output were up only 4½ percent over the four quarters of 1982, as an improved productivity performance reinforced the impact of slower nominal increases in wages and benefits. Qualitative reports throughout the year suggested that business firms, many of them hard-pressed financially, were engaged in aggressive efforts to cut costs and bolster efficiency. Productivity gains in the second half of the year were particularly noteworthy, given that business output was still declining cyclically; normally, productivity tends to slump in the contraction phase of the business cycle as firms reduce output by more than the hours worked.

Prices

In 1982, all major price indexes advanced at considerably slower rates than in 1981, and for some price measures, the increases in 1982 were the smallest in more than a decade. The consumer price index rose 3.9 percent over the year, compared with 12½ percent just two years earlier. Capital goods prices were up less than half as much as in 1981, and prices were little changed for a broad range of materials used in manufacturing and construction.

In many ways the slowing of inflation this past year has reflected the pervasive influence of the recession on product and labor markets. In addition, the strength of the dollar has helped to hold down the prices of U.S. imports; bountiful harvests have contributed to declines in agricultural prices; and the worldwide recession has depressed the prices of oil and other commodities. Although these influences themselves may prove to be temporary, the foundation is now in place for more lasting gains against inflation. In particular, the wage–price interactions that served to perpetuate inflation through the 1970s appear to have lost much of their momentum. Workers generally are agreeing to smaller pay increases than in earlier years, and in some sectors in which long-term wage agreements are prevalent, the settlements concluded in 1982 will help ensure diminished labor cost pressures in coming years. Lower labor costs are relieving pressures on prices, and in turn, an improved price performance is reducing expectations of inflation and thus leading to a further slowing of labor costs. This cumulative process of disinflation still appeared to have momentum at year-end, thereby providing solid grounds for continuing better price performance in 1983.

The Growth of Money and Credit in 1982

The Federal Reserve has been seeking to provide enough liquidity to facilitate an early upturn in economic activity, while maintaining the monetary discipline needed to sustain the progress toward lower rates of inflation—a crucial element in satisfactory economic performance over the longer run. The specific monetary target ranges chosen by the Federal Open Market Committee (FOMC) last February and reaffirmed in July were as follows, with growth measured from the fourth quarter of 1981 to the fourth quarter of 1982: for M1, 2½ to 5½ percent; for M2, 6 to 9 percent; and for M3, 6½ to 9½ percent. The associated range for bank credit was 6 to 9 percent at an annual rate, measured from the average level of December 1981 and January 1982 to the fourth quarter of 1982; the base period for bank credit was selected to minimize distortions from the shifting of assets to newly established international banking facilities, first authorized in late 1981.

It was recognized when selecting these ranges that several factors could affect the relationship of monetary and credit growth to income and expenditure in the economy. In particular, the Committee contemplated that M1 might deviate for periods of time from expected patterns of growth in the event that economic and financial uncertainties fostered unusual desires for liquidity. Such desires had already been indicated by a surge in growth around year-end 1981, at which time it was believed that vigorous efforts to bring money back within target ranges rapidly would not be appropriate when the economy was still quite weak. In addition, the demand for M1 was seen as likely to demonstrate a continuing sensitivity to changing financial technology and the proliferation of new money and near-money-type instruments. The Committee also anticipated that the broader aggregates, M2 and M3, might be affected by legislative and regulatory changes, such as broadened eligibility for individual retirement accounts (IRAs) and Keogh accounts and the ongoing deregulation of deposit rates, as well as unusual desires for liquidity. In July, while the Committee decided to retain the ranges adopted earlier for monetary growth, it underscored in its report to the Congress its willingness to accommodate any unusual precautionary demands for liquidity that might be associated with unsettled economic and financial conditions.

The behavior of the aggregates over the year indeed diverged substantially from normal historical patterns. Precautionary motives evidently boosted demands for money and other highly liquid assets relative to the expansion of nominal GNP, which remained quite sluggish. M1 expanded 8½ percent on a fourth-quarter to fourth-quarter basis, 3 percentage points above the FOMC's target range, largely reflecting relatively rapid growth over the course of the year in interest-bearing checking accounts that also serve a savings function. In addition, M1 growth was boosted by special developments late in the year in connection with the large amounts of maturing all savers certificates.

The broader aggregates, M2 and M3, expanded at rates of 9.2 and 10.1 percent respectively, much closer to—though still somewhat above—the upper limits of their ranges. These growth rates for M2 and M3 are lower than those observed before some recent changes in money stock definitions, the previous figures being 9.8 and 10.3 respectively. To maintain consistency in the treatment of various kinds of financial assets, M2 and M3 now include balances in tax-exempt money market mutual funds, which have attributes very similar to those of the highly liquid taxable money funds, and exclude balances in IRAs and Keogh accounts, which closely resemble pension funds and consequently are much less like money balances. Table 1 shows figures for growth of M2 and M3 in recent years under both old and new definitions.

The income velocity of various measures of money—defined as the ratio of gross national product to measures of money—fell sharply in 1982. The velocity of M1 dropped 4¾ percent and that of M2 5½ percent, from the fourth quarter of 1981 to the fourth quarter of 1982. For M1, this was the largest four-quarter decline in the postwar period, and in fact there have been very few four-quarter spans in which M1 velocity declined at all. In the case of M2, no parallels for the steep velocity decline of last year are to be found since the 1950s.

Although declines in velocity of M2 have not been uncommon during periods of recession, in past periods they were explainable largely in terms of reflows of funds from securities into M2-type balances when market rates of interest fell below deposit rate ceilings—a factor of much reduced importance in the present regulatory environment and with the emergence of money market mutual funds as an important investment outlet. The recent weakness in velocity more probably reflects strong demands for relatively safe, liquid assets on the part of the public because of uncertainties in the business and financial outlook.

Further evidence of strong precautionary demands is to be found in the particular types of monetary assets that the public chose to acquire last year. Interest-bearing negotiable order of withdrawal (NOW) accounts—which are included in M1—continued to expand rapidly, though

1. Growth of money and credit[1]

Percentage changes

Period	M1	New M2	Old M2	New M3	Old M3	Bank Credit[2]	Outstanding debt of domestic nonfinancial sectors
Fourth quarter to fourth quarter							
1978	8.2	8.0	8.2	11.1	11.3	13.3	12.9
1979	7.4	8.1	8.4	9.6	9.8	12.6	12.1
1980	7.2	9.0	9.2	9.7	10.0	8.0	9.9
1981	5.1 (2.5)	9.4	9.5	11.7	11.4	8.1	9.9
1982p	8.5	9.2	9.8	10.1	10.3	7.1	9.5
Annual average to annual average							
1978	8.2	8.5	8.8	11.5	11.7	12.4	12.2
1979	7.7	8.2	8.5	10.2	10.3	13.6	13.1
1980	6.2	8.0	8.3	9.0	9.3	8.6	12.3
1981	7.2 (4.8)	9.5	9.8	11.6	11.6	9.4	10.0
1982p	6.5	9.4	9.8	10.5	10.5	5.8	10.0

1. M1 and the new M2 and M3 figures incorporate minor effects of benchmark and seasonal adjustment revisions. New M2 and M3 incorporate definitional changes as well.

M1 figures in parentheses are adjusted for shifts to NOW accounts in 1981.

2. Bank credit data are not adjusted for shifts to international banking facilities in 1981 and 1982. The 1982 growth rate, however, is calculated from a December 1981 and January 1982 base to minimize distortions owing to such shifts.

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growth was, of course, less rapid than in 1981 when they first became available nationwide. Such deposits, while serving the transaction needs of holders, have many of the characteristics of savings accounts, which in the past have tended to grow during periods of economic adversity. Indeed, during the first half of last year, when interest rates on other investments were still relatively high, individuals began once again to add to their savings balances following a long downtrend in such deposits; growth in savings deposits surged once more in the final months of 1982, apparently buoyed in part by deposits of proceeds from maturing all savers certificates. The attractiveness of NOW and savings accounts no doubt was enhanced after midyear as lower interest rates reduced the earnings disadvantage of keeping funds in such highly liquid form. Other types of liquid assets included in the aggregates also grew rapidly in 1982. A sizable buildup of balances occurred in the 7- to 31-day accounts and 91-day accounts at depository institutions, soon after these accounts were authorized in May and September respectively. Shares of money market mutual funds also increased substantially, albeit much less rapidly than in 1981 when many people were first attracted to these savings vehicles. By contrast, inflows to longer-maturity time deposits were moderate.

The apparent strong desire for liquidity, and the associated shifting in asset demands, had an important bearing on the FOMC's assessment of the behavior of the aggregates as the year progressed. The Committee felt that some growth in the aggregates above the longer-run target ranges could be tolerated in the prevailing economic conditions, which appeared to be giving rise to greater precautionary demands for money than might be anticipated in normal circumstances. The lengthening recession and associated economic dislocations prompted more cautious financial management on the part of households and businesses, and this attitude of caution in financial markets was intensified from time to time by concerns about strains on some financial institutions and about the ability of private and governmental borrowers in a number of foreign countries to meet their debt-service obligations. The latter part of the year, moreover, brought a number of institutional developments that further complicated the interpretation of the movements in the money supply, necessitating a more than ordinary degree of flexibility in responding to incoming data on monetary growth.

Recognized in the early fall was that the behavior of M1 during the final three months of the year would very likely be distorted by special factors. In particular, an extremely large volume of all savers certificates matured beginning in early October, and this volume was expected to have sizable temporary effects on M1. Also of potential importance was the introduction (mandated by the Garn–St Germain Depository Institutions Act of 1982) of new deposit instruments for banks and thrift institutions that were to be competitive with money market mutual funds. In the event, the Depository Institutions Deregulation Committee authorized, beginning December 14, depository institutions to offer a money market deposit account (MMDA), which could be used to a limited extent for transaction purposes and would be free from interest rate ceilings, and authorized Super NOW accounts free of interest rate ceilings beginning January 5.

MMDAs, because of their more limited transaction feature, are included only in the broader aggregates, while Super NOWs, which have unlimited transaction features but also include a savings element, are included in M1. These distinctions are not clear-cut, and they illustrate the increasing fuzziness of the dividing line between M1- and non-M1-type balances. In fact, in making this definitional decision, the Federal Reserve Board noted that it would be monitoring carefully the behavior of the new accounts to determine whether some alteration in their treatment might be advisable.

The sizable shifts of funds that might result from these developments in the fourth quarter—and, in the case of the new accounts, possibly even shifts in anticipation of their availability—seemed likely to have direct and indirect effects on M1 that would be large in magnitude and would, particularly in the case of the new accounts, affect the underlying behavior of narrow money as the public reallocated transaction and savings funds. As a result, the FOMC at its October meeting decided that it would give considerably less weight to M1 in the conduct of policy and rely more on the broader aggregates, M2 and M3. It anticipated in this decision that the special factors affecting growth of M1 in the fourth quarter would have a much smaller impact on M2 and M3 because a major portion of the shifts of funds would occur among assets contained in these broader aggregates; for example, proceeds from maturing all savers certificates (a component of M2) that were deposited in transaction balances would remain part of M2. However, it was recognized that the advent of the MMDA might boost expansion of M2 late in the year.

In late December, growth of M2 in fact was raised by sizable inflows to MMDAs from sources outside M2—such as market instruments and large certificates of deposit—and growth continued at an extraordinarily rapid pace into the early weeks of 1983. The new accounts were heavily advertised by the depository institutions and often were offered initially at interest rates that were exceptionally high relative to prevailing rates on comparable investments. By year-end, MMDAs outstanding had risen to a level of about $87 billion, and by the end of January 1983 were about $230 billion. Growth of Super NOW accounts was much slower, reaching about $18 billion by the end of January.

Commercial bank credit grew 7.1 percent in 1982, near the midpoint of the FOMC's range. The pace of bank loan growth during the year was considerably affected by changes in the pattern of business financing. During the first half, when the persistence of high long-term interest rates encouraged firms to concentrate their borrowing in short-term markets, business loans at banks expanded rapidly. But as interest rates moved lower over the second half, corporations increasingly shifted their financing to long-term debt and equity markets; in the third quarter, business loan growth slowed sharply, and in the fourth quarter showed no net increase, as corporations used the proceeds from bond sales to avoid increasing bank indebtedness. Real estate loans at banks also slowed as the year progressed and, for the year as a whole, increased only 5½ percent—a rate below that of recent years. Consumer loans continued weak, expanding only 3½ percent. While loan growth slowed, banks greatly expanded their holdings of U.S. Treasury obligations during the year, acquiring close to $13 billion in the final quarter alone.

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

The economy over the past year and a half has passed through a most difficult period, one of high unemployment, depressed incomes, and severe distortions in financial markets. There is substantial evidence that the recession is ending. Forces seem to be in place that are consistent with recovery in economic activity. One positive factor is the improvement in financial market conditions in the past six months, which is stimulating activity in major credit-sensitive sectors of the economy. A better balance is being established between inventories and final demands. Inflationary expectations, while still sensitive, have abated. Substantial progress toward restoring price stability has been made and there is good reason to believe that further progress can be achieved even as business activity picks up. An improvement in productivity should bolster growth in real income and profitability during recovery and can be a factor in sustaining better price performance. Diminishing inflation and a lowering of inflation expectations, in turn, should promote further declines in interest rates.

Against this backdrop, monetary policy has been, and will continue to be, concerned with fostering a lasting expansion in business economic activity in a framework of continuing progress against inflation. Monetary expansion and liquidity should be adequate to support the moderate recovery that appears to be starting. At the same time, although the recent gains that have been made against inflation are highly encouraging, clearly the test of the success of our anti-inflationary effort is still ahead. Thus, the Federal Reserve remains committed to a course of monetary discipline that is essential to avoid a resurgence of inflationary pressures as economic expansion proceeds.

In setting guidelines for monetary growth consistent with these goals, the Federal Open Market Committee recognized that the relationship between growth ranges and ultimate economic objectives had deviated substantially from past patterns during 1982. As noted earlier, monetary growth was quite rapid relative to income, and by year-end exceeded the targets set by the Committee for 1982. This growth, however, appeared fully consistent with the needs of the economy and progress against inflation, given the indications of unusual demands for monetary assets that persisted during the past year. With velocity declining sharply, rigid adherence to the 1982 targets would have produced a much more restrictive economic effect than was appropriate.

The atypical behavior of velocity last year will likely prove at least in part temporary, to be followed by an unwinding of the exceptional liquidity demands this year; appreciable increases in M1 velocity, in particular, are common during the early stages of economic recovery. It may well be that the experience of 1982 reflected in part a more basic shift in underlying demands for money, at least as now defined. Institutional changes have led to the increased availability of transaction accounts that pay interest tied to market rates, and this availability is likely to affect the trend growth of money. The deceleration of prices may increase the incentives to hold money over time, especially as the reduced inflation is reflected fully in market interest rates. These considerations suggest that velocity in 1983 may well follow a pattern different from that of past recoveries. In setting targets for 1983, account had to be taken of the experience of 1982, past cyclical behavior, and the possible alteration of underlying relationships between money and ultimate economic objectives.

The members of the FOMC also recognized that the introduction of new deposit instruments very recently has affected, and would continue to affect for a time, the growth rates and behavioral characteristics of the various aggregates. The extremely rapid buildup of money market deposit accounts, in particular, already has resulted in a substantial flow of funds into M2 from market instruments, greatly inflating the growth of this aggregate in the current quarter. Anticipations are that the redistribution of funds associated with the MMDAs and, to a lesser extent, Super NOW accounts will continue to influence the behavior of the aggregates, though the effect of such shifts on growth rates of the different monetary measures clearly cannot be determined with a high degree of confidence.

While effects of these new deposit instruments on M1 seemed smaller than might have been expected to date, the rapidly changing composition of M1 since the introduction of nationwide NOW accounts at the beginning of 1981 seems to have altered and made less predictable the behavior of that aggregate. The NOW accounts appear to behave partly like savings accounts and partly like transaction accounts. Thus, the pattern of M1 movements has come to be influenced by individuals' attitudes toward saving as well as by transaction needs and interest rates. As a result, the relationship of this aggregate to income may well be in the process of change that, by the nature of things, can only be accurately determined as new behavior patterns are reflected over time in the data. Though they have not grown rapidly in the early weeks of the year when depository institutions were promoting MMDAs so aggressively, Super NOW accounts, which can be offered free of interest rate ceilings, have the potential for further disturbing M1 behavior relative to historical tendencies.

All of these factors contributed to the complexity of setting target ranges for 1983, and the Committee recognized that an unusual degree of judgment would be necessary in interpreting the growth of money and credit in coming months. Some flexibility in reassessing the ranges could be important. The Committee decided to continue setting target ranges for all three measures of money, but with some departures from past practice to deal with the special uncertainties it faces currently.

In the case of M2, the Committee felt that performance of this aggregate would be most appropriately measured from a base period that would be less affected by the initial, highly aggressive marketing of MMDAs. Thus, the expected growth of M2 is 7 to 10 percent, measured from the average level of February and March 1983 to the average level of the fourth quarter of this year. This range is 1 percentage point higher than that set for M2 last year, but it makes allowance for some further shifting of funds into MMDAs from non-M2 sources over the remainder of the year, although at a greatly reduced pace from what evidently has occurred to date.

The range for M3 was set at 6½ to 9½ percent, measured in accordance with past convention from fourth quarter to fourth quarter. This range is identical to that set for 1982, but the Committee contemplates growth below the actual outcome last year. In adopting the range, the Committee assumed that any net shifts of funds over the year into the new types of deposit accounts from market instruments would be moderate. M3 was expected to be less affected by the new accounts because many depositories have the option of reducing their issuance of large CDs if sizable inflows of MMDAs and other core deposits satisfy their needs for funds. Whether this in fact turns out to be the case will depend in part on the public's perceptions of the risks entailed in uninsured investments and on the ability and desire of depository institutions to use their new liability powers to expand their market shares in financial intermediation.

For M1, a growth range of 4 to 8 percent was specified for the period from the fourth quarter of 1982 to the fourth quarter of 1983. This range, while pointing to slower actual growth than in 1982, is both wider and higher than the range tentatively set last July. The new range reflects allowance for a possible change in cyclical behavior as well as for the evolving character of M1 as a more important repository for savings, especially in an environment of lower inflation and lower interest rates. The comparatively wide range set for M1 also reflects the Committee's judgment that some allowance should be made in this fashion for the uncertainties introduced by the existence of the new deposit accounts.

An associated range for total domestic nonfinancial debt was estimated at 8½ to 11½ percent over the four quarters of 1983. This range encompasses growth about in line with expected growth of nominal GNP, in accordance with long-term trends; however, Committee analysis of the outlook suggested that, in the particular circumstances of 1983, somewhat more rapid growth of credit also might be consistent with its overall objectives. Owing to the extraordinary size of the federal budget deficit, the share of credit flowing to the private sector is expected to be lower than that experienced generally in the past. The commercial bank share of total debt expansion is also expected to put bank credit growth at between 6 and 9 percent this year.

The Committee members agreed that the monetary ranges should be reviewed in the spring in light of the accumulated evidence available at that time regarding the behavior of the aggregates and their relationship to other economic variables. For the time being, in implementing monetary policy, the Committee agreed that substantial weight would be placed on behavior of the broader aggregates—M2 and M3—in anticipation that current distortions from the initial adjustment to the new deposit accounts will abate. The behavior of M1 will be monitored, with the degree of emphasis given to that aggregate over time dependent on evidence that velocity behavior is resuming a more predictable pattern. Debt expansion, while not targeted directly, will be evaluated in assessing behavior of the money aggregates and the impact of monetary policy.

The Committee emphasized that policy implementation in 1983 necessarily will involve a continuing appraisal of the relationships between each of the measures of money and credit and economic activity and prices, particularly in the aftermath of unusual behavior of velocities of both money and credit aggregates last year. This appraisal will involve taking account of patterns of saving behavior and cash management among businesses and households and of indications of changing conditions in domestic and international credit markets and in foreign exchange markets.

The Outlook for the Economy

There are encouraging signs that the economy will soon be in the early stages of an economic upturn, if indeed the expansion has not already begun. In its initial phases, the economic recovery may be less robust than the average postwar expansion, but, at the same time, the chances that the recovery can be sustained over the long run have been considerably enhanced by the significant progress against inflation in the past year or so.

Indications that the economy is turning up have been apparent in recent weeks. The housing sector appears to be well along in the recovery process, as both house sales and new construction have registered significant advances. Retail sales also picked up toward the end of 1982 and held steady in January; auto sales in particular have been at improved levels in recent months.

In the business sector, inventory liquidation apparently has become less of a depressant of real activity, as both industrial production and employment showed appreciable gains in January.

To be sure, because of the length of the recession and the stresses and uncertainties it has generated, consumers and businesses may follow cautious economic strategies in coming quarters. In the business sector a high degree of unused industrial capacity probably will discourage investment spending for some time, as firms boost the operating rates for existing plant and equipment, rather than investing in new physical capital; commercial construction in the office building area may be particularly weak for a while. The export sector may well continue to be a drag on U.S. economic activity well into 1983. Exports fell sharply in the second half of last year, and given the widespread weakness in foreign economies and the still high value of the dollar, a quick turnaround in export demand is not likely.

Although the January employment report provided encouraging signs of improved labor demand, the gains in coming months, on balance, may be relatively moderate in view of the uncertainties still present in the business environment. As demands pick up initially, businesses appear likely to boost output in part by lengthening work schedules or improving efficiency, rather than by committing themselves fully to higher levels of employment. Therefore, during the early stages of the recovery, the unemployment rate probably will be slow to retrace the increases sustained during the past recession. The difficulties of bringing unemployment down quickly may be compounded by structural changes now apparent in the U.S. economy; although the service sector and industries in the forefront of technology will be adding employees, job opportunities in some traditional industries may be trending lower over a long period, and legitimate concern exists about the ability of displaced workers to find new employment readily in the expanding sectors.

Nevertheless, once the recovery is under way, the chance that it can be sustained appears good. Fiscal policy is providing significant near-term support for the economy through a continued rise in defense spending, countercyclical transfer payments, and further tax cuts. The current monetary policy, too, is consistent with an expansion: barring some unexpected reemergence of serious inflationary pressures in 1983, the monetary growth targets established by the FOMC should provide the liquidity needed to support a recovery in real activity.

A resurgence of inflation seems unlikely in the near term, even though some commodity prices may rebound from cyclically depressed levels as the recovery takes hold. The underlying trend in labor costs appears to have moved down. In addition, the current supply situations in agricultural and energy markets appear conducive to continuing progress against inflation; indeed, recent developments in the international oil market seem to portend quite favorable price movements for this key commodity.

There still are, however, reasons for concern about the longer-run outlook for the economy. One major source of concern is the prospect that federal deficits will continue to be massive in the years ahead, even as the economy is well along in the expansion. This prospect suggests a serious risk that pressures on credit markets will mount as the credit demands of private borrowers grow with the recovery. In addition, the prospective deficits tend to cast doubt on the commitment of economic policy to gain control of inflation over the long run. For these reasons, the budgetary picture continues to have an unsettling influence on financial markets, and lenders remain hesitant to commit funds for a long period, except at interest rates that are high relative to the current pace of inflation.

Overcoming the still deep skepticism about the anti-inflation effort is crucial in other ways to the achievement of strong and sustained economic growth. Generally recognized is that periods of slowing inflation in the past two decades have proved to be temporary, and unless the commitment to see the present effort through is made fully credible by the actions of the fiscal and monetary authorities, there will be a danger that as markets improve with recovery we will see a reversion to aggressive patterns of wage and price behavior. If this came to pass, the viability of economic expansion would be severely jeopardized.

We need, too, to deal with the strains existing in the international financial arena. Timely action to enhance the resources of the International Monetary Fund is essential. But more generally, we must maintain the spirit of cooperation among borrowers, lenders, and governmental authorities that has been the hallmark to date of the effort to resolve the difficult problems confronting us.

The members of the Federal Open Market Committee, together with other Federal Reserve Bank presidents who alternate as Committee members, believe that the economic expansion that now appears to be starting will result in a solid gain in real GNP over the four quarters of 1983. The increases expected are moderate in comparison with the first year of most past recoveries, and the consensus is that these gains can be achieved without a resurgence in inflationary pressures, especially in light of the favorable underlying trend of unit labor costs.

In formulating these projections for 1983, members of the FOMC and the presidents of the Reserve Banks took account of the target ranges established for the various monetary and credit aggregates, and assumed that the Congress and the administration will make progress in the months ahead in reducing federal deficits for coming years, thereby diminishing the threat those deficits would otherwise pose to long-run price stability and sustainable economic growth. No specific allowance was made for a large decline in oil prices; also, the special restraining influence on prices exerted by the appreciation of the dollar in 1982 is not expected to be repeated in 1983.

The ranges of growth in money and credit specified by the Committee for 1983 would appear compatible with some further decline in market rates of interest as inflation abates. However, the direction of fiscal policy decisions will play a major role. Decisive action to reduce the Treasury's demands on the credit markets in the years ahead would be well received by investors and would contribute greatly to a relaxation of the continuing pressures on interest rates. Of critical importance to the interest rate outlook—and one certainly not divorced from the budget picture—is the behavior of inflation and expectations of inflation. Lower rates of inflation contribute directly to the reduction of demands for money and credit, and sustained progress in slowing the advance of wages and prices would do much to relieve the concerns of investors as to the future course of interest rates.

2. Economic projections for 1983

Item	FOMC members and other Bank Presidents		Administration	CBO
	Range	Central tendency		
Changes, fourth quarter to fourth quarter, percent				
Nominal GNP	7¼ to 11¼	8.0 to 9.0	8.8	8.9
Real GNP	3 to 5½	3.5 to 4.5	3.1	4.0
GNP deflator	3½ to 5½	4.0 to 5.0	5.6	4.7
Average level in the fourth quarter, percent				
Unemployment rate[1]	9½ to 10½	9.9 to 10.4	10.4	n.a.

1. Percent of total labor force, including persons in the Armed Forces stationed in the United States.
n.a. Not available.

Projections of the majority of the Committee members (and other presidents of Reserve Banks) for growth in the real GNP from the fourth quarter of 1982 to the fourth quarter of 1983 were in a range of 3½ to just over 4 percent, a little higher than the recent forecast of the administration, and similar to the projection of the Congressional Budget Office (table 2). Several expected significantly more growth. Nearly all believed that prospects were excellent for less inflation than the 5.6 percent increase in the GNP deflator projected by the administration, with the majority expecting an increase of 4.5 percent or less. The combination of real growth and inflation resulted in a central tendency of 8 to 9 percent in nominal GNP growth. Unemployment was expected to remain high during the first year of recovery. □

APPENDIX

Note on Credit Aggregate

The specific measure of aggregate credit used by the FOMC in establishing a range for growth is the total debt of domestic nonfinancial sectors, as derived from the Board's flow of funds accounts. This measure includes borrowing by private domestic nonfinancial sectors and by the federal and state and local governments in U.S. markets and from abroad; it excludes borrowing by foreign entities in the United States.

Various statistical tests were used to compare this measure with other potential credit aggregates—such as totals that included borrowing by foreign entities or by financial institutions, or that were augmented by equities. Comparisons also were made with less comprehensive totals such as aggregate private borrowing or financial assets other than equities held by nonfinancial sectors. In these comparisons, which involved examining the stability and predictability of relationships to GNP and other economic variables, the domestic nonfinancial debt total generally performed as well as or better than the other series considered. The private borrowing aggregate clearly performed least well.

A.1 Behavior of domestic nonfinancial sector debt

Changes in percent, fourth quarter to fourth quarter

Year	Change in debt	Change in ratio of debt to GNP
1960	5.2	3.1
1961	5.7	−1.6
1962	6.7	.9
1963	6.9	.3
1964	7.2	1.2
1965	7.2	−3.0
1966	6.9	−1.1
1967	6.8	.5
1968	8.4	−.9
1969	7.1	.3
1970	6.9	1.9
1971	9.3	−.3
1972	10.0	−1.4
1973	11.3	−.2
1974	9.3	2.1
1975	8.9	−1.0
1976	10.7	1.3
1977	12.3	.1
1978	12.9	−1.6
1979	12.3	2.4
1980	9.9	.4
1981	10.1	.4
1982	9.1	5.7
MEMO: average annual change	8.7	.4

Treasury and Federal Reserve Foreign Exchange Operations

This 42d joint report reflects the Treasury–Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Sam Y. Cross, Manager of Foreign Operations for the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. It covers the period August 1982 through January 1983. Previous reports have been published in the March and September [October 1982] BULLETINS of each year beginning with September 1962.

The dollar rose against all major foreign currencies from August through mid-November 1982, exceeding the peaks of the previous year and reaching the highest levels on a trade-weighted basis of the floating-rate period. The dollar then reversed course through the middle of January, ending the six-month period lower on balance against the Japanese yen and the Swiss franc, but higher against most other major foreign currencies.

The dollar was strongly bid in the exchange markets early in the period under review even as U.S. interest rates dropped sharply and as interest differentials favoring dollar-denominated assets narrowed appreciably. In part, bidding for dollars reflected a deepening apprehension about the international banking system. As evidence emerged of the liquidity pressures facing first Mexico and then other developing countries, doubts spread in the markets about the willingness or the ability of one or several of these borrowers to meet their external obligations. In response, individual institutions sought to augment their liquidity positions, especially in dollars, against potential funding or cash-flow problems and in advance of important statement dates, particularly around the end of September. In this environment, market participants became wary about the credit exposures of potential counterparties in the interbank market. Their heightened perception of risk was reflected to an extent in the widening yield spread between U.S. government obligations and private credit instruments.

In part, the dollar's buoyancy also reflected market perceptions that the outlook for the U.S. economy was favorable relative to those for other countries. Inflation in the United States was rapidly receding in product and labor markets, and the previously adverse inflation differentials that the United States had experienced vis-à-vis Germany and Japan were quickly erod-

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility, Jan. 1, 1982	Effective August 30, 1982	Amount of facility, Jan. 31, 1983
Austrian National Bank	250		250
National Bank of Belgium	1,000		1,000
Bank of Canada	2,000		2,000
National Bank of Denmark	250		250
Bank of England	3,000		3,000
Bank of France	2,000		2,000
German Federal Bank	6,000		6,000
Bank of Italy	3,000		3,000
Bank of Japan	5,000		5,000
Bank of Mexico			
Regular facility	700		700
Special facility	0	325	325
Netherlands Bank	500		500
Bank of Norway	250		250
Bank of Sweden	300		300
Swiss National Bank	4,000		4,000
Bank for International Settlements			
Swiss francs/dollars	600		600
Other authorized European currencies/dollars	1,250		1,250
Total	**30,100**	**325**	**30,425**

ing. Widely anticipated shifts in balance of payments positions against the United States following the dollar's two-year rise were slow to materialize. Moreover, the outlook for economic growth remained more positive for the United States than elsewhere.

Meanwhile, the prospect of recovery in the near term and of looming fiscal deficits over the medium term were seen as limiting the scope of future interest rate declines in the United States. To be sure, Federal Reserve authorities had indicated during the summer that they would tolerate monetary expansion at somewhat higher than the targeted annual rate in view of economic uncertainty and strong liquidity demands. Short-term interest rates had declined from their mid-year peaks in response to the sluggishness of the economy and of credit demands by some 6½ percentage points through late August and then, after some backing-up in September–October, by a further ½ percentage point by late October.

In the meantime, the Federal Reserve lowered its discount rate in five steps from 12 percent to 9½ percent in three months. But no fundamental change in Federal Reserve operating procedures had been indicated. Compared with other countries, the decline in U.S. nominal interest rates still lagged behind the reduction of inflation so that real interest rates remained high, both absolutely and relative to other countries. Furthermore, because of the weakness of economies abroad, foreign monetary authorities were expected to take full advantage of any decline in U.S. interest rates that appeared to be sustainable to ease credit conditions in their own economies. These expectations were confirmed when official and market interest rates in major European countries declined in late August and again in October.

For all these reasons the dollar was bid higher in the exchange markets in frequently active trading through mid-November. The uptrend was uneven. In view of the heightened perception of risk that prevailed at the time and uncertainty over the timing and profile of the anticipated recovery in the United States, the markets were susceptible to abrupt shifts in sentiment or movements in exchange rates. Under these circumstances, the U.S. authorities intervened on one day in early August and on three days in early October when the dollar was bid up sharply to higher levels in unsettled markets. The Federal Reserve and the U.S. Treasury purchased $57.0 million equivalent of Japanese yen and $45.0 million equivalent of German marks. Of the total Japanese yen acquired, $38.5 million was for the Federal Reserve and $18.5 million for the U.S. Treasury. The German mark purchases were evenly split between the Federal Reserve and the Treasury. At the dollar's peak, it had risen 11 and 7½ percent from levels in late August against the yen and the mark respectively to levels not seen in five years or more. Against some of the other continental currencies, the dollar had moved up to record levels.

By mid-November, the international economic climate had changed significantly. Expectations of a U.S. economic recovery had been disappointed, and recent statistics were suggesting that recession, while deepening further abroad, had not yet ended in the United States. The unemployment rate in the United States had shot up quickly to 10½ percent just before the congressional elections, and a number of political campaigns had focused on economic issues, leaving market operators sensitive to the possibility that more policy initiatives might be undertaken to stimulate the economy. By this time, also, the U.S. trade position had posted several large monthly deficits. The anticipated deterioration in net exports not only appeared to have materialized, but coming at a time of weak domestic demand, suggested that the potential drop into deficit and the resulting drag on the U.S. economy might be far deeper than previously envisaged. Press and official commentary associated the dollar's past appreciation with the weakness of U.S. trade and employment.

In addition, market participants came to the judgment that the prospects and priorities for the international financial system had changed. The immediate risks of a major international loan default receded, as first Mexico and then other countries negotiated adjustment programs with the International Monetary Fund (IMF) and established procedures for arranging near-term financing needs. However, the success of these countries' stabilization programs and of their efforts ultimately to meet their heavy external obligations was seen as requiring a more buoyant international economy and substantially reduced financing costs.

Accordingly, market participants continued to anticipate further easing of U.S. short-term interest rates for a time. But, during the winter, they began to question the scope for further substantial interest rate drops in light of recent behavior of the monetary aggregates. In the event, the Federal Reserve reduced its discount rate in two more steps to 8½ percent by mid-December. But, at least in the market for medium- and longer-term securities, the downtrend in interest rates was beginning to meet resistance.

Under these circumstances, market participants were willing to diversify their portfolios by liquidating some of their dollar-denominated assets. Investors chose to realize the capital gains they had earned on their investments in the United States and to participate in the rallies in capital markets abroad that were being triggered by expectations of further interest rate cuts there. In addition, market professionals were willing to take positions on expectations that a long-awaited reversal of the dollar's sustained advance had finally arrived.

Consequently, the dollar declined from mid-November through mid-January 19 percent against the Japanese yen and 14½ and 10½ percent respectively against the Swiss franc and German mark. Of all the major currencies, the dollar rose only against the pound sterling, which, like the dollar, had begun a decline in mid-November and then depreciated more rapidly in response to the prospect of declining oil prices to touch a record low in terms of the dollar by the second week of January.

After mid-January, the decline in the dollar stalled or was partially reversed. Whereas industrial economies abroad remained weak, the first clear signs appeared that the U.S. recession was bottoming out. Moreover, the prospect of large, projected U.S. fiscal deficits, together with the recent, more rapid monetary growth, raised uncertainty whether the Federal Reserve might tighten credit market conditions again. Both Treasury and Federal Reserve officials stressed the longer-term need to reduce the deficits and to maintain the anti-inflationary resolve of monetary policy. Thus, expectations faded of further interest rate declines and, in fact, market yields edged up somewhat during January. With interest rates abroad generally holding steady or declining slightly, differentials favorable to dollar assets once again widened. By the close of January, the dollar was trading slightly higher against most European currencies than at the beginning of the six-month period under review. It remained lower, however, against the Japanese yen and the Swiss franc than it had been on July 30. In trade-weighted terms, the dollar rose slightly over the six months. The U.S. authorities did not intervene after early October.

As discussed later, the Federal Reserve and the U.S. Treasury provided credits to Mexico through a combination of long-standing facilities and new arrangements. On the first day of the period under review, the Bank of Mexico repaid a one-day $700 million drawing on its swap line under the Federal Reserve's reciprocal currency arrangement, used to finance a short-run liquidity need. Then, with the Mexican authorities proceeding with discussions with the IMF of a new stabilization program, the Bank of Mexico requested and was granted on August 4 a $700 million drawing on that same swap line. As of January 31, $373 million was still outstanding under that facility.

Also, over the August 14–15 weekend, the Mexican authorities arranged a temporary new $1 billion swap facility with the Exchange Stabilization Fund (ESF) of the U.S. Treasury to meet immediate cash needs pending the conclusion of an agreement for a $1 billion advance payment for oil from the U.S. Department of Energy for the U.S. strategic reserves. The Mexican authorities drew $825 million against the ESF facility and then, on August 24, repaid the entire drawing. The Treasury and the Federal Reserve participated on August 30 in a $1.85 billion multilateral financing program for the Bank of Mexico in cooperation with several other monetary authorities, under the aegis of the Bank for International Settlements (BIS), through swap arrangements of $600 million and $325 million, respectively. The Bank of Mexico had outstanding drawings of $299 million on the Federal Reserve and $556 million on the U.S. Treasury under the facility as of January 31.

During the period, the U.S. monetary authorities provided or participated in the provision in

2. Drawings and repayments

Millions of dollars; drawings, or repayments (−)

Bank, or drawings	Outstanding, Jan. 1, 1982	1982: 1	1982: 2	1982: 3	1982: 4	1983 Jan.	Outstanding, Jan. 31, 1983
	Foreign central banks and the Bank for International Settlements under regular reciprocal currency arrangements						
Bank drawing on Federal Reserve System							
Bank of Mexico	0	0	800.0 −600.0	1,400.0 −900.0	−217.4	−109.8	373.0
Bank for International Settlements[2] (against German marks)	0	0	0	0	124.0 −124.0	0	0
Total	0	0	800.0 −600.0	1,400.0 −900.0	124.0 −341.4	−109.6	373.0
	Bank of Mexico under special swap arrangements						
Drawings on							
U.S. Treasury special temporary facility for $1,000 million	....	......	....	825.0 −825.0	....	....	....
Special combined credit facility							
Federal Reserve special facility for $325 million	....	......	....	89.8 43.8	211.2	42.0	299.3
U.S. Treasury special facility for $600 million	....	......	....	166.8 − 81.3	392.2	78.0	555.8
Total	....	......	....	1,081.6 −950.0	603.5	20.0	855.0
	Central Bank of Brazil under special swap arrangements with the U.S. Treasury						
Drawings on U.S. Treasury special facilities for							
$500 million	....	......	....	....	500.0 −500.0	....	....
$280 million	....	.....	....	....	280.0	0	280.0[3]
$450 million	....	.....	....	....	450.0	0	450.0
$260 million	....	.....	....	....	250.0 −104.2	−145.8	....
Total	....	......	....	....	1,480.0 −604.2	−145.8	730.0

1. Data are value-date basis. Because of rounding, details may not add to totals.

2. BIS drawings and repayments of dollars against European currencies other than Swiss francs to meet temporary cash requirements.

3. This swap drawing repaid at maturity on February 1, 1983.

October and November of $1.23 billion of short-term financing following adoption of economic policies at the October meeting of Brazil's National Monetary Council. The financing was provided under three swap facilities in anticipation of Brazil's drawings under the compensatory financing facility of the IMF as well as on its reserve position with the IMF. The first $500 million facility was drawn on October 28 and November 3 and repaid on December 28. Other facilities totaling $730 million were made available in November and remained outstanding at the end of the period.[1]

Meanwhile, on December 23 the BIS, acting with the support of the U.S. Treasury and monetary authorities in other industrial countries, provided the Central Bank of Brazil with a $1.2 billion credit facility, which was later increased to $1.45 billion. In anticipation of this arrangement, the Treasury through the ESF provided on December 13 an advance of $250 million through a swap arrangement, which has since been repaid. As part of the liquidity-support arrangements for the BIS provided by the participating monetary authorities, the ESF has agreed to be substituted for the BIS for $500 million of the total credit facility in the unlikely event of delayed repayment by the Central Bank of Brazil.

With respect to Argentina, on January 24 the BIS announced, with the support of a group of its member central banks and the U.S. monetary authorities, a $500 million bridging loan to the Central Bank of Argentina to be repaid by the end of May as other funds become available to that country. In this case, the Federal Reserve has agreed to be substituted for the BIS at its request for up to $300 million of the total credit facility in the unlikely event that the credit

1. Of this amount, a swap drawing of $280 million was repaid at maturity on February 1, 1983.

3. U.S. Treasury securities, foreign commitments, currency denominated[1]

Millions of dollars equivalent; issues, or redemptions (–)

Issues	Amount of commitments, Jan. 1, 1982	1982: 1	1982: 2	1982: 3	1982: 4	1983, January	Amount of commitments, Jan. 31, 1983
Public series							
Germany	3,622.3	0	–451.0	–1,231.9	–664.1	0	1,275.2
Switzerland	458.5	0	0	0	0	–458.5	0
Total	**4,080.8**	**0**	**–451.0**	**–1,231.9**	**–864.1**	**–458.5**	**1,275.2**

1. Data are on a value-date basis. Because of rounding, details may not add to totals.

remains outstanding for a longer period of time than is now contemplated.

In other operations, the U.S. Treasury redeemed at maturity on September 1 and December 14 German mark-denominated securities equivalent to $671.2 million and $664.1 million respectively, and on January 26 the Treasury redeemed at maturity the last of its Swiss franc-denominated securities equivalent to $458.5 million. After these redemptions, the Treasury had outstanding $1,275.2 million equivalent of notes (public series), which had been issued in the German market with the cooperation of the German authorities in connection with the dollar-support program of November 1978. All these notes are scheduled to mature by July 26, 1983.

In the six-month period from August through January, the Federal Reserve had no profits or losses on its foreign currency transactions. The ESF recorded a gain of $4.2 million in connection with sales of foreign currency to the Treasury general account, which the Treasury used to finance interest and principal payments on foreign currency-denominated securities. The Treasury general account gained $84.9 million on the redemption of German mark- and Swiss franc-denominated securities. Valuation gains or losses, as presented in table 4, represent the increase or decrease in the dollar value of outstanding currency balances if valued at end-of-period exchange rates compared with those at which the assets and liabilities were acquired. As of January 31, 1983, valuation losses on outstanding balances were $573.7 million for the Federal Reserve and $965.2 million for the ESF. The Treasury general account had valuation gains of $360.6 million related to outstanding issues of securities denominated in foreign currencies.

4. U.S. Treasury and Federal Reserve current foreign exchange operations[1]

Net profits or losses (–); in millions of dollars

Period	Federal Reserve	U.S. Treasury: Exchange Stabilization Fund	U.S. Treasury: General account
1982—Q1	0	15.9	– 4.2
Q2	0	1.5	78.5
Q3	0	– 2.3	89.4
Q4	0	4.3	16.0
January 1983	0	0.5	38.3
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1983	–573.7	–965.2	360.6

1. Data are on a value-date basis.

The Federal Reserve and the Treasury invest foreign currency balances they acquire as a result of their foreign exchange operations through a variety of investments that yield market-related rates of return and provide a high degree of quality and liquidity. Under the authority provided by the Monetary Control Act of 1980, the Federal Reserve had invested some of its own foreign currency resources and those held under warehousing agreements with the Treasury in securities issued by foreign governments. As of January 31, the Federal Reserve's holdings of such securities were $1,367 million. The Treasury had invested $2,536 million in such securities as of the end of January.

JAPANESE YEN

Japan's economic performance, though still impressive by international comparison, had by midsummer fallen short of earlier expectations in many important respects. Externally, exports had declined under the influence of the worldwide recession, increasing barriers to Japanese goods, and import cutbacks by several financially strapped developing countries previously among Japan's fast-growing export markets. Although imports had also dropped and the current account remained in surplus, the trend of continuous trade balance improvement, which had reemerged after the second rise in oil prices late in the 1970s, was now broken. Moreover, the current account surplus was overshadowed by large outflows of capital that reflected in part lower interest rates in Japan than in other centers. Internally, efforts to generate a domestic economic recovery faltered as a modest upturn in consumer expenditures earlier in the year petered out and investment stagnated. With slower-than-expected growth leading to a renewed shortfall in tax revenues and an overrun in the government's borrowing requirement, Japan's bond market came under pressure while the stock market was depressed by the deteriorating economic outlook. These developments also contributed to the outflows of capital from Japan.

Thus, the Japanese yen had become the victim of repeated disappointment about the prospects for the economy and large net capital outflows. Commercial leads and lags built up strongly against the currency. By the end of July it had fallen 20 percent against the dollar from the highs of November 1981 to ¥ 255.60, while easing 8 percent against the German mark. The authorities had intervened at times to cushion the yen's decline, and Japan's foreign currency reserves had dropped $3.2 billion during the eight months to $21.8 billion.

Meanwhile, monetary policy was being relied on to provide stimulus to Japan's economy while fiscal policy was constrained by concern over the budget deficit and the commitment to eliminate the borrowing gap by 1984. But the yen's continued weakness greatly reduced the maneuverability of the monetary authorities to respond during the summer months to evidence of a further weakening of demand and a rise in unemployment. The yen's steep fall had boosted the international competitive position of Japanese industry, and in the current recessionary environment, this development was attracting strong criticism from abroad and aggravating trade frictions. Thus, the authorities were reluctant to risk any further easing of interest rates for fear of stimulating even greater outflows of capital, even though a rapid deceleration in inflation had left Japan's interest rates in real terms high by historical standards. Instead, the Bank of Japan kept short-term rates around 7 percent. Against this background the yen remained on offer, fluctuating closely in response to changes in liquidity conditions in the United States. When interest rates abroad fell sharply during mid-August, the yen firmed temporarily, only to give way to renewed selling pressures when the downtrend in foreign interest rates seemed to lose momentum later on.

During September and October sentiment toward the yen remained cautious as the markets' earlier presumption that the dollar would soon ease came to be challenged. In the United States, the scope for further interest rate cuts in the near term had come into question. More importantly, the flare-up of debt problems in Mexico and other developing countries triggered a strong demand for dollar-denominated assets, even though market participants were initially concerned about the credit exposures of individual U.S. banks. The Japanese yen became caught up in these concerns. Meanwhile, at home, attention again focused on the government's efforts to wrestle with its fiscal deficit, especially after Prime Minister Suzuki announced that the government's finances were in a "state of emergency" and the goal of balancing the budget by 1984, to which his government had emphasized its strong commitment, would have to be abandoned. Steps were taken to cut some expenditures to make room for selective stimulus via new public works spending and housing loan subsidies. But these measures were viewed as not sufficient either to contain the growing deficit or to revive private demand. In October the Prime Minister's surprise announcement that he would not seek reelection led to a difficult four-way succession struggle.

In this atmosphere the yen fell irregularly, dropping 9 percent from levels at the end of July to a 5½-year low of ¥ 278.60 on November 4 against the generally strong dollar. It had weakened also against other currencies, falling 4 percent against the mark by early November. The Bank of Japan at times sold dollars both in Tokyo and in New York to support the currency in the exchange markets. These sales were greater than the \$2.8 billion decline in Japan's foreign exchange reserves over the three months to \$19.1 billion by the end of October. The U.S. authorities joined in concerted intervention operations with the Japanese authorities to counter disorderly markets on August 4 and October 4–6, as the dollar rose sharply. A total of \$57.0 million of yen was purchased, of which \$38.5 million was on behalf of the Federal Reserve System and \$18.5 million was for the account of the U.S. Treasury.

During November the Japanese yen finally began to recover, buoyed at first by a major shift in international investment flows. By this time, the four-month rally in U.S. capital markets showed signs of peaking, encouraging many investors from Japan and elsewhere to take profits on dollar investments and to shift into other markets. Since the Japanese monetary authorities had so far refrained from following interest rate cuts abroad, market participants assessed that there might be considerable latitude now for rates in Japan to ease, generating expectations of potential capital gains.

At the same time, the outlook for economic growth globally had deteriorated considerably, and the prospect that Japan's economy would still expand, however slowly, made investment in the stock market in Tokyo relatively more attractive than in other financial centers. Foreign investors, therefore, became large net purchasers of Japanese securities, contributing to a strong rally in the Tokyo stock and bond markets. Long-term bond yields were brought down nearly 1 percentage point in the rally, even while the Bank of Japan's discount rate was unchanged and short-term interest rates held steady. Net overseas investment by Japanese residents declined, and long-term capital outflows slowed. Although these tendencies had begun to appear in earlier months, the turnaround in investment had a particularly strong impact in November, when the long-term capital account registered its first surplus in eighteen months. This news was viewed in the market as evidence that the yen was finally embarked on a sustainable recovery.

Before long, the bidding for yen broadened. Reports circulated that some large Japanese exporting firms, which had postponed dollar sales in earlier months when the yen was weak, had begun actively to sell dollars forward. The election of a new prime minister by an unexpectedly wide margin in late November and Prime Minister Nakasone's first statements affirming continuation of most of the previous government's policies helped dispel earlier political uncertainties. Japan was seen as relatively free of the immobilizing policy disagreements that were taking place in so many other countries and as continuing to follow a clear and consistent path of macroeconomic restraint. The yen thus came into demand and rose nearly 19 percent against the dollar between early November and early January to ¥ 226.55 by January 10. Against the German mark the currency rose some 10 percent over the same period.

By early January, market participants began reassessing the outlook for further interest rate declines abroad in light of indications that the U.S. economy might be recovering more quickly than had been thought and the prospect that the U.S. fiscal deficit might again exert upward pressure on long-term U.S. interest rates. Meanwhile, expectations had become firmly entrenched that the Japanese authorities would soon lower official short-term interest rates. Also, Japanese institutional investors had already begun to invest once more abroad. After locking in some capital gains on their domestic securities, many took advantage of "partly paid" bonds in the Eurobond market to make an initial installment on a new issue and, if the yen were to strengthen, benefit from this before completing their subscriptions. Once the balance in the market began to tip against the yen, many traders in the interbank market and on Chicago's International Monetary Market (IMM), who apparently were holding large long yen positions, moved to cover their positions. The ensuing selling brought the yen down quickly to ¥ 242.10 on January 24. In these circumstances, the Japanese authorities did not proceed with the cut in the discount rate the market had come to expect would occur after Prime Minister Nakasone's visit to the United States. As a result, the Japanese yen moved up to close the period at ¥ 240.90, well below its highs in early January but up almost 6 percent on balance over the six-month interval. The Bank of Japan made only modest intervention sales of dollars in the last three months of the period. Therefore, the country's foreign exchange reserves closed at $19.5 billion, little changed from the level at the end of October but still down $2.3 billion from their levels at the end of July.

GERMAN MARK

By August 1982 the German mark had strengthened against most foreign currencies, while continuing to decline against the U.S. dollar. The mark's performance vis-à-vis other European currencies reflected primarily a moderation of inflation and the greater progress made by Germany than by most of its neighbors in gaining balance of payments equilibrium. Capital outflows continued to weigh against the dollar–mark exchange rate, however, attracted by higher U.S. interest rates and concern that Germany was more vulnerable to the political and financial strains then developing. Internally, proposals for dealing with persistently large fiscal deficits had led to protracted debates within Germany's coalition government. Also, financial strains in the private sector had left market participants wary about individual German financial institutions. Moreover, the openness of Germany's economy exposed it to possible disruptions of oil flows arising from conflict in the Middle East, the spread of recession among industrialized countries, and repercussions of economic sanctions adopted by the United States against the Soviet Union.

Consequently, the mark, which had already fallen 11 percent from its November 1981 high against the dollar to DM 2.4430 by the end of July, dropped further to a low of DM 2.5315 by early trading in the Far East on August 11. During August the German authorities continued to sell dollars in modest amounts to facilitate the fixings in Frankfurt. Early in the month the U.S. authorities operated once, purchasing $5 million equivalent of marks for the Federal Reserve and the U.S. Treasury.

The continued decline of the mark through midsummer was one of the complications facing the authorities as they tried cautiously to steer the economy out of protracted stagnation. For almost a year, the Bundesbank had taken advantage of improvements in Germany's external position and price performance, together with the rise of the mark in effective terms, to lower its official discount and Lombard rates. At the same time, fiscal policy was geared to a reduction of the public-sector deficit.

Another complication was an unexpected deterioration in the economic climate in Germany. As foreign demand weakened sharply after midyear, Germany's economic stagnation gave way to recession. The sag in new foreign orders reflected the weakness of the global economy, dwindling Organization of Petroleum Exporting Countries (OPEC) surpluses, and severe financing constraints facing many non-oil developing countries. Already liquidity difficulties had emerged for a number of firms including AEG-Telefunken, generating talk of the need for governmental action to support the economy and employment. But, at the same time, an accord on the 1983 federal budget reached just weeks before was beginning to be questioned on the grounds that it rested on overly optimistic assumptions for the economy. Thus, prospects grew of enlarged official borrowing needs, and Germany's bond market again had come under pressure.

Against this background, market participants expected that the authorities would take advantage of any opportunity that might arise to lower interest rates and thereby deflect pressure for further fiscal stimulus. When U.S. interest rates resumed their downtrend after mid-August, interest differentials adverse to the mark sharply narrowed. As a result, the interest differential for three-month Eurodeposits shrank to 2½ percentage points from more than 7½ percentage points two months before. Under these circumstances, the mark recovered strongly to DM 2.41. The Bundesbank then moved on August 27, in concert with the Swiss and Dutch central banks, to cut the discount and Lombard rates to 7 from 7½ percent and to 8 from 9 percent respectively. The action was described by Bundesbank President Poehl as an important step to provide support to the domestic economy.

Except for the short-lived recovery late in August, the mark continued to decline through early November. Although the mark's continuing weakness during the fall reflected in part the overall strength of the dollar, the situation at home also contributed. The market's expectation that the German authorities would take advantage of any opportunity to cut interest rates in Germany was confirmed by the Bundesbank's action of late August. The renewed drop in economic activity was a source of discouragement in Germany and was reflected in a rise in unemployment close to the psychologically important two million level for September. In October the government recognized that the weak performance of the economy would necessitate revision of the government's budget forecasts, and debate intensified over the choice to accept a larger-than-expected deficit or to cut welfare expenditures drastically. The Bundesbank continued to ease monetary conditions after interest rates abroad moved lower and adverse interest differentials began to narrow. Effective October 1 it reduced banks' minimum reserve requirements, thereby releasing about DM 5.5 billion of liquidity on a permanent basis. Effective October 22, the Bundesbank cut its discount and Lombard rates, both 1 percentage point to 6 percent and 7 percent respectively.

Thus the mark remained under fairly steady downward pressure against the dollar. It fell to DM 2.6050 in European trading on November 11, shortly after news of the death of Soviet President Brezhnev, down nearly 8 percent from its highs touched in late August. Operating on two occasions early in October when the mark fell abruptly in unsettled market conditions through the low levels of early August, the U.S. authorities purchased a total of $40 million equivalent of marks, shared equally between the Federal Reserve and the U.S. Treasury.

In mid-November, when the demand for dollar-denominated liquidity subsided and sterling came on offer, the German mark appeared to market participants as an attractive alternative currency for investment. Germany's current account was again improving, with most forecasters expecting balance for 1982. The November current account registered one of the largest surpluses on record. In addition, German banks were no longer alone in having international exposures that, even if an immediate problem had been diverted, might impinge on earnings later on. Reflecting the more favorable outlook for the mark and declining adverse interest differentials, German portfolio managers moved quickly to shift funds out of dollars and sterling into mark-denominated investments. Meanwhile, German exporters, who had previously postponed hedging their dollar receipts, moved to sell dollars forward.

In this environment, the German mark strengthened considerably against most currencies. Against the dollar it rose steadily, surpassing by early December its high point of August and moving to a seven-month peak of DM 2.3295 by January 10. At this level, it was up nearly 10½ percent from its lows in mid-November. Within the European Monetary System (EMS), the mark had previously moved from the bottom of the new intervention points established after the last realignment. Now, as the dollar weakened and funds were shifted into German marks, the mark emerged near the top of the EMS band. As the mark strengthened, it was used increasingly as an intervention currency by other EMS countries.

After January 10, however, the mark lost some of its gains. At this time, the dollar generally rose as signs of a bottoming-out of the U.S. recession and the pressures of large Treasury financing needs seemed to limit prospects for further declines in U.S. interest rates. Moreover, the outlook for the mark was clouded by political uncertainties and capital again flowed out of Germany. In addition, German stock and bond prices dropped, reports circulated in the market that German residents were moving to hedge or repay their Swiss franc liabilities, and foreign entities postponed planned investments in Germany. At the end of January the mark was trading at DM 2.4735, down about 6 percent from its highs in early January and down about 1 percent from levels at the end of July.

The earlier strengthening of the mark afforded an opportunity for the Bundesbank again to reduce its discount and Lombard rates a full percentage point to 5 and 6 percent respectively on December 3, while providing liquidity to bring short-term interest rates in line with the new Lombard rate. In addition, the Bank announced that it would maintain the target range of 4 to 7 percent for the growth of central bank money, continuing to aim at the upper half of the range as long as economic activity remained weak and the inflation performance and external situation permitted. In the wake of these actions, domestic money market rates eased significantly so that, despite some further softening in U.S. rates, the mark's adverse interest differential widened slightly. During January, however, no further cuts in official interest rates were made, though the Bundesbank did raise rediscount quotas DM 4 billion effective February 1.

From August through January, Germany's foreign currency reserves were subject to diverse tendencies. For the most part, the Bundesbank intervened only modestly as a seller of dollars in support of the mark throughout the period, with most of the operations undertaken to settle imbalances at the fixings in Frankfurt. The German authorities also acted as sellers of German marks in modest amounts against EMS currencies and, on occasion, against dollars to alleviate strains within the joint float. Germany's reserves stood at $40.6 billion at the end of January, up about $4.1 billion on balance from the $36.5 billion level at the end of July.

During the period, the U.S. Treasury redeemed at maturity $1,335.3 million equivalent of its German mark-denominated securities. These redemptions, which occurred on September 1 and December 14, left the Treasury with $1,275.2 million equivalent of mark-denominated notes (public series) outstanding.

SWISS FRANC

For much of the first eight months of 1982, the Swiss franc had declined from its strong levels of late 1981 under the weight of heavy capital outflows. With Switzerland's earlier policies of restraint having moderated inflation and the Swiss economy weakening, the Swiss National Bank aimed at providing sufficient liquidity to prevent any further drag on economic activity by keeping central bank money on an average growth path during the year targeted at 3 percent. In the event, growth of central bank money had fallen short of the target during the early months, so that fairly substantial injections of liquidity were required during the spring. Interest rates fell and rate differentials adverse to franc placements became extremely wide. In response, foreign official and corporate borrowers placed heavy demands on Switzerland's capital market. These, together with other capital outflows, more than offset the demand for Swiss francs arising from Switzerland's current account surplus. Consequently, by the end of July, the franc had fallen 19 percent against the dollar and 8 percent against the German mark from its peak in the closing months of 1981. Meanwhile, Switzerland's foreign exchange reserves had risen to $11.8 billion, largely reflecting the use of foreign exchange swaps to provide liquidity to the banking system.

By early August, signs of weakness in Switzerland's economy were spreading. Exports, which had held up well earlier in the year and cushioned the impact of the recession, were falling victim to the sluggishness of demand abroad, especially in Germany, and the lagged effects of the franc's appreciation the year before. Nevertheless, market participants began to sense that the monetary authorities might have less leeway than before to continue forcefully to ease monetary conditions. Inflation, which had slowed to about 5 percent, remained stubbornly high by comparison with both historical experience and other industrial countries. The persistence of inflation in the face of a declining economy partly reflected the impact of recent declines in the franc on domestic prices of imported products. Moreover, the growth of central bank money had begun to rise toward the authorities' target.

As a result, the franc, while fluctuating widely against the dollar in response to day-to-day shifts in current and prospective money market conditions and international liquidity strains, traded narrowly against the German mark during the month of August. Although against the dollar the franc had declined a further 4 percent to a low of SF 2.1650, it bounced back quickly later in the month. Under these circumstances, the National Bank joined with other European central banks in a concerted move to take advantage of the continued decline in interest rates in the United States to cut rates in their respective countries, effective August 27. But, in view of the already low level of interest rates in Switzerland, the National Bank cut its discount and Lombard rates only ½ percentage point to 5 percent and 6½ percent respectively.

After late August, when all currencies were declining against the dollar, the Swiss franc again began to fall more rapidly than the German mark. Although short-term interest rates in Switzerland declined less rapidly than elsewhere, by late October at 3 to 3½ percent they remained the lowest in all the industrialized countries. As a result, nonresidents continued to borrow heavily in the Swiss capital markets and to convert the proceeds to other currencies. To be sure, the attraction of Switzerland as a safe haven increased during the fall, as concern deepened about the potential ramifications of the growing list of international debt problems, and Swiss financial institutions were believed to be less threatened by liquidity strains than many others. But much of the flows into Swiss banks were into dollar-denominated deposits. On balance, therefore, the persistent interest-sensitive capital outflows continued to weigh against the franc.

As the Swiss franc resumed its decline with little apparent resistance from the Swiss authorities, market participants came to the view that the National Bank had put priority on achieving its monetary target for the year and was willing, at least while the Swiss economy was weak, to accept a continued gradual decline of the franc, especially against the mark.

On October 22, however, the Swiss National Bank unexpectedly did not join other European monetary authorities in a reduction of official lending rates. Later, senior officials from the Swiss National Bank, while indicating concern that the recession not be exacerbated, underscored the divergent forces operating on monetary policy and pointed to the need to avoid a weakening of the franc and an aggravation of inflation. Before long, most Swiss money market rates steadied or firmed slightly, and by early November the Swiss franc's slide against the mark began to slow. Against the dollar, however, the Swiss franc continued to decline through November 8, when it hit a five-year low of SF 2.2410. By this time the franc was 7½ percent down from the end-of-July levels vis-à-vis the dollar and at SF 0.86, down 1 percent against the mark.

Following the shift in sentiment against the dollar around mid-November, the franc rebounded more strongly than other European currencies. As investors sought to shift funds out of dollars and to a lesser degree also out of German marks, Switzerland's traditional role as a safe haven and its relative political stability made the Swiss franc an attractive alternative. Unlike most countries, Switzerland had a sizable current account surplus, buoyed by investment income and tourist receipts. The Swiss government's fiscal discipline compared favorably with the experience of most other countries. Renewed tensions in the EMS prompted some switching of funds out of participating currencies and into the franc. Also, market participants came less to expect further easing of monetary policy. The Swiss National Bank had kept the same growth target of 3 percent for central bank money for 1983 as in 1982. Although it again lowered official lending rates on December 3 in coordination with similar measures by other European central banks, the ½ percentage point declines of the bank rate to 4½ percent and of the Lombard rate to 6 percent were again less than those abroad. The authorities were anxious to keep official lending rates above market rates in order to control better the level of liquidity over month-ends, and with the approach of the important reporting date at the end of December, banks were positioning to ensure adequate levels of cash resources in Swiss francs.

As a result, during December and early January the Swiss currency came into strong demand in the exchanges. As the franc's rise continued and as the dollar depreciated against all currencies, market participants began to worry that much of the earlier borrowings in the Swiss capital markets remained unhedged. Therefore, they came increasingly to expect that, if the dollar were to continue to decline, earlier borrowers of Swiss francs would bid for francs to cover their liabilities. Thus, the upward potential for the franc was seen as greater than for most other currencies, prompting market professionals and participants on Chicago's IMM to take substantial long-franc positions. The franc came strongly in demand in the exchanges, rising to SF 1.9150 on January 10 against the dollar, up 14½ percent from its November lows. Against the mark, which was undermined by political uncertainties and expectations that the Bundesbank would again lower official rates, the franc rose to SF 0.8144 on January 21, up almost 5½ percent since early November.

After mid-January, the Swiss franc pared back some of its gains first against the dollar and then against the German mark as well. Money market conditions in Switzerland remained comfortable, and interest rates continued to ease, dropping below 3 percent for three-month Euro-Swiss franc deposits. Though the interest differentials adverse to the franc were not so wide as they had been in mid-1982, the low level of rates continued to provide an inducement to borrowers to raise funds in Swiss francs. As a result, the franc eased back to trade by the end of January at SF 2.0250 against the dollar and SF 0.8187 against the mark. At these levels the franc was down nearly 6 percent against the dollar from its earlier January highs and ½ percent lower against the mark.

Nevertheless, on balance for the six-month period under review, the franc rose 2½ percent against the dollar and 4 percent against the mark to stand near its record high on a trade-weighted basis. Between the end of July and the end of January, Switzerland's foreign exchange reserves rose $368 million to $12.2 billion in response to foreign currency swap operations, interest earnings on outstanding reserves, and net market purchases of dollars in intervention operations. Intervention by the authorities was infrequent and limited for the most part to replenishing reserves that had been run down by earlier sales to customers.

On January 26 the U.S. Treasury redeemed at maturity franc-denominated securities equivalent to $458.5 million, thereby completing the redemption of franc-denominated securities totaling the equivalent of $1,203.0 million issued in connection with the dollar-support program of November 1978.

STERLING

Coming into the period, sterling was trading steadily against other European currencies and declining against the dollar. At the end of July the pound was holding around 91.5, according to the Bank of England's trade-weighted effective index, but had eased to $1.7475 against the dollar.

Sentiment toward the pound reflected in part market confidence in the Thatcher government's resolve to maintain the stringent financial policies that were already seen to be producing results. The growth of the monetary aggregates had slowed to the government's 8 to 12 percent target range. Inflation had decelerated to below double-digit rates. And the borrowing requirement of the public sector was declining and apparently falling short of the rate of £9½ billion projected for the current fiscal year.

To be sure, disappointment had deepened about the prospects that Britain would sustain a recovery from its protracted recession, as evidence accumulated that output had posted little gain from its low point of 1981. But progress on inflation, the fiscal situation, and monetary control, together with the decline of interest rates abroad and sterling's stability as measured by the trade-weighted index, were seen in the market as conditions that would permit a further cautious easing of interest rates and help stimulate the economy.

Additional factors also helped sustain sterling relative to most other currencies during the late summer and early fall. There were worries over potential disruption to the flow of oil from the Middle East as the result of fighting in Lebanon and between Iran and Iraq. More important, intensifying financial strains and growing concerns over international credit exposures made traders and investors more conscious about the creditworthiness of counterparties and the safety of their assets. In these circumstances, both Britain's oil self-sufficiency and the favorable reputation of London's financial system made sterling a relatively secure asset. With the market expecting British interest rates to ease—but to ease more gradually than in many other countries—investment funds were attracted to London to take advantage of the perceived potential for capital gains. By late October a major rally had become established in the market for U.K. government securities, and successive records were being set in British indexes of stock prices, attracting further capital inflows.

These factors did not prevent sterling from easing further against the dollar, which was buoyed even more than the pound by concern over liquidity strains. By the end of October, sterling had moved irregularly lower 4½ percent to $1.6725. But against other currencies, the pound held steady or even strengthened so that, in trade-weighted terms, it rose to 92.5 by the end of October. The Bank of England's intervention operations were only partly reflected in the three-month $93 million increase in foreign exchange reserves from July's level of $10.88 billion.

As the autumn progressed, however, concern intensified about the outlook for the economy. Neither consumption nor investment had gained during the early part of the year as had been expected; and with the shakeout of labor continuing, the unemployment rate took a sudden jump to 14 percent in September. As market participants perceived a possible shifting from the policy requirements of fighting inflation to those of rekindling economic growth, currencies thought to be overvalued came under suspicion. Meanwhile, a boom in retail sales led to fears that rising imports might contribute to a deterioration in the British foreign trade balance. Although actual trade figures published toward the end of the year did not show any such deterioration, attention was drawn to a government forecast that Britain's current account surplus, which mainly reflected oil exports, would disappear by 1983. Consequently, considerable commentary focused on Britain's competitive position, all the more so after the Scandinavian devaluations in early October.

The government argued that the problems of unemployment and competitiveness were closely linked: improvement of Britain's trade position required both continued progress on inflation and more rapid deceleration of pay increases. But critics of government policy argued that, despite the recent moderation of labor costs, deceleration of inflation, and depreciation of the pound, British industry over a period of several years had suffered a considerable net loss of competitive position, ground that would be difficult to make up in the future because inflation and productivity were also improving in competitor countries. Early in November, the Confederation of British industry proposed a major program to create jobs and stimulate the economy, including a sharp cut in interest rates. Some industrialists continued to advocate overt government measures to devalue sterling by 5 to 10 percent. These proposals, coming from a group thought to support the Thatcher program, brought the government's political support into question.

In mid-November, the Chancellor presented a midyear budget review in which limited fiscal measures were announced to make up for some of the shortfalls in government expenditures and the public-sector borrowing requirement. In this way the government attempted to counteract the tendency for fiscal policy to be more restrictive than intended, aiming new actions at the need to increase the competitiveness of the corporate sector. The accompanying economic projection, however, pointed to a continuing deterioration in Britain's current account, largely because any modest recovery or buildup of inventories was expected to give strong stimulus to manufacturing imports. In the parliamentary discussion, government officials deflected proposals for explicit action to devalue sterling. But, reports that appeared in the press over the November 13–14 weekend left market participants with the clear impression that the British government would prefer a lower, more competitive exchange rate for the pound.

After that weekend, sentiment toward sterling turned decidedly bearish. Foreign investors and British residents, including large institutional investors, began to shift funds out of longer-term, sterling-denominated securities and into assets denominated in other currencies, taking profits from the recent sharp price appreciation in the London capital market. The pound also came under broad-based selling pressure from market professionals, corporations, and traders on the IMM. Against the dollar the pound fell to $1.5950 by November 17, while in trade-weighted terms it dropped to 87.8.

Several days after the sharp break in the sterling rate, U.K. money market interest rates rose, British banks raised their base lending rates 1 percentage point or more, and the Bank of England then increased its own dealing rates to reflect the rise. Thereafter, sterling recovered somewhat to trade against the dollar around $1.6332 by the end of November. But it had broken stride against other currencies, which now were rising against the dollar.

The market for sterling remained unsettled during December. By then, the Labour Party had issued its own policy recommendations, calling for a sharp acceleration in public spending, substantially lower interest rates, and a 30 percent devaluation of the pound over two years. In addition, there was increasing talk that oil prices might decline substantially, raising the possibility of sharply reduced oil-export receipts and government revenues. Investment funds continued to be shifted out of sterling assets, despite a further widening of interest rate differentials favoring the pound. In effective terms, sterling declined.

Against the dollar, however, sterling traded without clear direction until early January, when the pound turned lower once again. Although the Bank of England's intervention during December had been detected in the market, publication in early January of December's official reserves, showing a decline slightly in excess of $1 billion, was a surprise. Political elements also played a role in shaping sentiment, first when strains developed between the United Kingdom and several Middle East oil-producing nations over the Palestine Liberation Organization issue and then as some observers predicted that the Thatcher government would decide to call elections well before the mandated time in 1984. Also, growing expectations of a deterioration in British oil-export revenues as a consequence of the OPEC's apparent failure to agree to production quotas added to the bearish sentiment toward sterling. Therefore, the spot rate resumed its decline against all currencies, and it dropped in effective terms as low as 80.6 on January 11, 1983.

By mid-January, however, pressures on sterling began to abate. In part, interest rate differentials favorable to the pound had widened further following an additional rise in British banks' base lending rates. Also, the impact of declines in oil revenues appeared to have been largely discounted. Moreover, evidence of increasing support for the government and reaffirmation of its policy approach in a white paper on fiscal year 1983–84 expenditures helped reassure the markets. Thus, on an effective basis sterling steadied to close the six-month interval at 80.9, a net decline of 11½ percent. However, sterling continued to decline against the dollar, which generally appreciated after January 10. The pound set a series of historic lows toward the end of the month before closing near the last of them at $1.5210. With sterling trading more steadily on a trade-weighted basis, the Bank of England scaled back its intervention in January. Nevertheless, Britain's reserves declined $1.8 billion during the three months from November to January to close at $9.2 billion.

FRENCH FRANC

The French franc was trading firmly near the top of the EMS as the period opened, although at FF 6.8025 it was declining to successive lows against the dollar. The franc had moved to the upper portion of the joint float after its devaluation in mid-June, supported by stringent foreign exchange controls and wide favorable interest differentials over most other European currencies. But reflows, which in the past had often followed such devaluations, proved in this instance to be relatively modest, thus limiting the scope of the authorities to rebuild reserves or lower domestic interest rates in an effort to stimulate economic recovery. This cautious response reflected concern in the market that the franc's new EMS parity rates might not be sustainable in light of France's inflation and rapidly rising budget and current account deficits.

Inflation in France remained more than 10 percent at midyear, in contrast to other industrial countries, especially Germany. Although at the time of the June EMS realignment, the French government froze wages and prices for four months, and price and wage increases dropped significantly during the summer, many anticipated pressure for "catch up" increases when the scheme expired at the end of October. Governmental efforts to press both employers and unions to accept voluntary price restrictions to replace the freeze met opposition.

Meanwhile, French economic policy had continued to stress economic stimulus relative to inflation reduction through the spring, clouding prospects that inflation differentials could be reduced soon. Even if proposals made in June were adopted in the September budget to cut expenditures and increase revenues, the government faced a large and growing fiscal deficit expected in fiscal 1983 to climb more than 3 percent of gross domestic product (GDP). Thus, market participants worried that inflationary fiscal pressure would intensify just as the wage and price freeze was being phased out.

Moreover, the French current account deficit had increased sharply, and for the year as a whole, the deficit more than doubled to $12 billion. The deterioration reflected a steep decline in export volumes, an acceleration of imports buoyed by domestic demand pressure, and a shrinking of the invisibles surplus for the most part because of rising interest charges on foreign debt.

In this context, beginning in mid-August and extending over the fall and winter months, the franc came under intermittent bouts of pressure. Speculative selling was particularly intense before weekends, when most EMS realignments had occurred in the past. There was concern not only that the franc might be devalued within the EMS, but also that it might be withdrawn altogether from the currency arrangement or that the French authorities might institute a two-tier exchange rate system. By late August the franc dropped to the middle of the EMS band and by early September it had moved down toward its central rate against the German mark. The Bank of France intervened frequently in the exchanges to support the currency, selling both dollars and German marks. During August and September France's foreign currency reserves declined $2.3 billion to $11 billion, and the authorities announced a ten-year $4 billion syndicated Eurocurrency line of credit to bolster reserves. The franc remained on offer subsequently, but any further decline of the franc against the mark was limited. Against the dollar, however, the franc declined to a low of FF 7.3250 in November, down 7½ percent from its levels at the end of July.

After the dollar turned lower in November the franc experienced difficulty keeping pace with the strengthening mark. The Bank of France stepped up its intervention, especially in dollars, and the franc emerged along with the mark in the upper portion of the EMS band. At one point in December, however, the franc–mark cross rate fell to a low of FF 2.8385, which was still, however, only ⅛ percent below its bilateral parity.

Meanwhile, France's domestic economy, which had shown modest growth during the first half of 1982, stagnated thereafter, disappointing the authorities' hopes of a consumer-led recovery. Real private consumption spending decelerated, most categories of investment expenditures declined, industrial production fell further, and unemployment remained high at around 2 million. The French authorities introduced several new measures over the fall to spur investment and employment, and had been quick to lower domestic interest rates when it appeared that exchange market conditions permitted. They had also announced measures to promote exports and slow imports. But at the same time the authorities acted to contain inflationary pressures. They introduced modified price controls following the expiration of the freeze on November 1, and announced in December a substantial reduction in the M2 growth target for 1983 and a tightening of ceilings for growth in bank lending. In remarks before the National Credit Council, Finance Minister Delors stated that monetary policy for 1983 would be geared to defending the EMS parity of the franc and to continuing the battle against inflation, while also permitting a continued decline in interest rates.

In the exchange markets, selling pressures against the French franc faded somewhat in mid-January, as market participants concluded that any EMS realignment would not occur before French and German elections in the spring. As the period drew to a close the usual month-end demand for francs emerged, enabling the Bank of France to scale back its intervention support and make modest net purchases of dollars. By the end of January the franc was trading in the upper portion of the joint float, as it had been when the period opened. Against the dollar the franc was trading at FF 7.0100, 3 percent lower on balance for the period under review but some 4 percent higher than its lows in early November. Meanwhile, France's foreign exchange reserves increased from the lows at the end of September to post a net gain of $4.3 billion over the six-month period to $17.6 billion.

Throughout the period, French enterprises continued to borrow in foreign markets and convert the loan proceeds into francs in the exchange market. During February Finance Minister Delors affirmed that during 1982 France's public external debt increased $8.8 billion, not including the $4 billion syndicated loan announced in September.

ITALIAN LIRA

The Italian lira was trading firmly above the narrow EMS band at the end of July, but against the dollar it had fallen to a new low of Lit 1,367.00. The lira sustained its position in the EMS on the basis of seasonal tourist inflows, exchange control measures introduced earlier in the year to discourage unfavorable shifts in leads and lags, and the attraction of high interest rates. Because interest rates elsewhere were trending down, differentials favorable to the lira widened and Italian residents stepped up their borrowing abroad. The Bank of Italy had taken advantage of the lira's relative strength to rebuild foreign currency reserves to a level of $13.9 billion by the end of July.

The Bank of Italy's policy of monetary restraint was aimed at reducing Italy's persistent high inflation rate, countering the effects of seemingly uncontrollable fiscal deficits, and preventing a sharp drop of the lira that would exacerbate inflation. During the period under review, the Italian economy, like others among the industrialized countries, fell more deeply into recession, thereby complicating efforts to contain the fiscal deficits. But Italy was one of the few industrialized countries not to experience a sharp reduction in inflation. Indeed, the hope for any improvement diminished as proposed programs to rein in fiscal deficits failed to meet parliamentary approval, leading to successive governmental crises, and as negotiations remained deadlocked on reforms to Italy's wage indexation system, the scala mobile.

Consequently, the burden of fighting inflation continued to fall on the Bank of Italy, which operated to limit the expansion of credit and to keep liquidity under control. During August and early September, the high interest rates, together with tourist inflows, remained sufficient to keep the lira firm within the EMS while it continued to decline against the dollar. The lira's relative position within the EMS permitted the authorities to rebuild reserves and to ease short-term domestic interest rates to help take pressure off the weak economy. On August 24 the monetary authorities lowered the discount rate and the base rate for advances by the central bank 1 percentage point to 18 percent, the first change in nearly 1½ years, and the Italian Banking Association followed by cutting prime rates 1 percentage point to 20.75 percent. But these cuts were generally more than matched by reductions of official and market rates elsewhere on the Continent so that the lira's wide interest rate differential was largely maintained.

After mid-September, the lira eased back within the EMS while continuing to fall against the dollar through mid-November. With the lira easing and prospects of a resolution of Italy's fiscal and labor problems becoming increasingly remote, the lira became caught up in the pressures within the EMS. As rumors spread of an imminent realignment, the lira was identified as a candidate for downward adjustment, prompting Italian exporters to repay foreign currency debt and shift into lira financing. Thus, the lira eased back to within the narrow EMS band beginning in mid-October, while also declining to a new record low of Lit 1,489.60 against the dollar in mid-November. The Bank of Italy tightened domestic credit conditions, pushing up short-term interest rates even as comparable rates abroad were declining. The authorities required exporters to borrow 70 percent of their financing needs in foreign currencies. In addition, the Bank of Italy began to intervene heavily, and in the three months of September–November, Italy's foreign exchange reserves dropped $3 billion from $14.8 billion to $11.8 billion.

The firming Italian interest rates, together with the change in sentiment toward the dollar, helped bring the market into better balance after mid-November. By the end of December the lira had once again moved above the narrow EMS band, a position it generally maintained through the end of January.

Meanwhile, the pressure of the government's huge financing needs added to the strains in Italy's financial markets and generated an acceleration of total credit expansion, thereby undercutting the Bank of Italy's policy of monetary restraint. Accordingly, on December 23 the authorities announced proposed measures to improve control over the creation of money in future years by shifting from administrative mechanisms toward monetary base control. The new system was designed in part to force the Treasury to compete for funds with the private sector. In the meantime the government proposed measures designed to hold the 1983 borrowing requirement to Lit 70 trillion, some 16 percent of GDP, and because it had exceeded its legal monthly borrowing limit at the central bank, it asked Parliament to approve a special one-year advance.

In January agreement was finally reached between Italian employers and labor unions over ways to reform the scala mobile. They agreed to cut automatic inflation-linked wage increases 15 percent and to undertake further negotiations about the exclusion from indexation of those elements of inflation emanating from future increases in value-added taxes, as well as from exchange rate depreciation if inflation exceeds the target rate for the year. The pact raised hopes for reducing inflation and appeared to diminish the threat of industrial strife by clearing the way for negotiations over new three-year wage contracts.

Partly in response to these developments, the Bank of Italy was able first to scale back its intervention support and subsequently to make some net dollar purchases to rebuild reserves, except for a brief time in mid-December. By the end of January 1983, the lira was trading at Lit 1,418.00, up nearly 5 percent from its November lows. Nonetheless, over the six-month period under review, the lira declined 3½ percent against the dollar and 2½ percent against the mark. Meanwhile, Italy's foreign exchange reserves increased $2 billion during the last two months of the period to $13.8 billion by the end of January.

European Monetary System

Early in August, the currencies participating in the intervention arrangement of the EMS were holding to the pattern that first emerged from the realignment of June 12–13. In this adjustment, the central parities of the German mark and Dutch guilder were revalued 4¼ percent, those of the French franc and Italian lira were devalued 5¾ percent and 2¾ percent respectively, and the bilateral central rates of the remaining currencies were otherwise left unchanged. Since this realignment, the Italian lira had traded above the top of the 2¼ percent limit applied to other EMS currencies, utilizing its freedom to trade in a wider band. The French franc and Irish pound were near the top of the 2¼ percent band, followed closely by the Danish krone. The Belgian franc remained near the middle, while the German mark and Dutch guilder traded at the bottom of the joint float.

This latest parity adjustment was the third in eight months. Yet considerable skepticism remained that, despite major policy adjustments in many participating countries, there was sufficient willingness to harmonize economic policies and to narrow the divergent economic performances to permit even the new currency structure to last. Most participating countries had adopted some degree of restraint during preceding years to stabilize their economies from the ravages of inflation following the oil-price increases of the late 1970s. But substantial inflation differentials remained, and market participants worried that extraordinarily high rates of unemployment in some countries would force the authorities there to compromise these efforts. Moreover, most countries were attempting to bring public-sector deficits under better control but with varying degrees of success, and some found themselves in divisive internal debates over priorities for economic policy. During the period under review, these divergencies reemerged to exert strain on the currency relationships within the EMS. But, as long as another realignment was thought not to be imminent, modest amounts of funds flowed back into those currencies that offered the highest interest rates.

After mid-August, the currencies of France and Denmark began to weaken within the EMS. Both countries had experienced above-average real growth earlier in the year, boosted in part by the continuing impact of earlier fiscal stimulus and reflected in widening trade deficits, together with persistently high inflation. The French government had pledged fiscal restraint and imposed a price freeze after the mid-June realignment, but market participants still doubted that policy priority had in fact shifted from supporting employment to reestablishing internal and external balance to the economy. The Danish government was locked in parliamentary debate over budget proposals for 1983, including expenditure cuts and tax increases to curtail the government's borrowing requirement. When the government resigned early in September, speculation developed that a new government might devalue the krone. Under these circumstances, both currencies fell to around the midpoint of the 2¼ percent band toward the end of August amid frequent bouts of rumors that another realignment was imminent. The pressure against the French franc subsided following the government's presentation of a budget early in September that confirmed its determination to contain government spending. The pressures against the Danish krone were renewed during the first half of October by news of devaluations of other Scandinavian currencies before being put to rest by a substantial tightening of Danish monetary and fiscal policies.

The renewed pressures against these two currencies spread to the Belgian franc. The Belgian government had taken forceful action earlier in the year to redress the imbalances in Belgium's economy by devaluation, suspension of wage indexation, a price freeze, and fiscal restraint. Already some progress had become apparent as domestic restraint began to cut into imports, reducing the trade deficit. But Belgium's huge public-sector deficit had yet to decline in the face of a weak economy, and questions remained whether the stabilization policies would be sufficient to offset earlier losses in competitiveness. Thus the Belgian franc became identified in the rumors of realignment as a candidate for devaluation and headed for the bottom of the EMS band, where it traded during the entire second half of the period under review.

Meanwhile, the German mark and Dutch guilder began to move up from the bottom of the band, partly in response to bidding in anticipation of a further realignment. In addition, both countries had comparatively good price and trade performances. Of the two currencies, the guilder was the stronger just as the Netherlands was the only participating country whose current account was in surplus.

By mid-September, all the currencies in the narrow band were clustered closely around the middle of the band. This arrangement contributed to a relatively calm mood in the European markets through October. At this point, the French franc had eased to about parity vis-à-vis the German mark, a relationship that the French authorities chose to retain for the rest of the six-month period.

Beginning in late November, however, pressures within the EMS became more frequent and intense. The German mark was strengthening as the dollar depreciated generally in the exchanges and the mark moved quickly to the top of the EMS. The guilder had already been trading firmly at the upper limit. Isolated at the bottom was the Belgian franc, which at times required intervention support.

Other currencies also became subject to selling pressures at this time. The Irish pound joined the Belgian franc at the bottom of the band temporarily, after the British pound began to drop in the exchanges from mid-November. The French franc came on offer and was given official support to keep pace with the German mark as it rose within the joint float, when concern developed in the market over the adequacy of France's official reserves. Also, the Italian lira weakened, falling toward the middle of the band.

In this environment, expectations revived of an EMS realignment to include revaluation of the German mark and Dutch guilder against the currencies then requiring frequent intervention support either at their mandatory limits or intramarginally. Thus, from late November through December, there was a pattern of intense market speculation ahead of most weekends.

These pressures eased in early January after a meeting of European Community finance ministers passed without a realignment. Thereafter, most market participants concluded that a change of official parities would be postponed at least until after elections were held early in March in both Germany and France. Moreover, after mid-January the mark eased considerably against the dollar and other EMS currencies because of political uncertainties ahead of these elections. Even so, the band continued to be frequently stretched to its limit between the Dutch guilder at the top and the Belgian franc at the bottom.

Against the dollar, the EMS currencies as a group showed little net change over the six-month period under review. All EMS central banks, however, took advantage of the opportunity provided by a worldwide decline in interest rates to reduce their own lending rates during the period. The easing in official and market interest rates came later and was less extensive in the other countries than it was in Germany and the Netherlands.

EMS-related intervention was undertaken fairly constantly during the period and was heaviest during late August and early October and again in late November and mid-January. Although substantial intervention support was conducted in EMS currencies, especially the German mark and the Dutch guilder, sizable amounts were also done in U.S. dollars. Official dollar sales were particularly large, as it turned out, briefly in late August and during the winter months—times when the dollar was declining in the exchange markets.

Canadian Dollar

As the period began, the Canadian dollar was recovering from a protracted and deep decline. The Canadian currency touched a historic low of U.S. \$0.7683 (Can.\$1.3016) late in June, but by the end of July had moved up nearly 4 percent to U.S. \$0.7987 (Can.\$1.2520). The Canadian dollar continued rising to about U.S. \$0.8130 (Can.\$1.23) in September, after which it traded for the most part within a 2 percent range around that level for the remainder of the period.

The recovery and subsequent steadier performance of the Canadian dollar reflected the subsiding of concerns that had clouded the currency's prospects for several years. Among these was a long-standing and harsh debate over the appropriate priorities for economic policy. Faced with deepening recession and climbing unemployment on the one hand, and a persistent double-digit inflation rate fueled by high wage settlements on the other, the government chose to retain a strong anti-inflationary posture for both fiscal and monetary policy. The choice was convincingly evident in a summer budget message that had called for limits on salary increases of government employees and price increases in federally regulated sectors of the economy, as well as other measures designed to brake inflation during the next two years. Moreover, the government's initiative to restrict public-sector wage increases was quickly adopted by some provincial governments and helped to set a pattern for private settlements. Monetary policy was also geared to forestalling inflation, including inflationary pressure from a further sharp decline in the Canadian dollar. Thus, interest differentials favorable to the Canadian currency had widened considerably, prompting Canadian provincial governments and some private concerns to borrow more abroad and convert the proceeds in the exchange market.

In addition, foreign concerns over Canada's controversial National Energy Policy had also faded. The policy was adopted in the fall of 1980 to stimulate Canadian ownership and development of the nation's natural resources. The pace of implementation had been significantly retarded in 1981, reducing what had been heavy capital outflows. By mid-1982 the government had gone further, with the Foreign Investment Review Agency cutting red tape and eliminating long delays in processing applications in an effort to rekindle direct private investment inflows. These developments eased market worries that Canada faced an extended reversal of the capital inflows that traditionally financed development and offset current account deficits.

Moreover, Canada's strong trade performance bolstered the Canadian dollar. Exports overall held steady as shipments of automobile, grain, and energy products remained robust enough to offset declines in demand for other products susceptible to declining competitiveness and shrinking foreign markets. Meanwhile, imports had plummeted, reflecting weak domestic demand. Canada's current account was heading toward surplus for 1982, the first since 1973. Just on the basis of the first eight months of the year, Canada's trade surplus had cumulated to double the \$5.5 billion total for all of 1981.

Against this background the Canadian dollar continued to move up gradually from early-August levels through the fall. However, it faltered at times when the decline in U.S. interest rates stalled or temporarily was reversed. The Canadian authorities were attempting to maintain a relatively smooth trend for interest rates, so that any temporary increases in U.S. rates resulted in a narrowing of the rate differentials favorable to the Canadian dollar, reawakening concerns that the recession at home would limit the scope of the authorities to follow should U.S. rates continue to rise. But at the same time, the currency gained support as evidence accumulated that the weakness of the economy was finally showing through in a reduction of inflation and an easing of wage pressures. In late October the government issued an economic statement stressing its anti-inflation posture and including only minor changes to the budget for 1982, easing worries that significant new fiscal stimulus would be announced. The Canadian dollar then climbed to its highest point of the period at U.S. $0.8213 (Can.$1.2176) on November 10, a 6½-month high and a rise of some 2½ percent from the end of July.

With the Canadian dollar firm in the exchanges, the Bank of Canada made substantial net purchases of U.S. dollars during August–October. Canadian foreign exchange reserves rose $364 million to $2.4 billion, even though the authorities had by the end of October repaid all of the $2.4 billion drawings made by the end of June under standby facilities with commercial banks. Also, the government's revolving credit agreement with international banks had been enlarged by $1 billion to $4 billion during September.

After mid-November, the Canadian dollar eased. As a substantial deceleration of inflation in both consumer prices and wage settlements became more fully established and Canada's external position continued to improve, market participants became wary that the principal justifications for high Canadian interest rates would erode. At the same time, real GNP was reported to have declined at an annual rate of 4 percent in the third quarter—the fifth consecutive quarterly decline—while the unemployment rate had climbed to a postdepression high of 12.7 percent in October. Consequently, through early December, the Canadian dollar came off its highs, falling more than 2 percent to U.S. $0.8029 (Can.$1.2455), even as the U.S. dollar was declining against most other major currencies.

Beginning early in December, however, the Canadian dollar steadied. Bank of Canada Governor Bouey forcefully ruled out a policy of pushing interest rates lower or depreciating the exchange rate and stressed the importance of consolidating hard-won gains on the inflation front. With the Canadian dollar remaining generally firm through December and January, domestic interest rates declined slightly more than those in the United States. The Canadian dollar closed the six-month period under review at U.S. $0.8086 (Can.$1.2367), down about 1½ percent from its November highs but nevertheless 1 percent above its level at the end of July. The Bank of Canada was a net purchaser of U.S. dollars over the three months ending in January so that Canadian foreign currency reserves rose $475 million. Over the entire six-month period under review Canadian foreign currency reserves rose $839 million to close the period at $2.9 billion.

MEXICAN PESO

At midsummer the Mexican authorities were implementing an economic program, announced in April, designed to redress the cumulative effects of several years of large fiscal deficits and aggressive industrialization efforts, slowing oil export revenues, and heavy servicing costs on Mexico's large external debt. Although the peso had been allowed to depreciate to Mex.$49 by the end of July from around Mex.$27 six months earlier, and other measures had been taken to reduce the fiscal and balance of payments deficits, concern remained that the policy measures in place were insufficient to meet announced intentions or the problems at hand. Commercial bank and Eurobond lending to Mexico had dried up, significant arrears had developed in private sector debt payments, and considerable private capital had flowed out of Mexico apparently in expectation of further devaluation of the peso. In addition, Mexican foreign currency reserves had fallen to dangerously low levels over the preceding months. The Bank of Mexico had on three occasions drawn on its swap line with the Federal Reserve to meet month-end liquidity needs. The third of those drawings was for $700 million on July 30, which was repaid the following business day. In view of Mexico's worsening liquidity position and the government's undertaking to speed up implementation of its economic program after the presidential election had been completed, the Bank of Mexico requested, and was granted on August 4, a drawing of $700 million on its swap line with the Federal Reserve to replenish reserves while an adjustment program was worked out with the IMF. The drawing was for three-month maturity with possible renewal.

As part of its program, the government of Mexico announced a series of price increases on basic consumer goods, effective August 1, in order to reduce large subsidies that had bloated the government's deficit. The prospect of a further acceleration of Mexico's roughly 60 percent inflation rate generated a renewed surge of capital outflows.

With exchange market pressure at an intense level, the Mexican government announced on August 5 the introduction of a two-tiered exchange system. Designed to avoid formal exchange controls while nevertheless channeling scarce foreign currency resources to priority uses, a preferential rate of Mex.$49 was established, to apply to the Mexicans' payments of interest and principal on public-sector and "productive" private debt, as well as for "essential" imports. All other foreign exchange purchases were to be executed in a free market where the peso would float. On the inflow side, the proceeds of Mexican exports of petroleum products and new public borrowings abroad were to be converted in the "preferential" market, the free market to receive other sources of revenue. The free-market peso rate immediately dropped to more than Mex.$70 but the capital flight continued, forcing the peso rate rapidly downward. In response, on August 12 the authorities temporarily closed the foreign exchange market in Mexico and announced that henceforth any withdrawals from deposit accounts at Mexican banks denominated in U.S. dollars (so-called Mexican dollar accounts) would be permitted only in pesos.

Following high-level negotiations that weekend between the Mexican and the U.S. governments, the U.S. government arranged guarantees from the Commodity Credit Corporation for $1 billion in private credit to finance exports of basic foodstuffs to Mexico during the subsequent year, as well as a $1 billion advance payment by the Department of Energy for oil to be added to the U.S. strategic reserves. To meet immediate cash needs, the U.S. Treasury arranged a temporary swap facility with the Mexican government for $1 billion until August 24, the date on which the Department of Energy advance oil payment would be executed. A drawing of $825 million was made and repaid under this facility. With the emergency funding from the U.S. authorities in place, the government of Mexico reopened the exchange market on August 19, this time on a three-tiered basis. It established the priority rate of Mex.$69.50 to apply to withdrawals in pesos from Mexican dollar accounts. When the market reopened, the free market rate fluctuated between Mex.$100 and Mex.$130.

Meanwhile, negotiations with monetary authorities of other countries proceeded, leading to the conclusion, on August 30, of a $1.85 billion multilateral financing arrangement, with $925 million through the BIS, $600 million from the U.S. Treasury, and $325 million from the Federal Reserve. The funds provided by the U.S. authorities were to be drawn on a pari passu basis with those of the BIS. Drawings were to be provided in line with progress toward an agreement between Mexico and the IMF on an adjustment program that would enable Mexico to qualify for drawings under the IMF's Extended Fund Facility. The provision of official financing dealt with only part of the problem. By this time considerable worry had developed in the international financial community that Mexico would be unable to service its roughly $80 billion in external indebtedness, and private sector external finance remained difficult if not impossible to arrange. With a heavy burden of international debt obligations maturing in coming months, Mexico's Secretary of Finance met on August 20 with 115 financial institutions with significant exposure to Mexico to solicit the banks' cooperation in accepting a 90-day grace period, commencing August 23, in which maturing loans would be renewed for 90 days at current market rates. In return, the Mexican government would bring all public-sector-interest arrears current, pay in full at maturity all publicly issued bonds and notes, and develop an economic adjustment program acceptable to the IMF. An advisory group of commercial banks was established to conduct negotiations on debt restructuring and arrange for a new financing of $1 billion from the commercial banks. The response of the banking community to this initiative was positive.

On September 1, however, outgoing President Lopez Portillo surprised the international financial community when he announced in his final state of the nation address decisions to nationalize Mexico's private commercial banks, to impose formal exchange controls, and to adjust interest rates in Mexico. Interest rates on several categories of loans were reduced significantly, while rates on small bank deposits were increased. The new exchange controls had the effect of eliminating the free foreign exchange market, all transactions to be conducted at a new "preferential" rate of Mex.$50 or an "ordinary" rate of Mex.$70. Foreign exchange would be sold to Mexican residents at the ordinary rate as available.

Following these initiatives, interbank trading in pesos continued outside Mexico for a time, even though the free peso market in Mexico was closed. But before long, virtually all foreign exchange receipts other than those derived from oil exports or official borrowings were left abroad, either to pay for imports or to be held in liquid form. Thus, little foreign exchange was available through the official "ordinary" rate market established under the exchange controls. In addition the overseas branches of Mexican banks encountered considerable difficulty maintaining interbank deposit lines, and the withdrawals at times placed pressure on the foreign exchange reserves of Mexico. Under these circumstances, the peso gradually dropped to Mex.$125.

On November 12, the government agreed in principle with the IMF management on an economic adjustment program that would, if approved by the IMF executive directors, provide Mexico with about $3.9 billion of IMF financing over a three-year period. The program, considerably more stringent than the April one, called for a sharp reduction of Mexico's fiscal deficit as a share of gross national product, progressive reduction of Mexico's net external borrowing through 1985, exchange rate and interest rate policies to assure competitiveness of Mexican exports and promote domestic savings, and a substantially reduced current account deficit. The program was expected to result in a sharply lower rate of real domestic economic growth at least through 1984. It was designed to reduce drastically Mexico's inflation rate, then running at nearly 100 percent, so as to build a foundation from which Mexico could resume the stable and sustainable real economic expansion required to service its external obligations and meet domestic demands for improved living standards. The letter of intent was signed by the outgoing Lopez Portillo administration but carried the full endorsement of Miguel de la Madrid, scheduled to take office as president of Mexico on December 1, 1982.

With the letter of intent signed only about two weeks before the expiration of the 90-day grace period on maturing external debt obligations, the government of Mexico asked international banks to extend the grace period through March 23, 1983, under roughly the same terms as before. During much of the balance of the period under review, the government worked with the banks on the outlines of a program for dealing with Mexico's external indebtedness and financing needs through 1983, to include not only public sector needs but also arrears of interest payments on private-sector debts. The main elements in the proposal involved restructuring about $20 billion in public sector debts and the raising of $5 billion of new money from the banks to meet Mexican financial needs for 1983. Any new funds were to be drawn in phase with availability of funds under the IMF agreement, that is, subject to the condition that Mexico remain in compliance with the economic adjustment program agreed with the IMF. It was also envisaged that banks would maintain the level of their interbank deposits with Mexican banks operating in overseas markets.

The new president, in his inaugural address, endorsed the undertakings Mexico had made with the IMF, while also indicating that the exchange controls would be modified. On December 13 and on December 20 respectively, a presidential decree was signed and Bank of Mexico procedures were published to establish exchange controls intended to direct more foreign exchange into Mexico's official reserves and banking system. Toward this end, effective December 20, two separate markets were established, one controlled and the second free of controls. The controlled market was to include all commercial exports, the foreign currency costs of border trading firms, all operations with respect to public and private debt, costs of diplomatic and consular services, and contributions by Mexico to international organizations. The Bank of Mexico specified initial buying and selling rates for the controlled market at Mex.$95.00 to Mex.$95.10 with the rate to be depreciated steadily in line with the inflation differential between the United States and Mexico, calculated initially at an annual rate of about 50 percent. It was intended that over time the controlled and free market rates would converge. The free market was intended for all transactions not specifically eligible for the controlled market. It was initially set up with guidance from the central bank to facilitate an orderly opening, the guidance to be eliminated as soon as possible. When the market opened on December 20, the rate was set at Mex.$148.50 to Mex.$150.00. The free market eliminated the special border zone for foreign exchange established in early November. After some nervousness, markets settled down, and the peso quotations on the interbank market in the United States moved in line with the free market rate in Mexico.

On December 23, 1982, the IMF announced that its executive board had approved the extended fund facility for Mexico, and initial drawings under the facility were made immediately thereafter. The Bank of Mexico, using the proceeds of these borrowings made partial repayment of its drawing on its regular swap line with the Federal Reserve in December and January so that, as of January 31, $373 million was outstanding.

For the remainder of the period under review, the peso traded relatively quietly and narrowly in the overseas interbank market, quoted generally in line with the free market rate in Mexico. Between December 20 and January 31, 1983, the free market rate in Mexico was adjusted toward the controlled market on three occasions to Mex.$147.90 to Mex.$149.40 at the close of the period, while reflows of capital, largely from individuals, permitted the Mexican commercial banks to purchase a sizable amount of dollars in the free market through the end of January. At the same time, the controlled rate was adjusted lower daily to Mex.$100.46, a depreciation of 5½ percent compared with the level on December 20, 1982.

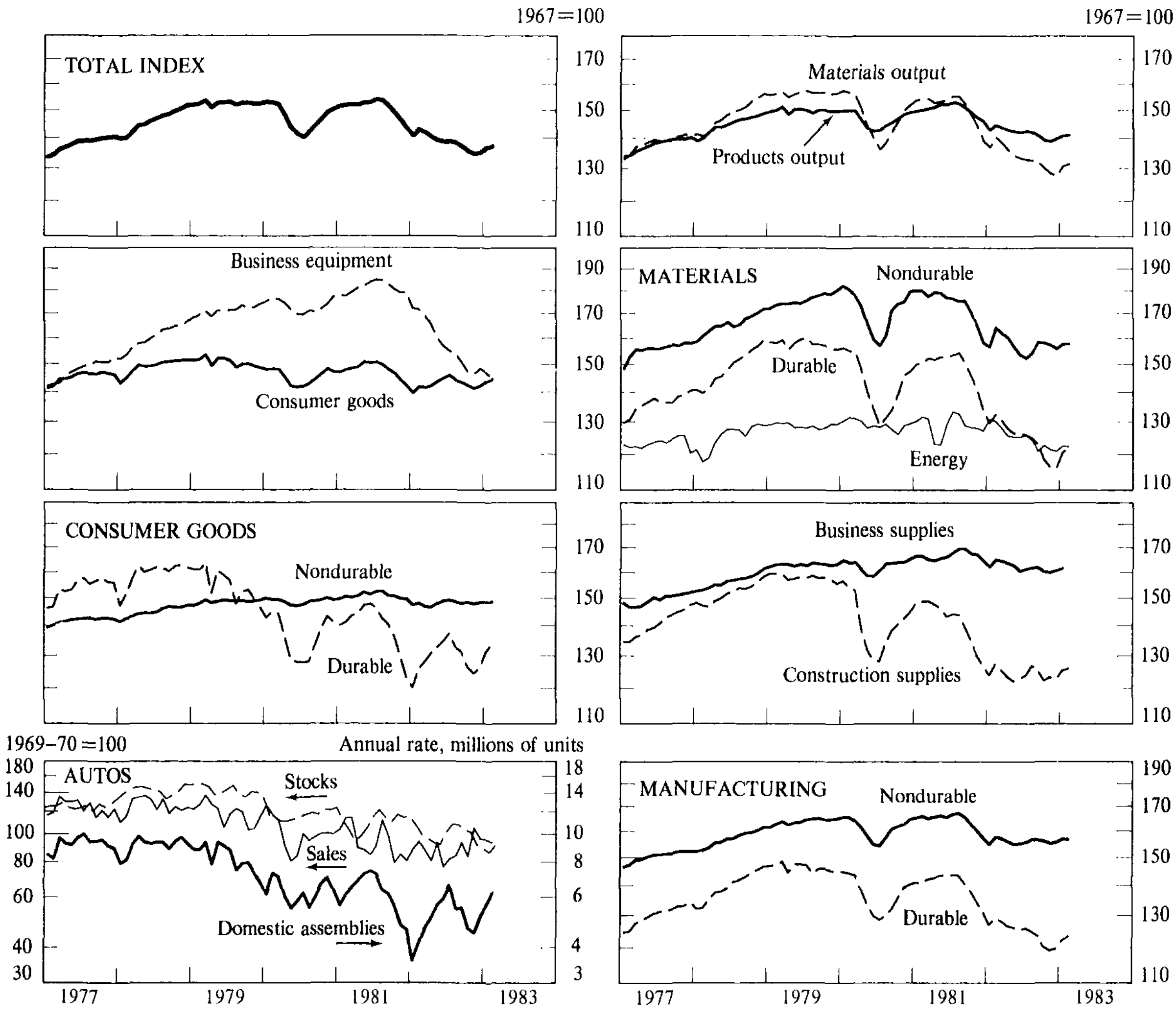
The steadiness of the rate in the U.S. overseas interbank market during this interval reflected general market perception that the de la Madrid administration had made an effective beginning on dealing with the problems at hand. This positive response helped Mexico husband its reserves and by the close of the period, a small amount of the combined $1.85 billion U.S.–BIS credit facility remained to be drawn. Negotiations were not yet complete on the debt restructuring or on details of the $5 billion loan, but a total of about $4.7 billion in new money had been pledged by banks that were participants in those negotiations. These matters remained of critical priority, however, as signs of stress were accumulating in Mexico. Production bottlenecks were widespread, owing to limited availability of imported goods. In addition, commercial banks abroad remained concerned about the need to deal with overdue principal payments on private-sector debt. Thus more work remained to be done before all necessary elements of a successful adjustment program could be said to be in place. □

Industrial Production

Released for publication March 15

Industrial production increased 0.3 percent in February after an upward revised gain of 1.3 percent in January. In February, large increases again occurred in the output of motor vehicles and durable materials, particularly steel. At 137.3 percent of the 1967 average, industrial output in February was nearly 2 percent above its low in November 1982 but still about 11 percent below the high in July 1981.

In market groupings, production of consumer goods increased ½ percent in February. Automotive output rose for the third consecutive month; output of home goods declined somewhat after a large January advance; and output of total non-



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

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Feb. 1982 to Feb. 1983
	1983		1982			1983		
	Jan.p	Feb.e	Oct.	Nov.	Dec.	Jan.	Feb.	
	Major market groupings							
Total industrial production	**136.9**	**137.3**	**−1.2**	**−.6**	**.2**	**1.3**	**.3**	**−3.9**
Products, total	140.9	141.1	−1.1	−.2	.7	.6	.1	−2.4
Final products	140.1	140.2	−.9	−.3	.9	.4	.1	−2.7
Consumer goods	143.7	144.4	−.8	−.6	.6	1.1	.5	1.8
Durable	131.4	134.0	−3.7	−1.5	1.3	4.1	2.0	6.4
Nondurable	148.6	148.6	.2	.4	.4	.1	.0	.3
Business equipment	146.7	145.0	−2.3	−.5	1.3	−1.1	−1.2	−15.5
Defense and space	115.9	116.3	2.2	1.5	1.2	.8	.3	9.2
Intermediate products	143.7	144.4	−1.5	.1	.1	1.3	.5	−1.3
Construction supplies	125.6	126.2	−2.4	.7	−.5	2.3	.5	−1.0
Materials	130.8	131.5	−1.5	−1.2	−.5	2.3	.5	−6.3
	Major industry groupings							
Manufacturing	136.3	137.1	−1.5	−.7	.4	1.3	.6	−2.7
Durable	122.1	123.4	−2.6	−.8	.4	1.9	1.1	−4.6
Nondurable	156.9	156.8	−.3	−.6	.3	.7	−.1	−.6
Mining	121.2	116.2	1.0	.8	1.6	2.1	−4.1	−18.4
Utilities	162.4	164.5	.2	−.7	−1.3	−1.3	1.3	−3.5

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

durable consumer goods remained about unchanged. Autos were assembled at an annual rate of 6.3 million units, up substantially from the January rate of 5.6 million units and somewhat above recent sales levels; industry assembly schedules indicate some decrease for March. Output of business equipment declined again in February; the decrease of 1.2 percent was due mainly to reduced activity in oil and gas well drilling. Production of defense and space equipment continued to rise. Output of construction supplies advanced moderately after a sharp gain in January.

Production of materials increased 0.5 percent in February. Output of durable materials rose 1.1 percent, as output of basic metals and parts for consumer durables advanced sharply. Production of nondurable materials and total energy materials was essentially unchanged.

In industry groupings, manufacturing output increased 0.6 percent in February. Production in durable manufacturing rose 1.1 percent, owing largely to increases in the output of primary metals and transportation equipment. Output of nondurable manufactures edged down, as petroleum products declined sharply while most other industries showed little change. Mining activity was reduced markedly, with coal mining and oil and gas extraction registering particularly sharp decreases. Output of utilities increased in February following a January decline that was associated with milder weather.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 16, 1983.

I am pleased to be meeting again with this committee to discuss the Federal Reserve's objectives for monetary policy and their relationship to the prospects for the economy. You already have received the official Monetary Policy Report to Congress that is required under the Humphrey-Hawkins Act. My comments today will expand upon some of the points raised in that report, focusing in particular on our objectives with respect to monetary policy and the obstacles that, unless dealt with effectively, could deflect the economy from the path of sustained expansion we would all like to see.

Our economy has been going through wrenching adjustments during the past year and a half. With production falling into sharp recession, the unemployment rate rose to a postwar high. A large share of our industrial capacity is idle. Profits are depressed, and exceptionally large numbers of businesses have failed.

Conditions in most other industrialized countries, in greater or lesser degree, have paralleled those in our own economy, and large sectors of the developing world have faced the need for forceful measures to deal with internal and external imbalances. All of this has been reflected in, and accompanied by, pressures on domestic and international banking markets.

At the same time, out of this turmoil and stress we can see elements of change and returning strength that bode well for the future. In particular, striking progress has been made in reducing inflationary pressures. The measured rate of inflation in 1982 was the lowest in a decade, and forces are at work that, carefully nurtured, can continue that progress during recovery. Interest rates have fallen substantially from the high levels of the past couple of years; as confidence builds that inflation can be held in check, further declines should be sustainable. Business and labor have responded to the market forces by taking measures to cut costs and improve efficiency, and those measures should have a healthy effect long after the recession has passed.

At the turn of the year, signs appeared that the decline in economic activity was ending and that recovery might soon develop. Housing construction, auto sales, and factory orders have all improved in recent months. The sharp downturn in unemployment reported in January should be interpreted cautiously in the light of the month-to-month volatility of those estimates, but indications of some firming in labor demand are heartening.

In sum, this has been a time of disappointment and strain—but also a period of great potential promise. That promise lies in the prospect that, under the pressure of events, we—in government, in business and labor, and in finance—are facing up to what is needed to sustain recovery into long years of healthy growth.

I know that this has also been for many a time of frustration and doubt. Unemployment of a willing worker is always a threat to personal and family stability; on a wide scale it is an affront to our sense of social justice. To a generation grown accustomed to accelerating inflation, a year or two of progress toward price stability simply isn't enough to quell fears that the earlier trend will resume as the economy picks up speed. We have been disappointed before when early signs of recovery faded away. Federal deficits persisting at levels beyond any past experience are unsettling to more than financial markets. We have been jarred to the realization that a serious international financial disturbance is not just something we read about in books of economic history but could recur unless we are alert to the dangers and deal aggressively with them.

Uncertainty and confusion are perhaps inevitable in a period of change—even constructive change. But they can easily be destructive without a clear conception of where we want to go and how to get there. My conviction is that much of the stage has been set for long-lasting, noninflationary expansion. But we also have to be realistic and clear-sighted about the threats and obstacles that remain, confident that being known, they can be cleared away.

The Prospects for Stable Growth

The unchanging goal of economic policy, embodied in the Employment and Humphrey–Hawkins Acts, has long been growth in employment, output, and productivity at relatively stable prices. That goal for a decade and more increasingly eluded us, not least because of an illusion for a time that the stability side of equation could be subsidiary. Once inflation gained strong momentum, it was doubly hard to contain without transitional pain. But after several years in which the effort against inflation has had high priority, today solid grounds exist for believing that the signs of incipient recovery can be the harbinger of performance that is much more in line with our goals.

We approach our discussion on monetary policy with the intent of fostering that result. But, of course, monetary policy alone cannot do the job; other instruments of policy and the attitudes of business and labor will be crucial as well.

The latest price statistics confirm the progress against inflation. But the fact that all the major inflation indexes increased 5 percent or less during the course of last year—or that the producer price index actually dropped in January—does not mean that the battle is won.

Those gains have been achieved in the midst of recession, with strong downward pressures on prices and costs from weak markets. We cannot build a successful policy against inflation on continued recession. The question remains as to how prices will behave as the economy recovers—after six months or a year of rising orders, employment, and production.

In recent weeks, increases in some highly sensitive commodity prices have been cited as a danger sign. Those commodities are subject to speculative influences, but surely an increase in some prices that have been severely depressed during recession is not itself a signal of change in more basic price trends.

One widely used index of sensitive industrial commodity prices—excluding oil—declined about 35 percent from the end of 1980 through late 1982, carrying many of those prices to levels that could not justify new investment or even maintenance of existing output. Within limits, recovery in those prices would be a natural, and probably necessary, part of any expansion and will not dominate more general price statistics.

In fact, the single commodity of major importance to the general price level—oil—is in surplus supply, and the price in real terms has been declining. I cannot prophesy the degree to which the nominal price of oil might decline in coming weeks or months, if at all. But barring a major political upset, prospects appear exceptionally good that stable or falling real prices for finished petroleum products—which account for 8 to 9 percent of the gross national product—can reinforce progress against inflation for some time ahead. We also have large stocks of basic food commodities, providing some assurance against a sharp run-up of prices in that area.

Labor costs account for the bulk of the value of what we produce, and our success against inflation in the longer run will need to be reflected in the interaction of wages, productivity, and prices. It is also in this area that recent signs of progress can prove most lasting.

The upward trend of nominal wages and salaries slowed noticeably last year, with average wages rising about 6 percent from the fourth quarter of 1981 to the fourth quarter of 1982; total compensation (including fringes) rose just over 6½ percent. The trend during the year seemed to be declining, and in the midst of pressures on profits, markets, and employment, could well show further declines. The sharply lower inflation figures—below the rate of wage increase—moderate one source of upward pressures on new wage agreements. Longer-term union agreements negotiated in earlier, more inflationary years are expiring, tending to further moderate the wage trend.

The slower increases in nominal wages have been fully consistent with higher real wages for the average worker precisely because the inflation rate has been declining. Continuation of that benign interaction among lower inflation, lower nominal wages, and higher real wages—combined with recovery in profits—must be a central part of a noninflationary recovery—and thus to sustaining expansion.

Those prospects will be greatly enhanced by improved productivity performance; over time, only an increase in productivity can assure higher real wages and profits. Happily, the signs are that productivity, after dwindling away to practically nothing during the 1970s, is rising once again. Tentative evidence can be found in preliminary data suggesting productivity rose almost 2 percent last year in the midst of recession, an unusual development when production is declining. Those statistics are consistent with reports from business that significant progress has been made in improving efficiency and in reducing "break-even" points.

During the early part of recovery, productivity usually grows more rapidly. Consequently, rising cyclical and "trend" productivity combined with more moderate nominal wage gains should reduce the increase in unit labor costs further as a recovery takes hold. For example, a rise in hourly compensation of less than 6 percent this year would appear consistent with recent trends. Should productivity increase by 2 to 2½ percent—an expectation that would appear modest in the light of recent experience—unit labor costs would rise significantly less than 4 percent, low enough to maintain and reinforce progress on the price front.

As confidence grows that the gains against inflation are sustainable, an expectation of further declines in interest rates should be reinforced. Today, short- and particularly longer-term interest rates, despite the large declines last year, remain historically high in nominal terms and measured against the current rate of inflation. A number of factors contribute to that, including the present and prospective pressures from heavy Treasury borrowing. But concerns that recent gains against inflation may prove temporary are checking the decline in interest rates.

We will certainly need higher levels of investment and housing as time passes to maintain productivity, to support real income gains, and to keep supply in balance with demand. Lower interest rates are certainly important to that outlook, but what is essential is that those lower levels can be sustained over time. That is one reason why policies need to remain strongly sensitive to the need to maintain the progress against inflation—uncertainty on that point will ultimately be self-defeating in terms of the interest rate environment we want. An improved climate for work, for saving, and for investment—the objective of the tax changes introduced in 1981—should also materialize in an economic climate of recovery and disinflation, helping to keep the process going. Rising real incomes will also be reflected in consumer demand—an area of the economy already supported by the large deficits. As living standards rise and fears of inflation fade, pressures for excessive and "catch-up" wage demands should subside.

In sum, there are strong analytic reasons to believe that the incipient recovery can develop into a long self-reinforcing process of growth and stability. The challenge is to turn that vision into reality.

OBSTACLES AND THREATS TO PROGRESS

Of course, obstacles to that vision exist; some need to be dealt with promptly, and some will need to be guarded against as we move ahead. The more firmly we move to deal with those threats—by action now and by setting ourselves clear guidelines for the future—the faster we can end the doubts and restore the confidence necessary to success.

The Federal Deficit

The most obvious obstacle that looms ahead is the prospect of huge federal deficits even as the economy expands. I have spoken to the point on a number of occasions and will soon be testifying before the Budget Committee. Today, I will only summarize the problem in a few sentences.

The bulk—but far from all—of our present deficit of $200 billion reflects high unemployment and reduced income. At a time of recession and relatively low private credit demands, the adverse implications of the current deficit for interest rates and financial markets may be muted. But the hard fact is that the deficit, as things now stand, will remain in the same range, or rise further, as recovery proceeds and private credit demands rise. In other words, the underlying imbalance between our spending programs and the revenue-generating capacity of the tax system at satisfactory levels of employment ("the structural deficit") promises to increase as fast as the "cyclical" deficit declines.

That prospect, essentially without precedent in the past, threatens a clash in the financial marketplace as huge deficits collide with the needs for credit of businesses, homebuyers and builders, farmers, and others. The implication of higher real interest rates than necessary or consistent with our investment needs in the future and of expectations of that future "clash" feeds back on markets today. The adverse consequences are reinforced and aggravated by the widespread instinct in financial markets and among the public at large that such large deficits will feed inflation, by creating pressures for excessive money creation or otherwise, leading to doubts about the success of the disinflationary effort.

That outlook and analysis are essentially agreed by the administration, by the Congressional Budget Office, by citizen groups that have expressed alarm about the budgetary situation, and by independent budget analysts. That broad consensus on the nature of the problem provides a base for the necessary action. What remains to be done is to take those actions. I fully realize the sensitivity and difficulties of the choices to be made. But I am also aware, as I am sure you are, that a great deal depends on a successful resolution of those efforts.

The International Economic and Financial Situation

The risks and uncertainties in the present situation are compounded by the fact that so much of the world is in recession, and adverse trends in one country feed back on another. For instance, falling exports have accounted directly for some 35 percent of the decline in our GNP during the recession; in past recessions, in contrast, our exports have typically grown, cushioning other factors depressing production and employment. After earlier periods of exaggerated weakness, the great strength of the dollar in the exchange markets over the past two years contributed to the progress against inflation—but it also depressed our exports. We cannot build the stability of our economy on extreme exchange rate fluctuations.

Another dimension of the risk is the danger that nations will try to retreat within themselves, insulating their economies by protectionist measures. But, as we learned in the 1930s, such policies only aggravate the mutual difficulties.

But today, we face another more immediate threat in the international financial area. I will reserve detailed comment for my appearance before you tomorrow. Suffice it to say now that the potential for an international financial disturbance impairing the functioning of our domestic financial markets at a critical point in our recovery is real. I firmly believe the major borrowers and lenders, with the understanding and support of governments, central banks, and international institutions, can face up to and deal with those problems constructively. But the cooperative pattern we have seen emerge in managing these problems is absolutely dependent on the capacity of the International Monetary Fund to continue to play a key role at the center of the international financial system. Early congressional approval of the enlargement of IMF resources, agreed by the Interim Committee of the Fund last week, will be essential to that effort.

Attitudes Toward Pricing and Wage Behavior

I have already described the pricing restraint and the trend toward more moderate increases in wages that have developed in the midst of recession. As best as I can assess it, the mood today is consistent with maintaining that momentum. There is realization that competitors at home and abroad have large potential capacity, and after all the efforts to cut "break-even" points, outstanding volume will itself produce satisfactory profits as well as larger employment opportunities. The "smokestack" industries, hit so hard in the period of recession while already faced with the need for structural change and with particularly high wages by domestic or international standards, have particularly strong incentives for caution.

But, of course, another possibility exists. Business and labor—habituated to inflation in the 1970s, highly sensitive to the failure to sustain past efforts to restore stability, and eager to restore past price or wage "concessions"—may be tempted to test their bargaining and pricing powers much more aggressively as orders and production expand. If they were to do so, sensitivities of consumers and financial markets to the possibility of reinflation would only be aggravated, tending to keep interest rates higher and greatly increasing the difficulty of maintaining the economy on a noninflationary path of growth.

This is an area in which government policy can greatly contribute, by resisting protectionist pressures externally, and by removing or relaxing obstacles to competition in product or labor markets. Areas of the economy that have seemed almost impervious to the disinflationary trend and market pressures—such as health care and higher education—seem to me to deserve special attention.

Through all those particulars, however, restraint in price and wage setting can reasonably be expected only if government financial policy remains plainly oriented toward containing inflation. Without a sense of conviction on that score, the temptation to jump ahead of the pack—to anticipate the worst—as employment and orders are restored may become irresistible. The fact is that both labor and business have much to gain from stability, and moderation in pricing and wages within a framework of financial discipline will be consistent with higher real wages, profits, and employment.

The skepticism that had been built up over many years about the resolve to deal with inflation has been reduced but not eliminated. There is little or no leeway at this stage for "mistakes" on the side of inflation. Policies designed with the best will in the world to "stimulate," but perceived as inflationary, may, unfortunately, produce more inflation than stimulus.

MONETARY POLICY IN 1982

It is in that broad framework and context that monetary policy has been implemented in 1982 and that we in the Federal Reserve look ahead to 1983 and beyond. Our objective is easy to state in principle—to maintain progress toward price stability while providing the money and liquidity necessary to support economic growth. In practice, achieving the appropriate balance is difficult—and a full measure of success cannot be achieved by the tools of monetary policy alone. The year 1982 amply demonstrated some of the problems facing monetary policy during a period of economic and financial turbulence, and the need for judgment and a degree of flexibility in pursuing the objectives we set for ourselves.

As you know, policy with respect to the growth of money and credit has been rooted in the fundamental proposition that, over time, the inflationary process can only continue with excessive growth of money. Conversely, success in dealing with inflation requires appropriate restraint on growth of money and liquidity.

Those broad propositions must, of course, be reduced to specific policy prescriptions, and for some years the Federal Reserve has followed the practice, now required by the Humphrey–Hawkins Act, of quantifying its objectives in terms of growth ranges for certain measures of money and credit for the year ahead. In doing so, we have known that for significant periods of time the relationships between money and spending may be loose, that cyclical patterns recur, and that the mix of real growth and inflation can and will be affected by factors beyond the control of monetary policy. But we also count on a certain predictability and stability in the relationships over time between the monetary and credit aggregates and the variables we really care about—output, employment, and prices.

In 1982, however, those relationships deviated substantially from the patterns characteristic of the earlier postwar period. The simplest reflection has been in movements of "velocity"—the relationship between measures of money and credit and the GNP. As shown in table 1 the velocity of M1, which had been trending higher throughout the postwar period, dropped at a rate of almost 4 percent over the past five quarters.[1] The broader monetary aggregates (and broad credit aggregates as well) also behaved atypically in relation to the economy; their "velocity" dropped during the recession by larger amounts than usual. More sophisticated statistical techniques, taking account of lags, interest rates, and other variables, confirm the fact that "normal" relationships did not hold in 1982.

In establishing its various target ranges at the start of 1982, the Federal Open Market Committee specifically noted that a number of factors, institutional and economic, would affect the relationship of monetary and credit growth to the GNP, and contemplated that M1 in particular could deviate from expected patterns for a time in the event economic and financial uncertainties fostered unusual desires for liquidity. In reporting to you in July of last year, I emphasized that the Committee was prepared to accept higher periods of growth in M1 for a time "in circumstances in which it appeared precautionary or liquidity motivations, during a period of economic uncertainty and imbalance, were leading to stronger-than-anticipated demands for money."

In the event, M1, after moving close to and within the target range around midyear, grew much more rapidly later, ending the year with growth of about 8½ percent, substantially higher than in 1981 and above the target range. Both M2 and M3 tended to rise through the year somewhat more rapidly than the targets contemplated, averaging in the final quarter about ¾ percent above the upper end of the target range. (Revised "benchmark" data and some partially offsetting definitional changes since the end of the year have reduced the "overshoot" to about ¼ to ½ percent.)

In the light of the clear indications that velocity was declining more rapidly than in earlier recession periods, the absence of recovery during 1982, and recurrent strains in financial markets, "above target" growth was accommodated in the conviction that policy, in practical effect, would otherwise have been appreciably more restrictive than intended in setting the targets. The rapid declines in interest rates during the second half of the year—encouraged in part by some actions to restrain the deficit and more broadly by growing realization of the degree of progress against inflation—were clearly welcome. Credit-sensitive sectors of the economy, as noted earlier, tended to strengthen. But after leveling off in the second and third quarters, economic activity dropped again in the final quarter in the face of heavy inventory liquidation. In all these circumstances, strong efforts to confine M1 growth to the target range seemed clearly inappropriate, particularly with the broader aggregates running quite close to their ranges.

An important further consideration during the final quarter was that some of the monetary aggregates were greatly influenced by purely institutional factors. The maturity of a large volume of all savers certificates in October temporarily led to large flows into transaction balances counted in M1. Subsequently, highly aggressive marketing of new money market deposit accounts (MMDAs) by banks and thrift institutions led to enormous inflows into the highly liquid instrument, which is classified within the M2 aggregate.

In the first seven weeks after the introduction of the MMDA, which combines some characteristics of a transaction account with savings, more than $230 billion of money has flowed into the new instrument. The shift of financial resources is without precedent in amount and speed. While the great bulk of those funds simply reflected movements from lower interest accounts already included in M2, a sizable fraction—estimates range to about 20 percent—was derived from large certificates of deposit or market instruments not included in that aggregate. The result has been a gross distortion of the growth of M2 in December, and more importantly, in January.

No statistical or survey technique available to us can identify with precision the impact on M2 of these shifts of funds. The available data do suggest, however, that (taking December and January together) the underlying growth in M2

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.

(that is, excluding shifts of funds formerly placed in non-M2 sources) was not markedly different from the general range established earlier. In other words, the exceptionally strong growth of M2 in January could most reasonably be treated as having no policy significance.

Monetary Policy in 1983

In setting out our monetary and credit objectives for 1983, the Federal Reserve has had no choice but to take into account the fact that "normal" past relationships between money and the economy did not hold in 1982, and may be in the process of continuing change. Part of the problem lies in the ongoing process of deregulation and financial innovation that has resulted in a new array of deposit and financial instruments, some of which lie at the very border of "transactions" and "savings" accounts, defying clear statistical categories.

Perhaps more significant over longer periods of time, both economic and regulatory change may affect trend relationships. Both declining rates of inflation and the growing availability of interest on transaction accounts at levels competitive to market rates could induce more holdings of cash relative to other assets over time. The payment of interest rates on transaction accounts could also affect the cyclical pattern of M1. The broader aggregates, by their nature, should be less sensitive over time to innovation because they encompass a much broader range of assets, but the phased elimination of rigid ceiling interest rates has changed cyclical characteristics.

All of this has greatly complicated the job of setting targets for 1983. In setting the ranges, the Committee believed that monetary growth during the year would need to be judged in the light of developments with respect to economic activity and prices, taking account of conditions in domestic credit markets and internationally.

At the same time, the FOMC is well aware that past cyclical expansions have typically been accompanied by sharp increases in "velocity," particularly for the narrower aggregates. We assume that, to some degree, that pattern will emerge again. A strong presumption is that the target ranges will not be exceeded or changed without persuasive evidence, as in 1982, that institutions or economic circumstances require such change to meet our more basic objectives.

As set out in the formal Humphrey–Hawkins report, members of the Federal Open Market Committee and other Reserve Bank presidents participating in our discussions generally look toward moderate recovery in 1983 in a context of declining or stabilized inflationary pressures. While the individual forecasts vary over a considerable range, the majority anticipates real growth in the 3.5 to 4.0 percent area over the four quarters of 1983, fractionally higher than the administration forecast. Nearly all expect the GNP deflator to rise less rapidly than the 5.6 percent projected by the administration. Projections of nominal growth are mostly in the area of 8 to 9 percent. I believe the Committee, in approaching its policy judgments, recognized the desirability of achieving and maintaining a lower level of interest rates to encourage growth, but felt that this could only be realistic in a context of building on the progress already made against inflation. Efforts to force interest rates down at the expense of excessive liquidity creation could not be successful for long.

Against all this background, the Committee decided that, for the time being, it would place substantial weight on the broader aggregates, M2 and M3, in the belief that their performance relative to economic activity may be more predictable in the period ahead.

The target range for M3, which is least affected by institutional change, was left at 6½ to 9½ percent, measured from the fourth quarter of 1982 to the fourth quarter of 1983.

The target for M2 was set at 7 to 10 percent and the base was shifted to the February–March average of this year to minimize the institutional distortions. Our assumption is that the flow of funds into M2 from other savings media will have sharply subsided in coming weeks. However, the M2 target range does take account of staff estimates that residual shifting will probably raise M2 growth 1 percent or a little more over the remainder of the year; abstracting from such anticipated shifts, the M2 target, in practical effect, is the same or slightly lower than the target for 1982. Consistent with these targets, effective growth (that is, abstracting from the influence of shifts into new accounts) in both M2 and M3 is expected to be somewhat lower in 1983 than in 1982.

The M1 target was widened and set at 4 to 8 percent. Less emphasis has been placed on the M1 target in recent months because of institutional distortions and the apparent shift in the behavior of velocity. The degree of emphasis placed on M1 as the year progresses will be dependent upon assessment of, and the predictability of, its behavior relative to other economic measures, and the range may subsequently be narrowed. Over the year, growth in the lower part of the range would be appropriate if velocity rises strongly, as has usually been the case during recoveries. An outcome near the upper end would be appropriate only if velocity does not rebound sharply from the declines last year, and tends to stabilize close to current levels. Only modest allowance has been made for the new Super NOW accounts drawing funds into M1 from other sources, and the target would clearly have to be reassessed should the Depository Institutions Deregulation Committee permit depository institutions to pay market rates of interest on business accounts.

In addition, the FOMC set forth for the first time its expectations with respect to growth of total domestic nonfinancial debt, and felt that a range of 8½ to 11½ percent would be appropriate. Data for such a broad credit aggregate are not yet available monthly, nor are the tools available to influence closely total flows of credit. While the credit range during this experimental period does not have the status of a "target," the Committee does intend to monitor closely developments with respect to credit for what assistance it can provide in judging appropriate responses to developments in the other aggregates. The range would encompass growth of credit roughly in line with nominal GNP in accordance with past trends; the upper part of the range would allow for growth a bit faster than nominal GNP in recognition of some analysis suggesting a moderate increase in the ratio of debt to GNP may develop.

I appreciate the complexity—for the Federal Reserve and for those observing our operations—of weighing performance with respect to a number of monetary and credit targets, of taking account of institutional change, and of assessing the possibility of shifts in relationships established earlier in the postwar period—a possibility that can only be known with certainty long after the event. But we also can sense something of the dangers of proceeding as if the world in those respects had not changed.

I neither bewail nor applaud the circumstances that have put a greater premium on judgment and less "automaticity" in our operations; they are simply a fact of life. In making such judgments, the basic point remains that, over time, the growth of money and credit will need to be reduced to encourage a return to reasonable price stability. The targets set out are consistent with that intent.

I understand—indeed to a degree, I share—the longing of some to encompass the objectives for monetary policy in a simple fixed operating rule. The trouble is, right now, in the world in which we live, I know of no such simple rule that will also reliably bring the results we want.

The basic rule we must observe is that the sustained forward progress of the economy is dependent on a sense of price and financial stability—and without it, we will undercut the growth we all want. That objective, as I have emphasized, will require that we avoid excessive growth of money and credit because, sooner or later, that growth will be the enemy of the lower interest rates and stability we need.

I have given you our best judgment on the appropriate role for monetary policy in 1983. But, success in achieving our objectives is not in the hands of monetary policy alone—and we look forward to all elements of policy moving ahead in pursuit of those common goals. □

Remarks by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on International Finance and Monetary Policy of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 17, 1983.

I am pleased to have this opportunity to exchange views with the committee on the international financial situation and the role of the International Monetary Fund. I have elaborated at some length on these issues in a statement that I presented two weeks ago to the House Committee on Banking, Finance and Urban Affairs.[1] Today, I would simply like to update that statement and highlight the major points.

We face extraordinary pressures in the international financial system. While conditions in the market have been calmer in recent months, in large part because of responsible actions by all the parties involved, the underlying problems persist.

This is not an abstract, esoteric problem of marginal interest to our economy. Failure to address these problems will jeopardize our jobs, our exports, and our financial system. Unless it is dealt with effectively, it could undermine both our own recovery and the economies of our trading partners and friends abroad.

I am confident that the situation can be managed—but it won't manage itself. My confidence is based in part on the fact that I think the nature of the problem and the needs are well understood. Governments have worked together in analyzing and dealing with the problem; we have seen the borrowers and lenders working together effectively; and the IMF—as the designated international overseer of the system—has been at the center of the process, fulfilling its key role in coordination, providing money in some cases, and promoting necessary economic adjustment.

As we deal with the heavy indebtedness and balance of payments problems of some large developing countries, five interrelated elements stand out.

The first step is that the borrowing countries themselves must adjust. This means strong and forceful measures—basically austerity programs—have to be taken by these countries to cope with their internal and their external imbalances, typically with the support and approval of the IMF. For example, the reductions in public sector borrowing requirements committed under IMF programs for Argentina, Brazil, and Mexico are demanding: they require roughly a halving of deficits over the course of the year.

Forceful adjustment programs will be accompanied, for a time, in slow or no growth internally, reduced imports, and lower standards of living in countries where average incomes are already far below ours. The question is sometimes put as to the wisdom of these programs in a world eager for growth. The answer is straightforward. Those programs are fundamentally justified by two basic considerations: (l) In the absence of coherent adjustment programs that can command support in the international financial community and among other governments, still more severe and lasting difficulties would ensue as borrowing countries found their access to external resources abruptly cut off; and (2) well-conceived adjustment programs can lay the base for resuming growth at a sustainable rate for years ahead.

A second element in dealing with the current problems is that, considering the large imbalances the major borrowing countries have faced, an orderly adjustment effort will require additional external credit support during a transitional period. In important cases, restructuring of existing loans and agreement among bank lenders to provide additional credit have become essential. Because adjustment is contemplated and is proceeding, those fresh credits can typically be provided without increasing exposure of the banks in terms of ratios of loans to capital or assets, and in fact with some declines in those ratios.

Third, monetary authorities of some of the industrialized countries have provided temporary liquidity assistance while IMF stabilization programs and associated finance are being negotiated and while the banking packages are being put together. This is something that should not become a norm, but it is justified to maintain continuity in payments and confidence when

1. "Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the House Committee on Banking, Housing and Urban Affairs, February 2, 1983," *Federal Reserve Bulletin*, vol. 69 (February 1983), pp. 80–89.

there is a clear threat to the international financial system.

Fourth, as the earlier points imply, the IMF plays an absolutely essential role, and it needs adequate resources to do its job. It works closely with the borrowing countries themselves, particularly in reaching agreement on stabilization programs to restore economic balance and in maintaining confidence in their creditworthiness. As part of that process, the IMF provides a key element of medium-term finance in support of adjustment programs. Complementing its own resources, it has also helped coordinate the needed private (and sometimes public) financing. It does not itself replace other sources of financing, but supplements them.

Finally, the success of the adjustment programs and the relaxation of pressures on borrowers and lenders ultimately is dependent upon the performance of the world economy. In an environment of sustained growth in the industrial countries, the borrowing countries themselves can more easily resume growth, their debt burdens will become more manageable, and their adjustment will be less burdensome. "Normal" financing patterns can be resumed—in the sense not of the excessive growth of some recent years, but in that lenders and borrowers can freely and individually negotiate mutually acceptable terms free of critical liquidity pressures.

That objective of growth coincides, of course, with our domestic concerns. Conversely, if we fail to come to grips with the international financial situation, the prospects for growth in the industrialized world, including the United States, would be impaired. Our concern for maintaining a well-functioning international financial system is rooted in our self interest, not in altruism.

I will not review now the material in my earlier statement about the development of bank lending in earlier years and the lessons for banks and supervisors alike growing out of that experience. Suffice it to say that much of this lending reflected a constructive response by the financial system to the need to ease the adjustments associated with the world oil crisis. International lending will continue to have an important role to play in a developing world economy.

But, of course, there can be excesses, and some of the lending proceeded on assumptions that, in retrospect, seem invalid. None of us enjoys perfect foresight, and central to our financial and economic system is that the individual lenders reach their own credit judgments. But government has the responsibility to establish and maintain ground rules and procedures that, without stifling the market, provide assurance that the stability of the system as a whole can be protected against the dangers of excessive concentration of risk, and that the element of risk is appropriately weighed. While our present supervisory approaches are aimed at that objective, the rapid development of international lending and today's problems do point to the need for careful review of present policies and other ideas. Possible modified or new approaches—touched upon in my earlier statement—are under intensive review by the supervisory agencies, and I expect to be able to report conclusions to you in a matter of weeks. At the same time, the danger of overreaction—of encouraging inadvertently an abrupt retreat from lending—is equally real. The hard fact is few borrowers, at home or abroad, can suddenly repay substantial debts accumulated over years. An attempt to force the process would be doomed to failure because borrowers need time to make the adjustments to earn the funds or to restore their market access. What may seem logical and appropriate to an individual bank in demanding payment, if generalized, would place such strain on the system as a whole that the system, and the individual banks within it, could only be damaged.

As I noted earlier, the parties immediately at interest in resolving the international debt problem—lenders and borrowers, governments and the private lending institutions, and international organizations—have been acting cooperatively to deal with the major points of pressure to the financial system. The IMF stands in the center of this effort, and it has responded with force and leadership.

Last week, at the meetings of the Interim Committee, member governments of the IMF reached agreement—subject to legislative approval—to expand the effective resources of the IMF, and to do so promptly. Recent events have ended any doubt about the need for a substantial increase in resources of the Fund—a matter that had been under discussion before the strains had become so evident last summer. The amount agreed upon last week—at the lower part of the range that had been under discussion—does not seem to me at all excessive, but it will enable the Fund to discharge its large responsibilities with effectiveness and confidence that the resources it may need will in fact be available.

Last week's decision increased IMF quotas about 47.4 percent, or about $32 billion. The Group of Ten earlier approved an enlargement and broadening of the General Arrangements to Borrow (GAB) from $7.1 billion to about $19 billion, supplementing in time of need the resources available to the Fund.

Both the quotas and the expanded GAB essentially provide a standby commitment, with equitable sharing among countries, to contribute to a pool of funds that can be drawn upon for loans to IMF member countries in time of need. As more funds are borrowed by a country, stricter conditions are required.

The increase in IMF quotas and the enlarged GAB require budgetary authority and appropriation for the full amount of these commitments, involving about $8.4 billion for the United States. These commitments, however, do not lead to a net budget outlay, in recognition of the monetary and reciprocal character of the IMF. Moreover, cash advances will be necessary only when and if demands on the IMF exceed amounts that can be provided from current IMF resources—and that will only happen in the foreseeable future if, in fact, the Fund requires these added funds to deal with a major threat to the system. In a sense, the United States and other countries assume the position of insurance underwriter, called upon with a showing of demonstrated need. What we are insuring, among other things, is that our own recovery will not be aborted by international financial disturbances.

The events of recent months have highlighted both the risks and the means for dealing with them. The pressures on the international financial system have not disappeared, and we cannot assume some hidden hand will manage the solution.

As the economic, financial, and political bellwether of the Western World, we cannot escape the responsibility of leadership and participation in the effort—not if we want the effort to succeed in our own interest. Early approval of the IMF legislation that will be submitted to the Congress shortly will be an indispensable step to that end, reflecting our determination and capacity to do our part in reaching a constructive and effective resolution of the problem. □

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, February 24, 1983.

Mr. Chairman, I appreciate the opportunity to appear before this subcommittee on behalf of the Federal Reserve to discuss the potential effect of supervisory policies on the level of home and farm loan foreclosures and the need for additional measures to assist financially troubled homeowners. The loss of a home or family farm, or even the potential threat that such a loss could occur, can be a deeply distressing personal experience that can undermine the economic welfare, stability, and continuity of family life. Because of the significant economic considerations and important social values at stake, I believe that it is essential that policymakers be acutely aware at all times of the effect of public policies on the status of real property ownership in this country. Our strong tradition of homeownership and the part that farm owner–operators play in agricultural output are important aspects of our standard of living and the long-run performance and productivity of our nation's economy.

Before addressing the specific questions raised by this subcommittee, I would like to make some general observations about the level of mortgage delinquencies and foreclosures.

Delinquency rates on home mortgages typically increase during business-cycle contractions as the level of unemployment increases; many full-time workers are forced to accept part-time employment, and many families relying upon two wage earners experience the loss of one of their sources of income. Available measures of payment difficulties indicate that the proportion of home loans "seriously" delinquent—that is, with payments 60 days or more past due—has risen substantially since 1979. By late last year, in fact, delinquency rates were well above the levels recorded during and after the 1974–75 economic contraction and the highest of the post-World-War-II era. As would be expected, mortgage payment problems have been greater in those areas of the country where unemployment has been most serious. Last year, the delinquency rate in the north central region of the United States was roughly one-third higher than the national average and three-fourths above the rate in the South.

The proportion of home loans placed in foreclosure clearly has risen in the wake of the substantial increase in serious delinquencies, and foreclosures have been most prevalent in areas of the country where unemployment has been both exceptionally high and protracted. Still, by late last year, the quarterly foreclosure rate for all types of home mortgages was less than one-fourth of 1 percent, and only about six-tenths of 1 percent of outstanding loans were involved in foreclosure proceedings. This latter figure amounts to approximately 1 in every 170 mortgage loans. With many delinquent loans, of course, lenders decide to exercise forbearance—even when not required to do so by law or regulation—and arrange various workout arrangements for normally creditworthy homeowners until their job situations improve. Moreover, households facing foreclosure ordinarily will sell their homes and pay off their debts as long as they have adequate equity to come out ahead. This type of solution, however, is not a happy situation for the distressed homeowner.

The financial problems being experienced by some farmers are mainly a result of the fact that in 1976–77, and again in 1980–82, farm profits dropped substantially below their rising long-term trend. Some farmers who started farming since the mid-1970s or who made significant land purchases or other major investments during the same period have found themselves in a financially vulnerable position, particularly if they encountered production problems such as drought. Moreover, the difficulties of these farmers have been greatly exacerbated by the sharp rise in interest rates to unexpectedly high levels since 1979. While this situation is of concern, the number of farmers in severe financial stress is a relatively small percentage of all farmers.

Since 1977, many of the financially stressed farmers have obtained loans from the Farmers Home Administration (FmHA), under lending programs designed to aid farmers encountering special problems. Many of these FmHA borrowers remain in financial distress, and the FmHA has been directed to exercise forbearance in dealing with their plight. Thus while about one-fourth of the FmHA's 268,000 borrowers are delinquent, and more than half of these are apparently more than one year behind in their payments—with some more than four years in arrears—only 844 foreclosures are reported to have been completed during 1982.

The shift of many problem borrowers to FmHA programs during 1978–81, coupled with the large increase in loans of the Commodity Credit Corporation, has undoubtedly reduced the incidence of problem loans at other farm lenders much below what otherwise might have been experienced. Thus the Farm Credit System reports a delinquency rate of about 3 percent, and a mid-1982 survey of commercial banks conducted by the American Bankers Association found an average delinquency rate of 4 percent. Liquidations and foreclosures—while up from the near-zero levels of better times—remain a very low percentage of total outstanding loans and borrowers. In most problem cases, the lender as well as the borrower benefits from a restructuring of the debt to reduce current payments, and such actions have been taken far more frequently than the alternative of forcing liquidation.

In light of these circumstances, one can appreciate this subcommittee's concern with the recent upward trend of mortgage loan foreclosures and its desire to consider ways to assist financially pressed homeowners. In the letter announcing these hearings, this subcommittee requested the Board's views on the effect of supervisory and examination procedures on financial institutions' decisions to institute foreclosure proceedings and whether or not new supervisory procedures are needed to encourage institutions to exercise greater forbearance. This subcommittee has also requested that the Board give consideration to ways in which the resources of the discount window could be utilized to assist distressed borrowers in making timely interest payments on their mortgage loans until their economic circumstances improve.

SUPERVISORY PROCEDURES

With respect to the foreclosure practices of financial institutions, the Board does not believe that supervisory or examination procedures employed by federal agencies encourage financial institutions to take premature or imprudent action to foreclose on delinquent mortgage loans to the detriment of hard-pressed borrowers. Further, we do not believe that supervisory procedures discourage institutions from exercising an appropriate degree of forbearance so long as such a course is consistent with an institution's safety and soundness and with banking laws and regulations and holds a reasonable prospect in the long run of enabling a borrower to strengthen his financial position and resume timely loan repayments. In making this statement, I should point out that the commerical banking system, over which the Federal Reserve shares jurisdiction with the other banking agencies, holds only about 17 percent of all one- to four-family residential mortgages and approximately 9 percent of farm real estate debt. Our supervisory experience with commercial banks indicates that institutions generally view foreclosure as a last resort, to be employed only when other reasonable steps to assist the borrower have failed.

In evaluating the quality of residential and farm mortgage loans, supervisory examiners consider underlying collateral values and the borrower's long-term prospects for repayment, as well as the borrower's current performance. Examiners also take into account the borrower's present economic and financial circumstances, his future prospects, and the effect of local or regional economic conditions. These procedures are designed to ensure that transitory economic difficulties or temporary interruptions in loan repayments do not result in unduly harsh supervisory criticism. In addition, I should point out that the recently implemented supervisory reporting guidelines for commercial banks, while requiring information on the past-due status of residential mortgage loans, do not require banks to place such loans in a nonaccrual or renegotiated "troubled" debt status. Consistent with safety and soundness considerations, financial institutions are encouraged to work with borrowers who are delinquent in order to return their loans to a current status because such efforts are obviously in the interest of both lender and borrower. For example, a prudent program to counsel an individual borrower, to modify or extend repayment terms, or to grant a reasonable grace period would not be criticized so long as the program is designed to improve the borrower's ability to service his obligation and does not result in the bank's failure to recognize and take action to address its problem loans.

In practice, foreclosure is an expensive and time-consuming process that is subject to numerous uncertainties. Moreover, foreclosure during periods of economic recession can be a particularly uncertain process because it is far from clear that a financial institution will benefit from taking possession of or attempting to sell property when real estate markets are depressed. Consequently, financial institutions have an incentive to take reasonable steps and establish prudent workout plans that assist borrowers whose financial problems are temporary and whose long-term prospects are favorable. Supervisory procedures do not discourage such programs so long as they are sound, well thought out, and consistent with an institution's financial condition and overall safety and soundness.

In the past, federal agencies have cooperated with congressional actions to encourage forbearance in foreclosure proceedings in order to assist financially pressed homeowners. For example, in passing the Emergency Housing Act of 1975, the Congress instructed the federal supervisory agencies for financial institutions to take action, consistent with safety and soundness considerations, to relax supervisory criticisms pertaining to mortgage delinquencies and to encourage forbearance in residential mortgage loan foreclosures. In response to this legislation, the banking agencies informed mortgage lenders of the critical importance of considering a borrower's long-term prospects and of the need to exercise forbearance in mortgage foreclosures. Specifically, the Federal Reserve instructed its field examiners to refrain from criticizing forbearance in residential mortgage foreclosures as long as the institution's efforts did not threaten the safety and soundness of the institution or violate banking statutes. Nonetheless, in light of the passage of time and the continuing hardship associated with high unemployment and loss of income, we believe that it may be useful to reiterate to supervisory examiners that workout plans and forbearance programs that assist homeowners will not be subject to supervisory criticism so long as they are not inconsistent with banking statutes and an institution's overall safety and soundness.

USE OF THE DISCOUNT WINDOW

In considering the proposal to implement a mortgage workout program by the provision of credit from the Federal Reserve discount window, a vital point must be kept in mind: a special type of money is provided through discount window loans—money that serves as the reserve base for a multiple expansion of money and credit in our economy. Consequently, Federal Reserve lending is critically important to the conduct of monetary policy, and the volume of reserves available to depository institutions must be kept under disciplined control if we are to avoid a resurgence of the inflationary pressures that have recently shown signs of abating. In the Board's view, a special assistance program that utilizes the resources of the discount window would erode the Federal Reserve's ability to exercise control over the reserve base and the money supply.

The Federal Reserve, in its traditional lending activities, has been able to keep the volume of reserves provided through Reserve Bank discount windows within manageable bounds, in part because discount officers have enforced rules that limit the purposes and conditions under which Federal Reserve credit is made available. With the level of borrowed reserves thus generally held under effective constraint, the Federal Reserve has been able to respond to an unexpected increase in borrowed reserves that seemed inconsistent with the general requirements of monetary policy by making offsetting sales of government securities in the open market to absorb reserves.

Adoption of a mortgage workout program that would likely involve a relatively large increase in discount-window credit would obviously tend to complicate the reserve management task of the Federal Reserve and undermine its ability to control growth in the money supply. But, while the complications that might be created by this program alone are of concern, I am much more worried about the precedent that would be set. If Federal Reserve credit were to be made available to assist in handling this special problem, many other economic groups—all with credit needs that they sincerely believe to be as pressing as those of distressed homeowners—would soon be submitting requests to the Federal Reserve and to the Congress for access to the discount window. As a result, the Federal Reserve's ability to control the general availability of reserves and the money supply would be threatened. I would emphasize that my reading of central bank experience in other countries suggests that when central banks have been given the dual assignment of carrying out monetary policy and of providing credit assistance—either to special economic groups or for special economic purposes—political pressures have inevitably tended to arise that worked to undercut effective discipline over money and credit growth, leading ultimately to higher inflation.

I should point out that mortgage loans may be used as collateral by depository institutions that borrow from the discount window. Such credit is available for temporary adjustment purposes or for seasonal needs when warranted by the liquidity circumstances of the institution. But in such situations the risk remains with the original lender, as it should, and the discount window does not become an open tap for special assistance that could adversely affect the discount window's critical central banking function.

Another important matter raised by proposals is to have the Federal Reserve extend credit to special economic groups. In its efforts to exert control over the volume of total credit being extended through the discount window, the Federal Reserve would be placed in the position of having to decide how resources are to be allocated among competing economic groups. I believe all would agree that, in line with our social values and our economic and political system, decisions on resource allocation should normally be left to individuals and consumers operating within a free market system. However, when decisions are to be made concerning the allocation and use of public resources, such decisions should be made by the people's elected representatives in the Congress.

Finally, I would note that credit extended by the Federal Reserve is reflected in neither the unified nor the credit budgets of the federal government. Thus, directing the Federal Reserve to provide credit assistance would constitute yet another program involving the government in the economy without having this involvement reflected in the budget. This is a practice that the Congress has for some time recognized to be counterproductive to the long-run health of our economy and our society in general.

The Congress may wish, of course, to consider special risk-oriented programs to aid homeowners and farmers who are having a difficult time making their mortgage payments. In considering such plans, the Congress must weigh the costs and benefits of special measures to subsidize or assist borrowers and evaluate the need for such programs in light of competing social demands and budgetary imperatives. As I have stated, the Board does not believe that it would be appropriate to utilize the discount window to provide direct financial assistance to individuals or to mix the provision of special risk-oriented assistance with the central banking function. If such assistance is deemed necessary, we believe that the Congress should consider programs in the context of the budgetary review and approval process. Adoption of special subsidies or other forms of aid would, however, add to budgetary or federal credit program outlays and would logically necessitate offsetting cutbacks in other areas if the discipline of tight federal expenditure constraints is to be maintained in the effort to lower deficits and further reduce inflation and interest rates. If such programs were to be financed through additional federal borrowing, the end result could very likely be greater upward pressure on interest rates. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, February 24, 1983.

I appreciate the opportunity to appear before this committee to discuss the current economic and budgetary situation and the Federal Reserve's goals for monetary policy. Last week I presented to the Banking Committees the specific numerical targets for the growth of money and credit in 1983 set by the Federal Open Market Committee (FOMC). This morning I will focus on the broad issues confronting monetary policy and their relationship to other aspects of domestic and international economic policy.

Current Economic Conditions

Recessionary forces were ebbing at the end of 1982, and activity has turned upward in several sectors. Moreover, we have made impressive progress against inflation over the past year, and the underlying trends of inflation point at least toward consolidating that progress in 1983, and more likely toward further improvement. Thus, the opportunity presents itself for an orderly recovery in business activity that will bring with it the increases in job opportunities and real income that we all desire. The challenge is to see the present signs of incipient recovery evolve into a long-lasting, noninflationary expansion.

A key element in the improved outlook is the change in financial market conditions over the past year. Short-term interest rates are now as much as 10 percentage points below their earlier peaks, while long-term rates are down about 4 to 5 percentage points. Reflecting these developments, activity has been improving in the credit-sensitive sectors of the economy.

The most notable turnaround has been in the housing market. Production and sales of new single-family homes have now risen substantially over the depressed levels of late 1981 and the first half of 1982. With personal debts relative to income lower than in several years and with liquid assets rising, activity in consumer markets also has shown some signs of improvement. Auto sales, in particular, have responded to the lower interest rates offered under special programs as well as to improvements in design and pricing policies that have made domestically produced autos more competitive and more attractive to consumers. Moreover, consumer purchases of other "big-ticket" items also appear to be improving.

As is usually the case, the inventory cycle has played a large role in the recession, and will determine the speed and shape of recovery in its early stages. Businesses made vigorous efforts to control the accumulation of unwanted stocks early in the recession and again in the final months of 1982 when recovery failed to develop, as had been widely anticipated, earlier in the year. Inventories generally are now back to the levels of early 1981. Consequently, if final sales continue to strengthen, increases in production could be more than proportionate.

For the time being, with excess capacity large and profits depressed, business investment in new plant and equipment is likely to continue to fall. Some delay in the recovery of capital spending is not out of line with previous cyclical experience, as many firms initially intensify the use of existing capital rather than invest in new plant and equipment. Nonetheless, there are some encouraging signs in this sector. In particular, new orders for capital goods have firmed in recent months. Moreover, lower costs for long-term borrowing and equity financing have allowed firms to begin restoring their balance sheets to more liquid conditions—thereby putting the business sector on a sounder footing for expansion.

The U.S. economy has become increasingly integrated into the world economy over the years. In contrast to most earlier recessions, exports dropped sharply in 1982, reflecting both the recessionary tendencies in the rest of the world and substantial appreciation of the dollar in 1981 and much of 1982. The sluggishness of business activity abroad is a major reason that recovery here is likely to be significantly less rapid than after most previous recessions.

THE OUTLOOK FOR INFLATION AND INTEREST RATES

The outlook for a sustained expansion of economic activity depends in major part on the success of monetary and fiscal policies in fostering confidence in our ability to make continuing progress against inflation in the years ahead. Interest rates and inflation rates freqently do not bear a close relationship to each other for short time periods—and those periods can extend over several years. Over time, however, there are strong analytic reasons to expect a closer relationship because borrowers and lenders alike are interested in real returns—that is, in assessing the costs or returns of investments after allowance for changing prices. What counts, in that respect, is expected prices, which we cannot measure directly. To the extent that substantial doubts exist that the progress against inflation may not be maintained, interest rates currently—particularly long-term rates—will remain higher than otherwise necessary. That situation is further aggravated, as I will discuss later, by the prospect of outsized federal budget deficits in future years. To the extent interest rates are an obstacle to sustained, well-balanced recovery and to improved economic performance generally, we must deal with these doubts and concerns.

Looking back, the gains in the fight against inflation are striking. All broad measures of prices rose less than 5 percent last year, the slowest rate of increase in a decade. To be sure, part of the improvement reflected unusually favorable developments in food and energy prices as well as abnormally low commodity prices, the effects of the sharp appreciation of the dollar, and more generally, the cyclical weakness of the economy.

Potentially more important, however, trends of underlying costs are now moving lower, and those trends should be sustainable as the economy recovers its upward momentum. One element suggesting optimism is the recent behavior of productivity. After languishing in the late 1970s and early 1980s, labor productivity turned up last year, somewhat unusual in the midst of recession. Beyond those statistics, which at this point can only be suggestive of a changing trend, there is increasing evidence of efforts by both workers and management under the pressures of competition and recession to increase efficiency and reduce "break-even" points. The fruits of those efforts should be more apparent during recovery. If combined with continuing moderation in nominal wages, the result should be long-lasting reductions in cost pressures and expansion of real incomes. Increases in nominal wages slowed to a range of 6 percent last year, and seem to be rising at a slower pace than that now. That slowing of nominal wage increases has been fully consistent with rising real wages for those working because price increases have come down more rapidly than wages. With real wages rising, one source of pressure for aggressive wage bargaining should subside.

Clearly, the more restrained wage increases last year were directly related to the pressures in the labor market. Employment fell throughout 1982. Although layoffs were concentrated in the industrial sector of the economy, even the service-producing sector—the primary source of employment growth in recent years—experienced declining payrolls. The extent of these employment cutbacks was reflected in sharp increases in the unemployment rate. While the January drop in joblessness was encouraging, current unemployment rates are still obviously high and may decline only slowly.

Success in dealing with inflation cannot be based on an economy that stays in recession, with unacceptable levels of unemployment. But we will need to maintain moderation in wage settlements and pricing policies as the economy expands. The favorable near-term outlook in that respect is reinforced by the current softness in the price of one of our most important raw materials—oil. But sustained improvement will depend on a sense of conviction that government policy will remain alert and forceful in dealing with inflationary threats as the economy expands. That is the same environment in which interest rates can decline, and stay lower, helping to support a recovery in investment and sustained growth.

International Considerations

Other industrialized countries have been attempting to deal with some of the same basic problems that we have been facing. Most of them have been fighting stubborn inflationary pressures. Subnormal economic performance has been pervasive, and unemployment of labor and the underutilization of other resources have risen to levels unprecedented in the postwar period.

The sluggishness of activity in the advanced industrial economies has affected the volume of exports of developing countries and contributed to substantial declines in commodity prices. Those factors, in turn, have made it more difficult for some heavily indebted developing countries to deal with those debt burdens. Growing recognition of the potential strains on the international banking system—after a decade of rapid growth in lending to developing countries—was precipitated in part by interruptions in debt service by Mexico last summer.

One danger has been that lending banks would attempt to protect their individual positions by rapidly retreating from new lending. But borrowers who have built up large debts over a period of years are not in a position to repay suddenly. An uncoordinated attempt to force such repayment would undercut the stability of the borrowers, the lenders, and the international financial system alike. We could not fully insulate our domestic banking and credit system—and our own economy—from such developments. Consequently, we have the strongest kind of self-interest in measures to contain and deal with the threat.

Management of that situation has required, and will continue to require, the active cooperation of borrowing countries, banks, central banks and treasuries of leading countries, and international financial institutions. The International Monetary Fund has a special, and indispensable, role to play. In that connection, I believe it is essential that the Congress approve enlarging the resources of the IMF at an early date so that it can, with some assurance, proceed in the knowledge that its resources will be adequate to meet its responsibilities. As you know, that action will require budgetary authorization and appropriation, even though the operations of the IMF do not significantly affect net budget outlays or the deficit.

Monetary Policy in 1983

Not so long ago the American public felt confident—in retrospect overly confident—about the ability of government to keep the economy on a stable growth path. Since the mid-1960s, long years of accelerating inflation and rising unemployment, instability in financial markets and the economy, and concern about continual budget deficits have eroded that confidence. We can restore it—not in the earlier sense that a high degree of "fine tuning" is thought to be feasible, but in the sense that government can encourage a sense of price and financial stability and a fundamental environment for growth.

In one important sense—dealing with inflation—we have come a long way in the past two years, even though a good deal of skepticism remains, and we must not assume the battle is over. That effort has been accompanied by strains and tensions in financial markets at home and abroad, extraordinarily high interest rates, and, of course, a serious recession. But now we can also begin to see prospects for recovery and more settled conditions in financial markets. Changes in the fiscal structure adopted in recent years should, in time, help encourage investment and savings.

But there are also obstacles that must be removed if we are to capitalize on the progress that has been made and to make the happier vision a reality. Both monetary and fiscal policy will have large and complementary roles to play in dealing with those obstacles and providing a solid base for renewed confidence.

The role of monetary policy is to build on the progress against inflation while providing enough money and liquidity to meet the needs of recovery.

In some respects, the line is a narrow one, and it can't be determined with mathematical precision. But in approaching our policy decisions, two things are clear. First, renewed inflation—or policies that seem likely to lead to that result—is neither a satisfactory nor a practical option. The sensitivity of the public and the markets to signs of renewed inflation is all too likely to produce precisely the reactions in financial markets—and in wage bargaining and pricing policies—that would soon weaken or abort recovery. The result would be a replay of the past decade or worse.

Second, the problems for monetary policy in meeting the needs of the economy are vastly complicated by the present prospect that huge federal deficits will preempt so much of our credit and savings as a recovery proceeds. I spoke a moment ago of the "narrow path" for monetary policy, but I must also emphasize that no path can resolve the economic and financial effects of excessive deficits in a growing economy. The present budgetary outlook—until corrected—can only maintain skepticism about future prices and interest rates, narrowing the flexibility for monetary policy now.

I reported in detail on the specifics of monetary policy with respect to our various monetary and credit aggregates last week. I would only note now that the relationships between money and economic activity did not follow "normal" cyclical and trend patterns last year, partly because of the introduction of new deposit accounts but also because of broader economic reasons. Demands for money and liquidity appeared to be enlarged by the uncertainty of individuals and businesses about the economy and financial developments. There is also the possibility that the combination of declining inflation, lower market interest rates, and the increasingly common practice of paying interest on transaction accounts may have a lasting impact on trends in "velocity," and therefore on the appropriate supply of money over time.

Looking through all the complications and taking account of institutional distortions, our targets for money and credit growth in 1983 are similar to those in 1982. Because actual growth last year generally exceeded the target ranges, the effective growth this year should be less than in 1982. Based on present evidence and allowing to some degree for usual cyclical patterns, that amount of liquidity should be fully consistent with the anticipated growth in the economy and with sustaining the progress against inflation—consistent, in fact, with the kind of projections you have from the administration and the Congressional Budget Office. In a context of declining inflation, the monetary targets themselves are not inconsistent with further reductions in interest rates—but I must add that other factors, including the budget deficit, impinge strongly on interest rate levels.

The variety of monetary indicators we use and the rapidity of institutional change are potentially confusing. In the circumstances, some understandably yearn to encompass all policy considerations in a simple, relatively rigid rule. But I know of no such rule reliably suited to our present circumstances. Elements of judgment seem to me inevitable in interpreting the data, and the targets will need to be judged and reviewed at suitable intervals in the light of developments with respect to economic activity and prices and conditions in the domestic and international financial markets. At the same time, the targets do provide a needed discipline, and we mean to be within them over relevant spans of time. They will be changed only if evidence for such change is strongly persuasive.

We do take as a point of departure in our judgments the critical importance of maintaining the momentum against inflation. In fact, most members of the Federal Open Market Committee believe that, taking the broader price indexes, the inflation outcome in 1983 is likely to be better than that projected by either the administration or the Congressional Budget Office. The recent developments with respect to oil prices only reinforce that outlook. Given the supply of money and credit, such an inflation outlook implies lower interest rates than otherwise and more room for real growth.

THE FEDERAL BUDGET AND MONETARY POLICY

The most obvious obstacle to sustained recovery is the prospect of huge federal deficits even as the economy expands. In the last fiscal year, the federal deficit was a record $111 billion. The President's new budget report projects a deficit in the current fiscal year nearly double last year's figure and further growth into the foreseeable future in the absence of determined action to alter that outlook.

The members of this committee, of course, are well aware of the enormity of these projected deficits, but there may be a danger that numbers in the range of $200 billion plus have been cited so frequently as to make them seem almost comfortable and familiar. No matter how readily $200 billion slips off the tongue, the hard fact remains that deficits of that magnitude would preempt an unprecedented share of our net savings, keep "real" interest rates high, and divert funds from the investment and the housing we need and want.

To be sure, a substantial part of the current deficit—projected at about 6½ percent of the gross national product—reflects the impact of the recession on the budget. Slack economic activity and higher unemployment have cut deeply into revenues and boosted outlays for unemployment benefits and other automatic stabilizers. At a time when investment is weak and private credit demands have slackened, these cyclically induced deficts have helped support spendable income and buoy the economy. They have not, in the midst of deep recession, been inconsistent with declines in interest rates—but interest rates have, as you know, remained high relative to the current rate of inflation.

As the economy recovers, the cyclical portion of the deficit will recede. But as things now stand, the deficit itself will not. Higher revenues from economic growth and reduced spending for unemployment compensation will be offset by—and possibly more than offset by—growth in other spending programs and the effects of earlier tax changes. In other words, through the mid- and late-1980s, a huge imbalance would remain even if the economy were operating at much lower levels of unemployment—and assuming inflation remains under control.

All that is familiar to you—and it is equally familiar to the financial markets, where the prospect of a major structural imbalance in the government's finances has an impact on current interest rates. Not just the direct demand for funds to finance the Treasury is of concern but the fear that ballooning federal borrowing needs will, in effect, bring extraordinary pressure on the Federal Reserve to monetize the deficits, with implications for inflation itself, for inflation expectations, and for inflation premiums in nominal interest rates. One implication is that, to the extent the budget deficit appears to be intractable, the burden placed on monetary policy to demonstrate the government's resolve to follow a noninflationary course is intensified. The converse is equally true: meaningful action to demonstrate the government's economic discipline on the fiscal side would reinforce confidence that monetary policy over the years ahead can do its job in maintaining a course consistent with price stability without intolerable market pressures.

Some are tempted to suggest that the budget problem and its consequences for the performance of the economy could be solved by monetary policy. But excessive money creation to meet the needs of the government would only reinforce and validate the fears of renewed inflation, and sooner or later, higher interest rates. In the end, excessive monetary growth would put us in an even more unsatisfactory situation, with still more deeply ingrained inflation expectations and greater skepticism about the ability of our nation to manage its economic affairs. Nothing real would be gained for long, and hard-won ground in the battle against inflation would be lost.

In concept, any inflationary impact from the budget can be contained by appropriate monetary policy. But the harsh implications of excessive deficits for other credit-dependent sectors of the economy would clearly remain.

I don't want to suggest there is a simple tradeoff, as sometimes suggested, between future budget policy and current monetary policy. Reducing the threat of those large structural deficits stretching out to the end of the decade in and of itself should have favorable effects on current interest rates and in damping concerns about future increases. In that real sense, budgetary virtue will provide its own tangible reward.

But those benefits would ultimately be lost if monetary policy were to abandon its continuing and necessary concern with restoring reasonable price stability. That point remains central.

What can be said is that a better fiscal outlook, with all it implies, would certainly provide a better environment in the financial markets today, reduce concern about future inflation and an early rebound in interest rates, and moderate preoccupations that the Federal Reserve itself might somehow be forced to retreat from its basic anti-inflationary course. As things stand, with monetary policy assumed to be the only bulwark against renewed inflation and a high degree of sensitivity to the past failures in efforts to contain inflation, every twist or turn in the monetary aggregates or short-term policy actions interpreted as "easing" is closely scrutinized as a sign or symbol of intentions over a longer period. Clear progress in dealing with the budget could, in that sense, somewhat enhance our operating flexibility, so long as we succeed in reinforcing the basic point that the effort to sustain the progress against inflation is intact.

As you know better than I, the process to cut down those future deficits must start now, and with energy and force. Basic budget trends take time to change, but the knowledge that they will be changed will affect markets now. The amounts involved are large, but certainly not beyond our capacity.

It is obviously beyond my competence, or the province of the Federal Reserve, to deal with all the particular priorities that must be balanced. The administration has set forth its program in that respect. The general order of magnitude seems to me appropriate, although some of the measures proposed would, in my judgment, be more effective if brought forward in time. Others have proposed different specifics, and I am sure they will receive consideration.

From the standpoint of general economic policy, the more that can be done in restraining expenditures the better. You, of course, have to reconcile that with other priorities, and the basic point is that the sheer arithmetic of the problem does suggest that changes will be necessary over a broad range of programs—both on the spending and revenue side. I believe recognition of that fact is becoming increasingly widespread both in and out of Washington.

Your committee is in the critical position of converting that wide consensus on generalities into a specific program, and I have some idea how difficult that is. But I also have some idea how important it is to our future.

CONCLUSION

I need not dwell on the fact that we are negotiating a most difficult period in our nation's economic history. But I also believe we are in the process of laying the base for more vigorous, and lasting, noninflationary growth. In looking to the rest of the decade and beyond, in my view, strong forces are at work that should lead to a kind of self-reinforcing process of growth, greater price stability, higher real income and profits, and declining unemployment. But there are obstacles to that prospect. Monetary and fiscal policies alike need to be directed, and work in concert, toward removing those obstacles and achieving that bright promise. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, March 8, 1983.

I appreciate the opportunity to appear before this committee to discuss with you directly—as I have with other committees—the current economic and budgetary situation and the Federal Reserve's goals for monetary policy. A few weeks ago I presented to the Senate Banking Committee the specific numerical targets for the growth of money and credit in 1983 set by the Federal Open Market Committee (FOMC), and I believe you have the Monetary Policy Report to Congress before you. Therefore, I would like to focus this morning on the broad issues confronting monetary policy and their relationship to other aspects of domestic and international economic policy.

CURRENT ECONOMIC CONDITIONS

In order to put these issues in context, I should begin with a few comments on where the economy stands today. After a long period of recession, activity is showing signs of increasing strength in several sectors. Meanwhile, we have made impressive progress against inflation over the past year, and the underlying trends, combined with the weakness of oil prices, suggest that progress can be extended. Altogether, much of the stage has been set for a sound recovery in business activity that will bring with it the increases in job opportunities and real income that we all desire. But the setting is not complete; more needs to be done to provide reasonable assurance that the present signs of recovery in fact evolve into a long-lasting, noninflationary expansion.

A key element in the improved outlook is the change in financial market conditions. Short-term interest rates are now as much as 10 percentage points below their cyclical peaks, while long-term rates are down about 4 to 5 percentage points. Bank loan rates—particularly rates for consumer credit, which are typically less flexible—have tended to lag behind market rates, but have come down further in recent weeks. Reflecting these developments, activity has been improving, especially in the credit-sensitive sectors of the economy.

The most notable turnaround has been in the housing market. Production and sales of new single-family homes have now risen substantially over the depressed levels of late 1981 and the first half of 1982. With personal debts relative to income lower than in several years and with liquid assets rising, activity in consumer markets also has shown some signs of improvement. Auto sales, responding in part to the lower interest rates offered under special programs and greater pricing restraint, are running above the recession lows, although still far below prerecession norms. Moreover, orders and consumer purchases of other "big-ticket" items also appear to be improving, partly in association with the upturn in home sales.

As is usually the case, the inventory cycle has played a large role in the recession, and will be a determinant of the speed of the recovery in its early stages. Businesses made vigorous efforts to control the accumulation of unwanted stocks early in the recession and again in the final months of 1982 when the previously anticipated upturn in sales failed to develop. With further liquidation in January, inventories generally are now back to the levels of early 1981. Consequently, as final sales strengthen more broadly, increases in production could be more than proportionate. Nonetheless, tight inventory management—against a background of declining inflation, ample production capacity, and relatively high interest rates—is likely to remain a factor in making this recovery more moderately paced than most past upturns.

For the time being, with excess capacity substantial and profits depressed, business investment in new plant and equipment is also likely to lag. Some delay in the recovery of capital spending is not out of line with previous cyclical experience, as many firms initially intensify the use of existing capital rather than invest in new plant and equipment. Nonetheless, some encouraging signs have appeared in this sector. In particular, new orders and appropriations for capital goods have firmed in recent months. Moreover, lower costs for long-term borrowing and the surge in stock prices have encouraged firms to begin restructuring their balance sheets—thereby putting the business sector on a sounder footing for expansion.

The U.S. economy has become increasingly integrated into the world economy over the years. In contrast to most earlier recessions, exports dropped sharply in 1982, reflecting both the recessionary tendencies in the rest of the world and substantial appreciation of the dollar in 1981 and much of 1982. The sluggishness of business activity abroad is an important reason that recovery here is likely to be less rapid than after most previous recessions.

Outlook for Inflation and Interest Rates

Ultimately much more important than the speed of the "start up" is the staying power of the recovery. A long and sustained expansion in the economy will depend in major part on our success in maintaining the progress against inflation in the years ahead, not least because of the implications for interest rates.

Interest rates and inflation rates often do not bear a close relationship to each other for short time periods, and those periods can sometimes extend over several years. Over longer periods, however, strong analytic reasons exist to expect a closer relationship, because borrowers and lenders alike are interested in real returns—that is, in assessing the costs or returns on investments after allowance for changing prices. What counts, in this respect, is expected prices, which we cannot measure directly. If substantial fears exist that the progress against inflation may not be maintained—and those concerns do remain—interest rates, and particularly long-term rates, will remain higher than otherwise would be necessary. That situation is greatly aggravated, as I will discuss in a few minutes, by the prospect of outsized federal budget deficits in future years. Because high interest rates can be an obstacle to the financial health of households and firms and to well-balanced recovery generally, we must deal with these doubts and concerns.

Looking back, the gains in the fight against inflation are striking. All broad measures of prices rose less than 5 percent last year, the slowest rate of increase in a decade. Part of the rapid improvement reflected unusually favorable food and energy price developments, abnormally low commodity prices generally, the effects of the sharp appreciation of the dollar, and more broadly, the cyclical weakness of the economy.

The need is to "build in" a trend toward more stable underlying costs even as the economy recovers its upward momentum. One encouraging element is the recent and prospective behavior of productivity. After languishing in the late 1970s and early 1980s, labor productivity turned up last year—somewhat unusual in the midst of recession. Beyond those statistics, which at this point can only be suggestive of a changing trend, increasing evidence has come to light of efforts by both workers and management—under the pressures of competition and recession—to increase efficiency. The fruits of those efforts should become more apparent as recovery takes hold.

Increases in worker compensation slowed to about 6½ percent last year, and the pace seems to be slowing further. Given the increases in productivity and the other factors that contributed to lower prices last year, that slowing of nominal wage increases has been fully consistent with a significant increase in real wages for those working; in fact, the real income of the average worker rose in 1982 for the first time in four years.

With real wages rising, one source of pressure for aggressive wage bargaining should subside. For the time being, the high levels of unemployment and intense competitive pressures point in the same direction. Some industries, characterized by major structural as well as cyclical problems and wage levels far above national averages, have negotiated concessions from previous compensation patterns, potentially improving their competitive position and the outlook for reemployment of those laid off.

Plainly, success in dealing with inflation cannot be based on an economy that stays in recession, with unacceptable levels of unemployment. But neither can we anticipate continuing improvement in the economy and lower interest rates if fears of reacceleration of inflation are stimulated and justified by events. Continued moderation in wage settlements and pricing policies as the economy expands will be a key signal of success in the effort to maintain the disinflationary process.

The favorable near-term outlook in that respect is reinforced by the current softness in the price of oil. Petroleum prices are important because they, directly or indirectly, affect the cost of so much that we buy: finished petroleum products account for 8 to 9 percent of the gross national product. Furthermore, a decline in the price of those products, which led the inflationary process in the 1970s, is highly visible to every citizen, and can help symbolize the fact that the climate of inflation has in fact changed—that prices are a two-way street.

But a favorable break in oil markets must not distract us from the larger truth. Continued moderation in pricing and wages and attention to cost-cutting and productivity are dependent on a sense of conviction that financial discipline will be maintained, and that aggressive pricing or neglect of costs will not "pay off"—that it will instead threaten markets, profits, and jobs. In other words, government policy will need to remain demonstrably alert and forceful in dealing with inflationary threats as the economy expands. With that conviction, interest rates can be both lower and less volatile, helping to support the expansion in investment and sustained growth we need.

Monetary Policy in 1983

As you well know, the long years of accelerating inflation after the mid-1960s undermined any sense of confidence that stability would be restored. Nor did the inflationary process, in the end, "buy" us more employment and production; instead we harvested the bitter fruits of rising unemployment, instability in financial markets and the economy, and historically high interest rates. Now, after attaching high priority to the effort over several years, we have a clear opportunity to restore a more stable environment and a climate for growth—indeed, we have come a long way in that direction. But, inevitably, a year or two of progress against inflation has not erased the skepticism rooted in the events of more than a decade; the battle is not over. And in that context we have to shape our monetary and fiscal policies.

In concept, the role for monetary policy is simple: build on the progress against inflation by avoiding excessive growth in money and credit while providing enough liquidity to meet the needs of recovery. In practice, the path is strewn with obstacles; indeed, the possibility of meeting both criteria simultaneously will be a function of policies and circumstances beyond the scope of any monetary policy, however wisely conducted.

In the best of circumstances, the line between too much money and too little cannot be plotted with mathematical precision. Rapid institutional change, reflected in the development of new deposit accounts and the payment of market rates on existing accounts, huge federal financing needs, and the close linkage of financial markets internationally, all complicate the job further. Elements of judgment are inevitably involved. But in making those judgments, we are guided by one fundamental: renewed inflation—or policies that seem likely to lead to that result—is neither a satisfactory nor a practical option. The sensitivity of the public and the markets to signs of resurgent inflation would be all too likely to produce precisely the reactions in financial markets—and in wage bargaining and pricing policies—that would soon weaken or abort recovery. The result would be a replay of the past decade or worse.

The prospect of federal deficits that, as things now stand, will preempt a large portion of available credit and savings as the recovery proceeds threatens a "no win" situation. No monetary policy can successfully resolve the economic and financial tensions that would arise from the clash of demands in the money markets from excessive deficits in a growing economy—the kind of economy that would generate growing credit demands for investment, for housing, and for other purposes. Moreover, the present budgetary outlook—until corrected—can only maintain skepticism about our success in dealing with inflation, narrowing the flexibility for monetary policy now.

The specifics of Federal Reserve policy with respect to the various monetary and credit aggregates are contained in the material that has been made available to you with this statement.[1] I would only note now that the relationships between money and economic activity did not follow "normal" cyclical and trend patterns last year, in part because of the introduction of new types of deposit accounts but also because of broader economic reasons. Demands for money and liquidity appeared to be enlarged by the uncertainty of individuals and businesses about the economy and financial developments. There is also the clear possibility that the combination of declining inflation, lower market interest rates, and the increasingly common practice of paying interest on transaction accounts may have a lasting impact on trends in "velocity"—perhaps working to lower the postwar trend increase—and therefore on the appropriate growth of money over time.

Looking through all the complications and taking account of institutional distortions, our targets for growth of money and credit in 1983 are similar to those in 1982. Because actual growth last year generally exceeded the target ranges, the effective growth this year should be less than in 1982. Based on present evidence and allowing to some degree for usual cyclical patterns, that amount of liquidity should be fully consistent with anticipated growth in the economy. In a context of declining inflation, the monetary targets themselves should be consistent with somewhat greater growth than the administration projected in February (and probably with the somewhat higher projections of the Congressional Budget Office as well) and with further reductions in interest rates. But I must immediately add that other factors, importantly including the present and prospective budget deficits, impinge strongly on interest rate levels.

The variety of monetary indicators we use and the rapidity of institutional change are potentially confusing. In the circumstances, some understandably yearn to encompass all policy considerations in a simple, relatively rigid rule. But I know of no such rule reliably suited to our present circumstances. Elements of judgment seem to me inevitably necessary in interpreting the data, and the targets will need to be judged and reviewed at suitable intervals in the light of developments with respect to economic activity and prices and conditions in the domestic and international financial markets. At the same time, the targets do provide a needed discipline, and we mean to be within them over relevant spans of time. They will be changed only if evidence for such change is strongly persuasive.

As I have already suggested, we do take as a point of departure in our judgments the critical importance of maintaining the momentum against inflation. In fact, most members of the Federal Open Market Committee believe that, measured by the broader price indexes, the inflation outcome in 1983 should be better than that projected by either the administration or the Congressional Budget Office. The recent developments with respect to oil prices are consistent with that outlook. Within a given supply of money and credit, such an inflation outlook implies lower interest rates than otherwise and more room for real growth.

The more difficult question may be whether the momentum toward price stability can be maintained in later years. As you know, both the administration and the Congressional Budget Office project that inflation will settle down at a rate within 1 percent of recent levels. While such a rate represents a vast improvement from the 1970s, to me it would be an unsatisfactory result. Inflation increasing at 4 to 5 percent a year is large enough to have distorting influences on financial markets, the budget, and the economy, and it would tend to keep alive fears of a resurgence of inflation as unemployment and excess capacity decline. We can do, and have done, better, and a clearer path toward price stability would, in my judgment, provide a sounder footing for financial stability and sustained expansion.

Current interest rates, particularly long-term rates, still appear to carry a large premium against the risks of higher inflation. Whatever you or I—or the administration or the Congressional Budget Office—may judge a realistic forecast, the false starts of the past in dealing with inflation have understandably left a residue of skepticism about the progress that has been made. Like it or not, the market's assessment of

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

the future will be judged by performance now, and a strong sense of conviction that inflation will stay down will emerge only over time and with consistent effort to keep noninflationary policies in place.

That is one reason why a number of public policies, apart from general monetary and fiscal policies, will be important beyond their more specific effects. For instance, a retreat to protectionism is both directly inflationary and indirectly a signal that moderation in pricing and wage behavior and productivity is not essential to maintain competitiveness. Emphasis on indexing betrays a lack of conviction in the effort to deal with inflation and offers an illusion of escape from its consequences. At a time when the budgetary deficits ahead already threaten to clog the money markets, building in still more spending programs—certainly those with an added "spend out" into 1984 or beyond—raises more questions about whether offsetting cuts can be made, and the benefits to one group can potentially be swamped by adverse effects elsewhere.

The Federal Budget and Monetary Policy

In the last fiscal year, the federal deficit was a record $111 billion. The President's new budget projects a deficit in the current fiscal year nearly double last year's figure—or about 6½ percent of the GNP. Further increases are projected into the foreseeable future in the absence of determined action to alter that outlook.

The members of this committee, of course, are well aware of the magnitude of these projected deficits. In fact, numbers in the range of $200 billion plus have become so familiar in recent weeks—while interest rates have declined and the economy has shown signs of recovery—that a temptation may arise to "wait and see," to step back for now from hard choices of where to cut or where to tax, and to look to monetary policy to solve the interest rate problem. But a passive approach just won't work.

In the midst of recession, we can manage a big deficit, even though it does keep interest rates higher than they would otherwise be. But over time, we can't expect "real" interest rates to revert to a low range historically, house our citizens the way they wish, invest what we need to support growth and productivity, and avoid drawing on the savings of other countries (at the expense of an abnormally strong dollar and a huge trade deficit) if Treasury financing absorbs one-half to three-quarters of the net domestic savings we are capable of generating in a more prosperous economy.

To put the point in its starkest form, if no action is taken, deficits in the general range projected by the administration and the Congressional Budget Office—which broadly encompass those of other informed analysts, including those in the Federal Reserve—do not seem to me compatible with the assumption of a smoothly growing economy upon which the projections are based. No conceivable manipulation of monetary policy provides an escape; to the contrary, the implication is that monetary policy would need to carry a still heavier burden to demonstrate the government's resolve to follow a noninflationary course.

The converse is equally true: meaningful action to demonstrate the government's economic discipline on the fiscal side would reinforce confidence that monetary policy over the years ahead can do its job in maintaining an appropriate degree of restraint on the growth of money and credit without intolerable pressures on the private sector. Reducing the threat of rising structural deficits stretching out to the end of the decade, by damping concerns about future increases in interest rates, should in and of itself have favorable effects on current interest rates. In that real sense, setting a firm course toward future budgetary restraint should have immediate benefits, as well as safeguarding prospects for future investment.

I am not suggesting a simple tradeoff between growth in the money supply and budget deficits. If monetary policy were to abandon its continuing and necessary concern with restoring reasonable price stability, the benefits of budget restraint in encouraging confidence would be lost. What can be said is that a better fiscal outlook, with all it implies about less pressure to monetize the federal debt and reduced concern about strong pressures on interest rates as the recovery is extended, would provide an environment in which monetary policy could better reconcile the goals of economic growth and financial stability.

As you know better than I, basic budget trends take time to change. The size of the needed reduction in the deficit increases progressively over a number of years, but the effort must start now, and with energy and force. The amounts involved are large, but certainly not beyond our control.

It is obviously beyond my competence or the province of the Federal Reserve to deal with all the particular priorities that must be balanced. The administration has set forth its program in that respect. The general order of magnitude of the cuts in the structural deficit proposed by the administration—running to $125 billion and more for fiscal 1986 and beyond—seems to me appropriate at this time. However, more of the actions should, in my judgment, be brought forward into fiscal 1984 and 1985, with the objective of, at the minimum, keeping the "structural" deficit well below $100 billion. I recognize estimates of deficits a number of years ahead, structural or otherwise, are subject to considerable margin of error, and those projected by the administration are considerably larger than those of the Congressional Budget Office. But the direction and general magnitude of what is necessary seem clear enough; there is, as a practical matter, no danger of "overshooting" the mark. And finer adjustments can be made, year by year, as more evidence accumulates.

The possibility of a large reduction in oil prices could offer new options in dealing with the budget. As I noted earlier, the prospect for declining oil prices helps to reinforce the outlook for further progress against inflation in the near term. It would also act, analogously with a tax cut, to increase domestic purchasing power and involve a direct loss of windfall profits tax revenues, further complicating the structural deficit. In the circumstances—and taking account of the effects on domestic energy prices and conservation—a deep decline in oil prices would suggest early reexamination of the case for energy taxes. The case would be reinforced to the extent a sharp oil price cut now, with a relaxation of the conservation and exploration effort, implies the possibility of a strong rebound in oil prices in the future. One possibility would be to bring forward the kind of oil tax proposed by the administration on a standby basis in fiscal 1986.

INTERNATIONAL FINANCE AND THE IMF

I would like to touch upon one other specific matter that has virtually no implications for the deficit but great potential significance for our economic health. That item is the proposed increase in the resources of the International Monetary Fund.

Our economic recovery is complicated by the fact that the world generally has been mired in recession. One reflection of that has been to aggravate the strong pressures on the financial position of developing countries that have accumulated a large debt burden in the years since the first oil crisis. For that and other reasons, the past six months and more have been characterized by interruptions in debt service by a number of large international debtors and strong pressures on the international financial system.

One danger has been that lending banks would attempt to protect their individual positions by rapidly retreating from new lending. But borrowers who have built up large debts over a period of years are not in a position to repay suddenly. An uncoordinated attempt to force such repayment would undercut the stability of the borrowers, the lenders, and the international financial system alike. We could not fully insulate our domestic banking and credit system—and our own economy—from such developments. Consequently, we have the strongest kind of self-interest in measures to contain and deal with the threat.

Management of that situation has required, and will continue to require, the active cooperation of borrowing countries, banks, central banks and treasuries of leading countries, and international financial institutions. The International Monetary Fund has a special, and indispensable, role to play. In that connection, I believe in the essentiality that the Congress approve an enlargement of the resources of the IMF at an early date so that it can, with some assurance, proceed in the knowledge that its resources will be adequate to meet its responsibilities. As you know, that action will require increased budget authority, even though the operations of the IMF do not directly affect unified budget outlays or the deficit.

I look upon the proposed increase in IMF quotas and borrowing resources as a kind of insurance policy. If the need to draw on the added resources does not materialize, there will be no cost. But if the need does come about, we must be prepared to deal with it expeditiously. In that event, the provision of funds to the IMF will be reflected in additional borrowing needs by the Treasury. The extent to which those needs would be an additional net demand on credit markets is hard to foresee, because some of the funds are likely to, temporarily or more permanently, find their way back into dollar markets for investment, and the United States would be providing only a fraction of the funds required. More important, I believe the policies and performance of the IMF make clear that these funds would only be called upon to meet a clear threat to the orderly functioning of the international financial system. In those circumstances, the potential for disturbance to our domestic markets—which cannot be insulated from international markets—would be far greater from failure to provide resources to the IMF than from the limited amount of added Treasury borrowing. In other words, a strong IMF, with resources adequate to do the job, seems to me very much in our national interest.

CONCLUSION

I need not dwell on the fact that we are negotiating a most difficult period in our nation's economic history. But I also believe we are in the process of laying the base for more vigorous, and lasting, noninflationary growth. In looking to the rest of the decade and beyond, in my view, strong forces are at work that can lead to a kind of self-reinforcing process of growth, greater price stability, higher real income and profits, and declining unemployment.

To be sure, obstacles are in the way. Monetary and fiscal policies alike need to be alert to those obstacles; working together, I am confident that they can be removed and that we can realize the bright opportunities before us. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, March 10, 1983.

I am pleased to testify about the Federal Reserve's operations under section 105(b) of the Monetary Control Act of 1980. This amendment of section 14 of the Federal Reserve Act authorizes the Federal Reserve to invest its holdings of foreign currencies arising from foreign exchange operations in interest-bearing obligations of foreign governments. Such investment authority was needed in order to enable the Federal Reserve to earn interest on its holdings of foreign currencies acquired through exchange market intervention at rates of return comparable with those prevailing in the market. Before passage of the act, our ability to earn market-related rates had been restricted by limitations on the availability of suitable investment outlets in foreign countries. We estimate that the annual rate of earnings on our current holdings of foreign currencies is about $32 million greater than it would have been without the expanded investment authority. Because the Federal Reserve turns over essentially all of its net earnings to the Treasury, the authority contained in the act is of commensurate value to the taxpayer. The only use we have made of the investment authority has been to invest foreign-currency holdings arising from our foreign exchange operations, and we believe that is the only use compatible with the purpose and legislative history of the provision.

Section 105(b) also expanded the list of assets that may be used as collateral for Federal Reserve notes to include all the assets that may be purchased by the Federal Reserve under section 14 of the Federal Reserve Act. Therefore, both the new foreign-currency investments and the foreign currencies held under our former section 14 authority became eligible for use as collateral for Federal Reserve notes.

By way of background to a more detailed description of the Federal Reserve's use of its authority under section 105(b), I should note that significant Federal Reserve holdings of foreign currencies are relatively recent in origin. They arose as a result of active intervention in foreign exchange markets by the Treasury and the Federal Reserve during the period between November 1978 and April 1981. Federal Reserve holdings on January 31, 1983, of $5.3 billion equivalent in foreign assets were chiefly the result of our own intervention activities and of our warehousing for the U.S. Treasury of $1.1 billion equivalent of foreign currencies. (Warehousing is a procedure whereby the Federal Reserve buys the currencies spot from the Treasury and simultaneously resells them forward to the Treasury at the same exchange rate.) Accumulated interest earnings on the assets are also included in the total.

As Federal Reserve holdings of foreign currencies—primarily German marks, Swiss francs, and Japanese yen—increased, the limited investment opportunities available to us under the Federal Reserve Act constrained our ability to invest our holdings at market-related rates of return. As a practical matter, the only available outlets were deposits or forward transactions with foreign central banks and the Bank for International Settlements (BIS), because the Federal Reserve Act did not explicitly authorize purchase of government debt instruments. For their part, the foreign central banks were in some cases legally prohibited from paying interest on deposits. Other facilities they could offer us did not always yield returns equal to those on high-quality, liquid instruments in the market.

Section 105(b)(2) of the Monetary Control Act of 1980 amended the Federal Reserve Act to provide that the Federal Reserve may buy and sell obligations of, or fully guaranteed as to principal and interest by, a foreign government or agency. The sole purpose for including this provision in the act was to overcome the barriers I have just noted, thereby enhancing the Federal Reserve's ability to earn a competitive return on its assets arising out of foreign-currency operations. The legislative history of the act is very clear on this point. In testimony before the Senate Banking Committee on September 26, 1979, Chairman Volcker stated that the purpose of the provision was to enable the Federal Reserve to invest its holdings of non-interest-earning foreign currencies in interest-bearing obligations. On March 27, 1980, during the Senate's consideration of the Monetary Control Act, Senator Proxmire indicated that the purpose of the authority to purchase obligations of foreign governments is "to provide a vehicle whereby such foreign currency holdings could be invested in obligations of foreign governments and thereby earn interest. This authority would be used only to purchase such obligations with foreign currencies balances acquired by the Federal Reserve in the normal course of business."[1]

Further restrictions on the use of the new investment authority were issued by the Federal Open Market Committee, which authorizes Federal Reserve open market operations. At its annual review of continuing authorizations and directives on March 31, 1981, the FOMC amended its authorization for foreign-currency operations to provide that investments of foreign-currency balances "shall be in liquid form and generally have no more than 12 months remaining to maturity." As indicated by the record of FOMC policy actions, this limitation applies to all Federal Reserve investments of foreign-currency holdings, including specifically those made under section 105(b)(2).

As noted in the authorizations, the FOMC has limited the Federal Reserve's authority to buy, sell, and hold foreign currencies by specifying 14 currencies. Since the investment authority under section 105(b)(2) applies only to foreign currencies acquired in the course of normal foreign exchange operations, this limitation also specifies the countries whose obligations we are empowered to acquire under that section. The list of eligible currencies has always comprised only currencies of those countries with whose central banks the Federal Reserve has reciprocal curren-

1. The attachments to this statement are available on request to Publications Services, mail stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

cy or "swap" arrangements. No country has been added to that list since 1967.

In light of the clear legislative history of section 105(b)(2), including Chairman Volcker's testimony in 1979 on behalf of the Board, the further restrictions issued by the FOMC, and the limited list of currencies that have traditionally been eligible for Federal Reserve purchase and sale, I believe that there are ample safeguards to prevent section 105(b)(2) from being used by the Federal Reserve as a basis for assisting foreign governments in financial difficulties.

The Federal Reserve first invested in debt obligations of a foreign government in October 1980. Renewals of maturing investments and additional purchases have been made at various times since then. The only holdings of currencies we have invested in this way are German marks, Swiss francs, and Japanese yen—a small subset of the eligible list of currencies—all representing amounts obtained through exchange market operations.

Our investments of foreign currencies in obligations of foreign governments have generally been made with the understanding between the Federal Reserve and foreign authorities that the details of our transactions will not be made public. In view of these understandings, data are available on the average size of our transactions in all currencies during three-month intervals since October 1980 and the average period that securities purchased were held in our portfolio.

Federal Reserve investments made under the authority of section 105(b)(2) and still outstanding totaled $1.4 billion equivalent on January 31. These investments are in short-term obligations of or guaranteed by the governments of Germany, Japan, and Switzerland, denominated in the currencies of those countries. Most of the rest of the $5.3 billion equivalent of Federal Reserve holdings are also German marks, Swiss francs, and Japanese yen, and they are held at the central banks that issue those currencies and at the BIS in investments that yield a market-related rate of return. In addition, the Federal Reserve holds Mexican pesos acquired in connection with the Bank of Mexico's drawing on the $325 million swap arrangement with the Federal Reserve that was put in place in August 1982 in parallel with facilities provided by the U.S. Treasury and the BIS. The peso holdings are invested in an interest-bearing account at the Bank of Mexico. When the swap drawing is unwound, the pesos will be exchanged with the Mexican central bank for dollars at the same rate of exchange at which they were acquired. This traditional procedure under the swap arrangements was also followed as the Bank of Mexico repaid in full the $700 million swap drawing provided directly by the Federal Reserve last August.

Turning to the use of Federal Reserve investments in foreign assets as collateral for Federal Reserve notes, this matter is mainly technical in nature, and details of our procedures are provided in the technical note. Under section 16 of the Federal Reserve Act, each Reserve Bank is obligated to designate as collateral a portion of its assets equal in value to the notes it individually has issued. Since the notes themselves (also under section 16) are first and paramount liens on all the assets of the Reserve Bank, not just the designated collateral, and are moreover obligations of the United States, the collateral designated in no way limits the security of noteholders. Eligible collateral specified in the Federal Reserve Act before passage of the Monetary Control Act of 1980 consisted of gold certificates, special drawing rights certificates, U.S. government and agency obligations, and small amounts of certain other Federal Reserve assets. While the System as a whole has always had sufficient eligible collateral for the aggregate of all Reserve Bank notes in circulation, the distribution of the collateral among the Reserve Banks is not necessarily in proportion to their note liabilities. The Reserve Banks issue notes to meet the demand for currency in their region, while their holdings of U.S. government securities depend on an allocation of System holdings and flows of funds between Federal Reserve Districts.

It was foreseen that the Monetary Control Act would lower reserve requirements on liabilities of depository institutions, and the Federal Reserve would have to sell U.S. government securities in order to eliminate the excess liquidity that would otherwise be provided to the financial system. Therefore, it seemed to us entirely possible that some Reserve Banks might occasionally experience a shortage of assets eligible as collateral for their note issues. To prevent this development, section 105(b)(1) was added to the Monetary Control Act. Besides eliminating the previous obligation of the Reserve Banks to designate collateral for notes still in their own vaults, this section enlarged the list of eligible collateral to encompass all foreign-currency investments—both those the Federal Reserve was newly authorized to purchase under section 105(b)(2) and those it could purchase under previous authority.

Four Reserve Banks have used foreign-currency assets as collateral on various occasions. No specific instruments are earmarked in connection with such designation of collateral: the amounts used represented undivided portions of each Bank's participation in the System's foreign-currency account. At most, $515 million equivalent of our investments were used at any one time; generally the amounts were much smaller. New procedures are now under study for collateralization of Federal Reserve note liabilities. These procedures, if they can be implemented, would reduce sharply, if not eliminate, any foreseeable need to use foreign-currency assets as collateral for issuance of Federal Reserve notes.

Technical Note on Collateralization of Federal Reserve Notes

Section 16 of the Federal Reserve Act (as amended) requires that Federal Reserve notes issued by Reserve Banks be fully collateralized. A Reserve Bank's notes held in its own vaults do not require collateral. Assets eligible for use as collateral are specified by section 16 as follows: notes, drafts, bills of exchange, or acceptances acquired under the provisions of section 13 of the Federal Reserve Act, or bills of exchange endorsed by a member bank of any Federal Reserve District and purchased under the provisions of section 14 of the act, or bankers acceptances purchased under the provisions of section 14, or gold certificates, or special drawing right certificates, or any obligations that are direct obligations of, or fully guaranteed as to principal and interest by, the United States or any agency thereof, or assets that Federal Reserve banks may purchase or hold under section 14 of the act.

Each day, an employee at the Board of Governors in Washington representing the Federal Reserve Agent at each Reserve Bank insures that sufficient collateral is designated to meet each Reserve Bank's note liabilities. Eligible assets are used in the following order: all gold and special drawing rights certificates and, to the extent available, sufficient U.S. government and agency securities to meet full collateral requirements. Only if a Reserve Bank requires additional collateral are foreign-currency assets used. A list of dates on which foreign currencies were used in order to collateralize fully note liabilities at individual Reserve Banks is available.

On a Systemwide basis, sufficient collateral is available without use of foreign-currency assets. However, using only gold and SDR certificates and their government and agency securities, individual Reserve Banks may experience a shortfall if seasonal increases in their notes outstanding (for example, at Christmas or during vacation periods) happen to coincide with reductions in holdings of government securities resulting from the conduct of monetary policy. In December 1982, for example, it was necessary to use foreign-currency investments to collateralize some Banks' note liabilities 27 times, even though Systemwide excess collateral, excluding foreign-currency investments, averaged approximately $14 billion on a daily basis.

Section 16 of the Federal Reserve Act further stipulates that, in addition to the eligible assets designated as collateral for note liabilities on a daily basis, Federal Reserve notes issued to each Reserve Bank become a first and paramount lien on all the assets of the Reserve Bank and are also obligations of the U.S. government. □

Statement by Nancy H. Teeters, Governor, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs and Coinage of the Committee on Banking, Finance, and Urban Affairs, U.S. House of Representatives, March 10, 1983.

I am here on behalf of the Federal Reserve to discuss the expiration of the federal preemption of state usury laws governing business and agricultural loans and the effect of high interest rates on farmers and businesses. The preemption was passed as a provision of the Depository Institutions Deregulation and Monetary Control Act of 1980. It authorized lenders to charge a rate up to 5 percent above the Federal Reserve discount rate on business and agricultural loans of $1,000 or more in those states with ceilings less than this variable limit. The preemption is scheduled to expire at the end of this month.

The Board has been concerned about the adverse impact that usury ceilings can have on the availability of funds in local credit markets. Usury ceilings tend to reduce the supply of credit in states subject to unrealistic limits by encouraging lenders to channel funds into other investments or to geographic areas permitting a more competitive return on similar investments. Credit thus may become unavailable to all but the strongest potential borrowers, as nonrate lending terms and credit standards are set to compensate for the uncompetitive interest rates that are legally permissible. Moreover, given the growth in money market mutual funds into a large competitive industry and the rapid deregulation of deposit rates at our financial institutions, the cost of funds to financial institutions in local communities has become increasingly sensitive to national money market developments. This situation creates a much greater need for these institutions to earn a competitive return on their assets.

Despite the Board's opposition to artificial constraints on credit availability, we continue to have reservations about federal intrusion into an area long regulated by the individual states. The Board prefers that usury ceilings be addressed by corrective action at the state level. In this regard, the law did provide states with the authority to override the federal preemption of their ceilings. Information collected by the Board's staff indicates that, as of the middle of last year, a dozen states had at least partially overriden the federal law. Among these twelve states, however, eight had no usury ceilings on business loans and four had either usury ceilings that were indexed or ceilings that were fixed so high they had no effect on credit flows. Those states that were most affected by usury ceilings generally have not acted to override the preemption. In fact, many states have moved to relax their regulation of interest rates since the passage of the Deregulation Act. Currently, only about ten states have fixed usury ceilings on business and agricultural loans, and less than half of these could be considered binding.

In this respect, the focus of federal law preempting state interest rate ceilings may have narrowed. But at the same time, it should be emphasized that permitting the federal preemption of state business and agricultural loan usury laws to expire will not resolve the financial problems of businesses and farmers. These problems have resulted from more fundamental economic difficulties. Fortunately, economic and financial conditions are now beginning to improve. Interest rates are now well below their levels of one or two years ago, with short-term rates as much as 10 percentage points below their earlier peaks, and long-term rates down about 4 to 5 percentage points. More important, the economic recovery that appears to be under way should bolster business activity and help to restore a more profitable base for operations.

Continued success in lowering interest rates depends on our reducing the lingering doubts about the progress against inflation and on our cutting back on credit-absorbing federal budget deficits. Monetary and fiscal policies need to be directed toward removing these obstacles and achieving vigorous, and lasting, noninflationary growth.

To summarize, the Board feels that, with regard to usury ceilings, state action rather than federal law should prevail whenever possible. Many states have acted to reduce the constraining effect of their usury ceiling on credit availability, and financial conditions have improved considerably. These factors generally weaken the current need for a national law preempting state usury ceilings on business and agricultural loans, but do not eliminate the need for further action to relax interest rate ceilings at the state level.

If the Congress desires to extend the current law, I would like to note again a feature that is of concern to the Federal Reserve Board. The law established a variable rate ceiling based on the Federal Reserve discount rate. The Board continues to be opposed to use of the discount rate as an index to which the federal usury ceiling is tied. The discount rate has an important role in the conduct of monetary policy and cannot always be counted on to reflect an appropriate base rate for the cost of funds. Moreover, because the discount rate is an administered rate that applies generally to very short-term borrowing by banks and other depository institutions, movements in this rate may not be representative of interest rate movements in markets that involve longer-term lending. □

Announcements

Change in Operating Procedures for Float

The Federal Reserve Board has approved a program that represents changes in Federal Reserve operating procedures to reduce and to price Federal Reserve interterritory check float and Federal Reserve check holdover float.

The Board acted under the provisions of the Monetary Control Act of 1980 that require the Federal Reserve to charge for its services. The Monetary Control Act requires that any Federal Reserve float that remains after operational improvements also be priced. Federal Reserve float is the value of checks for which the Federal Reserve has given credit to the institution that deposited the checks with the Federal Reserve for collection, but for which the Federal Reserve has not yet received payment.

On November 1, 1982, the Board published for comment three proposals to eliminate or price about 80 percent of Federal Reserve float: (1) changing crediting procedures for interterritory check deposits; (2) adopting a new accounting procedure to eliminate float associated with large dollar interterritory returned checks; and (3) pricing holdover and intraterritory check float.

After reviewing the comments, the Board approved a Reserve Bank program to reduce and to price interterritory and holdover check float. The interterritory check float program calls for the following:

- All Reserve Banks to offer fixed and fractional availability crediting options with various methods of payment for float in connection with these crediting options.
- All Reserve Banks to offer the same crediting options for interterritory check deposits at the same time.
- All interterritory check deposits (whether processed at the sending or receiving Federal Reserve office) to be subject to the same crediting procedures.
- All interterritory check deposits to be processed in order of receipt.

Because of the time needed by depository institutions and Reserve Banks to make changes to their systems, this portion of the program will be implemented on July 1, 1983.

Because of the operational changes resulting from the check float program, the pricing of holdover float will be phased in later in 1983 as follows:

February 24–July 1	During this period the cost of holdover float above 1 percent of the value of checks collected daily by the Federal Reserve Banks will be incorporated in the cost of check services to be recovered in 1983.
July 1–September 30	During this period the cost of holdover float above ½ percent of the value of checks collected daily by the Federal Reserve Banks will be incorporated in the cost of check services to be recovered in 1983.
October 1	At this time the cost of all holdover float will be added to the cost of check services.

Money Stock Revision

On February 11, 1983, the Board published revised measures of the money stock, incorporating minor definitional changes, benchmark revisions, and updated seasonal factors. Data reported in tables 1.10 and 1.21 in this issue of the BULLETIN reflect these revisions.

1. Monthly seasonal factors for currency, traveler's checks, and deposit components of the money stock

Month	Currency	Nonbank traveler's checks	Demand deposits plus OCD[1]	Demand deposits[1]	Commercial banks			Thrift institutions		
					Savings deposits	Small time deposits	Large time deposits	Savings deposits	Small time deposits[2]	Large time deposits
1982										
January	.9942	.9497	1.0234	1.0224	.9901	1.0003	1.0141	1.0027	1.0044	1.0095
February	.9868	.9543	.9748	.9740	.9888	1.0053	1.0176	.9976	1.0050	1.0166
March	.9889	.9521	.9809	.9795	.9957	1.0079	1.0097	1.0020	1.0046	1.0098
April	.9950	.9447	1.0247	1.0154	1.0069	1.0043	.9925	1.0081	1.0047	.9947
May	.9985	.9674	.9804	.9816	1.0051	1.0059	.9943	1.0027	1.0025	1.0006
June	1.0006	1.0481	.9910	.9928	1.0037	1.0050	.9867	1.0042	1.0004	.9947
July	1.0077	1.1114	.9949	.9981	1.0103	.9979	.9847	1.0103	.9990	.9923
August	1.0033	1.1005	.9850	.9877	1.0057	.9971	.9936	.9957	.9958	.9957
September	.9978	1.0547	.9932	.9951	1.0007	.9956	.9967	.9899	.9950	.9951
October	.9997	1.0041	1.0055	1.0065	1.0043	.9958	.9989	.9953	.9978	.9970
November	1.0059	.9594	1.0130	1.0126	.9929	.9947	1.0033	.9909	.9973	.9926
December	1.0181	.9533	1.0312	1.0331	.9899	.9922	1.0111	.9955	.9952	.9962
1983										
January	.9925	.9503	1.0255	1.0239	.9908	.9990	1.0114	1.0054	1.0035	1.0113
February	.9860	.9553	.9762	.9751	.9916	1.0047	1.0149	1.0003	1.0042	1.0191
March	.9881	.9525	.9816	.9797	.9986	1.0072	1.0077	1.0039	1.0038	1.0142
April	.9956	.9443	1.0249	1.0147	1.0084	1.0039	.9917	1.0092	1.0041	.9956
May	.9970	.9666	.9806	.9821	1.0066	1.0053	.9939	1.0035	1.0022	1.0015
June	1.0002	1.0488	.9901	.9922	1.0048	1.0047	.9886	1.0036	1.0007	.9934
July	1.0082	1.1110	.9933	.9971	1.0099	.9982	.9876	1.0091	.9995	.9897
August	1.0024	1.0999	.9840	.9872	1.0039	.9980	.9964	.9940	.9967	.9940
September	.9974	1.0537	.9923	.9946	.9983	.9967	.9982	.9878	.9958	.9944
October	.9979	1.0039	1.0052	1.0062	1.0022	.9970	.9993	.9939	.9982	.9966
November	1.0055	.9592	1.0135	1.0129	.9925	.9945	1.0027	.9912	.9971	.9920
December	1.0181	.9540	1.0319	1.0338	.9895	.9916	1.0093	.9958	.9946	.9962

1. In constructing M1, the seasonal factors for transaction deposits are used to derive the sum of demand deposits and other checkable deposits (OCD), seasonally adjusted. The demand deposit component seasonally adjusted is constructed using the demand deposit seasonal factors. Other checkable deposits seasonally adjusted equal transaction deposits less demand deposits, both seasonally adjusted.
2. Includes retail repurchase agreements.

Two changes were made in the definition of the broader monetary aggregates. First, shares in tax-exempt money market funds, previously excluded, were added to the monetary aggregates on the same basis as taxable money funds: that is, balances in general purpose and broker–dealer funds were added to M2 and those in institution-only funds were added to M3. This change increased growth of both M2 and M3 about ½ percentage point in 1982. The second definitional change was to eliminate from M2 and M3 all individual retirement accounts–Keogh balances held at depository institutions and money market mutual funds. This change reduced M2 growth just over 1 percentage point and M3 about 1 percentage point in 1982.[1]

Benchmark revisions for deposit and currency components of the monetary aggregates were derived from commercial bank call reports for December 1981 and for March, June, and September 1982. Adjustments for savings and loan associations were derived from December 1981 and June 1982 call reports. These benchmark revisions had minimal effects on both levels and growth rates, raising M1 slightly and lowering other deposit components of the broader aggregates marginally.

The repurchase agreement and Eurodollar deposit components of M2 and M3 also were revised. Revisions to overnight and term RPs were based on a special survey of RPs at depository institutions and more complete information for holdings of RPs by money market mutual funds. The net effect of these changes was to reduce the level of net overnight RPs and raise the level of term RPs; in 1982 growth of M2 was affected only slightly by these revisions, and M3 was boosted a bit. The revision to the overnight Eurodollar component of M2 resulted from broadening the panel of U.S. banks (previously consisting of selected Caribbean offices) to in-

1. In addition, club accounts (principally Christmas and vacation club accounts) were transferred from the small time deposit component to the savings deposit component of M2, with no affect on the aggregate series.

2. Weekly seasonal factors for currency and deposit components of M1 and commercial bank components of broader aggregates

Week		Currency	Demand deposits plus OCD[1]	Demand deposits[1]	Commercial banks: Savings deposits	Commercial banks: Small time deposits[2]	Commercial banks: Large time deposit
1982							
December	1	1.004	1.012	1.014	.99057	.99586	1.0101
	8	1.019	1.028	1.026	.99424	.99259	1.0113
	15	1.017	1.030	1.033	.99324	.99231	1.0126
	22	1.022	1.029	1.034	.98918	.99235	1.0102
	29	1.020	1.020	1.026	.98709	.99319	1.0202
1983							
January	5	1.009	1.082	1.085	.99156	.9972	1.0199
	12	1.001	1.050	1.045	.99432	.99882	1.0141
	19	.993	1.029	1.026	.99109	1.0006	1.0094
	26	.983	.986	.982	.98706	1.0013	1.0125
February	2	.980	.982	.986	.98560	1.0027	1.0173
	9	.994	.984	.982	.98907	1.0044	1.0206
	16	.991	.982	.981	.99019	1.0045	1.0174
	23	.981	.962	.960	.98881	1.0053	1.0156
March	2	.980	.975	.973	.98821	1.0067	1.0185
	9	.996	.988	.984	.99177	1.0083	1.0133
	16	.992	.989	.989	.99413	1.0091	1.0088
	23	.986	.974	.973	.99657	1.0084	1.0078
	30	.981	.969	.967	1.00160	1.0067	1.0094
April	6	1.003	1.031	1.023	1.0124	1.0044	.99983
	13	1.004	1.037	1.024	1.0130	1.0039	.99509
	20	.994	1.041	1.026	1.0041	1.0042	.98737
	27	.985	1.002	.994	1.0009	1.0039	.99306
May	4	.993	.999	1.000	1.0033	1.0041	.98643
	11	1.005	.987	.985	1.0060	1.0054	.99054
	18	.998	.982	.985	1.0062	1.0062	.99272
	25	.992	.965	.966	1.0047	1.0064	.99898
June	1	.995	.978	.980	1.0037	1.0071	.99934
	8	1.007	.997	.996	1.0054	1.0080	.99370
	15	1.004	1.004	1.005	1.0043	1.0070	.98690
	22	.999	.986	.988	1.0020	1.0044	.98162
	29	.991	.973	.976	1.0034	1.0010	.98440
July	6	1.018	1.018	1.020	1.0105	.99963	.98413
	13	1.014	1.009	1.010	1.0124	.99859	.98157
	20	1.006	.990	.997	1.0108	.99767	.98150
	27	.997	.966	.970	1.0081	.99713	.98946
August	3	1.002	.985	.992	1.0073	.99706	.99011
	10	1.014	.994	.995	1.0085	.99770	.99228
	17	1.008	.992	.994	1.0076	.99723	.99111
	24	.999	.975	.977	1.0051	.99662	.99391
	31	.989	.977	.980	1.0024	.99606	1.00050
September	7	1.012	1.005	1.003	1.00290	.99756	1.00010
	14	1.001	1.011	1.013	1.00320	.99681	.99361
	21	.995	.990	.992	.99919	.99548	.99356
	28	.984	.961	.967	.99759	.99452	1.00090
October	5	.997	1.008	1.010	1.0057	.99447	.99588
	12	1.008	1.016	1.017	1.0083	.99568	1.00190
	19	1.000	1.010	1.010	1.0055	.99687	1.00010
	26	.992	.985	.986	1.0012	.99651	.99729
November	2	.992	1.006	1.011	.99728	.99574	.99831
	9	1.011	1.020	1.019	.99633	.99463	.99841
	16	1.008	1.024	1.024	.99391	.99451	1.00040
	23	1.006	1.003	.999	.99074	.99461	1.00550
	30	1.003	1.007	1.008	.99024	.99637	1.00970
December	7	1.017	1.029	1.029	.99424	.99259	1.0113
	14	1.017	1.028	1.027	.99324	.99231	1.0126
	21	1.021	1.030	1.033	.98918	.99235	1.0102
	28	1.023	1.020	1.027	.98709	.99319	1.0202

1. In constructing M1, the seasonal factors for transaction deposits are used to derive the sum of demand deposits and other checkable deposits (OCD), seasonally adjusted. The demand deposit component seasonally adjusted is constructed using the demand deposit seasonal factors. Other checkable deposits seasonally adjusted equal transaction deposits less demand deposits, both seasonally adjusted.

2. Includes retail repurchase agreements.

clude additional Caribbean offices as well as offices in other locations, principally London; the net impact of these changes on both levels and growth rates was minor after allowing for such holdings by money market mutual funds.

Seasonal factors were revised using the X–11 ARIMA procedure adopted last year. As in the previous revision, data were preadjusted to minimize the effects of large nonseasonal fluctuations associated with the credit control period of 1980 and with large shifts of balances into negotiable order of withdrawal accounts in 1981; data for December 1982 were excluded from these computations to avoid distortions associated with the large shifts of balances into the newly authorized money market deposit accounts. Revisions to seasonal factors tended to be greater than in other recent years because data for 1982 tended to confirm evolving patterns that had been obscured by unusual circumstances associated with the credit control period of 1980. Revised monthly seasonal factors for 1982 and 1983 are provided in table 1, and weekly factors for late 1982 and for the year 1983 are shown in table 2.

Revised historical data for the period 1959–82 are available on request from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

PROPOSED ACTIONS

The Federal Reserve Board has proposed for comment an amendment to Regulation Y (Bank Holding Companies and Change in Bank Control) to add discount securities brokerage and securities credit lending to the list of nonbanking activities permissible for bank holding companies. The Board asked for comment by April 8, 1983.

The Federal Reserve Board has also published for comment proposals to revise in their entirety Regulation U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks) and Regulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers). The Board asked for comment on its proposals by April 22, 1983. The proposed revision is part of the Board's Regulatory Improvement Project in which the Board is reviewing and revising all its regulations to update them, simplify their language, eliminate obsolete or unneeded language or provisions, and lighten the burden of compliance.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following appointments.

Brent L. Bowen as Assistant Controller in the Office of the Controller, effective February 20, 1983. Mr. Bowen, who joined the Board's staff in September 1973, holds a B.A. degree from the U.S. Air Force Academy and an M.B.A. from the University of Alaska.

S. David Frost as Staff Director for Management, effective around April 1, 1983. Mr. Frost, currently Deputy Comptroller of the U.S. Navy, is a graduate of the U.S. Naval Academy and holds an M.B.A. from Stanford University.

The Board has also announced the resignation of Robert E. Mannion, Deputy General Counsel in the Legal Division, effective February 8, 1983.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period February 11 through March 10, 1983.

California
Rosemead .... First American Bank
Colorado
Longmont ...... Pioneer Bank of Longmont

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 20–21, 1982

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real GNP, which had increased at an annual rate of 0.7 percent in the third quarter, declined in the fourth quarter, although final sales apparently were maintained. The rise in average prices, as measured by the fixed-weight price index for gross domestic business product, remained much less rapid than in 1981.

The nominal value of retail sales rose about 2¼ percent in November, after having increased 1½ percent over the preceding two months. Although gains in November were recorded for all major categories of stores, the rise was attributable mainly to a sharp increase in sales at automotive outlets. Unit sales of new domestic automobiles increased to an annual rate of 6¾ million, as buyers responded to interest rate concessions and other special promotions offered primarily on 1982 models. In the first 10 days of December, however, sales fell back to an annual rate of 5¼ million units.

Private housing starts, both single-family and multifamily, rose substantially in November, and at an annual rate of 1.4 million units, were nearly 500 thousand units higher than the rate in the first half of the year. Newly issued permits for residential construction also strengthened, rising 6 percent in November after increasing 17 percent in October.

Business fixed investment spending appeared to be continuing the downtrend that began in mid-1981 as shipments and orders for nondefense capital goods declined in October, the latest month for which data were available. According to the Department of Commerce survey taken in late October and November, plant and equipment spending would rise only 2 percent in the first half of 1983 from the level in the second half of this year; in real terms, the survey results implied a decline of more than 2 percent. Along with capital spending, inventory investment was exerting a dampening influence on economic activity, as businesses continued their efforts to reduce inventories.

The index of industrial production fell again in November, but the decline of 0.4 percent was half that in each of the preceding two months. Most major sectors registered reductions in output, with cutbacks especially pronounced in durable goods industries. Defense and space equipment continued to be the only major category of final products showing strength. Capacity utilization in manufacturing declined to 67.8 percent, a new postwar low.

Nonfarm payroll employment fell 165,000 in November, about the same as the average monthly decline earlier in the year. Job losses were concentrated in the manufacturing sector, particularly durable goods manufacturing. The unemployment rate rose 0.4 percentage point to 10.8 percent. Initial claims for unemployment insurance, although down from the peaks in early autumn, remained relatively high.

The producer price index for finished goods rose 0.6 percent in November. More than half of the rise was attributable to sharp increases in prices of energy-related items; prices of consumer foods declined somewhat, while prices of other consumer goods rose moderately. Over the first 11 months of the year the index increased at an annual rate of about 3¾ percent. The consumer price index edged up only 0.1 percent in November, as homeownership costs declined and price increases for most other major expenditure categories slowed. Thus far in 1982 the index had risen at an annual rate of about 4½ percent, half the pace in 1981. The advance in the index for average hourly earnings slowed appreciably to an annual rate of 4½ percent from June to November, compared with an annual rate of 6½ percent over the first half of 1982 and about 8½ percent during 1981.

In foreign exchange markets the trade-weighted value of the dollar against major foreign currencies had declined about 4½ percent from peaks reached in early November. A major factor in the decline apparently was the market's reassessment of prospects for the U.S. foreign trade and current accounts. In October the U.S. foreign trade deficit rose sharply further: agricultural exports declined somewhat from the reduced third-quarter rate, and nonagricultural exports fell substantially while imports rose.

At its meeting on November 16, the Committee had agreed that it would seek to maintain expansion in bank reserves needed for an orderly and sustained flow of money and credit, consistent with growth of M2 (and M3) from September to December at an annual rate of around 9½ percent. The Committee also decided that somewhat slower growth in M2 and M3, to the extent of reducing their expansion for the year to nearer the upper part of the ranges set for 1982, would be acceptable and desirable if such growth were associated with declining interest rates. On the other hand, somewhat more rapid growth would be tolerated if continuing economic and financial uncertainties should appear to be reflected in exceptional demands for liquidity. The Committee had also decided that it would continue to place much less than the usual weight on the movements of M1 during the period from September to December and would not set a specific objective for its growth over the fourth quarter. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 6 to 10 percent.

The demand for reserves remained strong in November, reflecting particularly the continuing rapid growth of transaction balances. Nonborrowed reserves grew rapidly, although less so than in October, and adjustment borrowing (including seasonal borrowing) rose to an average of $433 million in November from an average of $337 million in October.

M2 grew at annual rates of about 8¼ percent and 11¾ percent in October and November respectively, and M3 grew at an annual rate of about 9¼ percent in both months. On average, expansion in these broader aggregates had remained at about or somewhat below the rates of earlier in the year. On the basis of partial data, however, it was estimated that expansion in M2 and M3 had slowed substantially in recent weeks. Growth of M1 had remained rapid in recent months, influenced by shifts of funds associated with the maturing in early October of a large volume of all savers certificates and possibly with the recent and prospective introduction of new deposit accounts at depository institutions.

Expansion in total credit outstanding at U.S. commercial banks slowed to an annual rate of 1½ percent in November. Banks again acquired a sizable volume of U.S. Treasury securities, but their total loans outstanding fell. Business loans contracted at an annual rate of nearly 8 percent and security loans declined markedly, while real estate and consumer loans remained sluggish. The outstanding volume of commercial paper of nonfinancial businesses contracted substantially for the third successive month, as firms continued to raise funds in the longer-term capital markets.

Short-term market interest rates declined about ⅜ to ¾ percentage point on balance over the intermeeting period, while bond yields rose a little in response to unusually heavy borrowing by businesses and governments. The Federal Reserve announced reductions in the discount rate from 9½ to 9 percent on November 19 and to 8½ percent on December 13. In recent weeks federal funds had traded in the area of 8½ to 9 percent, compared with about 9½ percent over the previous intermeeting interval. The prime rate charged by most commercial banks on short-term business loans was reduced ½ percentage point to 11½ percent in late November. Average rates on new commitments for fixed-rate conventional home mortgage loans had edged down further in recent weeks.

The staff projections presented at this meeting continued to suggest that real GNP would grow moderately during 1983. The projections also suggested that unemployment would remain at a high level. The rate of increase in prices, as measured by the fixed-weight price index for gross domestic business product, was expected to drift down.

The views of Committee members with respect to the economic situation and outlook had changed little in the period since the Committee meeting in mid-November. Moderate growth in real GNP over the year ahead accompanied by some further improvement in the performance of prices continued in general to be regarded as a reasonable expectation.

Since mid-November, it was observed, additional signs of a near-term strengthening in activity had appeared, particularly in markets for housing and consumer goods, and there were indications of some improvements in business confidence in many parts of the country. At the same time, conditions in the industrial sector remained severely depressed, reflecting the sustained downtrend in business fixed investment, the ongoing efforts to pare business inventories, and the continued weakness in export markets. In some industries, the expansion in orders for defense equipment was providing at least a partial offset to the weakness in demands for nondefense equipment, but the translation of such orders into production and employment often involved extended lags. On balance, an upturn in economic activity appeared to be in the offing, although the evidence was not conclusive and some Committee members stressed that there were substantial risks of a shortfall from the staff projection.

As in mid-November, it was noted that financial market conditions had eased significantly since midyear, and fiscal policy over the second half of 1982 had become highly stimulative. In fact, some members continued to express concern that an overly expansive combination of fiscal and monetary policies might reinvigorate inflationary expectations, thereby fostering a rise in long-term interest rates that would limit or abort the expected recovery.

At a meeting in July 1982, the Committee had reaffirmed the monetary growth ranges for the period from the fourth quarter of 1981 to the fourth quarter of 1982 that it had set at its meeting in early February. These ranges were 2½ to 5½ percent for M1, 6 to 9 percent for M2, and 6½ to 9½ percent for M3. The associated range for bank credit was 6 to 9 percent. The Committee had agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target range should unusual precautionary demands for money and liquidity be evident in the light of current uncertainties. The Committee had also indicated in July that it was tentatively planning to continue the current ranges for 1983. That decision will be reviewed at the Committee meeting scheduled for February 8–9, 1983, taking into account the latest economic developments and institutional changes associated with the new deposit accounts authorized by the Depository Institutions Deregulation Committee (DIDC).

In the Committee's discussion of policy for the near term, the period from December 1982 to March 1983, the members considered objectives for monetary growth against the background of the tentative ranges for 1983 as a whole. In the discussion, it was recognized that the behavior of the aggregates would continue to be distorted by institutional developments relating to deregulation of interest rates on deposits. Depository institutions had begun to offer the new money market deposit account that had been authorized by the DIDC, effective December 14, 1982. This account had limited transaction features and, while included in M2, was excluded from M1. The DIDC had also authorized a minimum balance NOW account free of interest rate ceilings, effective January 5, 1983, which would be included in M1.

The impact of the new accounts on the behavior of the monetary aggregates was highly uncertain, especially in the case of M1 for which even the direction of the impact was currently unclear. A staff analysis referred to the large pool of liquid assets that could be shifted into the new accounts, possibly during a relatively short period of time. The magnitude of such shifts and the allocation of funds between the two new accounts would depend on the competitive pricing and promotion of the accounts by depository institutions and on the response of depositors to interest rate relationships and to the elements of convenience.

At one extreme, shifts of funds could be dominated by flows into the new NOW accounts, thereby causing M1 to rise sharply during some transition period. At the other extreme, money market deposit accounts might attract most of the shifted funds, including those from deposits in M1, retarding the growth of M1 if not actually reducing its level.

The shifts of funds would clearly work in the direction of expanding M2, although the magnitude of the effect was very uncertain. A large part of the shifts would probably represent a redistribution of funds among the components of M2, but in addition funds would shift into M2 from market instruments and from large-denomination certificates of deposit. Growth in M3 was expected to be affected the least because depository institutions would probably curtail their issuance of large-denomination certificates of deposit in response to the availability of funds through the new accounts. The timing of the various shifts was also subject to a great deal of uncertainty, although earlier experience with the introduction of NOW accounts suggested that a large part of the transition to the new accounts would be concentrated in a relatively short period of time.

At its meetings held in October and November, the Committee had decided to place much less weight than usual on M1 in the fourth quarter and not to set a specific objective for its growth, because of the difficulties of interpreting its behavior in a period of major institutional changes. At this meeting, the members generally favored continuance of that reduced attention to M1 during the first quarter. Thus, the Committee focused on setting objectives for growth of M2 and M3.

Reference was made to the fact that, despite some evidence of a deceleration in the growth of these broader aggregates most recently, their expansion over the year ending in the current quarter would be somewhat above the growth ranges that had been set by the Committee. At recent meetings, however, most Committee members had endorsed the view that monetary growth somewhat above those ranges was appropriate in light of the indications of strong demands for liquidity during a period of relatively weak economic activity. The income velocity of the broader aggregates, and also of M1, appeared to have declined at an unusually sharp rate over the year.

With respect to M2, most Committee members indicated a preference for setting a first-quarter growth rate that would allow for some modest shift of funds into components of that aggregate from market instruments and large-denomination certificates of deposit. They were prepared, however, to accept greater growth if analysis of incoming data and other evidence from depository institutions and market reports indicated that the new money market accounts were generating substantial shifts of funds into those aggregates from outside sources.

During the Committee's discussion, the observation was made that the uncertainties that had generated unusual demands for liquidity in relation to GNP during 1982—and the accompanying decline in the velocity of the monetary aggregates—could be expected to abate as economic activity strengthened and consumer and business confidence improved. Thus, abstracting roughly from the impact of the new deposit accounts, the velocity of money could be expected to show much less weakness in 1983 than in 1982, though whether it might continue to be affected by strong liquidity demands was open to question.

At the conclusion of the discussion, the Committee decided to seek to maintain expansion in bank reserves consistent with growth of M2 at an annual rate of around 9½ percent and growth of M3 at an annual rate of about 8 percent for the period from December to March. The objective for M2 would allow for a modest amount of growth resulting from shifts into the newly authorized money market deposit accounts from large-denomination certificates of deposit or market instruments. For both M2 and M3, the Committee indicated that greater growth would be acceptable if analysis of incoming data and other evidence from banking and market reports indicated that the new money market deposit accounts were generating more substantial shifts of funds into these broader aggregates from market instruments. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 6 to 10 percent.

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

The information reviewed at this meeting suggests that real GNP declined in the fourth quarter, although final sales apparently were maintained, and that the rise in prices remained much less rapid than in 1981. Retail sales and housing activity have strengthened in recent months, but business fixed investment apparently has weakened further and efforts to reduce inventories have continued. In November industrial production and nonfarm payroll employment declined further, and the unemployment rate rose 0.4 percentage point to 10.8 percent. Initial claims for unemployment insurance, although down from the early autumn peaks, have remained relatively high. In recent months the advance in the index of average hourly earnings has slowed appreciably further.

The weighted average value of the dollar against major foreign currencies has declined from peaks reached in early November. The U.S. merchandise trade deficit rose sharply further in October.

Growth of M1 has remained rapid in recent months, while growth of M2 and M3 has continued at about or somewhat below the rates of earlier in the year. On balance short-term market interest rates have declined since mid-November, while bond yields have risen somewhat in response to unusually heavy borrowing by businesses and governments; mortgage rates have edged down further. The Federal Reserve announced reductions in the discount rate from 9½ percent to 9 percent on November 19 and to 8½ percent on December 13.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation, promote a resumption of growth in output on a sustainable basis, and contribute to a sustainable pattern of international transactions. In July, the Committee agreed that these objectives would be furthered by reaffirming the monetary growth ranges for the period from the fourth quarter of 1981 to the fourth quarter of 1982 that it had set at the February meeting. These ranges were 2½ to 5½ percent for M1, 6 to 9 percent for M2, and 6½ to 9½ percent for M3. The associated range for bank credit was 6 to 9 percent. The Committee agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target should unusual precautionary demands for money and liquidity be evident in the light of current economic uncertainties. The Committee had also earlier indicated that it was tentatively planning to continue the current ranges for 1983, but it will review that decision carefully at its February 1983 meeting in light of economic developments and institutional changes associated with the new deposit accounts authorized by the Depository Institutions Deregulation Committee.

Specification of the behavior of M1 over the months ahead remains subject to substantial uncertainty because of special circumstances in connection with the public's response to the new deposit accounts available at depository institutions. The difficulties in interpretation of M1 continue to suggest that much less than usual weight be placed on movements in that aggregate during the coming quarter. The institutional changes also add a degree of uncertainty to the behavior of the broader monetary aggregates.

In all the circumstances, the Committee seeks to maintain expansion in bank reserves consistent with growth of M2 of around 9½ percent at an annual rate, and of M3 at about an 8 percent rate, from December to March, allowing in the case of M2 for modest shifting into the new money market accounts from large-denomination CDs or market instruments. The Committee indicated that greater growth would be acceptable if analysis of incoming data and other evidence from bank and market reports indicate that the new money market accounts are generating more substantial shifts of funds into broader aggregates from market instruments. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Volcker, Solomon, Balles, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: Messrs. Black and Ford.

Mr. Black dissented because he preferred to direct policy in the weeks immediately ahead toward ensuring that the growth of M1, abstracting from temporary effects of the introduction of new money market deposit accounts, would moderate from the extremely rapid rate of recent months. While recognizing the difficulties in interpreting M1 currently, he was concerned that excessive underlying growth in that aggregate might reverse the progress achieved in reducing inflation and inflationary expectations and lead to substantially weaker markets for long-term securities.

Mr. Ford dissented from this action because he continued to prefer a policy for the current period that was more firmly directed toward restraining monetary growth, after allowance for the short-run impact of the introduction of the new money market deposit accounts. He remained concerned that rapid expansion in the supply of money together with very large budget deficits would produce an overly stimulative combination of policies that could rekindle inflation and inflationary expectations and lead to higher interest rates during 1983 and 1984.

The Committee subsequently, on several occasions, discussed the extraordinarily rapid growth in money market deposit accounts (MMDAs) that had taken place since they became available in mid-December and the implications of this growth for behavior and interpretation of the monetary aggregates. At a telephone conference on January 28, 1983, it was noted that these accounts had risen to a level of about $185 billion on average by the week ending January 19, leading to a very sharp expansion in M2. Estimates of sources of MMDA inflows at this time were inevitably subject to considerable uncertainty. Growth of M2 seemed clearly to be on a track well above the 9½ percent annual rate for the December to March period set at the December meeting, but staff analysis—based on assessment of incoming data as well as various reports on sources of MMDA inflows—suggested it was possible that virtually all of the greater M2 growth might be attributed to unexpectedly large shifts into MMDAs out of instruments not included in M2. Effects on M3 were more problematical, but actual growth of this aggregate in December and January on average appeared to have been modest. Expansion of M1 had remained on the strong side; while there may have been some diversion from M1 to MMDAs, its growth very recently had been raised by the introduction of Super NOW accounts. It was the Committee consensus for the time being to maintain the existing degree of reserve restraint but not to increase this restraint further in response to the recent reported over-target growth of the broader monetary aggregates because that growth appeared to be primarily related to the massive redistribution of funds currently under way. The situation will be reviewed at the FOMC meeting on February 8–9.

2. *Authorization for Domestic Open Market Operations*

At this meeting the Committee voted to increase from $3 billion to $4 billion the limit on changes between Committee meetings in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations, effective immediately, for the period ending with the close of business on February 9, 1983.

Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

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

On January 25–26, 1983, the Committee voted to approve an additional increase to $5.5 billion in the intermeeting limit on changes in holdings of U.S. government and federal agency securities, effective immediately, for the period ending with the close of business on February 9, 1983. This action was taken after the Manager had advised that the seasonal need to absorb reserves in association with the return flow of currency would be greater than anticipated earlier.

Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

Legal Developments

AMENDMENT TO REGULATION L

The Board of Governors of the Federal Reserve System has amended its Regulation L—Management Official Interlocks, to permit a management official of a depository organization who terminated a grandfather interlock because of a change in circumstances, as defined by the agencies, to resume the interlock for the duration of the grandfather period under the Act.

Effective February 7, 1983, section 212.5 of Regulation L is amended by revising it to read as set forth below:

Part 212—Management Official Interlocks

Section 212.5—Grandfathered Interlocking Relationships

A person whose interlocking service in a position as a management official of two or more depository organizations began prior to November 10, 1978, and was not immediately prior to that date in violation of Section 8 of the Clayton Act (15 U.S.C. 19) is not prohibited from continuing to serve in such interlocking positions until November 10, 1988. Any management official who has been required to terminate or who has terminated service in one or more such interlocking positions as a result of a merger, acquisition, consolidation, or establishment of an office that formerly was defined as a change in circumstances in 12 CFR 212.6(a) (1981) is not prohibited from continuing or resuming such service until November 10, 1988.

AMENDMENTS TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors has amended its Rules Regarding Delegation of Authority (12 CFR Part 265) to grant permission to member banks and certain United States branches and agencies of foreign banks to create bankers' acceptances of the type described in 12 U.S.C. 372 up to 200 per cent of capital stock and surplus and has also amended Part 265 to delegate to the Director of the Division of Consumer and Community Affairs the authority to make determinations under § 226.28 of Regulation Z and § 213.7 of Regulation M regarding the effects of the Truth in Lending Act on analogous state laws.

Effective February 1, 1983, section 265.2(f)(6) is revised, and effective February 2, 1983, section 265.2(h)(2) is amended by revising it to read as follows:

Part 265—Rules Regarding Delegation of Authority

Section 265.2—Specific Functions Delegated to Board Employees and to Federal Reserve Banks.

* * * * *

(f) ***

(6) Under the provisions of the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372), to permit a member bank or a Federal or State branch or agency of a foreign bank that is subject to reserve requirements under section 7 of the International Banking Act of 1978 (12 U.S.C. 3105) to accept drafts or bills of exchange in an aggregate amount at any one time up to 20 per cent of its paid up and unimpaired capital stock and surplus, if the Reserve Bank is satisfied that such permission is warranted after giving consideration to the institution's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management.

* * * * *

(h) ***

(2) Pursuant to Section 111, 171(a) and 186(a) of the Truth in Lending Act (15 U.S.C. 1610(a), 1666j(a) and 1667e(a)) and the Board's Regulation Z (12 CFR 226.28) and Regulation M (12 CFR 213.7), to make determinations regarding the effect of the Truth in Lending Act on state laws.

* * * * *

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

Orders Under Section 3 of Bank Holding Company Act

Fourth Financial Corporation, Wichita, Kansas

Order Approving Acquisition of Shares of a Bank Holding Company

Fourth Financial Corporation, Wichita, Kansas, a registered bank holding company under the Bank Holding Company Act ("BHC Act"), as amended, 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 24.98 percent of the outstanding voting shares[1] and 100 percent of the outstanding nonvoting preferred stock of Pittsburg Bancshares, Inc., Pittsburg, Kansas ("Pittsburg"), and, thereby, indirectly to acquire an interest in the National Bank of Pittsburg, Pittsburg, Kansas ("Bank").

Applicant's investment in the voting and nonvoting preferred stock of Pittsburg amounts to $8 million, and will represent approximately 89 percent of the total equity of Pittsburg. An officer and director of Applicant will serve as one of the three directors of Pittsburg. Applicant will not have officers or directors in common with Bank. In addition, Applicant has a 10-year option to purchase the remaining 74.94 percent of the outstanding voting shares of Pittsburg if Kansas law is changed to permit such an acquisition, and a right of first refusal and certain other rights with respect to these shares, which are to be acquired by Mr. Fred B. Anschutz, a private investor who is not an officer or director of Applicant.[2] Mr. Anschutz' investment will total $1 million and will not be financed in any manner by Applicant. Mr. Anschutz will act as a director and president of Pittsburg and his financial advisor will also serve as a director of Pittsburg and Bank.

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

Applicant, with assets of $952 million,[3] is the largest banking organization in Kansas. It controls, through the Fourth National Bank and Trust Company, Wichita, Kansas,[4] $635 million in deposits, representing 5.9 percent of statewide deposits. Bank is the thirty-eighth largest bank in Kansas, and controls $66 million in deposits, representing 0.4 percent of commercial banking deposits statewide. Upon consummation of the proposed acquisition, Applicant will remain the largest commercial banking organization in Kansas and will control 6.3 percent of total deposits in commercial banking organizations in Kansas. The Board concludes that the acquisition proposed by Applicant will not have any significant effect on the concentration of banking resources in Kansas.

Bank is the largest commercial banking organization in the Crawford County banking market,[5] and controls 27.4 percent of deposits in commercial banks in the market. Applicant does not control a banking organization in the Crawford County banking market, and is prohibited by Kansas law from operating a branch in that market.[6] Accordingly, consummation of the proposed transaction would not have any significant effect on existing or potential competition in any relevant banking market. In view of the Board's finding, as discussed below, that Applicant will, upon consummation of the proposal, control Pittsburg and Bank under the federal BHC Act, the Board has evaluated the financial and managerial resources of Applicant, Pittsburg, and Bank within the context of the Board's multibank holding company standards. Under these standards, the financial and managerial resources of these organizations are regarded as generally satisfac-

1. Under section 3(a)(3) of the BHC Act, a bank holding company may not, without the prior approval of the Board, acquire directly or indirectly more than 5 percent of the voting shares of a bank. The Board has held that this requirement applies to the acquisition of a bank holding company of shares of another bank holding company. *State Street Boston Corporation*, 67 FEDERAL RESERVE BULLETIN 862 (1981).

2. At the expiration of this 10-year option, Mr. Anschutz has a one-year option to purchase all of the voting common and nonvoting preferred stock held by Applicant. In addition, the stockholders agreement between Mr. Anschutz and Applicant provides that neither party may transfer any voting or preferred shares of Pittsburg without allowing the other party to sell the shares of Pittsburg to the proposed third party purchaser. In the event the option is not exercised or the third party purchaser does not purchase all of the shares of Pittsburg, either Applicant or Mr. Anschutz may, under certain circumstances, require the dissolution and liquidation of Pittsburg.

3. All data with respect to Applicant are as of June 30, 1982, and those of Bank are as of September 30, 1982. On January 18, 1983, the Board approved Applicant's acquisition of 24.9 percent of the voting shares of Coffeyville Bancshares, Inc. In the Order the Board determined that Applicant would control Coffeyville and its subsidiary bank for purposes of the federal BHC Act. Thus, upon consummation of this acquisition, Applicant would have total assets of $1.12 billion and control aggregate deposits of $813 million, representing 6.4 percent of statewide deposits.

4. Applicant also owns as an investment 24.9 percent of the outstanding voting shares of M-L Bancshares, Inc., Wichita, Kansas, a registered one-bank holding company by virtue of its control of The Kansas State Bank, Newton, Kansas.

5. The Crawford County banking market is approximated by Crawford County, Kansas.

6. Kan. Stat. Ann. § 9-1111 (1975).

tory, and their future prospects appear favorable. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

In acting on an application under the BHC Act, the Board is required to consider, in addition to the competitive, financial, managerial and convenience and needs factors set out in the BHC Act, whether the proposal would comply with the provisions of relevant state law, and the Board may not approve an application that would result in a violation of state law.[7]

KIBA has objected to approval of this application, contending that the proposed acquisition would violate a provision of Kansas law that prohibits a company from owning, controlling or holding with power to vote 25 percent or more of the voting shares of each of two or more banks in Kansas, or controlling in any manner the election of a majority of the directors of each of two or more banks in Kansas.[8] KIBA contends that, as a result of several factors, including the size of the investment proposed by Applicant, the existence of an option in favor of Applicant to purchase the remaining outstanding voting shares of Pittsburg, and certain provisions in the stockholders agreement restricting the transfer of Mr. Anschutz' shares, the proposed transaction will allow Applicant to acquire control of a second bank in Kansas. KIBA has requested that the Board hold a formal hearing to explore whether under Kansas law a control relationship between Fourth Financial and Pittsburg will result upon consummation of the proposal.

By Order dated January 18, 1983, the Board approved, over similar objections by KIBA, a nearly identical section 3(a)(3) proposal involving Applicant.[9] In its Order, the Board examined KIBA's position regarding the applicability of Kansas law to the transaction and concluded that consummation of the transaction would not violate Kansas law. In reaching this conclusion, the Board relied on the opinion of the Kansas Attorney General concerning the status of the transaction under Kansas law.[10] In his opinion the Attorney General concluded that, under Kansas law, a company indirectly controls voting shares of a bank or the election of a majority of the board of directors of a bank if a factual determination is made that a company has the ability to exercise restraining or directing influence over another company. The Attorney General further stated that ownership by a company of 24.9 percent of the voting shares and 100 percent of the preferred stock of another company is insufficient to give the company control over the other company, the voting shares of the subsidiary bank held by the other company, or the election of a majority of the directors of the subsidiary bank. The opinion concludes that a company's option to acquire the remainder of the voting shares, or a company's right of first refusal with respect to the remainder of the voting shares, does not give the company control of the other company, the voting shares of the subsidiary bank held by the other company, or the election of a majority of the directors of the subsidiary bank.

In this case the Kansas Bank Commissioner took sworn statements of Mr. Anschutz and Applicant's officers. These persons stated that the documents submitted to the Board and to the Commissioner represent all of the documents and agreements between the parties regarding control of Pittsburg. Based on the Attorney General's opinion, and after review of the underlying agreements and memoranda submitted by Applicant and the sworn statements of Mr. Anschutz and Applicant's officers, the Commissioner concluded that "there is no apparent violation of the Kansas banking statutes" in Applicant's proposal.

The record contains no evidence of explicit or tacit agreements between Mr. Anschutz and Applicant, other than the documents and agreements submitted with this application, relating to ownership or control of Pittsburg or Bank or their management, policies or operations, or regarding the voting shares of Bank held by Pittsburg. The record shows that Mr. Anschutz has made a personal investment in Pittsburg using his own resources; that he has not been indemnified by Applicant for his investment; and that he has no significant ownership or management affiliation with Applicant. There is no evidence that he is acting as an agent of, for, or on behalf of Applicant or any person acting for Applicant, or that he is affiliated in any other way with Applicant.

The record also shows that Mr. Anschutz proposes to act as a director and president of Pittsburg and to appoint his personal financial advisor as a director of Pittsburg and Bank. Mr. Anschutz will thus control two of the three seats on Pittsburg's board of directors. Applicant will elect one representative to the board of directors of Pittsburg and has committed not to take any action that would represent or result in control over Pittsburg or Bank for purposes of the Kansas banking statute.

In view of all of the facts of record in this case and for the reasons expressed herein and in its Order of January 18, 1983 regarding Applicant's acquisition of

7. *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans & Trust Company*, 379 U.S. 411 (1965).

8. Kan. Stat. Ann. §§ 9-504 and 9-505 (1975).

9. *Fourth Financial Corporation/Coffeyville Bancshares, Inc.*, 69 FEDERAL RESERVE BULLETIN 95 (1983). KIBA acknowledges in its comment that the pending application is "nearly identical" to Applicant's recently approved acquisition of Coffeyville Bancshares, Inc., and that its opposition to that application was filed "on the same grounds [as are] asserted herein."

10. 82 Op. Kan. Att'y Gen. 196 (September 8, 1982).

Coffeyville Bancshares, Inc., the Board concludes that consummation of the proposal will not violate the Kansas banking statute.

Although consummation of the proposed transaction does not appear to allow Applicant to control Pittsburg or Bank for purposes of the Kansas banking statute, the Board concludes, based upon the facts of record and established Board precendent, that Applicant will control Pittsburg and Bank for purposes of the federal BHC Act.[11] In the Board's judgment, the long-term option in favor of Applicant to purchase the voting shares of Pittsburg owned by Mr. Anschutz and the other restrictions on the transferability of these shares,[12] Applicant's guarantee of the purchase agreement between Pittsburg and present shareholders of Bank,[13] and the fact that Applicant will hold approximately 89 percent of the total equity of Pittsburg and will bear substantially all of the risk of loss or receive substantially all of the gain on the proposal, demonstrate that Applicant will control Pittsburg and Bank for purposes of section 2(a)(2) of the Act and the Board's regulations thereunder.[14] In this regard, Applicant has agreed to register and report Pittsburg and Bank as subsidiaries for purposes of the BHC Act and section 23A of the Federal Reserve Act, (12 U.S.C. § 371c).

The Board has also considered KIBA's request for a formal hearing.[15] KIBA contends that a formal hearing is required in this case in order to explore fully and develop information regarding whether Applicant will control Pittsburg for purposes of Kansas law. KIBA has not identified any relevant facts that it considers to be in dispute or that appear to warrant further investigation. Nor has KIBA shown that the facts before the Board are incomplete or insufficient to permit the Board to carry out its responsibility under the BHC Act or that further investigation would produce additional relevant information. In essence, KIBA disputes the conclusion drawn by the state authorities regarding the question of control under state law. The Board is not required to hold a formal hearing where a party disputes the conclusion to be drawn from established facts or where such proceeding would not serve to develop new or useful facts.[16] Accordingly, the Board concludes that a formal hearing is not warranted in this case, and hereby denies KIBA's request for a hearing.

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

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

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

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

11. Unlike the Kansas banking statute, which focuses only on ownership of voting shares or control of the election of a majority of the board of directors of a bank, the federal BHC Act defines control to include any situation where the Board determines that a company exercises a controlling influence over the management or policies of a bank, without regard to whether that company owns or controls voting shares of the bank or has the ability to elect a majority of the bank's board of directors, (12 U.S.C. § 1841(a)(2)(C)). The federal BHC Act also defines control of a bank or company by a company "acting through one or more persons", (12 U.S.C. § 1841(a)(2)(A)). The Kansas statute has no similar provision.

12. The Board has established a presumption in Regulation Y that attributes control of voting shares to any company that enters into any agreement placing long-term restrictions on the rights of a holder of the voting shares. 12 C.F.R. § 225.2(b)(4).

13. See, e.g., *The Jacobus Company and Inland Financial Corporation*, 60 FEDERAL RESERVE BULLETIN 130 (1974); *Mid America Bancorporation, Inc.*, 60 FEDERAL RESERVE BULLETIN 131 (1974).

14. The Board reached the identical conclusion in its Fourth Financial/Coffeyville order when examining the similarly structured stockholders agreement in that proposal.

15. The BHC Act requires the Board to hold a formal hearing on an application submitted under section 3 of the Act only if the Office of the Comptroller of the Currency, in the case of a national bank, or the state supervisory authority, in the case of a State bank, expresses written disapproval of the proposed transaction. (12 U.S.C. § 1842(b)). This hearing requirement is not triggered in this instance because the Comptroller of the Currency, the supervisor of Bank, expressed no objection to the proposed transaction.

16. *Northwest Bancorporation* v. *Board of Governors*, 303 F.2d 832, 843–844 (8th Cir. 1982). Moreover, as noted by the Kansas Attorney General, the State Bank Commissioner has a continuing obligation to monitor the future relationship between Applicant and Pittsburg to determine whether Applicant will in fact control Bank through means other than those presented in the structure of the proposal itself. In the event such determination is made in the future, the state has the authority to require termination of the control relationship at that time.

Guaranty, Inc., Beloit, Kansas

Order Approving Acquisition of Shares of a Bank Holding Company

Guaranty, Inc., Beloit, Kansas, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, 12 U.S.C. § 1841 et seq. ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act, (12 U.S.C. § 1842(a)(3)), to acquire 24.8 percent of the voting shares and 100 percent of the nonvoting shares of Delphos, Inc., and thereby indirectly to acquire an interest in State Bank of Delphos, Delphos, Kansas ("Delphos Bank").[1]

Applicant's investment in the voting and nonvoting shares of Delphos amounts to $562,000, and will represent about 94 percent of the total equity of Delphos. All officers and directors of Applicant will be officers and directors of Delphos and Delphos Bank. In addition, the officers and directors of Applicant will purchase the remaining 75.2 percent of the voting shares of Delphos.[2]

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the BHC Act. The time for filing comments and views has expired, and the Board has considered all comments received, including those of the Kansas State Bank Commissioner and the Kansas Independent Bankers Association ("KIBA"), in light of the factors set forth in section 3(c) of the BHC Act.

Applicant, a one-bank holding company, controls The Guaranty State Bank & Trust Company, Beloit, Kansas, which holds deposits of $27.3 million and is one of the smaller banking organizations in Kansas.[3] Delphos Bank, with deposits of $7.9 million, is also one of the smaller banking organizations in the state. Accordingly, consummation of the proposed transaction would not have a significant effect on the concentration of banking resources in Kansas.

Delphos Bank competes in the Ottawa County banking market and is the fourth largest bank in the market with 10.6 percent of the total deposits in commercial banks in that market. Applicant's subsidiary bank is located in a separate banking market and is prohibited from branching into the Ottawa County banking market by state law.[4] Accordingly, consummation of the proposal would not have any significant effect on competition in the relevant banking markets.

In view of the Board's finding, as discussed below, that Applicant will upon consummation of the proposal control Delphos and Delphos Bank under the federal BHC Act, the Board has evaluated the financial and managerial resources of Applicant, Delphos and Delphos Bank within the context of the Board's multibank holding company standards. Under these standards, the financial and managerial resources of these organizations are regarded as generally satisfactory, and their future prospects appear favorable. Considerations relating to the convenience and needs of the communities involved are also consistent with approval.

In acting on an application under the BHC Act, the Board is required to consider, in addition to the competitive, financial, managerial and convenience and needs factors set out in the Act, whether the proposal would comply with the provisions of the relevant state law, and the Board may not approve an application that would result in a violation of state law.[5]

KIBA has objected to approval of this application, contending that the proposed acquisition would violate a provision of Kansas law that prohibits a company from owning, controlling or holding with power to vote 25 percent or more of the voting shares of each of two or more banks in Kansas, or controlling in any manner the election of a majority of the directors of each of two or more banks in Kansas.[6] KIBA contends that, as a result of several factors, including the purchase of 100 percent of Delphos' voting stock, either directly by Applicant or indirectly by Applicant's principals, and the relative size of Applicant's proposed investment, Applicant will control a second Kansas bank in violation of Kansas law. KIBA has requested that the Board order a formal hearing to explore whether under Kansas law a control relationship between Applicant and Delphos will exist upon consummation of the proposal.

In connection with the matter, the Kansas State Bank Commissioner requested an opinion from the Kansas Attorney General regarding the legality of Applicant's proposal under the Kansas banking statute. In response, the Attorney General referred the Bank Commissioner to two opinions issued by the Attorney General on unrelated, although similar, bank holding company applications, stating that these interpretations of Kansas law provided guidance on how the Kansas statute should be interpreted and applied.[7] The Attorney General further stated that it is the responsibility of the Bank Commissioner to determine whether there are facts or circumstances present in a particular matter that would cause a company to control two banks in violation of Kansas law.

1. Under section 3(a)(3) of the BHC Act, a bank holding company may not, without the prior approval of the Board, acquire directly or indirectly more than five percent of the voting shares of a bank. The Board has held that this requirement applies to the acquisition of a bank holding company of shares of another bank holding company. *State Street Boston Corporation*, 67 FEDERAL RESERVE BULLETIN 862 (1981).

2. Each officer and director will purchase an identical percentage of Delphos' shares for approximately $3,300 each. Applicant will not extend funds or in any way guarantee these individuals' purchase of Delphos' shares.

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

4. Kan. Stat. Ann. section 9-1111.

5. *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans & Trust Company*, 379 U.S. 411 (1965).

6. Kan. Stat. Ann. §§ 9-504 and 9-505 (1975).

7. 82 Op. Kan. Att'y Gen. 195 and 196 (1982).

In the two opinions interpreting the Kansas banking statute, the Attorney General concluded that, under Kansas law, a company "indirectly controls" voting shares of a bank or the election of a majority of the board of directors of a bank if a factual determination is made that the company controls, within the ordinary dictionary meaning of the term "control," a second company that owns voting shares of a bank or controls the election of a majority of the directors of a bank. The Kansas Attorney General advised the Bank Commissioner that the definition of "control" that should be used in making this factual determination is whether the company has the ability "to exercise restraining or directing influence" over the second company.

As a matter of law, the Attorney General concluded that a company could not be deemed to contol indirectly the voting shares of a bank held by shareholders, officers or directors of the company unless there are agreements or understandings between the company and its shareholders, officers or directors that would allow the company to control 25 percent or more of the voting shares of the bank or the election of a majority of its directors. Absent some agreement or understanding, or evidence that the shareholders and management officials of an applicant are acting on behalf of the company with respect to their ownership of or positions with the bank to be acquired, the Attorney General found that there is no legal basis to impute to a corporation control over the voting stock of a bank held by the corporation's stockholders. Moreover, the Attorney General pointed out that Kansas law does not prohibit individuals from owning or controlling more than one bank.

Acting on the basis of the Attorney General's opinion, the Bank Commissioner took sworn testimony from principals of Applicant concerning the proposed transaction. In the course of the State's evidentiary proceeding, the Commissioner established that there are no written or oral agreements or understandings between Applicant and the 12 individuals who will own voting shares of Delphos by which Applicant could vote the shares of or control the election of a majority of the directors of Delphos; that there are no common family or other significant relationships among the individuals; and that the nonvoting common shares to be held by Applicant carry no voting rights that could enable Applicant to control Delphos or Delphos Bank. The record of that proceeding also reflects that there are no agreements among the 12 individuals concerning the ownership of shares of both Applicant and Delphos and that each individual is free to sell his or her shares in either company to any person, without regard to the common interests of the 12 shareholders and Applicant. Applicant will have no option to purchase the shares of Delphos held by these individuals if Kansas law changes to permit such ownership. Based upon the general legal guidance provided in the opinions of the Attorney General and the evidence reflected in the record, the Commissioner concluded that there was no apparent violation of the Kansas statute.

In interpreting State law, the Board generally has given great weight to opinions of the State Attorney General or relevant state administrative agency where the Board's review of the opinion reveals that it is well reasoned, supported by the facts of record, consistent with the statutory language being interpreted, and not inconsistent with either the apparent intent of the statute or its legislative history.[8] In this case, the Board concludes that the opinion of the Kansas State Bank Commissioner, entered after a consideration of the contentions of KIBA and all facts developed in the proceeding, is consistent with past administration of the Kansas Banking statute by State authorities and does not appear to contravene the intent of the statute as interpreted by the Kansas Attorney General.

In reaching this conclusion, the Board notes that the control provisions of the Kansas banking statute were modeled after those in the BHC Act as enacted in 1956. The 1970 Amendments to the BHC Act broadened the control provisions of the federal BHC Act to include those situations where a company controlled the voting shares of a bank "acting through one or more other persons" (12 U.S.C. § 1841(a)(2)(A)), or where the Board determines "that the company directly or indirectly exercises a controlling influence over the management or policies of the bank" (12 U.S.C. § 1841(a)(2)(C)). The Kansas statute has never been amended to include these definitions of control. As the Board has previously stated, the Board may find that control of a bank exists for purposes of the BHC Act but not for purposes of the Kansas statute because of these significant differences between the control provisions of the federal and state statutes.[9]

The Board recognizes that the Kansas Attorney General and the State Bank Commissioner have adopted a narrow interpretation of the term "control" in the Kansas statute. However, the Board also recognizes that the primary responsibility for enforcing and ensuring the integrity of the state statute rests with the state, which has formally condoned the proposal. Since this interpretation of the state statute does not impair the Board's ability to interpret or apply the federal BHC Act, the Board will not substitute its judgment for that of the Kansas authority where, as here, there is a basis

8. *Credit and Commerce American Holdings, N.V.*, 65 FEDERAL RESERVE BULLETIN 254, 255 (1979); *Northwest Kansas Banc Shares, Inc.*, 69 FEDERAL RESERVE BULLETIN 98; *Fourth Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 95.

9. *Fourth Financial Corporation*, supra, note 8; *Northwest Kansas Banc Shares, Inc.*, supra, note 8. Because of these differences, the Board concludes that KIBA's reliance on interpretations of control under the federal BHC Act is misplaced.

in the record for the finding of the state authority. The Board does not believe that the Attorney General's or the Commissioner's reliance on the record evidence with respect to the absence of explicit or tacit agreements or arrangements between Applicant and its shareholders concerning the ownership or control of the voting shares of Delphos or Delphos Bank or the election of a majority of the directors of Delphos Bank is unreasonable. In light of all the facts and circumstances of this proposal, including the opinions of the Kansas Attorney General and the factual findings made by the Kansas State Bank Commissioner after the conduct of an evidentiary proceeding, the Board concludes that consummation of the proposal will not result in a violation of Kansas law.

While consummation of the proposed transaction does not appear to allow Applicant to control Delphos or Delphos Bank for purposes of the Kansas banking statute, the Board concludes, based upon the facts of record and established Board precedent, that Applicant will control Delphos and Delphos Bank for purposes of the federal BHC Act. In this case, Applicant will hold 24.8 percent of the voting shares and 100 percent of the nonvoting common shares of Delphos, representing 94 percent of the equity of Delphos. The twelve shareholders and management officials of Applicant who will be shareholders of Delphos will each hold a management position with Delphos and/or Delphos Bank. Under the presumptions of control established by the Board in Regulation Y, Applicant would be presumed to control Delphos and Delphos Bank under the BHC Act.[10] Moreover, the Board has also held that where a company will bear substantially all of the risk of economic gain or loss on an investment in a bank, the voting shares of which are held by the company's officers and directors, the company may be deemed to control that bank for purposes of the BHC Act.[11]

10. 12 C.F.R. § 225.2(b)(2). See also "Policy Statement on Nonvoting Equity Investments by Bank Holding Companies", (12 C.F.R. § 225.143), 68 FEDERAL RESERVE BULLETIN 413 (1982); *Fourth Financial Corporation*, supra, note 8.

11. In a case substantially similar to the instant proposal, the Board determined that control by a one-bank holding company of nonvoting preferred stock representing 99.6 percent of another bank's total equity coupled with the purchase of 100 percent of the voting stock of the bank by the company's officers and directors represented control of the bank by the company under both the BHC Act and the Oklahoma statute prohibiting the formation of multibank holding companies, (Security Corporation, Duncan, Oklahoma, Board letter to J. A. Maurer, June 23, 1982). Applicant's assumption of almost all of the risk of financial gain or loss from the operations of Delphos and Delphos Bank raises the same concerns that underlie the Board's decision in Security. The Oklahoma statute in question is identical to the Kansas statute at issue here, except the relevant percentage of voting shares is 15 percent rather than 25 percent. However, in Security, the Oklahoma Commissioner found that the transaction would violate state law and there were no applications for approval filed with either the Board or the State of Oklahoma.

The Board's finding that Applicant will control Delphos and Delphos Bank under the federal BHC Act does not bar approval of this application because the federal BHC Act specifically permits the formation and operation of multibank holding companies. The required application for the Board's approval under the BHC Act has been filed and, as noted, the competitive, financial, managerial, and convenience and needs standards in the BHC Act have been met. The proposal also does not involve an interstate bank acquisition that would violate section 3(d) of the BHC Act, and Applicant is not engaged in impermissible nonbanking activities. There is thus no basis for denial of this application under the federal BHC Act.

The Board has also considered KIBA's request for a formal hearing. KIBA contends that a formal hearing is required in this case in order to fully explore and develop information regarding whether Applicant will control Delphos for purposes of Kansas law.

The BHC Act requires the Board to hold a formal hearing regarding an application submitted under section 3 of the Act only in the event that the Office of the Comptroller of the Currency, in the case of a national bank, or the state supervisory authority, in the case of a state-chartered bank, expresses written disapproval of the proposed transaction.[12] This hearing requirement is not triggered in this case because the Kansas State Bank Commissioner, the appropriate banking supervisor for Delphos Bank, has expressed his written approval of the proposed transaction.

Further, KIBA has been given the opportunity to submit facts and arguments to the Board regarding this application, and has not provided any basis to support the belief that the facts already before the Board are incomplete or insufficient to permit the Board to carry out its responsibility under the BHC Act, or that further investigation would produce additional relevant information. Nor has KIBA identified any relevant facts that are in dispute. Rather, KIBA disputes the conclusion drawn by the state authorities regarding the existence of control under state law. The Board is not required to hold a formal hearing where a party disputes the conclusion to be drawn from established facts or where such proceedings would not serve to develop new or useful facts.[13] Accordingly, based on

12. 12 U.S.C. § 1842(b); *Northwest Bancorporation* v. *Board of Governors*, 303 F.2d 832, 843-44 (8th Cir. 1962); *Grandview Bank & Trust Co.* v. *Board of Governors*, 550 F.2d 415 (8th Cir. 1977); and *Farmers & Merchants Bank of Las Cruces* v. *Board of Governors*, 567 F.2d 1089 (D.C. Cir. 1977).

13. *Northwest Bancorporation* supra, note 12. Moreover, as noted by the Kansas Attorney General in other cases, the State Bank Commissioner would have a continuing obligation to monitor the future relationship between Applicant and Delphos to determine whether Applicant will in fact control Delphos Bank through means other than those presented in the structure of the proposal itself. In the event such determination is made in the future, the state has the authority to require termination of the control relationship at that time.

these facts, the submissions by the parties, and the investigation by the Commissioner, including the depositions of representatives of Applicant, the Board concludes that a formal hearing is not warranted in this case, and hereby denies KIBA's request for a hearing.

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

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

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

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

Orders Under Section 4 of Bank Holding Company Act

BankAmerica Corporation, San Francisco, California

Order Approving Application to Engage in Certain Futures Commission Merchant Activities

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

Notice of the application, affording interested persons an opportunity to submit comments and views on the relation of the proposed activity to banking and on the balance of the public interest factors regarding the application, has been duly published (47 *Federal Register* 55733 (1982)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with consolidated assets of $122.5 billion, is a bank holding company by virtue of its control of Bank of America, N.T. & S.A. ("Bank").[1] Bank, which holds total domestic deposits of $55.2 billion and combined domestic and international deposits of $94 billion, is the largest commercial banking organization in California. Applicant engages in various permissible banking-related activities throughout the United States. The Board recently approved three applications by bank holding companies to engage in FCM activities.[2] Applicants proposal generally parallels those proposals, and the Board considers it appropriate to examine Applicant's proposal within the same framework.

Closely Related to Banking

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

Foreign Exchange. The Board has determined on five prior occasions that FCM activities or their equivalent with respect to foreign exchange are closely related to banking.[3] Upon examination of the record, Applicant's situation appears substantially similar to those presented previously.

Applicant's lead bank, Bank of America, N.T. & S.A., currently trades in the cash and forward markets in foreign exchange for its corporate and institutional customers. Because Bank already has extensive experience in these markets, acting as an FCM in futures markets for this commodity would be an integral adjunct to these present services. Further, it is reasonable to assume that market participants for whom Bank trades would regard futures contracts in foreign exchange as the func-

1. Banking data as of December 31, 1982.

2. *J.P. Morgan & Co. Incorporated*, 68 FEDERAL RESERVE BULLETIN 514 (1982); *Bankers Trust New York Corporation*, 68 FEDERAL RESERVE BULLETIN 651 (1982); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 776 (1982).

3. *Citicorp*, supra; *Bankers Trust*, supra; *J.P. Morgan*, supra; *Republic New York Corporation*, 63 FEDERAL RESERVE BULLETIN 951 (1977); and *Standard & Chartered Banking Group, Ltd.*, 38 *Federal Register* 27552 (1973).

tional equivalent of forward contracts for some purposes. Accordingly, the proposed activity could be considered fundamentally a substitute for other services Applicant already provides. On this basis, the Board concludes that Applicant's proposal to act as an FCM for foreign exchange is closely related to banking.

Government Securities and Money Market Instruments. Applicant's proposal also involves the execution and clearance of futures contracts covering U.S. bonds, Treasury bills and notes; GNMA securities; and negotiable money market instruments, that is, domestic and Eurodollar CDs, and Eurodollar and sterling deposit interest rate futures. The Board has examined the portion of this proposal which concerns FCM activities for government securities and negotiable money market instruments in light of Applicant's experience in related markets for these instruments. In 1978, Bank began to buy and sell futures contracts covering various U.S. Government and GNMA securities for its own account. More recently, Bank has expanded its activities to include futures contracts covering money market instruments. In addition, Bank is a primary dealer in U.S. government securities and it trades in the cash and forward markets for government securities and money market instruments for the account of its customers. Applicant's experience in these activities has provided it with useful expertise in areas that are operationally or functionally similar to FCM activities for nonaffiliated persons in government securities and money market instruments. Accordingly, the Board concludes, as it has in three previous orders,[4] that the proposed FCM activities for these instruments would be closely related to banking.

Balance of Public Benefits and Adverse Effects

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by BAFI, "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." (12 U.S.C. § 1843(c)(8)).

Consummation of the proposal would provide added convenience to clients of Applicant trading in the cash, forward, and futures markets for the financial instruments involved in this application. The Board expects that the de novo entry of BAFI into the market for FCM services would increase the level of competition among FCMs already in operation. Further, it appears that BAFI is particularly well equipped to provide FCM services to depository institutions in light of Applicant's experience in the depository institution industry. Accordingly, the Board has concluded that the performance of the proposed activities by BAFI can reasonably be expected to produce benefits to the public.

The Board recognizes that the activity of trading futures contracts involves various types of financial risks and potential conflicts of interest, and is susceptible to anticompetitive and manipulative practices. Congress has addressed those types of possible adverse effects, however, through the passage of the Commodity Exchange Act, as amended,[5] and the creation of the Commodity Futures Trading Commission ("CFTC"). The CFTC also has promulgated regulations to effectuate the provisions of the Commodity Exchange Act.[6] Applicant has chosen to conduct the proposed activities through a separately incorporated subsidiary that would be subject to the Commodity Exchange Act and regulation by the CFTC and the various commodity exchanges. The Board has considered the impact of the applicable statutes and regulations in its evaluation of the likelihood that significant adverse effects regarding conflicts of interest, unsound banking practices, decreased or unfair competition, or undue concentration of resources would develop in this case.

Conflicts of Interests. Conflicts of interests that could be associated with this proposal fall into two broad categories: those arising out of the general business of engaging in FCM activities, and those arising out of the particular circumstances of an FCM that is a subsidiary of a bank holding company. Rules and regulations promulgated and enforced by the CFTC and the relevant futures exchanges substantially reduce the possibility for significant conflicts in the first category. In addition, BAFI has committed to time-stamp each order to the minute upon receipt, and to time-stamp the order again at execution. Further, BAFI will execute orders in the sequence in which they are received to the extent

4. *Citicorp*, supra; *Bankers Trust*, supra; and *J.P. Morgan*, supra.

5. 7 U.S.C. §§ 1–24.

6. For example, CFTC regulations require FCMs to keep detailed records on many aspects of FCM activities, such as segregation of funds and investments made on behalf of customers, (17 C.F.R. §§ 1.20, .25); prescribe protective procedures for such activities as buying and selling contracts of two customers on opposite sides of the same transactions, (17 C.F.R. § 1.39); and impose minimum financial and related reporting requirements, (17 C.F.R. §§ 1.10–.18).

consistent with customer specifications. The Board concludes that the risk of conflicts of interest arising from the general business of an FCM that may result from consummation of the proposal as submitted is not inconsistent with approval.

With respect to the second category of conflicts, the Board believes that existing statutory and supervisory safeguards, together with Applicant's internal control procedures, will substantially reduce the possibility of significant adverse effects. For example, section 23A of the Federal Reserve Act[7] would require any extension of credit by Bank to BAFI to be secured by collateral having a value equal to 100 percent or more of the extension of credit. In addition, any loan from Bank to BAFI's customers would be subject to examination by the Comptroller of the Currency.

Furthermore, Applicant maintains internal procedures that generally prohibit disclosure among employees of Applicant and its subsidiaries of confidential information pertaining to customers, whether received from customers or derived from internal sources. Finally, as discussed below, the circumstances of this application alleviate any substantial concern regarding the possibility of voluntary tying. Thus, there appears to be no significant danger that conflicts associated with the fact that BAF would be a bank holding company subsidiary will develop under this proposal.

Unsound Banking Practices. An FCM, clearing and executing contracts for nonaffiliated persons, is generally exposed to several types of financial risks. However, the Board finds that Applicant's competence, experience, and resources equip it to deal with these risks. Furthermore, the Board believes that the Commodity Exchange Act and regulations issued by the CFTC and the various commodity exchanges are significant factors in ameliorating the general hazards of the FCM activities proposed in the application.[8]

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

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

The degree of risk associated with providing FCM services as a clearing member on a commodities exchange can be increased through the practice of certain exchanges or clearing associations of requiring the parent corporation of a clearing member to also become a member of that exchange or clearing association. Applicant has committed that BAFI shall not, without the prior consent of the Board, become a clearing member of any exchange that imposes such a requirement and has not waived that requirement for Applicant.

On the basis of all the facts of record, the Board has concluded that the inherent risks of providing FCM services for nonaffiliated persons under the circumstances of this proposal are manageable in view of the expertise and resources of Applicant and its subsidiaries, the commitments entered into by Applicant and BAFI, and the regulatory environment in which the FCM activities would be conducted.

Decreased or Unfair Competition. It is conceivable that a commercial bank in Bank of America's position could exert pressure on its customers to use the services of Bank of America's affiliated FCM, or that a borrower could believe that its use of an affiliated FCM could result in more favorable credit terms for the borrower. Compulsory tying arrangements, however, are prohibited by the Act and by the Board's regulations; and voluntary tying can

7. 12 U.S.C. § 371c.

8. Among the provisions the Board has considered in this regard are the CFTC's net capital requirements, 17 C.F.R. §§ 1.17(a) and (c), 1.52(a), and the sections of the Commodity Exchange Act granting the CFTC authority to establish position limits and to approve or disapprove daily price movement limits established by domestic exchanges on futures contracts, (7 U.S.C. §§ 6a, 7a(12)).

take place only when a firm possesses significant market power.[9] It appears that Applicant lacks the requisite market power for voluntary tying to occur, in view of the substantial competition in commercial lending and among FCMs. In addition, Applicant has committed that BAFI will advise each customer in writing that doing business with BAFI will not in any way affect any provision of credit to that customer from Bank or any other subsidiary of Applicant.

On the basis of all the facts of record, the Board has determined that in the circumstances of this case, the provision by BAFI of the proposed FCM services to nonaffiliated persons would not result in decreased or unfair competition, conflicts of interests, unsound banking practices, or undue concentration of resources in either commercial banking or the market for FCM services. In considering this application, the Board has placed particular reliance on the following 11 factors, to all of which this Applicant has committed:

1. BAFI shall not trade for its own account.
2. The instruments upon which the proposed futures contracts are based are essentially financial in character and the contracts are of a type that a bank may execute for its own account.
3. BAFI shall have an initial capitalization that is in substantial excess of that required by CFTC regulations, and will maintain fully adequate capitalization.
4. BAFI and Bank have entered into a formal service agreement that specifies the services that Bank will supply to BAFI. These services include the assessment of customer credit risk and continuous monitoring of customer positions and the status of customer margin accounts.
5. Through its proposed service agreement with Bank, BAFI will be able to assess customer credit risks, and will take such assessments into consideration in establishing appropriate position limits for each customer, both with respect to each type of contract and with respect to the customer's aggregate position for all contracts.
6. BAFI shall not, without the prior consent of the Board, become a clearing member of any exchange whose rules require the parent corporation of a clearing member to also become a clearing member, unless the requirement is waived with respect to Applicant.
7. BAFI has committed that it will, in addition to time-stamping orders of all customers to the nearest minute, execute all orders, to the extent consistent with customers' specifications, in strictly chronological sequence, and that it will execute all orders with reasonable promptness with due regard to market conditions.
8. Applicant and its subsidiaries have demonstrated expertise and established capability in the cash, forward, or futures markets for each of the contracts involved.
9. Applicant will require BAFI to advise each of its customers in writing that doing business with BAFI will not in any way affect any provision of credit to that customer by Bank or any other subsidiary of Applicant.
10. Applicant is adequately capitalized to engage in additional nonbanking activities.
11. BAFI will not extend credit to customers for the purpose of meeting initial or maintenance margin required of customers, subject to the limited exception of posting margin on behalf of customers in advance of prompt reimbursement.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with consummation of this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors, which the Board is required to consider under section 4(c)(8) of the Act, is favorable. Accordingly, the application is hereby approved.[10]

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

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

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

10. In connection with this action, the Board hereby delegates authority to the Federal Reserve Bank of San Francisco to approve applications by BankAmerica to open additional offices of BAFI to engage in the same activities approved herein, as well as the authority to approve the provision of FCM services with regard to new financial instruments of the same type authorized herein, pursuant to section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)).

By order of the Board of Governors, effective February 17, 1983.

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

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

Bankers Trust New York Corporation, New York, New York

Order Approving Application to Engage in Certain Futures Commission Merchant Activities

Bankers Trust New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. §§ 1841 et seq.) (the "Act"), has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage through de novo branches of its subsidiary, BT Capital Markets Corp., New York, New York ("BTCM"), in acting as a futures commission merchant (an "FCM") for nonaffiliated persons, in the execution and clearance of certain futures contracts on major commodity exchanges. Such contracts would cover U.S. Government securities, negotiable money market instruments (including, in particular, domestic and Eurodollar certificates of deposit), foreign exchange, and bullion. The de novo branches would be located in Atlanta, Georgia; Dallas, Texas; and Los Angeles, California.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activity to banking and on the balance of public interest factors regarding the application, has been duly published (47 *Federal Register* 56,049 (1982)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant is a bank holding company by virtue of its control of Bankers Trust Company, New York, New York ("Bank") and several other banks. Applicant holds total consolidated deposits of $24.9 billion, and is the sixth largest commercial banking organization in New York State.[1] Applicant, through certain of its subsidiaries, engages in various permissible nonbanking activities.

In order to approve an application submitted pursuant to section 4(c)(8) of the Act, the Board must determine that the activity proposed is closely related to banking and that performance of the activity by the Applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests or unsound banking practices." (12 U.S.C. § 1843(c)(8)). By Order dated September 20, 1982, the Board approved Applicant's initial application to engage in FCM activities.[2] In that order, the Board determined that the proposed FCM activities are closely related to banking. Because this application is for the Board's approval of the same activity at additional branch offices, the Board has determined that the same considerations upon which the Board based its finding that the activity is closely related to banking in the previous application are applicable in this proposal. Accordingly, the Board has determined that the activity is closely related to banking.

In approving Applicant's original application to engage in FCM activities, the Board determined that the proposal could reasonably be expected to produce benefits to the public in the form of added convenience to customers of Applicant's subsidiary bank who trade in the cash, forward, and futures markets for the commodities involved in the application. The Board also determined that the de novo entry of BTCM into the market for FCM services would increase the level of competition among FCMs already in operation. Consummation of this proposal would provide added convenience to customers in the Atlanta, Dallas, and Los Angeles markets that BTCM had previously anticipated serving through its existing offices in New York and Chicago and would further enhance competition in the provision of FCM services. Accordingly, the Board has determined that approval of this proposal similarly can reasonably be expected to produce public benefits.

In reviewing Applicant's original application to engage in FCM activities through BTCM, the Board examined the potential adverse effects associated with such activities. The Board determined that the public benefits associated with the performance of the activity by BTCM could reasonably be expected to outweigh possible adverse effects in view of certain commitments made by Applicant and other facts of

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

2. *Bankers Trust New York Corporation*, 68 FEDERAL RESERVE BULLETIN 651 (1982). See also, *J. P. Morgan & Co., Incorporated*, 68 FEDERAL RESERVE BULLETIN 514 (1982); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 776 (1982); *BankAmerica Corporation*, 69 FEDERAL RESERVE BULLETIN 216.

record. The Board has determined that the same considerations that the Board relied on in approving Applicant's original application are applicable in this case. Applicant has committed that each of the proposed branch offices will engage in FCM activities only to the extent and in the manner authorized by the Board's Order of September 20, 1982. The Board has carefully considered the potential for adverse effects arising in connection with this application and, on the basis of all the facts of record in this case, including Applicant's statement that it will abide by its earlier commitments, the Board has determined that the public benefits associated with the proposal can reasonably be expected to outweigh possible adverse effects. Accordingly, the Board has concluded that the balance of the public interest factors that the Board is required to consider under section 4 is favorable, and the application is hereby approved.

Having once reviewed Applicant's proposal and the conditions under which it would be provided, and having determined that the public interest considerations of section 4(c)(8) favor approval of the proposal, the Board has determined that further applications by Applicant either to engage in FCM activities at de novo branch offices of BTCM, or to provide FCM services with regard to new financial instruments of the same type previously approved, may be processed in the same manner as other de novo applications under the provisions of section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)). Authority is hereby delegated to the Federal Reserve Bank of New York to accept and take action on such notices properly filed as there prescribed.

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

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

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

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

(Signed) JAMES MCAFEE,
Associate Secretary of the Board

[SEAL]

Hongkong and Shanghai Banking Corporation,
Hong Kong, B.C.C.

Kellett, N.V.,
Curacao, Netherlands Antilles

HSBC Holdings, B.V.,
Amsterdam, The Netherlands

Marine Midland Banks, Inc.,
Buffalo, New York

Order Approving Acquisition of International Treasury Management Ltd. and Commencement of Informational, Advisory, and Transactional Services Related to Foreign Exchange

The Hongkong and Shanghai Banking Corporation, Hong Kong, B.C.C. ("HSBC"); Kellett, N.V., Curacao, Netherlands Antilles ("Kellett"); HSBC Holdings, B.V., Amsterdam, The Netherlands ("Holdings"); and Marine Midland Banks, Inc., Buffalo, New York ("Marine") (collectively referred to as "Applicants"), each a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to establish de novo an office in New York of International Treasury Management Limited, Hong Kong, B.C.C. ("ITM").[1] ITM, a newly formed company organized under the laws of Hong Kong, will offer informational, advisory, and transactional services to customers throughout the United States from its New York office and worldwide from its foreign offices. Marine has also applied for the Board's approval under section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)) and section 211.5(c)(2) of the Board's Regulation K (12 C.F.R. § 211.5(c)(2)) to acquire 50 percent of the voting shares of ITM and to engage through ITM in the proposed activities throughout the world. HSBC will indirectly acquire the remaining 50 percent of the shares of ITM through a de novo Bahamian shell corporation, Basingstoke Holdings Ltd.[2]

1. Kellett, a wholly-owned subsidiary of HSBC, owns 100 percent of the voting shares of Holdings which, in turn, owns 51.05 percent of the voting shares of Marine. Thus, HSBC, Kellett and Holdings are all applicants under section 4(c)(8) because they are each a bank holding company with respect to Marine Midland Bank, N.A. ("Marine Bank"), the subsidiary bank of Marine.

2. The Applicants assert that Marine's investment in ITM should be regarded as a joint venture and that ITM would not be a subsidiary of Marine for the purposes of Regulation K. Under section 211.2(p) of Regulation K (12 C.F.R. § 211.2(p)), a subsidiary is defined as a company of which more than 50 percent of the stock is held by an investor and its affiliates. In this case Marine and Basingstoke are affiliates since they are both subsidiaries of HSBC, (12 U.S.C. § 211.2(a)). Thus, ITM is regarded as a subsidiary of Marine.

At its proposed New York office, ITM intends to offer certain informational, advisory and transactional services, including the following: (1) the provision of general economic information and statistical forecasting with respect to foreign exchange and money markets through timesharing networks. These services would include the analysis of foreign exchange and money market trends in the context of economic and political developments and the provision of information with respect to forward foreign exchange contracts; (2) the provision of advisory services designed to assist customers in monitoring, evaluating, and managing their foreign exchange exposure, including recommendations regarding policies and procedures to enhance a customer's ability to identify, measure, and manage financial risks in a multi-currency environment. ITM would also provide advice on timing of purchases and sales of foreign exchange in both spot and forward markets; and (3) the provision of transactional services with respect to foreign exchange, with ITM arranging, for a fee, for currency "swaps" among customers with complementary foreign exchange exposures. ITM will also arrange for the execution of foreign exchange transactions by HSBC, Marine Bank, and other commercial banks.

Notice of the applications, affording opportunity for interested persons to submit comments and views on whether the proposed activities are closely related to banking and on the balance of public interest factors, has been duly published. The time for filing comments and views has expired and the Board has considered the applications and all comments received in light of the standards set forth in sections 4(c)(8) and (13) of the BHC Act.

HSBC, a bank organized under the laws of Hong Kong, is the 31st largest banking organization in the world with total assets of approximately $52.3 billion.[3] HSBC, directly and indirectly, through over 900 offices worldwide, engages in a broad range of financial and commercial services. Through Kellett and Holdings, HSBC owns 51 percent of the shares of Marine, which is the 14th largest commercial banking organization in the United States with total assets of $18.8 billion. Marine, through its subsidiary, Marine Bank, offers a full range of banking and trust services from nearly 300 offices in the State of New York. Marine also engages through nonbanking subsidiaries in commercial lending, leasing and credit-related insurance underwriting activities.

Section 4(c)(8) of the BHC Act authorizes a bank holding company to engage in or acquire shares of a company that engages in an activity determined by the Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Section 225.4(a) of the Board's Regulation Y lists activities that have been determined by the Board to satisfy the standards of section 4(c)(8), and any bank holding company may apply under certain simplified procedures to engage in the listed activities. In addition, a bank holding company may apply to engage in a nonbanking activity if the company is of the opinion that the activity is closely related to banking. As discussed below, ITM's proposed activities include several that the Board has found permissible for bank holding companies, as well as several that the Board has not previously determined to be closely related to banking.

Applicants' proposed activity of providing general information and statistical forecasting with respect to foreign exchange and money markets is an activity that is permissible under section 225.4(a)(5)(iv) of Regulation Y, which authorizes "acting as . . . financial advisor to the extent of . . . furnishing general economic information and advice, [and] general economic statistical forecasting services . . ." (12 C.F.R. § 225.4(a)(5)(iv)). Applicants propose to provide the subject informational services, in part, through timesharing technology. The data processing activities associated with providing the proposed general information and statistical forecasting with respect to foreign exchange and money markets have also been found by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(8))[4].

ITM's proposed activities of providing advice with respect to foreign exchange operations, policies and procedures and arranging for the execution of foreign exchange transactions have not been found to be closely related to banking.[5] Accordingly, the Board has reviewed the record to determine whether each activity is closely related to banking or managing or controlling banks. In determining whether an activity

3. Data are as of December 31, 1981.

4. The Board has determined that providing customers data processing services with respect to financial, banking, and economic data through timesharing, as well as timesharing itself, are activities that are permissible for bank holding companies. *Citicorp*, 68 FEDERAL RESERVE BULLETIN 505 (1982). Applicants have suggested that the proposed data processing services should be regarded as incidental to providing general informational services. However, in view of the nature and extent of the data processing services proposed, the Board believes that they should be regarded as a separate activity. In this case it appears that the proposed data processing activities are of the type permissible for bank holding companies under Regulation Y.

5. Applicants' proposed activity of providing advice with respect to foreign exchange operations, policies and procedures appears to be similar to the activity of furnishing advice concerning foreign exchange transactions to depository institutions, an activity that is a permissible type of management consulting under Regulation Y, (12 C.F.R. § 225.131). However, a bank holding company may provide this service only to depository organizations, while Applicants propose to provide foreign exchange advice to all types of customers.

The provision of foreign exchange advice is also similar to providing portfolio investment advice, which is also permisible under Regulation Y, (12 C.F.R. § 225.4(a)(5)).

is closely related to banking under section 4(c)(8) of the BHC Act, the Board has used the following guidelines recognized by the courts: (1) whether banks have generally provided the proposed service; (2) whether banks generally provide services that are operationally or functionally so similar to the proposed service as to equip them particularly well to provide the proposed service; or (3) whether banks generally provide services that are so integrally related to the proposed service as to require their provision is specialized form.[6] In addition, the Board may consider other factors in deciding what activities are closely related to banking.[7]

Upon consideration of the entire record of this application, the Board has determined that ITM's proposed activities of providing advice concerning foreign exchange operations, policies, and procedures and arranging for the execution of foreign exchange transactions are both closely related to banking.[8] The Applicants state that these applications represent a reorganization whereby activities currently performed by Marine Bank will be performed by ITM. Moreover, from the record, it appears that a number of commercial banks, including Marine Bank, are currently engaged in providing the proposed foreign exchange advice and transaction services to their customers. Furthermore, banks historically have been engaged in the provision of advice and assistance with respect to foreign exchange.

In order for the Board to approve the subject applications under section 4(c)(8) with respect to ITM's New York activities, the Board must find that Applicants' performance of these activities through ITM can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Under section 4(c)(13), the Board must find that Marine's overseas activities through ITM are in the public interest and not at variance with the purposes of the BHC Act.

Inasmuch as ITM will be established de novo to perform services currently performed by Marine Bank and HSBC for an expanded customer base, approval of the applications would not result in any adverse effects on existing or potential competition or otherwise decrease competition. While the comments on the applications and proposed new activities were generally favorable, several comments suggested that conflicts of interest could arise as a result of ITM providing advisory services concerning foreign exchange and arranging for a fee for the execution of foreign exchange transactions. Similarly, concern was expressed that conflicts would arise where ITM's affiliates take positions in foreign exchange. In this regard, in conducting foreign exchange operations, commercial banks do combine the functions of giving advice, executing transactions and taking positions in foreign exchange. Furthermore, ITM does not propose to execute transactions, but rather proposes to arrange for execution by HSBC, Marine Bank, and other commercial banks of transactions for ITM's customers. Thus, the potential for conflicts is reduced since the entity actually executing the transaction will be a separate corporate entity from ITM. In addition, ITM will not itself take positions in foreign exchange. The Board notes that ITM will be dealing with sophisticated foreign-exchange market participants and that there are numerous other sources for quotations of foreign exchange rates. Moreover, in conducting its activities ITM will be required to observe the standards of care and conduct applicable to fiduciaries as a condition of approval of the application.[9] Based on the foregoing, the Board's judgment is that it is unlikely that the proposal would result in conflicts of interest. In addition, there is no evidence in the record that approval of this proposal would result in any other adverse effects, such as undue concentration of resources, unfair competition, or unsound banking practices.

As noted, Marine has applied for Board approval under section 4(c)(13) of the BHC Act and section 211.5(c)(2) of Regulation K with respect to ITM's overseas activities.[10] ITM's overseas activities are permissible under section 4(c)(13) and Regulation K.[11]

The Board has previously determined that, when no adverse effects are presented by the proposal, a bank holding company may, with the Board's prior approval, engage in activities overseas that are permissible under Regulation K and in activities in the United States that are closely related to banking under Regulation Y through the same foreign subsidiary.[12] As

6. *National Courier Association* v. *Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975).

7. *Alabama Association of Insurance Agents* v. *Board of Governors*, 553 F.2d 224, 241 (5th Cir. 1976), rehearing denied 558 F.2d 729 (1977), cert. denied. 435 U.S. 904 (1978). See *Board of Governors* v. *Investment Company Institute*, 450 U.S. 46, 55 (1981).

8. In 1977, the Board approved an application for the acquisition of a New York investment company as an activity closely related to banking company. In its order the Board found that generally all activities permissible to a New York investment company are closely related to banking. While the Order did not specifically discuss foreign exchange transaction services, such services were among those identified by the Board as activities permissible for New York investment companies. *European American Bancorp*, 63 FEDERAL RESERVE BULLETIN 595 (1977). See also, *Standard and Chartered Banking Group*, 38 *Federal Register* 27552.

9. The Board has by regulation required that such standards be observed with respect to furnishing portfolio investment advice. 12 C.F.R. § 225.4(a)(5), n. 1.

10. HSBC, Kellett, and Holdings are qualifying foreign banking organizations within the meaning of Regulation K and may therefore engage in such overseas activities without receiving Board approval, (12 C.F.R. § 211.23(f)).

11. 12 C.F.R. § 211.5(d)(8) and (14).

12. See the Board's order approving a proposal by Applicants to acquire *Wardley Marine International Investment Management Ltd.* and to commence investment advisory activities. 68 FEDERAL RESERVE BULLETIN 782 (1982).

discussed above, there is no evidence of adverse effects resulting from the proposal or the structure of the transaction. Accordingly, the Board concludes that Applicants may engage, through ITM, in the proposed activities overseas and in the United States pursuant to authority in sections 4(c)(13) and 4(c)(8) of the BHC Act and the regulations thereunder. This determination is subject to the condition that Applicants obtain the Board's prior approval before ITM engages in any additional activities in the United States.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors that the Board is required to consider under section 4(c)(8) is favorable. In addition, the Board concludes that the acquisition by Marine of ITM is in the public interest and not at variance with the purposes of the BHC Act. Accordingly, the applications are hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and section 211.5(b) of Regulation K, and the Board's authority to require termination or such modification of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions of the BHC Act and the Board's regulations and orders issued thereunder or to prevent evasion thereof.

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

By order of the Board of Governors, effective February 16, 1983.

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

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

Southern Bancorporation, Inc., Greenville, North Carolina

Southern National Corporation, Lumberton, North Carolina

Order Approving Acquisition of Southern International Corporation

Southern Bancorporation, Inc., Greenville, South Carolina ("Southern"), and Southern National Corporation, Lumberton, North Carolina ("SNC"), both bank holding companies within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 et. seq.), have applied for the Board's approval under section 4(c)(8) of the Act and section 225.4(b) of the Board's Regulation Y (12 C.F.R. § 225.4(b)), to jointly establish Southern International Corporation, Charlotte, North Carolina ("Southern International"), a de novo company. Southern International would offer various financial services designed primarily to serve customers of Applicant's subsidiary banks in South Carolina and North Carolina.[1] Specifically, Southern International would engage in the following activities: (1) soliciting loans and other extensions of credit, issuing letters of credit and accepting or discounting drafts; (2) collecting and negotiating financial documents, including bills of exchange, promissory notes, checks, drafts, payment receipts, and all types of commercial paper and negotiable instruments; collecting and negotiating commercial documents, including invoices, shipping documents, documents of title, and other similar documents; (3) providing data and information transmission services, facilities and data bases in connection with its international financial activities, where data and information to be transmitted, processed or furnished are financial, banking or economic; (4) providing transfers of funds, whether by check, draft, or similar paper instrument, or by electronic system or any other technologically feasible means in connection with its international financial services; (5) buying and selling foreign currency for the account of others, and; (6) furnishing management consulting advice to nonaffiliated banks concerning the provision of international financial services to their customers.

Except for buying and selling foreign currency for the account of others, all of the activities proposed by Applicants are included on the list of permissible nonbank activities for bank holding companies in Regulation Y. (12 C.F.R. §§ 225.4(a)(1), (8) and (12)). The activity of buying and selling foreign currency has not been included on the Board's list of permissible activities. However, in connection with prior applications, the Board has determined by order that the activity of buying and selling foreign currency is closely related to banking and would be in the public interest.[2] As noted in these earlier Board decisions, commercial banks historically have engaged in foreign exchange activities, including the buying and selling of

1. Southern Bank and Trust Company, Greenville, South Carolina, is Southern's subsidiary bank. SNC's subsidiary bank is Southern National Bank of North Carolina, Lumberton, North Carolina.

2. *Citicorp*, 68 FEDERAL RESERVE BULLETIN 251 (1982); *European American Bancorp*, 65 FEDERAL RESERVE BULLETIN 667 (1979). *European American Bancorp*, 63 FEDERAL RESERVE BULLETIN 595 (1977).

foreign currency for their own account and for the account of others. In addition, national banks are authorized to buy and sell foreign exchange pursuant to 12 U.S.C. § 24 (Seventh).

Notice of the applications, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (47 *Federal Register* 55736, 58365). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Southern controls one subsidiary bank with aggregate deposits of approximately $491 million and is the fifth largest banking organization in Southern Carolina.[3] Through its two nonbank subsidiaries, Southern engages in consumer finance and credit-related insurance activities, and in the holding of bank premises. SNC also controls one subsidiary bank, with aggregate deposits of approximately $622 million, and is the eighth largest banking organization in North Carolina. SNC's non-bank subsidiary engages in underwriting, as a reinsurer, credit life, accident and health insurance.

Neither Southern nor SNC currently engages directly or indirectly in the proposed financial services that Southern International would perform. Accordingly, it is the Board's judgment that consummation of the proposal would not have any adverse effect on existing competition in any relevant market.

The Board has also considered the effects of consummation of this proposal on probable future competition in the relevant line of commerce, particularly in light of the fact that these applications involve the use of a joint venture to establish Southern International. In this regard, although both Southern and SNC could presumably engage in the proposed financial services alone, the Board does not consider either of the joint venturers to be likely independent entrants into the market given their relatively small size, and the fact that neither has a sufficient customer base to justify the cost of independent entry.[4] In addition, because barriers to entry into the financial services industry are low, there are numerous potential entrants into the market. The loss of either Southern or SNC as a potential entrant, therefore, would have little effect on probable future competition in the market. Accordingly, the Board concludes that consummation of the proposed joint venture would not significantly decrease competition in any market.

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

4. See, *Florida Coast Banks, Inc.*, 68 FEDERAL RESERVE BULLETIN 781 (1982); *Svenska Handelsbanken*, 68 FEDERAL RESERVE BULLETIN 788 (1982).

Consummation of this proposal may be expected to result in public benefits inasmuch as a de novo corporation, Southern International would provide an additional and convenient source of financial services. Further, there is no evidence in the record to indicate that consummation of the proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest.

Based on the foregoing and other facts of record, the Board concludes that the balance of the public interest factors it must consider under section 4(c)(8) favors approval of the applications. In addition, the financial and managerial resources and future prospects of Southern, SNC, and Southern International are considered consistent with approval, and the Board has determined that the applications should be and hereby are approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a bank holding company or its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective February 16, 1983.

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

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

Trust Company of Georgia, Atlanta, Georgia

Order Approving Application to Engage in Equity Financing and Acting as an Investment or Financial Adviser

Trust Company of Georgia, Atlanta, Georgia, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage de novo, through its wholly owned subsidiary, Trust Company Mortgage, Atlanta, Georgia ("Company"), in the activity of arranging equity financing. Although this activity has not been specified by the Board in Regulation Y as permissible for bank holding companies, the Board has determined by order that arranging equity financing, subject to certain conditions, is closely related to banking.[1] Applicant has also applied to engage de novo through Company in the activity of acting as an investment or financial adviser. The Board has determined this activity to be closely related to banking (12 C.F.R. § 225.4(a)(5)).

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

Applicant is the second largest banking organization in Georgia and controls 17 banking subsidiaries with aggregate deposits of $2.5 billion, representing 12.6 percent of total commercial bank deposits in the state.[2] Applicant engages through Company in mortgage banking activities for which it has received Board approval under section 4(c)(8) of the Act and sections 225.4(a)(1) and (3) of Regulation Y.

Applicant has applied to engage de novo through Company in arranging equity financing on behalf of institutional investors for commercial and industrial income-producing realty. Equity financing, as proposed by Applicant, involves arranging for the financing of commercial or industrial income-producing real estate through the transfer of the title, control and risk of the project from the owner/developer to one or more investors. Company would represent the owner/developer and would be paid a fee by the owner/developer for this service. The service would be offered only as an alternative to traditional financing arrangements and Company would not solicit for properties to be sold, list or advertise properties for sale, or hold itself out or advertise as a real estate broker or syndicator. This activity would be provided only with respect to commercial or industrial income-producing property and only when the financing arranged exceeds $1 million. Only institutional or wealthy, professional individual investors would be offered the service.

The Board has determined that, subject to certain conditions to prevent a bank holding company or its subsidiary from engaging in real estate brokerage, development and syndication, equity financing is closely related to banking.[3] Applicant has committed to engage in the equity financing activity subject to the same conditions as those relied on by the Board previously in finding that the activity is closely related to banking.

Specifically, Applicant has committed that Company's function will be limited to acting as an intermediary between developers and investors to arrange financing. Neither Applicant nor any affiliate may acquire an interest in any real estate project for which Company arranges equity financing nor have any role in the development of the project. Neither Company nor any affiliate shall participate in managing, developing or syndicating property for which Company arranges equity financing, nor promote or sponsor the syndication of such property. Neither Company nor any affiliate will provide financing to the investors in connection with an equity financing arrangement. The fee Company receives for arranging equity financing for a project shall not be based on profits derived, or to be derived, from the property and should not be larger than the fee that would be charged by an unaffiliated intermediary. The Board finds that Applicant's proposed equity financing activity will not constitute real estate brokerage, real estate development or real estate syndication, provided the above-mentioned conditions and limitations are observed by Applicant and Company.

There is no evidence in the record to indicate that Applicant's performance of equity financing or acting as an investment or financial adviser would result in any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors that the Board is required to consider under section 4(c)(8) of the Act is favorable. This determination is conditioned upon Applicant's strictly limiting its equity financing activities to those described in information provided in connection with this application and as provided in this Order.

Based on the foregoing, the Board has determined that the application should be approved, and the application is hereby approved. This determination is subject to the limitations set forth in this Order, the conditions set forth in section 225.4(c) of Regulation Y, and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act, and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

1. *BancOhio Corporation*, 69 FEDERAL RESERVE BULLETIN 34 (1983); *BankAmerica Corporation*, 68 FEDERAL RESERVE BULLETIN 647 (1982).

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

3. *BankAmerica Corporation*, supra note 1, p. 649.

The proposed activities shall be commenced not later than three months after the effective date of this Order, unless such period is extended for food cause by the Board or by the Federal Reserve Bank of Atlanta acting pursuant to delegated authority.

By order of the Board of Governors, effective February 16, 1983.

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

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

Orders Under Sections 3 and 4 of Bank Holding Company Act

First Midwest Bancorp, Inc., Joliet, Illinois

Order Approving Formation of a Bank Holding Company and Acquisition of Company to Engage in Reinsuring Credit Life and Credit Accident and Health Insurance

First Midwest Bancorp, Inc., Joliet, Illinois, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 et seq.) to become a bank holding company through acquisition of at least 80 percent of the voting shares of each of 20 banks, five of which will be acquired indirectly through the acquisition of the banks' parent bank holding companies and 15 of which will be acquired directly. Applicant proposes to acquire the following 15 banks directly: Union National Bank and Trust Company of Joliet, Joliet, Illinois; National Bank of Joliet, Joliet, Illinois; The First National Bank of Morris, Morris, Illinois; First National Bank and Trust Company of Quincy, Quincy, Illinois; Bank of Galesburg, Galesburg, Illinois; Mid-West National Bank of Lake Forest, Lake Forest, Illinois; National Bank of North Chicago, North Chicago, Illinois; First Farmers National Bank of Knoxville, Knoxville, Illinois; Bank of Danville, Danville, Illinois; Community State Bank, Seneca, Illinois; Bank of Zion, Zion, Illinois; State Bank of Braidwood, Braidwood, Illinois; Community National Bank of Quincy, Quincy, Illinois; Bradley Bank, Bradley, Illinois; Bank of Lakehurst, Waukegan, Illinois. Applicant also proposes to acquire the following five one-bank holding companies and their subsidiary banks: Citizens Bancorp, Inc., Waukegan, Illinois, and thereby indirectly The Citizens National Bank of Waukegan, Waukegan, Illinois; First Security Bancorporation, Inc., Moline, Illinois, and thereby indirectly Moline National Bank, Moline, Illinois; Danville Bancshares, Inc., Danville, Illinois, and thereby indirectly The Second National Bank of Danville, Danville, Illinois; Streator Bancorp, Inc., Streator, Illinois, and thereby indirectly The Streator National Bank, Streator, Illinois; First Wyanet Investment Corporation, Galesburg, Illinois, and thereby indirectly The First National Bank of Wyanet, Wyanet, Illinois. Together the banks and bank holding companies to be acquired are referred to as "Banks."

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire Midwest Insurance Company, Joliet, Illinois, which will engage in the activity of reinsuring credit life and credit accident and health policies directly related to extensions of credit by subsidiaries of the bank holding company. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies (12 C.F.R. § 225.4(a)(10)), and this determination is consistent with the recent amendments to section 4(c)(8) of the Act limiting the permissible insurance activities of bank holding companies.[1]

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (47 *Federal Register* 51000 (1982)). The time for filing comments and views 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.

Applicant, a nonoperating company organized under the laws of Delaware, was created for the purpose of becoming a bank holding company by acquiring Banks. Upon consummation of the proposed transaction, Applicant would become the sixth largest banking organization in Illinois, and control approximately $1 billion in total deposits, constituting 1.1 percent of total deposits in commercial banks in the state.[2]

This proposal represents a restructuring of the existing ownership of the Banks from individuals to a corporation owned by the same individuals. All of the banks to be acquired are under the ownership and control of a group of individuals ("the Oberwortmann Group"). These individuals will be principals of Applicant. The 20 banks to be acquired by Applicant compete in 10 banking markets: Chicago, Joliet, Davenport-Rock Island, LaSalle County, Danville, Grun-

1. See the Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, § 601(A), 96 Stat. 1469 (1982).
2. All deposit data are as of December 31, 1981.

dy County, Knox County, Kankakee, Kewanee, and Quincy-Hannibal. In each of these markets, except Grundy County and Knox County, consummation of the transaction would have no effect upon either existing or potential competition.

Where the principals of an Applicant control other banking organizations in the same market as the bank or banks to be placed in a bank holding company, the Board, in addition to analyzing the competitive effects of the proposal before it, also analyzes the competitive effects of the transaction or series of transactions by means of which the banks involved came under common control.[3]

Applicant proposes to acquire two banks in the Grundy County banking market, which are owned by the Oberwortmann Group. The First National Bank of Morris, Morris, Illinois ("Morris"), the largest bank in the market, was acquired by the Oberwortmann group in 1965. In 1966, the group acquired State Bank of Braidwood, Braidwood, Illinois ("Braidwood"), which was the sixth largest bank in that market. In view of the fact that Morris and Braidwood controlled 19.2 percent and 5.3 percent, respectively, of the total deposits in commercial banks in the market,[4] the acquisition of Braidwood by Applicant's principals appears to have eliminated a substantial amount of existing competition in the Grundy County market. However, Braidwood was in poor financial condition in 1966 and any adverse competitive effects of the acquisition of Braidwood by Applicant's principals are mitigated by the fact that the acquisition was requested by that bank's regulatory authority.[5]

Applicant's principals are also principals of Exchange Bank of Gardner, Gardner, Illinois ("Gardner"), which is the seventh largest bank in the Grundy County market. Gardner, which has total deposits of $12.3 million or 5 percent of the total deposits in commercial banks in the market, was acquired by the Oberwortmann group in 1976. In 1978, the Board considered an application by principals of the Applicant to form a one-bank holding company to control Gardner.[6] The Board denied that application, finding that acquisition of Gardner in 1976 by the owners of Morris and Braidwood eliminated significant competition that existed at that time between Gardner and the other two banks, increased the concentration of banking resources within the Grundy County banking market, and eliminated an independent banking competitor within the market. In its denial order, the Board found that the proposal contemplated use of the holding company form to further an anticompetitive arrangement.[7] Applicant's principals now propose to incorporate Morris and Braidwood into a multi-bank holding company. Applicant would acquire no interest in Gardner.

In order to eliminate the anticompetitive effects associated with their control of Gardner, Applicant's principals have committed to transfer all of their interest in Gardner to an independent trustee on or before the date of consummation of the proposal[8] and to divest Gardner completely on or before June 30, 1983. The Board views this disaffiliation as a positive factor in its analysis of the competitive considerations associated with this application because it will serve to hasten the termination of a longstanding significantly adverse competitive situation in the Grundy County market.[9] Accordingly, based upon facts of record, the Board considers the competitive effects of the transaction in the Grundy County market do not warrant denial of the application.

The Oberwortmann group controls two banks in the Knox County banking market:[10] Galesburg Bank ("Galesburg") and Knoxville Bank ("Knoxville"). The group acquired Galesburg, the second largest banking institution in the market, in 1965 and Knoxville, the fourth largest institution, in 1966. Combined, Galesburg and Knoxville hold total deposits of $75.1 million, or 27 percent of market deposits.

Some existing competition was eliminated in 1966 when the Oberwortmann group acquired Knoxville. However, the anticompetitive effects of the transaction that brought these banks under common control are mitigated by several factors. First, although the two banks in question controlled 18.9 percent of the total deposits in commercial banks in the market in 1966, the absolute deposit size of each bank was small

3. See *Mid-Nebraska Bancshares, Inc.*, 64 FEDERAL RESERVE BULLETIN 589 (1978), aff'd sum nom, *Mid-Nebraska Bancshares, Inc.* v. *Board of Governors*, 627 F.2d 266 (D.C. Cir. 1980).

4. As of December 31, 1966.

5. See *First Bank Holding Company of Batesville*, 67 FEDERAL RESERVE BULLETIN 347 (1981).

6. *Midwest Bancorp, Inc.*, 64 FEDERAL RESERVE BULLETIN 317 (1978).

7. Id. at 318.

8. The trust is for a period beginning no later than the date of the consummation of the acquisition and ending no later than June 30, 1983. If Applicant fails to negotiate a transfer of Gardner on or before that date, the trustee is directed to sell the shares of Gardner.

9. The Board's policy with regard to competitive divestitures, as stated in its Order approving the acquisition by *Barnett Banks of Florida, Inc.*, Jacksonville, Florida, of First Marine Banks, Inc., Riviera Beach, Florida, 68 FEDERAL RESERVE BULLETIN 190 (1982), requires that divestitures intended to cure the anticompetitive effects resulting from a merger or acquisition occur on or before the date of consummation of the merger to avoid the existence of anticompetitive effect for even a short period of time. see also *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982). Because Applicant does not propose to acquire Gardner and because Applicant's proposal does not serve to cause or maintain an anticompetitive situation, the board does not believe that the divestiture of Gardner must be effected prior to or contemporaneous with consummation of Applicant's proposal.

10. The Knox County banking market is defined as Knox County, Illinois.

and there were six other banks in the market. In 1966, Galesburg had total deposits of $9.2 million and Knoxville had deposits of $5.1 million. Second, although in 1966 the Knox County market had a four-firm concentration of 83.4 percent, this level of concentration in the market was attributable largely to the fact that the largest bank in the market held 45 percent of the total deposits in commercial banks in the market. Since 1965, however, the market share of this bank has eroded steadily and now amounts to 38.3 percent of the total deposits in commercial banks in the market. Further, a de novo bank was established in the market in 1967 and now holds a 3.7 percent share of the total commercial banks in the market, demonstrating that successful, procompetitive de novo entry into the market is possible. Thus, the Board concludes that the competitive effects of this transaction in the Knox County market are not so serious as to warrant denial of the proposal.

Accordingly, based on the record as a whole, and in view of Applicant's commitment that Gardner will be transferred to a trustee on or before the date of consummation and divested completely on or before June 30, 1983, the Board concludes that the proposed acquisition would not have any significantly adverse effects on existing or potential competition, or on the concentration of banking resources in any relevant market.

The financial and managerial resources of Applicant and the proposed subsidiary banks and bank holding companies are generally satisfactory and consistent with approval. Moreover, considerations relating to the convenience and needs of the community to be served are consistent with approval.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to engage in reinsuring credit life and credit accident and health insurance directly related to extensions of credit by the banking subsidiaries of the bank holding company. Credit life insurance and credit accident and health insurance are generally made available by banks and other lenders and are designed to assure repayment of a loan in the event of death or disability of the borrower. In connection with its addition of the underwriting of such insurance to the list of permissible activities for bank holding companies, the Board stated:

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

Applicant proposes that, upon consummation of this proposal, it would charge rates that are 4.6 to 5.5 percent below the Illinois maximum rates that are currently being charged by Midwest Insurance Company and has committed to maintain reduced rates following approval of the application, a result the Board regards as being in the public interest. It does not appear that Applicant's acquisition of Midwest Insurance would have any significant adverse effects upon existing or potential competition. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application.

Based on the foregoing and all facts of record, the Board has determined that the applications under sections 3(a)(1) and 4(c)(8) of the Act should be and hereby are approved subject to the condition that complete divestiture of Gardner take place as soon as possible but in no event later than June 30, 1983.

The acquisition of Banks shall not be made before the thirtieth calendar day following the effective date of this Order, and neither the acquisition of Banks nor the acquisition of the nonbanking subsidiary 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 Chicago, pursuant to delegated authority. The determination as to Applicant's nonbanking activities are subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and Orders issued thereunder, or to prevent evasion thereof.

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

Voting for this action: Chairman Volcker and Governors Martin, Wallich, and Partee. Absent and not voting: Governors Teeters, Rice, and Gramley. Governor Wallich abstained from voting on those portions of the proposal that relate to insurance.

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

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During February 1983, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, MS–138, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
Barnett Banks of Florida, Inc., Jacksonville, Florida	The State Exchange Bank, Lake City, Florida Treasure Coast Bankcorp, Port St. Lucie, Florida Suncoast Bancorp, Inc., Vero Beach, Florida	February 8, 1983
Broadway Bancshares, Inc., San Antonio, Texas	Broadway Air Force National Bank, Randolph Air Force Base, Bexar County, Texas	February 3, 1983
Commerce Bancorp, Inc., Hamtramck, Michigan	Bank of Commerce, Hamtramck, Michigan The State Bank of Fraser, Fraser, Michigan	February 10, 1983
First Mechants Financial Corporation, Fort Smith, Arkansas	The Merchants National Bank of Fort Smith, Fort Smith, Arkansas	February 16, 1983
First State Bancorp of Princeton, Illinois, Inc., Princeton, Illinois	First State Bank of Princeton, Princeton, Illinois Farmers' State Bank of Sheffield, Sheffield, Illinois	February 22, 1983
High Point Financial Corporation, Branchville, New Jersey	The National Bank of Sussex County, Branchville, New Jersey	February 10, 1983
InterFirst Corporation, Dallas, Texas	InterFirst Bank D/FW Freeport, N.A., Irving, Texas	February 9, 1983
Key Banks Inc., Albany, New York	Bankers Trust Company of Western New York, Jamestown, New York	February 9, 1983
Norstar Bancorp, Inc., Albany, New York	Bank of Commerce, New York, New York	February 25, 1983
Puget Sound Bancorp, Tacoma, Washington	San Juan County Bank, Friday Harbor, Washington	February 24, 1983
Sun Banks of Florida, Inc., Orlando, Florida	The First National Bank of DeFuniak Springs, DeFuniak Springs, Florida	February 18, 1983
Texas American Bancshares, Inc., Fort Worth, Texas	Heritage Bank, Houston, Texas	February 10, 1983

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Alpine Bancorporation Inc., Belvidere, Illinois	The Bank of Cherry Valley, Cherry Valley, Illinois	Chicago	February 4, 1983
Amarillo Western Bancshares, Inc., Amarillo, Texas	Western National Bank, Amarillo, Texas	Dallas	February 17, 1983
American Bank Corporation, Denver, Colorado	American National Bank of Rock Springs, Rock Springs, Wyoming	Kansas City	January 18, 1983
BancTexas Group, Inc., Dallas, Texas	East Texas Bancshares, Inc., Tyler, Texas	Dallas	February 3, 1983
CNB of Lebanon Bancorp, Inc., Lebanon, Kentucky	Citizens National Bank, Lebanon, Kentucky	St. Louis	February 9, 1983
Central Banc System, Inc., Granite City, Illinois	Granite City Trust and Savings Bank, Granite City, Illinois	St. Louis	February 8, 1983
Colonial Bancorporation, Inc., Thiensville, Wisconsin	The First National Bank of Port Washington, Port Washington, Wisconsin	Chicago	January 27, 1983
Continental Bancorp, Inc., Philadelphia, Pennsylvania	York Bancorp, York, Pennsylvania	Philadelphia	January 27, 1983
Cullen/Frost Bankers, Inc., San Antonio, Texas	Northfield National Bank, Houston, Texas	Dallas	February 11, 1983
Downing Investment Co., Inc., Ellis, Kansas	Americus State Bank, Americus, Kansas Ellis State Bank, Ellis, Kansas	Kansas City	February 2, 1983
Eagle Bancorporation, Inc., Highland, Illinois	Time Associates, Inc., Nashville, Illinois	St. Louis	January 28, 1983
F.A.B. Bancorp, Inc., Aurora, Illinois	First American Bank of Aurora, Aurora, Illinois	Chicago	February 4, 1983
F & M Bancorporation, Inc., Kaukauna, Wisconsin	Forest Junction State Bank, Forest Junction, Wisconsin	Chicago	January 28, 1983
FNB Holding Co., West Des Moines, Iowa	First National Bank of West Des Moines, West Des Moines, Iowa	Chicago	February 7, 1983
FTS Financial Inc., Williamsburg, Iowa	Farmers Trust and Savings Bank, Williamsburg, Iowa		
First Bancorp of War, Inc., Welch, West Virginia	Ameribank, Welch, Welch, West Virginia	Richmond	February 14, 1983
First Commonwealth Bancshares, Inc., Bellaire, Texas	The Commonwealth Bank, Bellaire, Texas	Dallas	February 18, 1983

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Financial Bancorp, Monroe, Ohio	First National Bank of Southwestern Ohio, Monroe, Ohio The Citizens Commercial Bank & Trust Company, Celina, Ohio	Cleveland	February 18, 1983
First Illinois Corporation, Evanston, Illinois	Northwest Trust & Savings Bank, Arlington Heights, Illinois	Chicago	February 17, 1983
First North Port Bancorp, North Port, Florida	North Port Bank, North Port, Florida	Atlanta	February 23, 1983
First Sterling Bancorp., Inc., Sterling, Illinois	First National Bank of Sterling, Sterling, Illinois	Chicago	February 23, 1983
H & L Investments, Inc., Manhattan, Kansas	First Manhattan Bankshares, Inc., Manhattan, Kansas	Kansas City	February 2, 1983
Hopkins Financial Corporation, Mitchell, South Dakota	Leola State Bank, Leola, South Dakota	Minneapolis	February 4, 1983
Illinois Valley Bancorp, Inc., Morris, Illinois	The Grundy County National Bank, Morris, Illinois	Chicago	February 10, 1983
Intercity Bancorporation, Inc., Schofield, Wisconsin	Intercity State Bank, Schofield, Wisconsin	Chicago	February 18, 1983
Interstate Financial Corporation, Dayton, Ohio	The Waynesville National Waynesville, Ohio	Cleveland	February 16, 1983
Key Banks Inc., Albany, New York	Bankers Trust Company of Western New York, Jamestown, New York	New York	February 2, 1983
Mahnomen Bancshares, Inc., Mahnomen, Minnesota	First National Bank in Mahnomen, Mahnomen, Minnesota	Minneapolis	February 3, 1983
Naperville Financial Corporation Naperville, Illinois	The Naperville National Bank and Trust Company, Naperville, Illinois	Chicago	February 15, 1983
Norstar Bancorp, Inc., Albany, New York	Bank of Commerce, New York, New York	New York	February 2, 1983
Northwest Pennsylvania Corp., Oil City, Pennsylvania	Union Bank & Trust Co., Erie, Pennsylvania	Cleveland	February 18, 1983
Old Second Bancorp, Inc., Aurora, Illinois	Bank of North Aurora, North Aurora, Illinois	Chicago	January 28, 1983
Prairieland Bancorp, Inc. Bushnell, Illinois	Roseville State Bank, Roseville, Illinois	Chicago	February 4, 1983
Security Bancorp, Inc., Southgate, Michigan	The First National Bank of Monroe, Monroe, Michigan	Chicago	February 7, 1983
Security Shares, Inc., Abilene, Texas	Security State Bank, Abilene, Texas	Dallas	February 2, 1983
Smithville Bankshares, Inc., Smithville, Texas	First State Bank of Smithville, Smithville, Texas	Dallas	February 10, 1983
Starr Ban Company, Lamoni, Iowa	State Bank of Lamoni, Lamoni, Iowa	Chicago	January 31, 1983
Town & Country Bancorp, Inc., Springfield, Illinois	Town & Country Bank, Springfield, Illinois	Chicago	February 9, 1983
Utah Bancorporation, Salt Lake City, Utah	Intermountain Thrift and Loan, Salt Lake City, Utah	San Francisco	February 23, 1983

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Victoria Bankshares, Inc., Victoria, Texas	First National Bank of Ingleside, Ingleside, Texas	Dallas	February 7, 1983
Wayne County Bancshares, Inc., Waynesboro, Tennessee	Wayne County Bank, Waynesboro, Tennessee	Atlanta	February 23, 1983

Sections 3 and 4

Applicant	Bank(s)/Nonbanking company or activity	Reserve Bank	Effective date
Dewco Agency, Inc., Timber Lake, South Dakota	Dewey County Bank, Timber Lake, South Dakota	Minneapolis	February 16, 1983
Le Center Financial Services, Inc., Le Center, Minnesota	First State Bank of Le Center, Le Center, Minnesota To continue to engage in operating a general insurance agency	Minneapolis	January 28, 1983
McKinstry Inc., Julesburg, Colorado	The First National Bank of Julesburg, Julesburg, Colorado McKinstry-Campbell Insurance Agency, Julesburg, Colorado	Kansas City	February 4, 1983
Metter Financial Services, Inc., Metter, Georgia	Metter Banking Company, Metter, Georgia Metter Systems, Inc., Metter, Georgia	Atlanta	February 11, 1983
Ranchers Investment Corporation, Winner, South Dakota	Ranchers National Bank of Winner, Winner, South Dakota To engage in general insurance activities	Minneapolis	February 4, 1983
Starbuck Bancshares, Inc., Starbuck, Minnesota	The First National Bank of Starbuck, Starbuck, Minnesota Olson Insurance Agency of Starbuck, Starbuck, Minnesota	Minneapolis	January 31, 1983

ORDER APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Lookingglass Banc Corp., Albers, Illinois	Peoples Bank of Albers, Albers, Illinois	St. Louis	February 3, 1983

*PENDING CASES INVOLVING THE BOARD OF GOVERNORS**

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

Flagship Banks, Inc. v. *Board of Governors*, filed January 1983, U.S.D.C. for the District of Columbia.

Flagship Banks, Inc. v. *Board of Governors*, filed October 1982, U.S.D.C. for the District of Columbia.

Association of Data Processing Service Organizations, Inc., et al. v. *Board of Governors*, filed August 1982, U.S.C.A. for the District of Columbia.

The Philadelphia Clearing House Association, et al. v. *Board of Governors*, filed July 1982, U.S.D.C. for the Eastern District of Pennsylvania.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors of Federal Reserve Banks and Branches

Following is a list of the directorates of the Federal Reserve Banks and Branches as presently constituted. The list shows, in addition to the name of each director, the principal business affiliation, the class of directorship, and the date when the term expires. Each Federal Reserve Bank has nine directors: three Class A and three Class B directors, who are elected by the stockholding member banks, and three Class C directors, who are appointed by the Board of Governors of the Federal Reserve System. All Federal Reserve Bank directors are chosen without discrimination on the basis of race, creed, color, sex, or national origin. Class A directors are representative of the stockholding member banks. Class B directors represent the public and are elected with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers, and may not be officers, directors, or employees of any bank.

For the purpose of electing Class A and Class B directors, the member banks of each Federal Reserve District are classified by the Board of Governors of the Federal Reserve System into three groups, each of which consists of banks of similar capitalization, and each group elects one Class A and one Class B director. Class C directors are selected to represent the public with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers, and may not be officers, directors, employees, or stockholders of any bank. One Class C director is designated by the Board of Governors as Chairman of the board of directors and Federal Reserve Agent and another is appointed Deputy Chairman.

Federal Reserve Branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank; the others are appointed by the Board of Governors of the Federal Reserve System. One of the directors appointed by the Board of Governors at each Branch is designated annually as Chairman of the board of that Branch in such a manner as the Federal Reserve Bank may prescribe.

In this list of the directorates, a name followed by footnote reference 1 is a chairman of the Bank's board, that by footnote reference 2 is a deputy chairman, and that by footnote reference 3 indicates a new appointment.

DISTRICT 1—BOSTON

Class A

Henry S. Woodbridge, Jr.	Chairman of the Board and Chief Executive Officer, Rhode Island Hospital Trust National Bank, Providence, R.I.	1983
James Stokes Hatch	President and Chief Executive Officer, The Canaan National Bank, Canaan, Conn.	1984
William W. Treat[3]	President, Bank Meridian, N.A., Hampton, N.H.	1985

Class B

Joseph A. Baute	Chairman and Chief Executive Officer, Markem Corporation, Keene, N.H.	1983
George N. Hatsopoulos	Chairman of the Board and President, Thermo Electron Company, Waltham, Mass.	1984
Matina S. Horner[3]	President, Radcliffe College, Cambridge, Mass.	1985

Class C

		Term expires Dec. 31
Michael J. Harrington	Harrington Company, Peabody, Mass.	1983
Robert P. Henderson[1]	Chairman and Chief Executive Officer, Itek Corporation, Lexington, Mass.	1984
Thomas I. Atkins[2]	General Counsel, National Association for the Advancement of Colored People, New York, N.Y.	1985

DISTRICT 2—NEW YORK

Class A

Peter D. Kiernan	Chairman and President, Norstar Bancorp Inc., Albany, N.Y.	1983
Robert A. Rough	President, The National Bank of Sussex County, Branchville, N.J.	1984
Alfred Brittain[3]	Chairman of the Board, Bankers Trust Company, New York, N.Y.	1985

Class B

John R. Opel	President and Chief Executive Officer, International Business Machines Corporation, Armonk, N.Y.	1983
Edward L. Hennessy, Jr.	Chairman of the Board, Allied Chemical Corporation, Morristown, N.J.	1984
William S. Cook	President, Union Pacific Corporation, New York, N.Y.	1985

Class C

Clifton R. Wharton, Jr.[3]	Chancellor, State University of New York System, New York, N.Y.	1983
Gertrude G. Michelson[2]	Senior Vice President, R. H. Macy & Company, Inc., New York, N.Y.	1984
John Brademas[1, 3]	President, New York University, New York, N.Y.	1985

—BUFFALO BRANCH

Appointed by Federal Reserve Bank

Carl F. Ulmer	President, The Evans National Bank of Angola, Angola, N.Y.	1983
Edward W. Duffy	Chairman of the Board, Marine Midland Bank, N.A., Buffalo, N.Y.	1984
Frederick G. Ray[3]	Chairman, President, and Chief Executive Officer, Rochester Savings Bank, Rochester, N.Y.	1985
Donald I. Wickham[3]	President, Tri-Way Farms, Inc., Stanley, N.Y.	1985

Appointed by Board of Governors

John R. Burwell	President, Rollins Container Corporation, Rochester, N.Y.	1983
George L. Wessel	President, Buffalo AFL/CIO Council, Buffalo, N.Y.	1984
M. Jane Dickman[1]	Partner, c/o Touche Ross & Co., Buffalo, N.Y.	1985

DISTRICT 3—PHILADELPHIA

Class A

		Term expires Dec. 31
Roger S. Hillas	Chairman and President, Provident National Bank, Philadelphia, Pa.	1983
Douglas Eugene Johnson	Chairman and President, Ocean County National Bank, Point Pleasant Beach, N.J.	1984
JoAnne Brinzey[3]	Cashier and Chief Executive Officer, The First National Bank at Gallitzin, Gallitzin, Pa.	1985

Class B

Harry A. Jensen	President and Chief Executive Officer, Armstrong World Industries, Inc., Lancaster, Pa.	1983
Richard P. Hauser	Chairman and Chief Executive Officer, John Wanamaker, Philadelphia, Pa.	1984
Eberhard Faber, IV	Chairman of the Board and Chief Executive Officer, Eberhard Faber, Inc., Wilkes-Barre, Pa.	1985

Class C

Robert M. Landis[1]	Partner, Dechert Price & Rhoads, Philadelphia, Pa.	1983
George E. Bartol, III	Chairman of the Board, Hunt Manufacturing Company, Philadelphia, Pa.	1984
Nevius M. Curtis[2,3]	President and Chief Executive Officer, Delmarva Power & Light Company, Wilmington, Del.	1985

DISTRICT 4—CLEVELAND

Class A

J. David Barnes	Chairman of the Board, Mellon Bank, N.A., Pittsburgh, Pa.	1983
Raymond D. Campbell	Director, The Oberlin Savings Bank Co., Oberlin, Ohio	1984
William W. Stroud[3]	President, First-Knox National Bank, Mount Vernon, Ohio	1985

Class B

E. Mandell de Windt	Chairman of the Board, Eaton Corporation, Cleveland, Ohio	1983
Richard D. Hannan	Chairman of the Board and President, Mercury Instruments, Inc., Cincinnati, Ohio	1984
John W. Kessler	President, John W. Kessler Company, Columbus, Ohio	1985

Class C

William H. Knoell[2]	President and Chief Executive Officer, Cyclops Corporation, Pittsburgh, Pa.	1983
J. L. Jackson[1]	Executive Vice President and President, Coal Unit, Diamond Shamrock Corporation, Lexington, Ky.	1984
John D. Anderson	Senior Partner, The Andersons, Maumee, Ohio	1985

—*Cincinnati Branch*

Appointed by Federal Reserve Bank

		Term expires Dec. 31
O. T. Dorton	President, Citizens National Bank, Paintsville, Ky.	1983
Richard J. Fitton	President and Chief Executive Officer, First National Bank of Southwestern Ohio, Hamilton, Ohio	1984
Sherrill Cleland	President, Marietta College, Marietta, Ohio	1984
Clement L. Buenger[3]	President, The Fifth Third Bank, Cincinnati, Ohio	1985

Appointed by Board of Governors

Clifford R. Meyer[1]	President and Chief Operating Officer, Cincinnati Milacron Inc., Cincinnati, Ohio	1983
Don Ross	Owner, Dunreath Farm, Lexington, Ky.	1984
Sister Grace Marie Hiltz	President, Sisters of Charity Health Care Systems, Inc., Cincinnati, Ohio	1985

—*Pittsburgh Branch*

Appointed by Federal Reserve Bank

Ernest L. Lake	President, The National Bank of North East, North East, Pa.	1983
Robert C. Milsom	President, Pittsburgh National Bank, Pittsburgh, Pa.	1984
James S. Pasman, Jr.	Chairman, Aluminum Company of America, Pittsburgh, Pa.	1984
A. Dean Heasley[3]	President and Chief Executive Officer, Century National Bank & Trust Co., Rochester, Pa.	1985

Appointed by Board of Governors

Milton G. Hulme, Jr.[1]	President and Chief Executive Officer, Mine Safety Appliances Company, Pittsburgh, Pa.	1983
Quentin C. McKenna	President and Chief Executive Officer, Kennametal Inc., Latrobe, Pa.	1984
Robert S. Kaplan	Dean, Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pa.	1985

District 5—Richmond

Class A

J. Banks Scarborough	Chairman and President, Pee Dee State Bank, Timmonsville, S.C.	1983
Joseph A. Jennings	Chairman and Chief Executive Officer, United Virginia Bankshares Inc. and United Virginia Bank, Richmond, Va.	1984
Willard H. Derrick[3]	President and Chief Executive Officer, Sandy Springs National Bank and Savings Institution, Sandy Springs, Md.	1985

Class B

Leon A. Dunn, Jr.	Chairman, President, and Chief Executive Officer, Guardian Corporation and Subsidiaries, Rocky Mount, N.C.	1983
Paul G. Miller	Chairman of the Board and Chief Executive Officer, Commercial Credit Company, Baltimore, Md.	1984
James A. Chapman, Jr.	Chairman of the Board and Chief Executive Officer, Inman Mills, Inman, S.C.	1985

Class C

		Term expires Dec. 31
Steven Muller[1]	President, The Johns Hopkins University, Baltimore, Md.	1983
William S. Lee, III[2]	Chairman of the Board and Chief Executive Officer, Duke Power Company, Charlotte, N.C.	1984
Robert A. Georgine[3]	President, The Johns Hopkins University, Baltimore, Md.	1985

—BALTIMORE BRANCH

Appointed by Federal Reserve Bank

Joseph M. Gough, Jr.	President, The First National Bank of St. Mary's, Leonardtown, Md.	1983
Pearl C. Brackett	Deputy Manager, Baltimore Regional Chapter of the American Red Cross, Baltimore, Md.	1984
Hugh D. Shires	Senior Vice President, First National Bank of Maryland, Cumberland, Md.	1985
Howard I. Scraggs[3]	Chairman of the Board, American National Building and Loan Association, Baltimore, Md.	1985

Appointed by Board of Governors

Robert L. Tate	Chairman, Tate Industries, Baltimore, Md.	1983
Thomas H. Maddux	Executive Vice President and Chief Operating Officer, Easco Corporation, Baltimore, Md.	1984
Edward H. Covell[1]	President, The Covell Company, Easton, Md.	1985

—CHARLOTTE BRANCH

Appointed by Federal Reserve Bank

Nicholas W. Mitchell	Chairman of the Board, Piedmont Federal Savings and Loan Association, Winston-Salem, N.C.	1983
Hugh M. Chapman	Chairman of the Board, The Citizens & Southern National Bank of South Carolina, Columbia, S.C.	1984
John G. Medlin[3]	President and Chief Executive Officer, Wachovia Bank and Trust Company and Wachovia Company, N.A., Winston-Salem, N.C.	1985
Marvin D. Trapp	President and Chief Executive Officer, The National Bank of South Carolina, Sumter, S.C.	1985

Appointed by Board of Governors

Wallace J. Jorgenson	President, Jefferson-Pilot Broadcasting Co., Charlotte, N.C.	1983
Henry Ponder[1]	President, Benedict College, Columbia, S.C.	1984
George A. Bernhardt[3]	President and Director, Bernhardt Industries, Lenoir, N.C.	1985

DISTRICT 6—ATLANTA

Class A

Hugh M. Willson	President, Citizens National Bank, Athens, Tenn.	1983
Guy W. Botts	Chairman of the Board, Barnett Banks of Florida, Inc., Jacksonville, Fla.	1984
Dan B. Andrews	President, First National Bank, Dickson, Tenn.	1985

Class B

		Term expires Dec. 31
Harold B. Blach, Jr.	President, Blach's Inc., Birmingham, Ala.	1983
Horatio C. Thompson	President, Horatio Thompson Investment, Inc., Baton Rouge, La.	1984
Bernard F. Sliger[3]	President, Florida State University, Tallahassee, Fla.	1985

Class C

William A. Fickling, Jr.[1]	Chairman and Chief Executive, Charter Medical Corporation, Macon, Ga.	1983
Jane C. Cousins	President and Chief Executive Officer, Merrill Lynch Realty/Cousins, Miami, Fla.	1984
John H. Weitnauer, Jr.[2]	Chairman and Chief Executive Officer, Richway, Atlanta, Ga.	1985

—*BIRMINGHAM BRANCH*

Appointed by Federal Reserve Bank

Henry A. Leslie	President and Chief Executive Officer, Union Bank and Trust Company, Montgomery, Ala.	1983
William M. Schroeder	Chairman and President, Central State Bank, Calera, Ala.	1984
Grady Gillam[3]	President and Chief Executive Officer, The American National Bank, Gadsden, Ala.	1985
G. Mack Dove[3]	President, AAA Cooper Transportation Co., Dothan, Ala.	1985

Appointed by Board of Governors

Samuel R. Hill, Jr.[1]	President, University of Alabama in Birmingham, Birmingham, Ala.	1983
Louis J. Willie	Executive Vice President, Booker T. Washington Insurance Co., Birmingham, Ala.	1984
Martha A. McInnis	Executive Vice President, Alabama Environmental Quality Association, Montgomery, Ala.	1985

—*JACKSONVILLE BRANCH*

Appointed by Federal Reserve Bank

Gordon W. Campbell	President and Chief Executive Officer, Exchange Bancorporation, Inc., Tampa, Fla.	1983
Lewis A. Doman	President, The Citizens and Peoples National Bank, Pensacola, Fla.	1984
E. F. Keen, Jr.[3]	Vice Chairman and President, Ellis Banking Corporation, Bradenton, Fla.	1985
Roy G. Green[3]	President, First Federal Savings and Loan Association of Jacksonville, Jacksonville, Fla.	1985

Appointed by Board of Governors

Joan W. Stein[1]	Chairman, Regency Square Properties, Inc., Jacksonville, Fla.	1983
Jerome P. Keuper	President, Florida Institute of Technology, Melbourne, Fla.	1984
E. William Nash, Jr.[3]	President, South Central Operations, The Prudential Insurance Company, Jacksonville, Fla.	1985

—*MIAMI BRANCH*

Appointed by Federal Reserve Bank

		Term expires Dec. 31
Daniel S. Goodrum	Senior Executive Vice President, Sun Banks of Florida, Ft. Lauderdale, Fla.	1983
E. Llwyd Ecclestone, Jr.	President and Chief Executive Officer, National Investment Co., West Palm Beach, Fla.	1984
Stephen G. Zahorian	President, Barnett Bank of Fort Myers, N.A., Fort Myers, Fla.	1984
D. S. Hudson, Jr.[3]	Chairman, First National Bank and Trust Company of Stuart, Stuart, Fla.	1985

Appointed by Board of Governors

Eugene E. Cohen[1]	Chief Financial Officer and Treasurer, Howard Hughes Medical Institute, Coconut Grove, Fla.	1983
Roy Vandegrift, Jr.	President, Vandegrift-Williams Farms, Inc., Pahokee, Fla.	1984
Sue McCourt Cobb[3]	Attorney, Greenberg, Traurig, Askew, Hoffman, Lipoff, Quentel, and Wolff, P.A., Miami, Fla.	1985

—*NASHVILLE BRANCH*

Appointed by Federal Reserve Bank

James F. Smith, Jr.	Chairman and Chief Executive Officer, Park National Bank, Knoxville, Tenn.	1983
Michael T. Christian	President and Chief Executive Officer, First National Bank of Greeneville, Greeneville, Tenn.	1984
Owen G. Shell, Jr.[3]	President and Chief Operating Officer, First American Bank of Nashville, N.A., Nashville, Tenn.	1985
Samuel H. Howard[3]	Vice President and Treasurer, Hospital Corporation of America, Nashville, Tenn.	1985

Appointed by Board of Governors

Robert C. H. Mathews, Jr.[1]	Managing General Partner, R. C. Mathews, Contractor, Nashville, Tenn.	1983
C. Warren Neel	Dean, College of Business Administration, The University of Tennessee, Knoxville, Tenn.	1984
Condon S. Bush[3]	President, Bush Brothers & Company, Dandridge, Tenn.	1985

—*NEW ORLEANS BRANCH*

Appointed by Federal Reserve Bank

Paul W. McMullan	Chairman and Chief Executive Officer, First Mississippi National Bank, Hattiesburg, Miss.	1983
Jerry W. Brents	President and Chief Executive Officer, First National Bank, Lafayette, La.	1984
Thomas G. Rapier[3]	President and Chief Executive Officer, First National Bank, New Orleans, La.	1985
Tom Burkett Scott, Jr.[3]	President and Chief Executive Officer, Unifirst Federal Savings and Loan Association, Jackson, Miss.	1985

Appointed by Board of Governors

		Term expires Dec. 31
Leslie B. Lampton	President, Ergon, Inc., Jackson, Miss.	1983
Roosevelt Steptoe[1]	Professor, Southern University, Baton Rouge Campus, Baton Rouge, La.	1984
Sharon A. Perlis	Attorney, Metairie, La.	1985

DISTRICT 7—CHICAGO

Class A

Ollie Jay Tomson	President, The Citizens National Bank of Charles City, Charles City, Iowa	1983
Charles M. Bliss[3]	Chairman of the Board and Chief Executive Officer, Harris Trust and Savings Bank, Chicago, Ill.	1984
Patrick E. McNarny	President, First National Bank of Logansport, Logansport, Ind.	1985

Class B

Leon T. Kendall	Chairman of the Board and Chief Executive Officer, Mortgage Guaranty Insurance Corp., Milwaukee, Wis.	1983
Dennis W. Hunt	President, Hunt Truck Lines, Inc., Rockwell City, Iowa	1984
Mary Garst	Manager of Cattle Division, Garst Company, Coon Rapids, Iowa	1985

Class C

John Sagan[1]	Vice President-Treasurer, Ford Motor Company, Dearborn, Mich.	1983
Edward F. Brabec	Business Manager, Chicago Journeymen Plumbers, Local Union 130, U.A., Chicago, Ill.	1984
Stanton R. Cook[2]	President, Tribune Company, Chicago, Ill.	1985

—DETROIT BRANCH

Appointed by Federal Reserve Bank

Lawrence A. Johns	President, Isabella Bank and Trust, Mount Pleasant, Mich.	1983
James H. Duncan	Chairman and Chief Executive Officer, First American Bank Corporation, Kalamazoo, Mich.	1984
Thomas R. Ricketts	Chairman and President, Standard Federal Savings and Loan Association, Troy, Mich.	1984
Charles T. Fisher, III[3]	Chairman and President, National Bank of Detroit, Detroit, Mich.	1985

Appointed by Board of Governors

Karl D. Gregory	Professor; Management and Economic Consultant, Oakland University, Rochester, Mich.	1983
Robert E. Brewer	Executive Vice President Finance, K Mart Corporation, Troy, Mich.	1984
Russell G. Mawby[1]	President and Trustee, W. K. Kellogg Foundation, Battle Creek, Mich.	1985

DISTRICT 8—ST. LOUIS

Class A

		Term expires Dec. 31
Clarence C. Barksdale	Chairman and Chief Executive Officer, Centerre Bank National Association, St. Louis, Mo.	1983
George M. Ryrie	President, First National Bank & Trust Co., Alton, Ill.	1984
Donald L. Hunt	President, First National Bank of Marissa, Marissa, Ill.	1985

Class B

Frank A. Jones, Jr.	President, Dietz Forge Company, Memphis, Tenn.	1983
Jesse M. Shaver	Consultant, Allis-Chalmers Corporation, Louisville, Ky.	1984
Vacancy		1985

Class C

W. L. Hadley Griffin[1]	Chairman of the Board, Brown Group, Inc., St. Louis, Mo.	1984
Mary P. Holt[2]	President, Clothes Horse, Little Rock, Mo.	1985
Robert L. Virgil[3]	Dean, School of Business, Washington University, St. Louis, Mo.	1985

—LITTLE ROCK BRANCH

Appointed by Federal Reserve Bank

William H. Kennedy, Jr.	Chairman of the Board, National Bank of Commerce of Pine Bluff, Pine Bluff, Ark.	1983
Gordon E. Parker	Chairman of the Board and President, The First National Bank of El Dorado, El Dorado, Ark.	1984
D. Eugene Fortson[3]	President and Chief Executive Officer, Worthen Bank and Trust Company, N.A., Little Rock, Ark.	1985
Wilbur P. Gulley, Jr.[3]	President and Chief Executive Officer, Savers Federal Savings and Loan Association, Little Rock, Ark.	1985

Appointed by Board of Governors

Richard V. Warner[1]	Group Vice President, Wood Products Group, Potlatch Corporation, Warren, Ark.	1983
Sheffield Nelson	Chairman of the Board, President, and Chief Executive Officer, Arkla, Inc., Little Rock, Ark.	1984
Shirley J. Pine	Department of Communicative Disorders, University of Arkansas at Little Rock, Little Rock, Ark.	1985

—LOUISVILLE BRANCH

Appointed by Federal Reserve Bank

Frank B. Hower, Jr.	Chairman and Chief Executive Officer, Liberty National Bank and Trust Company, Louisville, Ky.	1983
R. I. Kerr, Jr.	President and Managing Officer, Greater Louisville First Federal Savings and Loan Association, Louisville, Ky.	1984
John E. Darnell, Jr.	Chairman of the Board, President, and Chief Executive, The Owensboro National Bank, Owensboro, Ky.	1984
Allan S. Hanks[3]	President, The Anderson National Bank of Lawrenceburg, Lawrenceburg, Ky.	1985

Appointed by Board of Governors		*Term expires Dec. 31*
William C. Ballard, Jr.[1]	Executive Vice President—Finance and Administration, Humana, Inc., Louisville, Ky.	1983
Sister Eileen M. Egan	President, Spalding College, Louisville, Ky.	1984
Henry F. Frigon[3]	Executive Vice President and Chief Financial and Administrative Officer, BATUS, INC., Louisville, Ky.	1985

—MEMPHIS BRANCH

Appointed by Federal Reserve Bank

Wayne W. Pyeatt	President, Memphis Fire Insurance Company, Memphis, Tenn.	1983
Edgar H. Bailey	Chairman and President, Leader Federal Savings and Loan Association, Memphis, Tenn.	1984
William M. Matthews, Jr.	Chairman of the Board and Chief Executive Officer, Union Planters National Bank of Memphis, Memphis, Tenn.	1984
William H. Brandon, Jr.[3]	President, First National Bank of Phillips County, Helena, Ark.	1985

Appointed by Board of Governors

Donald B. Weis	President, Tamak Transportation Corp., West Memphis, Ark.	1983
G. Rives Neblett[1]	Attorney, Neblett, Bobo & Chapman, Shelby, Miss.	1984
Patricia W. Shaw	Executive Vice President, Universal Life Insurance Company, Memphis, Tenn.	1985

DISTRICT 9—MINNEAPOLIS

Class A

Vern A. Marquardt	President, Commercial National Bank of L'Anse, L'Anse, Mich.	1983
Dale W. Fern	President and Chairman of the Board, The First National Bank of Baldwin, Wisconsin, Baldwin, Wis.	1984
Curtis W. Kuehn[3]	Senior Vice President, The First National Bank in Sioux Falls, Sioux Falls, S.D.	1985

Class B

Harold F. Zigmund	President and Chief Executive Officer, Blandin Paper Company, Grand Rapids, Minn.	1983
William L. Mathers	President, Mathers Land Co., Inc., Miles City, Mont.	1984
Richard L. Falconer[3]	District Manager, Northwestern Bell, Bismarck, N.D.	1985

Class C

William G. Phillips[1]	Chairman and Chief Executive Officer, International Multifoods, Minneapolis, Minn.	1984
John B. Davis, Jr.[2]	President, Macalester College, St. Paul, Minn.	1984
Sister Generose Gervais	Administrator, St. Mary's Hospital, Rochester, Minn.	1985

—Helena Branch

Appointed by Federal Reserve Bank		Term expires Dec. 31
Roger H. Ulrich	President, The First State Bank of Malta, Malta, Mont.	1983
Harry W. Newlon	President, First National Bank, Bozeman, Mont.	1984
Seabrook Pates[3]	President and Chief Executive Officer, Midland Implement Co., Inc., Billings, Mont.	1985

Appointed by Board of Governors

Gene J. Etchart[1]	Past President, Hinsdale Livestock Company, Glasgow, Mont.	1983
Ernest B. Corrick	Vice President and General Manager, Champion International Corporation, Timberlands-Rocky Mountain Operation, Missoula, Mont.	1984

District 10—Kansas City

Class A

Wayne D. Angell	President, Council Grove National Bank, Ottawa, Kans.	1983
John D. Woods	Chairman and Chief Executive Officer, The Omaha National Bank, Omaha, Nebr.	1984
Howard K. Loomis	President, The Peoples Bank, Pratt, Kans.	1985

Class B

James G. Harlow, Jr.	Chairman of the Board and President, Oklahoma Gas and Electric Co., Oklahoma City, Okla.	1983
Duane Acker	President, Kansas State University, Manhattan, Kans.	1984
Charles C. Gates	President and Chairman of the Board, Gates Rubber Company, Denver, Colo.	1985

Class C

John F. Anderson	President and Chief Executive Officer, Farmland Industries, Inc., Kansas City, Mo.	1983
Doris M. Drury[2]	Professor of Economics; Director of Public Affairs Program, University of Denver, Englewood, Colo.	1984
Paul H. Henson[1]	Chairman, United Telecommunications, Inc., Kansas City, Mo.	1985

—Denver Branch

Appointed by Federal Reserve Bank

Delano E. Scott	Chairman, IntraWest Bank of Steamboat Springs, Steamboat Springs, Colo.	1983
Kenneth C. Naramore	President, Stockmen's Bank & Trust Company, Gillette, Wyo.	1983
Donald D. Hoffman	Chairman, Central Bank of Denver, Denver, Colo.	1984
George S. Jenks	Chairman and Chief Executive Officer, Albuquerque National Bank, Albuquerque, N.M.	1985

Appointed by Board of Governors

James E. Nielson[1]	President and Chief Executive Officer, J.N., Inc., Cody, Wyo.	1984
Alvin F. Grospiron	Denver, Colo.	1985
Ralph F. Cox[3]	Executive Vice President and Director, Atlantic Richfield Company, Denver, Colo.	1985

—Oklahoma City Branch

		Term expires Dec. 31
Appointed by Federal Reserve Bank		
William H. Crawford	President and Chief Executive Officer, First National Bank and Trust Company, Frederick, Okla.	1983
Marcus R. Tower	Vice Chairman of the Board; Chairman of the Credit Policy Committee, Bank of Oklahoma, Tulsa, Okla.	1984
William O. Alexander[3]	President and Chief Executive Officer, Continental Federal Savings & Loan Association, Oklahoma City, Okla.	1984
Appointed by Board of Governors		
Christine H. Anthony[1]	Oklahoma City, Okla.	1983
Samuel R. Noble	Chairman of the Board, Noble Affiliates, Inc., Ardmore, Okla.	1984

—Omaha Branch

Appointed by Federal Reserve Bank		
Joseph J. Huckfeldt	President, Gering National Bank and Trust Company, Gering, Nebr.	1983
William W. Cook, Jr.	President, Beatrice National Bank and Trust Company, Beatrice, Nebr.	1983
Donald J. Murphy	Chairman and Chief Executive Officer, United States National Bank of Omaha, Omaha, Nebr.	1984
Appointed by Board of Governors		
Robert G. Lueder[1]	President, Lueder Construction Company, Omaha, Nebr.	1984
Vacancy		1985

District 11—Dallas

Class A		
Miles D. Wilson	Chairman of the Board and President, The First National Bank of Bellville, Bellville, Tex.	1983
Lewis H. Bond	Chairman of the Board and Chief Executive Officer, Texas American Bancshares Inc., Ft. Worth, Tex.	1984
John P. Gilliam	President and Chief Executive Officer, First National Bank in Valley Mills, Valley Mills, Tex.	1985
Class B		
Kent Gilbreath	Associate Dean, Hankamer School of Business, Baylor University, Waco, Tex.	1983
J. Wayland Bennett	Professor of Agricultural Finance and Associate Dean, College of Agricultural Sciences, Texas Tech University	1984
Robert Ted Enloe, III[3]	President and Director, Lomas & Nettleton Financial Corporation, Dallas, Tex.	1985
Class C		
John V. James[2]	Chairman of the Board, Dresser Industries, Inc., Dallas, Tex.	1983
Gerald D. Hines[1]	Owner, Gerald D. Hines Interests, Houston, Tex.	1984
Robert D. Rogers	President, Texas Industries, Inc., Dallas, Tex.	1985

—*El Paso Branch*

Appointed by Federal Reserve Bank		*Term expires Dec. 31*
David L. Stone[3]	President, The Portales National Bank, Portales, N.M.	1983
Ernest M. Schur	Chairman of the Executive Committee, The First National Bank of Odessa, Odessa, Tex.	1984
Gerald W. Thomas	President, New Mexico State University, Las Cruces, N.M.	1984
Stanley J. Jarmiolowski	Chairman of the Board and President, First International Bank in El Paso, N.A., El Paso, Tex.	1985

Appointed by Board of Governors

Chester J. Kesey[1]	C. J. Kesey Enterprises, Pecos, Tex.	1983
Mary Carmen Saucedo	Associate Superintendent, Central Area, El Paso Independent School District, El Paso, Tex.	1984
S. Lee Ware, Jr.[3]	Investor, Oil and Real Estate, Ruidoso, N.M.	1985

—*Houston Branch*

Appointed by Federal Reserve Bank

Raymond L. Britton	Labor Arbitrator, and Professor of Law, University of Houston, Houston, Tex.	1983
Ralph E. David	Chairman of the Board and Chief Executive Officer, Freeport, Tex.	1984
Thomas B. McDade	Vice Chairman, Texas Commerce Bancshares, Inc., Houston, Tex.	1984
Will E. Wilson	Chairman of the Board and Chief Executive Officer, First Security Bank of Beaumont, N.A., Beaumont. Tex.	1985

Appointed by Board of Governors

Paul N. Howell[1]	Chairman of the Board, Howell Corporation, Houston, Tex.	1983
George V. Smith, Sr.	President, Smith Pipe & Supply, Inc., Houston, Tex.	1984
Robert T. Sakowitz[3]	Chairman of the Board and President, Sakowitz Inc., Houston, Tex.	1985

—*San Antonio Branch*

Appointed by Federal Reserve Bank

John H. Garner	President and Chief Executive Officer, Corpus Christi National Bank, Corpus Christi, Tex.	1983
Charles E. Cheever, Jr.	Chairman of the Board, Broadway National Bank, San Antonio, Tex.	1984
Joe D. Barbee	President and Chief Executive Officer, Barbee-Neuhaus Implement Company, Weslaco, Tex.	1984
George Brannies	Chairman of the Board and President, The Mason National Bank, Mason, Tex.	1985

Appointed by Board of Governors

Lawrence L. Crum	Professor of Banking and Finance, The University of Texas at Austin, Austin, Tex.	1983
Carlos A. Zuniga[1]	Zuniga Freight Services, Inc., Laredo, Tex.	1984
Robert F. McDermott[3]	Chairman of the Board and President, United Services Automobile Association, San Antonio, Tex.	1985

District 12—San Francisco

Class A

		Term expires Dec. 31
Ole R. Mettler	Chairman of the Board and President, Farmers & Merchants Bank of Central California, Lodi, Calif.	1983
Robert A. Young	Chairman of the Board and President, Northwest National Bank, Vancouver, Wash.	1984
Spencer F. Eccles	Chairman, President and Chief Executive Officer, First Security Corporation, Salt Lake City, Utah.	1985

Class B

J. R. Vaughan	Senior Member, Richards, Watson, Dreyfuss & Gershon, Los Angeles, Calif.	1983
George H. Weyerhauser	President and Chief Executive Officer, Weyerhauser Company, Tacoma, Wash.	1984
Togo W. Tanaka	Chairman, Gramercy Enterprises, Inc., Los Angeles, Calif.	1985

Class C

Fred W. Andrew	Chairman of the Board, President and Chief Executive Officer, Superior Farming Company, Bakersfield. Calif.	1983
Alan C. Furth[2]	President, Southern Pacific Company, San Francisco, Calif.	1984
Caroline L. Ahmanson[1]	Chairman of the Board, Caroline Leonetti, Ltd., Beverly Hills, Calif.	1985

—Los Angeles Branch

Appointed by Federal Reserve Bank

James D. McMahon	President and Chief Executive Officer, Western United National Bank (in organization), Valencia, Calif.	1983
Robert R. Dockson	Chairman and Chief Executive Officer, California Federal Savings, Los Angeles, Calif.	1984
Bram Goldsmith	Chairman of the Board, City National Bank, Beverly Hills, Calif.	1985
William L. Tooley	Managing Partner, Tooley and Company, Investment Builders, Los Angeles, Calif.	1985

Appointed by Board of Governors

Lola M. McAlpin-Grant	Assistant Dean for Special Projects, Loyola Law School, Los Angeles, Calif.	1983
Bruce M. Schwaegler[1]	President, Bullock's-Bullocks Wilshire, Los Angeles, Calif.	1984
Thomas R. Brown, Jr.[3]	Chairman and Chief Executive Officer, Burr-Brown Research Corporation, Tucson, Ariz.	1985

—Portland Branch

Appointed by Federal Reserve Bank

William S. Naito	Vice President, Norcrest China Company, Portland, Oreg.	1983
Jack W. Gustavel	President and Chief Executive Officer, The First National Bank of North Idaho, Coeur d'Alene, Idaho	1984
John A. Elorriaga	Chairman and Chief Executive Officer, United States National Bank of Oregon, Portland, Oreg.	1984
Herman C. Bradley, Jr.	President and Chief Executive Officer, Tri-County Banking Company, Junction City, Oreg.	1985

Appointed by Board of Governors		*Term expires Dec. 31*
John C. Hampton[1]	President, Willamina Lumber Company, Portland, Oreg.	1983
Carolyn S. Chambers	Executive Vice President and Treasurer, Liberty Communications, Inc., Eugene, Oreg.	1984
G. Johnny Parks[3]	Northwest Regional Director, International Longshoremen's & Warehousemen's Union, Portland, Oreg.	1985

—*SALT LAKE CITY BRANCH*

Appointed by Federal Reserve Bank

Albert C. Gianoli	President and Chairman of the Board, First National Bank of Ely, Ely, Nev.	1983
Lela M. Ence	Executive Director, University of Utah Alumni Association, Salt Lake City, Utah	1984
Fred C. Humphreys[3]	President and Chief Executive Officer, The Idaho First National Bank, Boise, Idaho	1985
John A. Dahlstrom[3]	Chairman of the Board, Tracy-Collins Bank and Trust Company, Salt Lake City, Utah	1985

Appointed by Board of Governors

J. L. Terteling	President, The Terteling Company, Inc., Boise, Idaho	1983
Wendell J. Ashton[1]	Publisher, Deseret News, Salt Lake City, Utah	1984
David A. Nimkin[3]	Executive Director, Salt Lake Neighborhood Housing Services, Inc., Salt Lake City, Utah	1985

—*SEATTLE BRANCH*

Appointed by Federal Reserve Bank

Lonnie G. Bailey	Executive Vice President and Chief Operating Officer, Farmers & Merchants Bank of Rockford, Spokane, Wash.	1983
John N. Nordstrom	Co-Chairman of the Board, Nordstrom, Inc., Seattle, Wash.	1984
G. Robert Truex, Jr.	Chairman, Rainier Bancorporation and Rainier National Bank, Seattle, Wash.	1984
William W. Philip[3]	Chairman, President, and Chief Executive Officer, Puget Sound Bancorp, Tacoma, Wash.	1985

Appointed by Board of Governors

Virginia L. Parks	Vice President for Finance and Treasurer, Seattle University, Seattle, Wash.	1983
John W. Ellis[1]	President and Chief Executive Officer, Puget Sound Power & Light Company, Bellevue, Wash.	1984
Byron I. Mallot[3]	Chairman and Chief Executive Officer, Sealaksa Corporation, Juneau, Alaska	1985

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1982				1982				1983
	Q1[r]	Q2[r]	Q3[r]	Q4[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[r]	Jan.
Reserves of depository institutions									
1 Total	7.5	6	4.8	14.8	23.6	9.4	17.5	12.8	1.9
2 Required	7.1	1.1	4.6	13.9	21.5	8.9	17.8	10.0	.5
3 Nonborrowed	−.9	4.2	11.2	16.5	10.7	23.8	13.4	12.7	5.0
4 Monetary base[2]	7.9	6.6	6.7	8.5	11.3	7.2	7.9	8.4	12.7
Concepts of money and liquid assets[3]									
5 M1	10.5	3.2	6.1	13.5	12.8	14.5	13.3	10.6	9.5
6 M2	8.7	7.0	10.9	9.2	8.4	7.8	9.5	8.6	29.8
7 M3	8.6	8.5	12.5	9.4	8.3	9.2	9.2	3.5	11.9
8 L	10.2	10.5	11.4	n.a.	7.2	n.a.	n.a.	n.a.	n.a.
Time and savings deposits									
Commercial banks									
9 Total	6.5	13.4	18.2	3.2	4.7	2.7	−5.0	5.4	27.3
10 Savings[4]	4.5	1.7	−1.8	13.4	9.1	20.3	28.8	−19.5	−77.8
11 Small-denomination time[5]	9.1	17.0	18.7	.4	8.6	−4.6	−2.2	−18.2	−83.6
12 Large-denomination time[6]	4.6	17.0	26.8	−6.8	−1.3	2.9	−22.9	−44.3	−97.4
13 Thrift institutions[7]	1.3	4.1	6.5	6.0	6.3	5.2	7.1	4.0	8.3
14 Total loans and securities at commercial banks[8]	2.6	−6.7	6.0	5.5	4.4	6.8	1.5	10.5	12.8

Item	Interest rates (levels, percent per annum)								
	1982				1982			1983	
	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.	Feb.
Short-term rates									
15 Federal funds[9]	14.23	14.52	11.01	9.28	9.71	9.20	8.95	8.68	8.51
16 Discount window borrowing[10]	12.00	12.00	10.83	9.25	9.68	9.35	8.73	8.50	8.50
17 Treasury bills (3-month market yield)[11]	12.81	12.42	9.32	7.90	7.71	8.07	7.94	7.86	8.11
18 Commercial paper (3-month)[11,12]	13.81	13.81	11.15	8.80	9.20	8.69	8.51	8.17	8.34
Long-term rates									
Bonds									
19 U.S. government[13]	14.27	13.74	12.94	10.72	10.97	10.57	10.62	10.78	11.03
20 State and local government[14]	13.02	12.33	11.39	9.90	9.69	10.06	9.96	9.50	9.58
21 Aaa utility (new issue)[15]	15.71	15.73	14.25	12.10	12.20	11.76	11.84	12.05	12.08
22 Conventional mortgages[16]	17.10	16.63	15.65	13.79	13.95	13.80	13.62	13.44	13.18

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.
2. Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.
3. M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

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

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

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

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrifts and CUSD accounts at credit unions.
5. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000.
6. Large-denomination time deposits are those issued in amounts of $100,000 or more.
7. Savings and loan associations, mutual savings banks, and credit unions.
8. Changes calculated from figures shown in table 1.23. Beginning December 1981, growth rates reflect shifts of foreign loans and securities from U.S. banking offices to international banking facilities.
9. Averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).
10. Rate for the Federal Reserve Bank of New York.
11. Quoted on a bank-discount basis.
12. Unweighted average of offering rates quoted by at least five dealers.
13. Market yields adjusted to a 20-year maturity by the U.S. Treasury.
14. *Bond Buyer* series for 20 issues of mixed quality.
15. Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.
16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

NOTE. Revisions in reserves of depository institutions reflect the transitional phase-in of reserve requirements as specified in the Monetary Control Act of 1980.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1982	1983		1983						
	Dec.	Jan.	Feb.	Jan. 12	Jan. 19	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**159,659**	**157,519**	**155,275**	**157,958**	**158,163**	**155,985**	**153,780**	**154,097**	**155,956**	**156,420**
2 U.S. government securities[1]	137,248	135,318	134,379	135,843	136,497	134,037	132,579	133,081	133,833	136,442
3 Bought outright	136,139	134,862	133,961	135,464	136,210	133,739	132,579	133,081	133,833	134,771
4 Held under repurchase agreements	1,109	456	418	379	287	298	0	0	0	1,671
5 Federal agency securities	9,110	8,987	8,945	8,976	8,944	8,946	8,927	8,924	8,924	9,009
6 Bought outright	8,939	8,934	8,924	8,937	8,937	8,928	8,927	8,924	8,924	8,924
7 Held under repurchase agreements	171	53	21	39	7	18	0	0	0	85
8 Acceptances	281	126	17	58	55	21	0	0	0	68
9 Loans	699	500	561	425	465	325	383	370	869	476
10 Float	2,827	2,652	1,989	2,918	1,943	2,594	2,144	1,925	2,666	1,567
11 Other Federal Reserve assets	9,494	9,936	9,384	9,738	10,259	10,061	9,747	9,797	9,665	8,858
12 Gold stock	11,148	11,146	11,142	11,148	11,146	11,144	11,144	11,144	11,143	11,139
13 Special drawing rights certificate account	4,431	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
15 Currency in circulation	154,269	152,672	151,650	154,167	152,614	151,188	150,581	151,321	151,846	151,881
16 Treasury cash holdings	436	438	457	433	437	443	446	449	456	462
Deposits, other than reserves, with Federal Reserve Banks										
17 Treasury	3,227	3,250	3,200	2,915	3,115	3,909	2,431	3,456	3,271	3,221
18 Foreign	277	259	236	257	273	221	267	231	246	210
19 Other	571	691	551	657	589	602	596	585	545	506
20 Required clearing balances	423	460	511	451	459	474	479	500	504	522
21 Other Federal Reserve liabilities and capital	5,017	4,868	4,776	4,881	4,927	4,865	4,818	4,701	4,792	4,770
22 Reserve accounts[2]	24,804	24,431	23,440	23,748	25,298	23,830	23,710	22,400	23,843	24,389

Factors	End-of-month figures			Wednesday figures						
	1982	1983		1983						
	Dec.	Jan.	Feb.	Jan. 12	Jan. 19	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**163,659**	**152,537**	**153,936**	**162,160**	**161,260**	**157,105**	**156,459**	**155,366**	**158,051**	**159,752**
24 U.S. government securities[1]	139,312	132,368	135,561	138,227	137,519	135,206	134,529	133,976	134,138	138,130
25 Bought outright	135,607	132,368	135,561	135,574	135,510	133,121	134,529	133,976	134,138	133,965
26 Held under repurchase agreements	3,705	0	0	2,653	2,009	2,085	0	0	0	4,165
27 Federal agency securities	9,525	8,928	8,923	9,212	8,985	9,057	8,924	8,924	8,924	9,063
28 Bought outright	8,937	8,928	8,923	8,937	8,937	8,928	8,924	8,924	8,924	8,924
29 Held under repurchase agreements	588	0	0	275	48	129	0	0	0	139
30 Acceptances	1,480	0	0	406	385	148	0	0	0	245
31 Loans	717	354	1,155	1,823	2,186	489	533	541	3,518	467
32 Float	2,735	1,006	−2,664	2,459	1,956	2,216	2,639	1,896	2,690	2,658
33 Other Federal Reserve assets	9,890	9,881	10,961	10,033	10,229	9,989	9,834	10,029	8,781	9,189
34 Gold stock	11,148	11,144	11,139	11,146	11,146	11,144	11,144	11,144	11,142	11,139
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786	13,786
ABSORBING RESERVE FUNDS										
37 Currency in circulation	154,908	150,511	151,872	153,924	152,188	151,092	151,131	152,027	152,210	152,513
38 Treasury cash holdings	429	448	465	435	437	444	446	450	458	463
Deposits, other than reserves, with Federal Reserve Banks										
39 Treasury	5,033	2,627	2,856	2,753	3,468	2,140	3,322	2,699	4,057	2,643
40 Foreign	328	366	352	271	270	217	226	201	197	210
41 Other	1,033	603	486	581	545	609	635	580	524	504
42 Required clearing balances	436	478	535	449	460	477	478	500	504	522
43 Other Federal Reserve liabilities and capital	4,990	4,850	4,988	4,858	4,857	4,728	4,601	4,649	4,652	4,706
44 Reserve accounts[2]	26,053	22,201	21,924	28,438	28,584	26,944	25,168	23,807	24,994	27,733

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

2. Excludes required clearing balances.

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages of daily figures									
	1981	1982							1983	
	Dec.	June	July	Aug.	Sept.	Oct.	Nov	Dec.	Jan.	Feb.p
1 Reserve balances with Reserve Banks[1]	26,163	24,031	24,273	24,471	23,385	24,252	24,604	24,804	24,431	23,440
2 Total vault cash (estimated)	19,538	19,318	19,448	19,500	19,921	19,578	19,807	20,392	21,454	20,042
3 Vault cash at institutions with required reserve balances[2]	13,577	13,048	13,105	13,188	13,651	13,658	13,836	14,292	14,602	13,782
4 Vault cash equal to required reserves at other institutions	2,178	2,488	2,486	2,518	2,927	2,677	2,759	2,757	2,829	2,484
5 Surplus vault cash at other institutions[3]	3,783	3,782	3,857	3,794	3,343	3,243	3,212	3,343	4,023	3,776
6 Reserve balances + total vault cash[4]	45,701	43,349	43,721	43,971	43,306	43,830	44,411	45,196	45,885	43,482
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	41,918	39,567	39,864	40,177	39,963	40,587	41,199	41,853	41,862	39,706
8 Required reserves (estimated)	41,606	39,257	39,573	39,866	39,579	40,183	40,797	41,353	41,316	39,377
9 Excess reserve balances at Reserve Banks[4,6]	312	310	291	311	384	404	402	500	546	329
10 Total borrowings at Reserve Banks	642	1,205	669	510	976	455	579	697	500	561
11 Seasonal borrowings at Reserve Banks	53	239	225	119	102	86	47	33	33	39
12 Extended credit at Reserve Banks	149	103	46	94	118	141	188	187	156	277

Reserve classification	Weekly averages of daily figures for week ending									
	1982		1983							
	Dec. 22	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26	Feb. 2	Feb. 9	Feb. 16p	Feb. 23p
13 Reserve balances with Reserve Banks[1]	25,671	25,136	25,737	23,748	25,298	23,830	23,710	22,400	23,843	24,389
14 Total vault cash (estimated)	19,506	20,496	20,105	21,463	22,187	21,836	21,228	20,952	20,386	18,680
15 Vault cash at institutions with required reserve balances[2]	14,112	14,406	14,126	14,516	14,801	14,892	14,513	14,074	13,772	13,217
16 Vault cash equal to required reserves at other institutions	2,494	2,464	2,490	3,017	3,019	2,801	2,677	2,853	2,659	2,086
17 Surplus vault cash at other institutions[3]	2,900	3,626	3,489	3,930	4,367	4,143	4,038	4,025	3,955	3,377
18 Reserve balances + total vault cash[4]	45,177	45,632	45,842	45,211	47,485	45,666	44,938	43,352	44,229	43,069
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	42,277	42,006	42,353	41,281	43,118	41,523	40,900	39,327	40,274	39,692
20 Required reserves (estimated)	42,047	41,243	41,360	40,990	42,497	41,022	40,484	39,018	39,416	39,390
21 Excess reserve balances at Reserve Banks[4,6]	230	763	993	291	621	501	416	309	858	302
22 Total borrowings at Reserve Banks	546	690	1,198	425	465	325	383	370	869	476
23 Seasonal borrowings at Reserve Banks	38	44	37	31	30	34	37	35	39	45
24 Extended credit at Reserve Banks	189	191	143	133	113	197	211	234	274	335

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1982 and 1983, week ending Wednesday								
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23
One day and continuing contract									
1 Commercial banks in United States	57,614	63,310	69,120	66,138	60,143r	59,405	63,549	60,970	61,055
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	22,007	21,949r	25,588	28,792	29,051	26,980	27,928	29,014	30,612
3 Nonbank securities dealers	4,494	4,056	4,515	4,437	4,342	5,022	4,273	5,110	4,654
4 All other	20,707r	22,302r	25,995r	25,279	25,232	26,054	24,697	24,468	24,727
All other maturities									
5 Commercial banks in United States	6,127	5,768	4,352	4,229	4,299	4,337	4,608	4,765	4,435
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	11,065	10,352	8,801	8,652	8,580	8,802	9,299	9,534	9,487
7 Nonbank securities dealers	3,866	4,072	3,439	4,270	4,809	4,914	4,986	4,898	5,010
8 All other	13,566r	13,132r	8,769r	9,187	8,938	8,808	8,544	9,441	9,581
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	21,544	23,750	27,326	27,936	24,771	23,575	23,574	24,176	25,220
10 Nonbank securities dealers	5,115	4,848	5,328	4,641	3,968	4,749	4,638	4,137	3,897

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit			Extended credit[1]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 2/28/83	Effective date	Previous rate	Rate on 2/28/83	Previous rate	Rate on 2/28/83	Previous rate	Rate on 2/28/83	Previous rate	
Boston	8½	12/14/82	9	8½	9	9½	10	10½	11	12/14/82
New York		12/15/82								12/15/82
Philadelphia		12/17/82								12/17/82
Cleveland		12/15/82								12/15/82
Richmond		12/15/82								12/15/82
Atlanta		12/14/82								12/14/82
Chicago		12/14/82								12/14/82
St. Louis		12/14/82								12/14/82
Minneapolis		12/14/82								12/14/82
Kansas City		12/15/82								12/15/82
Dallas		12/14/82								12/14/82
San Francisco	8½	12/14/82	9	8½	9	9½	10	10½	11	12/14/82

Range of rates in recent years[2]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½	1978— July 3	7–7¼	7¼	1981— May 5	13–14	14
1974— Apr. 25	7½–8	8	10	7¼	7¼	8	14	14
30	8	8	Aug. 21	7¾	7¾	Nov. 2	13–14	13
Dec. 9	7¾–8	7¾	Sept. 22	8	8	6	13	13
16	7¾	7¾	Oct. 16	8–8½	8½	Dec. 4	12	12
			20	8½	8½			
1975— Jan. 6	7¼–7¾	7¾	Nov. 1	8½–9½	9½	1982— July 20	11½–12	11½
10	7¼–7¾	7¼	3	9½	9½	23	11½	11½
24	7¼	7¼				Aug. 2	11–11½	11
Feb. 5	6¾–7¼	6¾	1979— July 20	10	10	3	11	11
7	6¾	6¾	Aug. 17	10–10½	10½	16	10½	10½
Mar. 10	6¼–6¾	6¼	20	10½	10½	27	10–10½	10
14	6¼	6¼	Sept. 19	10½–11	11	30	10	10
May 16	6–6¼	6	21	11	11	Oct. 12	9½–10	9½
23	6	6	Oct. 8	11–12	12	13	9½	9½
			10	12	12	Nov. 22	9–9½	9
1976— Jan. 19	5½–6	5½				26	9	9
23	5½	5½	1980— Feb. 15	12–13	13	Dec. 14	8½–9	9
Nov. 22	5¼–5½	5¼	19	13	13	15	8½–9	8½
26	5¼	5¼	May 29	12–13	13	17	8½	8½
			30	12	12			
1977— Aug. 30	5¼–5¾	5¼	June 13	11–12	11			
31	5¼–5¾	5¾	16	11	11			
Sept. 2	5¾	5¾	July 28	10–11	10			
Oct. 26	6	6	29	10	10			
			Sept. 26	11	11			
1978— Jan. 9	6–6½	6½	Nov. 17	12	12			
20	6½	6½	Dec. 5	12–13	13			
May 11	6½–7	7	8	13	13			
12	7	7				In effect Feb. 28, 1983	8½	8½

1. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. See section 201.3(b)(2) of Regulation A.

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Member bank requirements before implementation of the Monetary Control Act	
	Percent	Effective date
Net demand[2]		
0–2	7	12/30/76
2–10	9½	12/30/76
10–100	11¾	12/30/76
100–400	12¾	12/30/76
Over 400	16¼	12/30/76
Time and savings[2,3]		
Savings	3	3/16/67
Time[4]		
0–5, by maturity		
30–179 days	3	3/16/67
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75
Over 5, by maturity		
30–179 days	6	12/12/74
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
\$0–\$26.3 million	3	12/30/82
Over \$26.3 million	12	12/30/82
Nonpersonal time deposits[9]		
By original maturity		
Less than 3½ years	3	4/29/82
3½ years or more	0	4/29/82
Eurocurrency liabilities		
All types	3	11/13/80

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks (thrift institutions)			
	In effect February 28, 1983		Previous maximum		In effect February 28, 1983		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts[2]	5¼	12/31/80	5	1/1/74	5¼	12/31/80	5	1/1/74
Time accounts[3]								
Fixed ceiling rates by maturity[4]								
3 14–89 days[5]	5¼	8/1/79	5	7/1/73	(6)	....	(6)	....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years[7]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years[7]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years[7]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years[8]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
9 6 to 8 years[8]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more[8]	7¾	6/1/78	(6)	....	8	6/1/78	(6)	....
11 Issued to governmental units (all maturities)[10]	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 IRAs and Keogh (H.R. 10) plans (3 years or more)[10,11]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77

1. July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loans.
2. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, in New York State on Nov. 10, 1978, New Jersey on Dec. 28, 1979, and to similar institutions nationwide effective Dec. 31, 1980. Effective January 5, 1983 the interest rate ceiling is removed for NOW accounts with an initial balance and average maintenance balance of $2,500.
3. For exceptions with respect to certain foreign time deposits see the BULLETIN for October 1962 (p. 1279), August 1965 (p. 1084), and February 1968 (p. 167).
4. Effective Nov. 10, 1980, the minimum notice period for public unit accounts at savings and loan associations was decreased to 14 days and the minimum maturity period for time deposits at savings and loan associations in excess of $100,000 was decreased to 14 days. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at mutual savings banks.
5. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at commercial banks.
6. No separate account category.
7. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.
8. No minimum denomination. Until July 1, 1979, the minimum denomination was $1,000 except for deposits representing funds contributed to an individual retirement account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.
9. Between July 1, 1973, and Oct. 31, 1973, certificates maturing in 4 years or more with minimum denominations of $1,000 had no ceiling; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more. Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denomination of $1,000. There is no limitation on the amount of these certificates that banks can issue.
10. Accounts subject to fixed-rate ceilings. See footnote 8 for minimum denomination requirements.
11. Effective Jan. 1, 1980, commercial banks are permitted to pay the same rate as thrifts on IRA and Keogh accounts and accounts of governmental units when such deposits are placed in 2½-year-or-more variable-ceiling certificates or in 26-week money market certificates regardless of the level of the Treasury bill rate.

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

For deposits subject to variable ceiling rates and deposits not subject to interest rate ceilings see page A10.

1.16 Continued

TIME DEPOSITS SUBJECT TO VARIABLE CEILING RATES

7- to 31-day time deposits. Effective Sept. 1, 1982, depository institutions are authorized to issue nonnegotiable time deposits of $20,000 or more with a maturity or required notice period of 7 to 31 days. The maximum rate of interest payable by thrift institutions is the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately before the date of deposit or renewal ("bill rate"). Commercial banks may pay the bill rate minus 25 basis points. The interest rate ceiling is suspended when the bill rate is 9 percent or below for the four most recent auctions held before the date of deposit or renewal. Effective January 5, 1983, the minimum denomination required for this deposit is reduced to $2,500 and the interest rate ceiling is removed.

91-day time deposits. Effective May 1, 1982, depository institutions were authorized to offer time deposits that have a minimum denomination of $7,500 and a maturity of 91 days. Effective January 5, 1983, the minimum denomination required for this deposit is reduced to $2,500. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 91-day Treasury bills for thrift institutions and the discount rate minimum 25 basis points for commercial banks. The rate differential ends 1 year from the effective date of these instruments and is suspended at any time the Treasury bill discount rate is 9 percent or below for four consecutive auctions. The maximum allowable rates in February 1983 (in percent) for commercial banks and thrifts were as follows: Feb. 1, 8.122; Feb. 8, 8.252; Feb. 15, 8.256; Feb. 23, 7.888.

Six-month money market time deposits. Effective June 1, 1978, commercial banks and thrift institutions were authorized to offer time deposits with a maturity of exactly 26 weeks and a minimum denomination requirement of $10,000. Effective January 5, 1983, the minimum denomination required for this deposit is reduced to $2,500. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 26-week U.S. Treasury bills. Interest on these certificates may not be compounded. Effective for all 6-month money market certificates issued beginning Nov. 1, 1981, depository institutions may pay rates of interest on these deposits indexed to the higher of (1) the rate for 26-week Treasury bills established immediately before the date of deposit (bill rate) or (2) the average of the four rates for 26-week Treasury bills established for the 4 weeks immediately before the date of deposit (4-week average bill rate). Ceilings are determined as follows:

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

The maximum rates in February 1983 for commercial banks based on the bill rate were as follows: Feb. 1, 8.475; Feb. 8, 8.595; Feb. 15, 8.639; Feb. 23, 8.223; and based on the 4-week average bill rate were as follows: Feb. 1, 8.217; Feb. 8, 8.360; Feb. 15, 8.525; Feb. 23, 8.483. The maximum allowable rates in February 1983 for thrifts based on the bill rate were as follows: Feb 1, 8.725; Feb. 8, 8.845; Feb. 15, 8.889; Feb. 23, 8.473; and based on the 4-week average bill rate were as follows: Feb. 1, 8.467; Feb. 8, 8.610; Feb. 15, 8.775; Feb. 23, 8.733.

12-month all savers certificates. Effective Oct. 1, 1981, depository institutions are authorized to issue all savers certificates (ASCs) with a 1-year maturity and an annual investment yield equal to 70 percent of the average investment yield for 52-week U.S. Treasury bills as determined by the auction of 52-week Treasury bills held immediately before the calendar week in which the certificate is issued. A maximum lifetime exclusion of $1,000 ($2,000 on a joint return) from gross income is generally authorized for interest income from ASCs. The annual investment yield for ASCs issued in December 1982 (in percent) was as follows: Dec. 26, 6.26.

2½-year to less than 3½-year time deposits. Effective Aug. 1, 1981, commercial banks are authorized to pay interest on any variable ceiling nonnegotiable time deposit with an original maturity of 2½ years to less than 4 years at a rate not to exceed ¼ of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. Effective May 1, 1982, the maximum maturity for this category of deposits was reduced to less than 3½ years. Thrift institutions may pay interest on these certificates at a rate not to exceed the average 2½-year yield for Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. If the announced average 2½-year yield for Treasury securities is less than 9.50 percent, commercial banks may pay 9.25 percent and thrift institutions 9.50 percent for these deposits. These deposits have no required minimum denomination, and interest may be compounded on them. The ceiling rates of interest at which they may be offered vary biweekly. The maximum allowable rates in February 1983 (in percent) for commercial banks were as follows: Feb. 1, 9.45; Feb. 15, 9.65; and for thrift institutions: Feb. 1, 9.70; Feb. 15, 9.90.

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

TIME DEPOSITS NOT SUBJECT TO INTEREST RATE CEILINGS

Money market deposit account. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days' notice before withdrawals. When the average balance is less than $2,500, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month. No more than six preauthorized, automatic, or other third-party transfers are permitted per month, of which no more than three can be checks. Telephone transfers to third parties or to another account of the same depositor are regarded as preauthorized transfers.

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1980	1981	1982	1982						1983
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	7,668	13,899	17,067	1,905	1,721	425	774	2,552	1,897	0
2 Gross sales	7,331	6,746	8,369	1,175	651	674	0	0	731	1,983
3 Exchange	0	0	0	-200	0	0	0	0	0	0
4 Redemptions	3,389	1,816	3,000	200	600	400	0	0	200	900
Others within 1 year										
5 Gross purchases	912	317	312	71	0	0	0	88	0	0
6 Gross sales	0	23	0	0	0	0	0	0	0	0
7 Maturity shift	12,427	13,794	17,295	382	4,938	733	623	2,819	906	558
8 Exchange	-18,251	-12,869	-14,164	0	-3,914	-650	0	-1,924	-943	-544
9 Redemptions	0	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,138	1,702	1,797	691	0	0	0	485	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	-8,909	-10,299	-14,524	-382	-4,938	-733	-623	-2,204	-906	-553
13 Exchange	13,412	10,117	11,804	200	3,078	650	0	1,515	943	544
5 to 10 years										
14 Gross purchases	703	393	388	113	0	0	0	194	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	3,092	-3,495	-2,172	0	601	0	0	-616	0	-5
17 Exchange	2,970	1,500	2,128	0	837	0	0	250	0	0
Over 10 years										
18 Gross purchases	811	379	307	123	0	0	0	132	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	-426	0	-601	0	-601	0	0	0	0	0
21 Exchange	1,869	1,253	234	0	0	0	0	159	0	0
All maturities										
22 Gross purchases	12,232	16,690	19,870	2,903	1,721	425	774	3,452	1,897	0
23 Gross sales	7,331	6,769	8,369	1,175	651	674	0	0	731	1,983
24 Redemptions	3,389	1,816	3,000	200	600	400	0	0	200	900
Matched transactions										
25 Gross sales	674,000	589,312	543,804	54,646	39,403	51,983	45,655	39,579	72,123	59,398
26 Gross purchases	675,496	589,647	543,173	58,753	37,962	51,554	46,370	41,724	69,088	59,043
Repurchase agreements										
27 Gross purchases	113,902	79,920	130,774	18,267	3,755	9,649	5,618	4,161	15,229	6,747
28 Gross sales	113,040	78,733	130,286	18,267	2,567	7,035	9,420	4,161	11,525	10,451
29 Net change in U.S. government securities	3,869	9,626	8,358	5,636	217	1,535	-2,313	5,596	1,636	-6,943
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	668	494	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	145	108	189	1	46	5	6	*	6	9
Repurchase agreements										
33 Gross purchases	28,895	13,320	18,957	4,389	1,095	1,997	1,776	739	2,566	452
34 Gross sales	28,863	13,576	18,638	4,389	866	1,225	2,778	739	1,978	1,040
35 Net change in federal agency obligations	555	130	130	-1	183	767	-1,008	*	582	-596
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	73	-582	1,285	0	565	248	-813	0	1,480	-1,480
37 **Total net change in System Open Market Account**	**4,497**	**9,175**	**9,773**	**5,634**	**966**	**2,550**	**-4,134**	**5,596**	**3,697**	**-9,019**

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		
	1983					1982	1983	
	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23	Dec.	Jan.	Feb.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,144	11,144	11,144	11,142	11,139	11,148	11,144	11,139
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	490	508	517	510	505	438	506	508
Loans								
4 To depository institutions	489	533	541	3,518	467	717	354	1,155
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	148	0	0	0	245	1,480	0	0
Federal agency obligations								
7 Bought outright	8,928	8,924	8,924	8,924	8,924	8,937	8,928	8,923
8 Held under repurchase agreements	129	0	0	0	139	588	0	0
U.S. government securities								
Bought outright								
9 Bills	51,939	53,347	52,794	52,956	52,783	54,425	51,186	54,379
10 Notes	62,626	62,626	62,626	62,187	62,187	62,626	62,626	62,187
11 Bonds	18,556	18,556	18,556	18,995	18,995	18,556	18,556	18,995
12 Total[1]	133,121	134,529	133,976	134,138	133,965	135,607	132,368	135,561
13 Held under repurchase agreements	2,085	0	0	0	4,165	3,705	0	0
14 Total U.S. government securities	135,206	134,529	133,976	134,138	138,130	139,312	132,368	135,561
15 **Total loans and securities**	**144,900**	**143,986**	**143,441**	**146,580**	**147,905**	**151,034**	**141,650**	**145,639**
16 Cash items in process of collection	8,832	9,989	8,125	9,921	12,413	9,807	6,620	4,207
17 Bank premises	552	551	552	553	552	549	550	552
Other assets								
18 Denominated in foreign currencies[2]	5,359	5,263	5,277	5,292	5,308	5,764	5,263	4,988
19 All other[3]	4,078	4,020	4,200	2,936	3,329	3,577	4,068	5,421
20 **Total assets**	**179,973**	**180,079**	**177,874**	**181,552**	**185,769**	**186,935**	**174,419**	**177,072**
LIABILITIES								
21 Federal Reserve notes	138,242	138,299	139,209	139,393	139,696	141,990	137,680	139,060
Deposits								
22 Depository institutions	27,431	25,647	24,308	25,499	28,256	26,489	22,683	22,468
23 U.S. Treasury—General account	2,140	3,322	2,699	4,057	2,643	5,033	2,627	2,856
24 Foreign—Official accounts	217	226	201	197	210	328	366	352
25 Other	599	634	579	523	503	1,033	599	477
26 **Total deposits**	**30,387**	**29,829**	**27,787**	**30,276**	**31,612**	**32,883**	**26,275**	**26,153**
27 Deferred availability cash items	6,616	7,350	6,229	7,231	9,755	7,072	5,614	6,871
28 Other liabilities and accrued dividends[4]	1,705	1,669	1,612	1,603	1,639	2,272	1,708	1,709
29 **Total liabilities**	**176,950**	**177,147**	**174,837**	**178,503**	**182,702**	**184,217**	**171,277**	**173,793**
CAPITAL ACCOUNTS								
30 Capital paid in	1,376	1,382	1,382	1,385	1,387	1,359	1,381	1,388
31 Surplus	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359
32 Other capital accounts	288	191	296	305	321	0	402	532
33 **Total liabilities and capital accounts**	**179,973**	**180,079**	**177,874**	**181,552**	**185,769**	**186,935**	**174,419**	**177,072**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	111,362	112,188	112,043	113,251	112,441	106,762	112,040	112,208
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	159,988	159,621	159,480	159,731	159,821	159,979	159,546	159,741
36 LESS: Held by bank[5]	21,746	21,322	20,271	20,338	20,125	17,989	21,866	20,681
37 Federal Reserve notes, net	138,242	138,299	139,209	139,393	139,696	141,990	137,680	139,060
Collateral for Federal Reserve notes								
38 Gold certificate account	11,144	11,144	11,144	11,142	11,139	11,148	11,144	11,139
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	107	0	0
41 U.S. government and agency securities	122,480	122,537	123,447	123,633	123,939	126,117	121,918	123,303
42 **Total collateral**	**138,242**	**138,299**	**139,209**	**139,393**	**139,696**	**141,990**	**137,680**	**139,060**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1983					1982	1983	
	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23	Dec. 31	Jan. 31	Feb. 28
1 Loans—Total	489	533	541	3,518	467	717	354	1,155
2 Within 15 days	470	517	524	3,511	458	697	338	1,141
3 16 days to 90 days	19	16	17	7	9	20	16	14
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	148	0	0	0	245	1,480	0	0
6 Within 15 days	148	0	0	0	245	1,480	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	135,206	134,529	133,976	134,138	138,130	139,312	132,368	135,561
10 Within 15 days[1]	5,204	6,145	8,046	6,298	10,288	4,396	3,755	3,916
11 16 days to 90 days	27,945	25,567	23,800	24,703	25,992	31,088	25,796	28,249
12 91 days to 1 year	38,286	39,060	38,373	41,105	39,818	40,057	39,060	40,865
13 Over 1 year to 5 years	35,106	35,092	35,092	32,279	32,279	35,102	35,092	32,778
14 Over 5 years to 10 years	12,091	12,091	12,091	12,970	12,970	12,095	12,091	12,970
15 Over 10 years	16,574	16,574	16,574	16,783	16,783	16,574	16,574	16,783
16 Federal agency obligations—Total	9,057	8,924	8,924	8,924	9,063	9,525	8,928	8,923
17 Within 15 days[1]	228	0	0	198	495	730	99	225
18 16 days to 90 days	690	800	925	728	570	564	690	602
19 91 days to 1 year	1,957	1,928	1,803	1,920	1,920	1,954	1,957	1,963
20 Over 1 year to 5 years	4,715	4,736	4,736	4,618	4,618	4,780	4,715	4,543
21 Over 5 years to 10 years	949	942	942	942	942	979	949	1,072
22 Over 10 years	518	518	518	518	518	518	518	518

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

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1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1981 Dec.	1982						1983	
					July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves[2]**	**32.82**	**34.26**	**36.46**	**37.99**	**38.52**	**38.80**	**39.57**	**39.88**	**40.46**	**40.89**	**40.96**	**40.50**
2 Nonborrowed reserves	31.95	32.79	34.77	37.35	37.83	38.29	38.63	39.40	39.84	40.26	40.43	39.91
3 Required reserves	32.59	33.93	35.95	37.67	38.21	38.49	39.18	39.47	40.06	40.39	40.41	40.05
4 Monetary base[3]	132.2	142.5	155.0	162.7	169.1	170.2	171.8	172.9	174.0	175.2	177.1	177.7
	Not seasonally adjusted											
5 **Total reserves[2]**	**33.37**	**34.83**	**37.11**	**38.66**	**38.43**	**38.51**	**39.35**	**40.00**	**40.68**	**41.57**	**42.25**	**40.26**
6 Nonborrowed reserves	32.50	33.35	35.42	38.03	37.74	38.00	38.42	39.52	40.06	40.94	41.72	39.68
7 Required reserves	33.13	34.50	36.59	38.34	38.12	38.20	38.97	39.59	40.28	41.07	41.71	39.82
8 Monetary base[3]	134.8	145.4	158.0	165.8	170.0	170.4	171.4	172.9	175.1	178.4	177.3	175.5
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[4]												
9 **Total reserves[2]**	**41.68**	**43.91**	**40.66**	**41.92**	**39.97**	**40.18**	**39.96**	**40.59**	**41.20**	**41.85**	**41.86**	**39.82**
10 Nonborrowed reserves	40.81	42.43	38.97	41.29	39.28	39.66	39.03	40.11	40.58	41.22	41.33	39.24
11 Required reserves	41.45	43.58	40.15	41.60	39.65	39.87	39.58	40.18	40.80	41.35	41.32	39.37
12 Monetary base[3]	144.6	156.2	162.4	169.7	172.3	172.8	172.3	173.8	176.0	179.3	177.9	176.0

For notes see bottom of next page.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1979 Dec.[r]	1980 Dec.[r]	1981 Dec.[r]	1982 Dec.[r]	1982 Sept.[r]	1982 Oct.[r]	1982 Nov.[r]	1982 Dec.[r]	1983 Jan.
	Seasonally adjusted								
MEASURES[1]									
1 M1	389.0	414.1	440.6	478.4	463.2	468.8	474.1	478.4	482.0
2 M2	1,497.5	1,630.3	1,794.9	1,958.8	1,917.0	1,929.5	1,944.7	1,958.8	2,007.3
3 M3	1,758.4	1,936.7	2,167.9	2,376.9	2,333.9	2,351.8	2,369.9	2,376.9	2,400.3
4 L[2]	2,131.8	2,343.6	2,622.0	n.a.	2,837.7	n.a.	n.a.	n.a.	n.a.
SELECTED COMPONENTS									
5 Currency	106.5	116.2	123.2	132.8	130.5	131.3	131.9	132.8	134.2
6 Traveler's checks[3]	3.7	4.1	4.5	4.4	4.4	4.4	4.4	4.4	4.1
7 Demand deposits	262.0	266.8	236.4	239.8	234.0	236.1	237.6	239.8	239.4
8 Other checkable deposits[4]	17.0	26.9	76.6	101.3	94.3	97.0	100.1	100.7	104.4
9 Savings deposits[5]	423.1	400.7	344.4	359.0	350.0	358.0	366.4	359.0	334.5
10 Small-denomination time deposits[6]	635.9	731.7	828.6	859.1	883.2	877.8	874.6	859.1	797.3
11 Large-denomination time deposits[7]	222.2	258.9	302.6	333.9	336.1	339.6	340.4	333.9	310.9
	Not seasonally adjusted								
MEASURES[1]									
12 M1	398.8	424.7	452.1	491.2	461.0	470.6	479.1	491.2	498.6
13 M2	1,502.1	1,635.0	1,799.6	1,963.8	1,908.7	1,928.4	1,943.3	1,963.8	2,015.7
14 M3	1,766.1	1,944.9	2,175.9	2,384.6	2,324.4	2,350.2	2,368.9	2,384.6	2,412.1
15 L[2]	2,138.9	2,350.8	2,629.7	n.a.	2,822.7	n.a.	n.a.	n.a.	n.a.
SELECTED COMPONENTS									
16 Currency	108.2	118.3	125.4	135.2	130.2	131.3	132.7	135.2	133.2
17 Traveler's checks[3]	3.5	3.9	4.3	4.2	4.7	4.4	4.3	4.2	3.9
18 Demand deposits	270.1	275.2	244.0	247.7	232.9	237.6	240.6	247.7	245.1
19 Other checkable deposits[4]	17.0	27.2	78.4	104.0	93.3	97.3	97.3	104.0	82.3
20 Overnight RPs and Eurodollars[8]	21.2	28.4	36.1	44.2	41.5	43.9	45.1	44.2	47.5
21 Savings deposits[5]	420.7	398.3	342.1	356.5	348.2	357.8	363.3	356.5	334.1
22 Small-denomination time deposits[6]	633.1	728.3	824.1	853.8	879.0	875.1	871.2	853.8	798.5
Money market mutual funds									
23 General purpose and broker/dealer	33.4	61.4	150.9	182.1	185.1	187.6	191.1	182.1	166.6
24 Institution only	9.5	14.9	36.0	47.6	48.2	49.3	49.9	47.6	46.1
25 Large-denomination time deposits[7]	226.0	262.4	305.9	336.6	334.9	339.1	340.8	336.6	314.4

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

M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

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

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

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

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

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

5. Excludes NOW and ATS accounts at commercial banks and thrift institutions and CUSDs at credit unions.

6. Issued in amounts of less than $100,000 and includes retail RPs.

7. Issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

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

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

NOTES TO TABLE 1.20

1. Reserve aggregates include required reserves of member banks and Edge Act corporations and other depository institutions. Discontinuities associated with the implementation of the Monetary Control Act, the inclusion of Edge Act corporation reserves, and other changes in Regulation D have been removed. Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to international banking facilities (IBFs). On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S. agencies and branches of foreign banks, it is estimated that required reserves were lowered on average $10 millon to $20 million in December 1981 and $40 million to $70 million in January 1982.

2. Reserve balances with Federal Reserve Banks (which exclude required clearing balances) plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

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

4. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustments to eliminate the effect of changes in Regulation D including changes associated with the implementation of the Monetary Control Act. Includes required reserves of member banks and Edge Act corporations and beginning November 13, 1980, other depository institutions. Under the transitional phase-in program of the Monetary Control Act of 1980, the net changes in required reserves of depository institutions have been as follows: Effective Nov. 13, 1980, a reduction of $2.9 billion; Feb. 12, 1981, an increase of $245 million; Mar. 12, 1981, an increase of $75 million; May 14, 1981, an increase of $245 million; Aug. 13, 1981, an increase of $230 million; Sept. 3, 1981, a reduction of $1.1 billion; Nov. 12, 1981, an increase of $210 million; Jan. 14, 1982, a reduction of $60 million; Feb. 11, 1982 an increase of $170 million; Mar. 4, 1982, an estimated reduction of $2.0 billion; May 13, 1982, an estimated increase of $150 million; Aug. 12, 1982 an estimated increase of $140 million; and Sept. 2, 1982, an estimated reduction of $1.2 billion. Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to IBFs. On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S. agencies and branches of foreign banks, it is estimated that required reserves were lowered on average by $60 million to $90 million in December 1981 and $180 million to $230 million in January 1982, mostly reflecting a reduction in reservable Eurocurrency transactions.

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1980[1]	1981[1]	1982[1]	1982 July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	62,757.8	80,858.7	90,914.4	90,280.7	95,177.9	94,480.0	97,097.0	95,475.9	97,748.5r
2 Major New York City banks	25,156.1	33,891.9	37,932.9	36,880.8	39,525.3	37,986.3	42,077.9	38,971.6	42,104.4r
3 Other banks	37,601.7	46,966.9	52,981.6	53,399.9	55,652.6	56,493.7	55,019.1	56,504.4	55,644.1
4 ATS-NOW accounts[3]	159.3	743.4	1,036.2	1,049.9	1,146.2	1,165.4	1,109.4	1,224.6	1,448.1r
5 Savings deposits[4]	670.0	672.7	721.4	773.8	770.7	707.8	637.0	697.1	889.3
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	198.7	285.8	324.2	325.0	341.6	341.0	343.0	333.8	342.6r
7 Major New York City banks	803.7	1,105.1	1,287.6	1,265.7	1,424.2	1,282.5	1,298.7	1,263.7	1,381.2r
8 Other banks	132.2	186.2	211.1	214.8	221.8	228.3	219.5	221.4	218.3
9 ATS-NOW accounts[3]	9.7	14.0	14.5	15.3	16.2	15.9	14.7	15.6	18.4
10 Savings deposits[4]	3.6	4.1	4.5	5.0	5.0	4.6	4.0	4.3	4.7
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	63,124.4	81,197.9	91,031.9	91,318.9	94,968.5	95,557.1	93,543.3	91,838.3	107,454.9r
12 Major New York City banks	25,243.1	34,032.0	38,001.0	37,502.5	39,126.7	39,634.0	39,657.6	36,893.5	47,576.3r
13 Other banks	37,881.3	47,165.9	53,030.9	53,816.4	55,841.8	55,923.1	53,885.7	54,944.8	59,878.6
14 ATS-NOW accounts[3]	158.0	737.6	1,027.1	1,021.0	1,020.5	1,097.3	1,098.0	1,115.0	1,411.9r
15 Savings deposits[4]	669.8	672.9	720.0	778.2	763.7	695.2	672.7	663.3	878.0
DEPOSIT TURNOVER									
Demand deposits[2]									
16 All insured banks	202.3	286.1	325.0	328.2	346.9	345.3	327.8	319.3	367.2r
17 Major New York City banks	814.8	1,114.2	1,295.7	1,305.8	1,472.8	1,362.5	1,220.8	1,198.6	1,540.7r
18 Other banks	134.8	186.2	211.5	215.7	225.9	225.8	213.1	213.9	228.8
19 ATS-NOW accounts[3]	9.7	14.0	14.3	14.8	14.4	15.0	14.5	14.1	17.5
20 Savings deposits[4]	3.6	4.1	4.5	4.9	4.9	4.4	4.2	4.1	4.7

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 as well as special club accounts, such as Christmas and vacation clubs.

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1981 Dec.[2]	1982 Sept.[3]	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.[4]	1981 Dec.[2]	1982 Sept.[3]	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.[4]
	Seasonally adjusted						Not seasonally adjusted					
1 **Total loans and securities[5]**	**1,316.3**	**1,389.4**	**1,397.5**	**1,398.5**	**1,412.1**	**1,428.1**	**1,326.1**	**1,391.0**	**1,402.8**	**1,405.4**	**1,422.5**	**1,430.5**
2 U.S. Treasury securities	111.0	118.2	122.3	126.4	130.9	139.8	111.4	117.8	121.3	125.5	131.5	139.2
3 Other securities	231.4	237.6	237.2	235.8	239.1	243.3	232.8	237.7	237.5	236.3	240.6	243.5
4 Total loans and leases[5]	973.9	1,033.5	1,038.1	1,036.4	1,042.0	1,045.0	981.8	1,035.5	1,044.0	1,043.5	1,050.4	1,047.7
5 Commercial and industrial loans	358.0	392.5	394.8	392.0	392.4	395.2	360.1	392.1	395.4	393.8	394.7	394.1
6 Real estate loans	285.7	299.5	300.5	301.6	303.2	305.3	286.8	300.1	301.7	302.8	304.1	305.9
7 Loans to individuals	185.1	189.6	190.0	190.3	191.8	192.6	186.4	190.9	191.5	191.5	193.1	193.2
8 Security loans	21.9	22.6	24.2	23.4	24.7	22.7	22.7	22.3	23.9	23.9	25.5	22.9
9 Loans to nonbank financial institutions	30.2	32.6	32.4	32.2	31.1	31.7	31.2	32.8	32.7	32.6	32.1	31.9
10 Agricultural loans	33.0	36.3	36.3	36.3	36.3	36.5	33.0	36.8	36.8	36.5	36.3	36.3
11 Lease financing receivables	12.7	13.1	13.1	13.1	13.1	13.3	12.7	13.1	13.1	13.1	13.1	13.3
12 All other loans	47.2	47.4	46.8	47.5	49.5	47.7	49.2	47.5	48.9	49.3	51.5	50.2
MEMO:												
13 **Total loans and securities plus loans sold[5,6]**	**1,319.1**	**1,392.2**	**1,400.3**	**1,401.5**	**1,415.0**	**1,431.1**	**1,328.9**	**1,393.8**	**1,405.6**	**1,408.3**	**1,425.4**	**1,433.5**
14 Total loans plus loans sold[5,6]	976.7	1,036.4	1,040.9	1,039.3	1,045.0	1,048.0	984.7	1,038.4	1,046.9	1,046.4	1,053.3	1,050.7
15 Total loans sold to affiliates[5,6]	2.8	2.8	2.8	2.9	2.9	3.0	2.8	2.8	2.8	2.9	2.9	3.0
16 Commercial and industrial loans plus loans sold[6]	360.2	394.7	397.0	394.3	394.6	397.5	362.3	394.4	397.7	396.1	396.9	396.5
17 Commercial and industrial loans sold[6]	2.2	2.3	2.2	2.3	2.3	2.3	2.2	2.3	2.2	2.3	2.3	2.3
18 Acceptances held	8.9	9.3	9.4	8.4	8.5	8.8	9.8	9.4	9.3	8.7	9.5	9.2
19 Other commercial and industrial loans	349.1	383.1	385.3	383.6	383.8	386.4	350.3	382.7	386.1	385.1	385.2	384.9
20 To U.S. addressees[7]	334.9	369.8	372.7	371.5	373.5	374.1	334.3	369.6	373.4	372.6	372.7	372.7
21 To non-U.S. addressees	14.2	13.3	12.6	12.1	10.3	12.3	16.1	13.1	12.7	12.6	12.4	12.2
22 Loans to foreign banks	19.0	13.8	13.9	14.0	13.5	13.7	20.0	14.2	14.2	14.1	14.5	14.3

1. Includes domestically chartered banks; U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Beginning December 1981, shifts of foreign loans and securities from U.S. banking offices to international banking facilities (IBFs) reduced the levels of several items. Seasonally adjusted data that include adjustments for the amounts shifted from domestic offices to IBFs are available in the Board's G.7 (407) statistical release (available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551).
3. Reclassification of loans beginning September 29, 1982, increased real estate loans $0.3 billion and decreased nonbank financial loans $0.3 billion.
4. Due to loan reclassifications, several categories have breaks in series: beginning January 12, 1983, real estate loans increased $0.4 billion and loans to individuals decreased $0.2 billion. As of January 26, 1983, other securities increased $0.2 billion and total loans and commercial and industrial loans decreased $0.2 billion. As of February 2, 1983, real estate loans increased $0.5 billion and commercial and industrial loans decreased $0.5 billion.
5. Excludes loans to commercial banks in the United States.
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.
7. United States includes the 50 states and the District of Columbia.

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1980 Dec.	1981 Dec.	1982 Apr.	1982 May	1982 June	1982 July	1982 Aug.	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.
Total nondeposit funds												
1 Seasonally adjusted[2]	122.0	98.5	83.4	82.0	84.2	79.8	78.1	71.5	76.2	79.1	78.7	69.8
2 Not seasonally adjusted	122.6	98.9	84.3	85.4	86.3	81.8	82.6	77.2	78.6	84.4	79.3	68.1
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	111.1	114.2	113.1	113.2	113.8	114.3	116.7	114.8	121.9	121.7	124.2	129.4
4 Not seasonally adjusted	111.6	114.6	113.9	116.6	115.9	116.3	121.2	120.5	124.2	126.9	124.7	127.7
5 Net balances due to foreign-related institutions, not seasonally adjusted	8.2	−18.6	−32.5	−34.0	−32.5	−37.3	−41.4	−46.1	−48.5	−45.5	−48.4	−62.6
6 Loans sold to affiliates, not seasonally adjusted[4]	2.7	2.8	2.8	2.8	3.0	2.8	2.8	2.8	2.8	2.9	2.9	3.0
MEMO												
7 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[5]	−14.7	−22.5	−29.8	−29.9	−29.2	−33.0	−34.4	−38.7	−40.4	−38.4	−39.5	−49.9
8 Gross due from balances	37.5	54.9	57.4	58.1	57.7	60.6	65.1	68.5	69.8	69.9	72.2	80.6
9 Gross due to balances	22.8	32.4	27.6	28.3	28.5	27.6	30.6	29.8	29.4	31.5	32.7	30.7
10 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[6]	22.9	3.9	−2.7	−4.1	−3.3	−4.4	−7.0	−7.3	−8.1	−7.1	−8.9	−12.7
11 Gross due from balances	32.5	48.1	49.1	49.5	50.2	52.6	53.4	54.1	53.9	53.6	54.8	57.4
12 Gross due to balances	55.4	52.0	46.4	45.4	46.9	48.3	46.4	46.7	45.8	46.5	45.9	44.7
Security RP borrowings												
13 Seasonally adjusted[7]	64.0	70.0	71.9	69.0	69.1	69.3	71.9	68.5	75.2	74.4	77.8	81.8
14 Not seasonally adjusted	62.3	68.2	70.4	70.0	68.7	68.9	73.9	71.7	75.0	77.1	75.8	77.4
U.S. Treasury demand balances[8]												
15 Seasonally adjusted	9.5	11.8	13.6	15.3	9.9	8.4	9.2	10.6	13.6	9.8	11.5	15.5
16 Not seasonally adjusted	9.0	11.2	13.8	15.4	10.8	8.3	8.2	12.4	16.5	7.9	10.9	16.6
Time deposits, $100,000 or more[9]												
17 Seasonally adjusted	267.0	324.0	334.4	341.1	349.5	360.1	367.0	366.5	367.4	360.4	347.0	318.8
18 Not seasonally adjusted	272.4	330.3	335.6	340.0	344.6	350.5	359.2	361.6	364.7	361.5	353.6	325.0
IBF ADJUSTMENTS FOR SELECTED ITEMS[10]												
19 Items 1 and 2	....	22.4	31.4	31.7	32.0	32.2	32.4	32.4	....	....	....	....
20 Items 3 and 4	....	1.7	2.4	2.4	2.4	2.4	2.4	2.4	....	....	....	....
21 Item 5	....	20.7	29.0	29.3	29.6	29.8	30.0	30.0	....	....	....	....
22 Item 7	....	3.1	5.0	5.0	5.0	5.1	5.1	5.1	....	....	....	....
23 Item 10	....	17.6	24.0	24.3	24.6	24.7	24.9	24.9	....	....	....	....

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

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

Billions of dollars except for number of banks

	1982									1983	
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,292.6	1,300.7	1,315.4	1,313.2	1,318.8	1,337.1	1,343.0	1,347.0	1,370.4	1,370.7	1,373.7
2 Loans, excluding interbank	947.2	954.3	969.1	966.6	970.6	985.9	988.5	990.4	1,000.8	993.3	991.4
3 Commercial and industrial	336.7	341.9	348.7	346.4	346.2	354.4	355.2	354.8	357.3	355.6	356.3
4 Other	610.5	612.4	620.4	620.3	624.4	631.5	633.3	635.6	643.5	638.2	635.8
5 U.S. Treasury securities	113.0	111.5	113.4	113.4	113.7	115.0	119.4	122.2	129.0	136.0	141.4
6 Other securities	232.4	234.9	232.9	233.2	234.5	236.2	235.1	234.4	240.5	241.6	240.8
7 Cash assets, total	153.6	153.0	165.4	154.5	160.8	157.4	162.1	169.7	184.4	167.8	184.7
8 Currency and coin	19.9	20.0	20.1	20.5	20.3	20.4	20.5	19.0	23.0	20.4	20.3
9 Reserves with Federal Reserve Banks	25.5	21.7	18.2	25.1	26.1	17.0	23.5	22.0	25.4	23.9	25.3
10 Balances with depository institutions	52.4	54.9	59.6	55.4	58.8	60.4	61.3	64.6	67.6	67.7	71.6
11 Cash items in process of collection	55.8	56.3	67.4	53.6	55.5	59.6	56.8	64.1	68.4	55.9	67.5
12 Other assets[2]	206.6	209.9	223.2	224.2	231.3	234.9	237.0	241.8	265.3	260.0	263.6
13 Total assets/total liabilities and capital	**1,652.9**	**1,663.6**	**1,704.0**	**1,692.0**	**1,710.9**	**1,729.3**	**1,742.1**	**1,758.6**	**1,820.1**	**1,798.6**	**1,822.0**
14 Deposits	1,231.0	1,244.0	1,284.8	1,266.4	1,279.1	1,290.7	1,300.2	1,316.9	1,361.8	1,340.4	1,368.3
15 Demand	315.5	315.4	345.2	314.4	315.5	323.0	326.5	338.1	363.9	324.0	337.9
16 Savings	226.6	227.6	228.9	227.1	229.5	230.9	238.2	244.9	296.4	361.5	395.2
17 Time	688.9	701.0	710.7	724.8	734.1	736.8	735.4	733.9	701.5	655.1	635.2
18 Borrowings	201.1	195.1	189.7	195.4	196.0	202.8	203.7	198.1	215.1	221.6	218.0
19 Other liabilities	92.4	93.9	96.6	99.1	103.9	103.4	106.2	109.3	109.2	106.4	106.0
20 Residual (assets less liabilities)	128.4	130.6	133.0	131.1	131.9	132.5	132.0	134.3	133.9	130.3	129.6
MEMO:											
21 U.S. Treasury note balances included in borrowing	16.6	7.1	7.5	8.0	5.9	17.0	11.7	2.4	10.7	17.1	7.0
22 Number of banks	14,710	14,722	14,736	14,752	14,770	14,785	14,797	14,782	14,787	14,780	14,812
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	1,350.7	1,358.5	1,374.3	1,371.3	1,376.6	1,397.3	1,401.7	1,413.7	1,429.8	1,427.4	1,429.8
24 Loans, excluding interbank	1,000.6	1,007.6	1,023.7	1,020.8	1,024.7	1,042.4	1,042.3	1,052.1	1,054.9	1,044.8	1,042.3
25 Commercial and industrial	374.7	379.3	386.7	384.4	384.5	395.0	393.1	398.3	395.9	393.0	392.9
26 Other	625.8	628.3	637.0	636.4	640.2	647.4	649.2	653.8	659.0	652.4	650.0
27 U.S. Treasury securities	116.1	114.3	116.2	115.7	115.8	117.2	122.7	125.7	132.8	139.5	145.1
28 Other securities	234.1	236.6	234.4	234.8	236.1	237.7	236.7	235.9	242.1	243.2	242.4
29 Cash assets, total	168.1	167.7	180.3	169.3	176.2	173.7	178.7	181.2	200.7	183.7	200.5
30 Currency and coin	19.9	20.0	20.2	20.5	20.4	20.4	20.5	19.0	23.0	20.4	20.3
31 Reserves with Federal Reserve Banks	26.8	23.0	19.6	26.5	27.5	18.4	25.0	23.4	26.8	25.3	26.7
32 Balances with depository institutions	64.6	67.3	72.2	67.8	71.8	74.2	75.3	74.4	81.4	81.1	84.9
33 Cash items in process of collection	56.8	57.3	68.4	54.6	56.5	60.6	57.8	64.3	69.4	56.9	68.6
34 Other assets[2]	280.3	285.9	300.0	299.4	306.8	310.3	313.9	323.3	341.7	333.2	330.2
35 Total assets/total liabilities and capital	**1,799.1**	**1,812.1**	**1,854.7**	**1,840.1**	**1,859.6**	**1,881.3**	**1,894.2**	**1,918.2**	**1,972.2**	**1,944.3**	**1,960.4**
36 Deposits	1,272.7	1,286.2	1,325.8	1,307.3	1,321.7	1,335.5	1,345.2	1,358.1	1,409.7	1,385.3	1,412.6
37 Demand	327.9	327.9	357.4	326.8	327.7	335.1	338.9	344.9	376.2	335.9	350.2
38 Savings	226.9	227.8	229.1	227.4	229.7	231.1	238.5	245.1	296.7	361.9	395.6
39 Time	717.9	730.4	739.3	753.1	764.3	769.2	767.8	768.0	736.7	687.7	666.8
40 Borrowings	260.8	255.3	253.2	260.0	260.0	267.6	268.3	267.0	278.3	283.5	276.0
41 Other liabilities	135.3	138.2	140.8	139.8	144.1	143.8	146.9	156.6	148.4	143.5	140.4
42 Residual (assets less liabilities)	130.3	132.5	134.9	133.0	133.8	134.4	133.9	136.6	135.8	132.1	131.5
MEMO:											
43 U.S. Treasury note balances included in borrowing	16.6	7.1	7.5	8.0	5.9	17.0	11.7	2.4	10.7	17.1	7.0
44 Number of banks	15,215	15,235	15,235	15,271	15,289	15,311	15,330	15,318	15,329	15,332	15,366

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

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

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

Millions of dollars, Wednesday figures

Account	1982	1983								Adjustment bank, 1982
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26p	Feb. 2p	Feb. 9p	Feb. 16p	Feb. 23p	
1 Cash items in process of collection	54,686	54,325	48,894	49,770	44,369	48,524	40,860	48,041	53,290	215
2 Demand deposits due from banks in the United States	9,424	8,713	7,493	8,162	7,247	7,079	6,604	7,629	8,235	197
3 All other cash and due from depository institutions	38,553	35,759	38,658	39,236	37,333	35,750	34,195	34,519	37,590	394
4 Total loans and securities	**655,562**	**671,742**	**661,699**	**658,713**	**653,895**	**662,792**	**653,273**	**657,877**	**650,267**	**5,369**
Securities										
5 U.S. Treasury securities	44,586	48,816	47,182	46,129	46,738	48,816	47,520	48,300	47,387	354
6 Trading account	7,856	10,720	9,215	8,204	8,436	10,139	8,794	9,246	8,209	....
7 Investment account, by maturity	36,730	38,096	37,967	37,925	38,302	38,677	38,726	39,054	39,178	354
8 One year or less	12,097	12,261	11,861	11,671	11,600	11,881	11,721	11,654	11,731	145
9 Over one through five years	22,491	23,022	23,270	23,385	23,947	24,060	24,234	24,748	24,790	175
10 Over five years	2,142	2,813	2,836	2,868	2,754	2,736	2,771	2,652	2,656	33
11 Other securities	81,277	84,902	82,175	82,271	81,783	83,022	81,194	81,574	81,514	1,190
12 Trading account	5,877	7,447	4,672	4,512	3,897	5,138	3,231	3,761	3,678	4
13 Investment account	75,400	77,454	77,503	77,758	77,887	77,883	77,963	77,813	77,836	1,186
14 U.S. government agencies	15,391	16,050	16,077	16,297	16,196	16,246	16,432	16,484	16,472	475
15 States and political subdivisions, by maturity	57,034	58,300	58,258	58,260	58,399	58,244	58,162	57,949	57,953	608
16 One year or less	7,162	7,416	7,226	7,244	7,152	7,171	7,104	6,995	7,156	106
17 Over one year	49,872	50,884	51,032	51,017	51,247	51,073	51,058	50,955	50,798	503
18 Other bonds, corporate stocks and securities	2,975	3,104	3,168	3,201	3,292	3,393	3,370	3,380	3,410	103
Loans										
19 Federal funds sold[1]	41,566	45,581	45,131	42,585	40,519	43,106	41,682	44,493	39,144	292
20 To commercial banks	29,253	33,435	32,475	30,666	28,620	29,545	28,865	31,638	27,496	292
21 To nonbank brokers and dealers in securities	9,347	9,257	9,506	8,893	8,561	9,777	9,242	9,192	8,305	....
22 To others	2,966	2,888	3,150	3,027	3,338	3,784	3,575	3,664	3,343	....
23 Other loans, gross	501,095	505,583	500,420	500,929	498,053	501,158	496,193	496,828	495,569	3,756
24 Commercial and industrial	216,860	219,464	217,238	218,315	216,449	218,545	216,704	217,056	216,219	812
25 Bankers acceptances and commercial paper	6,075	5,418	5,146	5,349	4,951	5,651	4,255	4,368	4,310	23
26 All other	210,785	214,047	212,092	212,966	211,498	212,894	212,448	212,687	211,909	789
27 U.S. addressees	203,968	207,360	205,397	206,309	204,849	206,263	205,815	205,968	205,172	787
28 Non-U.S. addressees	6,817	6,687	6,696	6,657	6,649	6,631	6,634	6,719	6,738	2
29 Real estate	132,336	133,469	133,397	133,320	133,531	133,947	133,938	134,193	134,228	1,906
30 To individuals for personal expenditures	75,551	76,533	76,275	76,037	75,895	75,616	75,228	75,211	75,020	920
To financial institutions										
31 Commercial banks in the United States	7,804	8,119	7,842	7,687	7,439	7,522	7,475	7,484	7,798	4
32 Banks in foreign countries	7,506	7,084	7,167	6,864	7,055	7,248	7,188	6,947	7,050	....
33 Sales finance, personal finance companies, etc.	10,693	10,494	10,359	10,406	10,331	10,251	10,125	10,216	10,129	2
34 Other financial institutions	16,233	16,369	16,350	15,985	16,013	16,112	16,279	16,290	15,968	34
35 To nonbank brokers and dealers in securities	8,321	7,855	7,279	7,415	6,643	7,131	5,823	5,839	5,160	....
36 To others for purchasing and carrying securities[2]	2,902	2,689	2,660	2,607	2,622	2,627	2,593	2,581	2,598	2
37 To finance agricultural production	6,296	6,359	6,356	6,311	6,287	6,325	6,331	6,312	6,386	32
38 All other	16,591	17,145	15,495	15,982	15,788	15,832	14,509	14,699	15,013	44
39 LESS: Unearned income	5,451	5,576	5,604	5,584	5,560	5,520	5,480	5,482	5,473	188
40 Loan loss reserve	7,510	7,563	7,605	7,616	7,638	7,788	7,836	7,838	7,874	35
41 Other loans, net	488,133	492,444	487,211	487,728	484,855	487,849	482,877	483,509	482,223	3,533
42 Lease financing receivables	11,136	11,256	11,244	11,233	11,223	11,248	11,263	11,230	11,221	1
43 All other assets	141,168	145,975	149,480	144,758	143,164	146,225	147,146	146,430	144,724	359
44 Total assets	**910,531**	**927,771**	**917,468**	**911,872**	**897,231**	**911,618**	**893,342**	**905,726**	**905,327**	**6,534**
Deposits										
45 Demand deposits	189,652	192,895	176,821	175,373	165,607	173,522	160,606	171,060	174,496	1,369
46 Mutual savings banks	627	872	759	736	607	729	638	704	654	10
47 Individuals, partnerships, and corporations	139,364	144,936	136,104	131,204	126,162	131,260	123,161	129,121	130,715	1,216
48 States and political subdivisions	5,487	6,035	4,888	5,172	5,141	5,729	4,834	4,918	4,994	70
49 U.S. government	1,767	3,033	2,212	4,084	2,090	1,212	1,075	2,360	1,224	9
50 Commercial banks in the United States	23,613	23,478	18,653	19,744	18,414	19,969	17,512	19,900	22,506	21
51 Banks in foreign countries	6,650	5,480	5,799	5,542	5,743	5,397	5,463	5,758	5,626	2
52 Foreign governments and official institutions	1,310	1,057	1,140	998	1,053	1,160	954	1,077	932	....
53 Certified and officers' checks	10,833	8,004	7,265	7,891	6,398	8,067	6,967	7,220	7,845	41
54 Time and savings deposits	406,773	412,367	415,185	413,494	413,353	416,778	417,457	416,398	415,704	4,275
55 Savings	110,640	123,794	132,129	137,805	141,724	147,847	151,207	153,688	155,580	1,449
56 Individuals and nonprofit organizations	103,203	114,277	121,245	125,762	128,788	134,322	136,479	138,848	140,090	1,394
57 Partnerships and corporations operated for profit	6,635	8,594	9,904	10,903	11,810	12,356	13,468	13,555	14,220	46
58 Domestic governmental units	771	878	936	1,078	1,029	1,075	1,130	1,182	1,179	9
59 All other	30	46	44	61	97	94	130	102	90	....
60 Time	296,133	288,573	283,056	275,689	271,629	268,931	266,250	262,710	260,124	2,826
61 Individuals, partnerships, and corporations	258,127	251,662	246,154	239,411	235,417	232,919	230,163	226,924	224,430	2,674
62 States and political subdivisions	20,584	19,977	20,221	20,114	20,322	20,234	20,477	20,450	20,560	148
63 U.S. government	644	614	568	547	398	418	411	410	423	....
64 Commercial banks in the United States	12,119	11,778	11,706	11,237	11,178	11,120	11,086	10,882	10,813	3
65 Foreign governments, official institutions, and banks	4,658	4,542	4,408	4,380	4,314	4,240	4,112	4,044	3,898	....
Liabilities for borrowed money										
66 Borrowings from Federal Reserve Banks	1,123	50	1,535	1,850	50	1,982	185	2,911	....	....
67 Treasury tax-and-loan notes	7,938	9,449	8,764	10,554	12,993	9,484	3,342	3,182	4,854	....
68 All other liabilities for borrowed money[3]	158,222	166,779	168,379	166,655	160,401	162,113	164,180	165,858	165,926	324
69 Other liabilities and subordinated notes and debentures	89,411	87,264	87,762	85,114	85,907	88,414	88,164	87,044	85,180	110
70 Total liabilities	**853,119**	**868,805**	**858,446**	**853,040**	**838,312**	**852,294**	**833,934**	**846,452**	**846,161**	**6,077**
71 Residual (total assets minus total liabilities)[4]	57,412	58,966	59,022	58,832	58,919	59,324	59,407	59,273	59,166	457

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

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

Millions of dollars, Wednesday figures

Account	1982	1983								Adjustment bank, 1982
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26p	Feb. 2p	Feb. 9p	Feb. 16p	Feb. 23p	
1 Cash items in process of collection	51,767	51,057	46,005	46,767	41,835	45,652	38,400	44,974	49,988	146
2 Demand deposits due from banks in the United States	8,577	7,928	6,836	7,426	6,500	6,365	6,008	7,046	7,418	180
3 All other cash and due from depository institutions	35,695	32,858	35,586	36,016	34,211	32,735	31,299	31,395	34,452	174
4 Total loans and securities	**611,936**	**624,963**	**615,485**	**612,858**	**608,499**	**616,962**	**608,012**	**612,162**	**605,012**	**3,763**
Securities										
5 U.S. Treasury securities	40,746	44,793	43,154	42,068	42,782	44,862	43,508	44,078	43,142	293
6 Trading account	7,782	10,621	9,112	8,084	8,328	10,026	8,668	9,134	8,094	....
7 Investment account, by maturity	32,964	34,172	34,042	33,984	34,454	34,835	34,840	34,943	35,048	292
8 One year or less	10,701	10,722	10,372	10,189	10,177	10,443	10,285	10,162	10,243	113
9 Over one through five years	20,399	20,919	21,116	21,208	21,713	21,836	21,976	22,322	22,340	157
10 Over five years	1,863	2,532	2,555	2,588	2,563	2,556	2,579	2,459	2,464	22
11 Other securities	74,538	77,744	75,001	75,039	74,386	75,590	73,791	74,079	74,106	774
12 Trading account	5,649	7,278	4,515	4,303	3,730	4,970	3,080	3,495	3,507	4
13 Investment account	68,889	70,467	70,486	70,736	70,656	70,620	70,711	70,584	70,599	770
14 U.S. government agencies	14,148	14,639	14,643	14,858	14,778	14,797	14,992	15,056	15,030	301
15 States and political subdivisions, by maturity	51,996	52,962	52,927	52,930	52,847	52,686	52,618	52,421	52,442	379
16 One year or less	6,452	6,660	6,485	6,500	6,408	6,400	6,331	6,238	6,400	58
17 Over one year	45,544	46,302	46,442	46,430	46,439	46,286	46,287	46,182	46,042	322
18 Other bonds, corporate stocks and securities	2,745	2,865	2,916	2,948	3,031	3,136	3,101	3,108	3,128	90
Loans										
19 Federal funds sold[1]	36,373	39,209	39,242	37,195	35,263	37,433	36,519	39,144	34,207	161
20 To commercial banks	24,889	27,888	27,517	26,128	24,078	24,581	24,315	26,994	23,187	161
21 To nonbank brokers and dealers in securities	8,656	8,567	8,661	8,119	7,964	9,124	8,684	8,548	7,748	....
22 To others	2,828	2,754	3,065	2,948	3,220	3,728	3,520	3,602	3,272	....
23 Other loans, gross	472,254	475,324	470,266	470,726	468,234	471,360	466,481	467,154	465,877	2,724
24 Commercial and industrial	205,698	207,907	205,747	206,813	205,319	207,372	205,521	205,914	205,066	562
25 Bankers acceptances and commercial paper	5,728	5,018	4,708	4,921	4,554	5,276	3,872	3,976	3,943	9
26 All other	199,970	202,889	201,039	201,892	200,765	202,096	201,650	201,938	201,124	553
27 U.S. addressees	193,273	196,332	194,457	195,346	194,221	195,566	195,115	195,318	194,484	551
28 Non-U.S. addressees	6,697	6,556	6,582	6,546	6,544	6,529	6,534	6,620	6,639	2
29 Real estate	124,931	125,567	125,460	125,350	125,594	126,018	126,003	126,277	126,297	1,373
30 To individuals for personal expenditures	67,454	68,030	67,813	67,600	67,471	67,252	66,904	66,884	66,730	704
To financial institutions										
31 Commercial banks in the United States	7,621	7,947	7,664	7,500	7,240	7,340	7,302	7,289	7,567	....
32 Banks in foreign countries	7,440	7,020	7,099	6,794	6,981	7,171	7,118	6,876	6,983	....
33 Sales finance, personal finance companies, etc.	10,503	10,307	10,191	10,236	10,167	10,084	9,961	10,053	9,965	2
34 Other financial institutions	15,763	15,820	15,782	15,401	15,416	15,503	15,677	15,697	15,374	26
35 To nonbank brokers and dealers in securities	8,268	7,786	7,237	7,377	6,610	7,091	5,797	5,815	5,122	....
36 To others for purchasing and carrying securities[2]	2,681	2,457	2,429	2,374	2,390	2,394	2,356	2,346	2,353	2
37 To finance agricultural production	6,125	6,177	6,169	6,129	6,084	6,139	6,141	6,128	6,201	19
38 All other	15,770	16,304	14,675	15,150	14,962	14,997	13,700	13,875	14,218	37
39 LESS: Unearned income	4,836	4,942	4,969	4,949	4,926	4,899	4,858	4,860	4,852	164
40 Loan loss reserve	7,138	7,165	7,210	7,221	7,241	7,384	7,429	7,434	7,469	25
41 *Other loans, net*	460,280	463,216	458,087	458,555	456,067	459,077	454,194	454,861	453,556	2,535
42 Lease financing receivables	10,743	10,857	10,844	10,833	10,824	10,848	10,863	10,831	10,823	....
43 All other assets	136,889	141,792	145,341	140,605	139,144	142,013	142,963	142,456	140,731	296
44 Total assets	**855,606**	**869,455**	**860,097**	**854,504**	**841,014**	**854,574**	**837,546**	**848,865**	**848,424**	**4,559**
Deposits										
45 Demand deposits	176,773	178,610	163,988	162,715	153,497	160,854	148,882	158,583	162,039	920
46 Mutual savings banks	610	843	736	715	587	694	610	677	626	7
47 Individuals, partnerships, and corporations	129,320	134,121	126,156	121,680	116,831	121,511	113,874	119,485	121,175	832
48 States and political subdivisions	4,870	5,341	4,276	4,607	4,538	5,150	4,279	4,373	4,424	36
49 U.S. government	1,619	2,717	1,946	3,445	1,890	1,028	974	2,105	1,069	8
50 Commercial banks in the United States	22,003	21,570	17,059	18,193	16,835	18,287	16,113	18,262	20,785	5
51 Banks in foreign countries	6,604	5,434	5,758	5,506	5,698	5,347	5,412	5,713	5,587	2
52 Foreign governments and official institutions	1,309	1,055	1,139	994	1,050	1,155	953	1,075	931	....
53 Certified and officers' checks	10,439	7,528	6,918	7,576	6,068	7,683	6,667	6,892	7,442	31
54 Time and savings deposits	380,614	384,499	387,140	385,496	385,499	388,757	389,232	388,042	387,129	3,024
55 Savings	102,276	114,119	121,943	127,332	131,088	136,814	139,918	142,254	144,042	990
56 Individuals and nonprofit organizations	95,414	105,409	111,978	116,249	119,185	124,365	126,424	128,695	129,849	952
57 Partnerships and corporations operated for profit	6,102	7,833	9,044	10,007	10,842	11,351	12,319	12,362	13,012	34
58 Domestic governmental units	730	831	877	1,020	968	1,008	1,050	1,100	1,098	4
59 All other	30	46	44	56	92	89	124	96	83	....
60 Time	278,338	270,380	265,197	258,164	254,411	251,942	249,314	245,788	243,086	2,034
61 Individuals, partnerships, and corporations	242,564	235,767	230,598	224,147	220,400	218,202	215,570	212,324	209,715	1,917
62 States and political subdivisions	18,678	17,984	18,228	18,152	18,427	18,274	18,436	18,429	18,545	114
63 U.S. government	576	545	502	483	334	349	339	333	333	....
64 Commercial banks in the United States	11,862	11,541	11,462	11,001	10,936	10,877	10,857	10,659	10,596	3
65 Foreign governments, official institutions, and banks	4,658	4,542	4,408	4,380	4,314	4,240	4,112	4,044	3,898	....
Liabilities for borrowed money										
66 Borrowings from Federal Reserve Banks	1,025	50	1,475	1,850	50	1,902	185	2,896	....	....
67 Treasury tax-and-loan notes	7,391	8,983	8,283	9,893	12,258	8,907	3,146	2,934	4,547	....
68 All other liabilities for borrowed money[3]	148,841	156,973	158,334	156,524	150,767	152,308	154,393	155,842	156,116	224
69 Other liabilities and subordinated notes and debentures	87,138	85,093	85,589	82,913	83,736	86,271	86,055	85,030	83,158	76
70 Total liabilities	**801,782**	**814,208**	**804,809**	**799,391**	**785,809**	**798,999**	**781,892**	**793,327**	**792,988**	**4,245**
71 Residual (total assets minus total liabilities)[4]	53,824	55,247	55,288	55,113	55,205	55,575	55,654	55,538	55,436	314

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

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

Millions of dollars, Wednesday figures

Account	1982	1983							
	Dec. 29	Jan 5	Jan. 12	Jan. 19	Jan. 26[p]	Feb 2[p]	Feb. 9[p]	Feb. 16[p]	Feb. 23[p]
1 Cash items in process of collection	18,515	15,296	15,459	17,014	14,632	14,529	13,107	14,440	16,167
2 Demand deposits due from banks in the United States	1,513	1,271	1,424	1,881	1,485	1,235	1,367	1,420	1,637
3 All other cash and due from depository institutions	8,117	9,438	8,864	7,142	8,497	8,845	6,445	7,463	7,508
4 Total loans and securities[1]	**146,974**	**145,937**	**145,994**	**146,775**	**143,222**	**145,894**	**144,091**	**145,976**	**142,015**
Securities									
5 U.S. Treasury securities[2]	...	...	...	...	...	...	...	...	...
6 Trading account[2]	...	...	...	...	...	...	...	...	...
7 Investment account, by maturity	8,686	8,750	8,754	8,715	8,868	9,024	9,036	9,156	9,126
8 One year or less	1,282	1,288	1,287	1,276	1,249	1,355	1,345	1,414	1,390
9 Over one through five years	6,870	6,929	6,934	6,910	7,088	7,138	7,160	7,285	7,277
10 Over five years	534	534	534	529	531	531	531	458	459
11 Other securities[2]	...	...	...	...	...	...	...	...	...
12 Trading account[2]	...	...	...	...	...	...	...	...	...
13 Investment account	13,774	14,058	13,983	14,000	13,980	14,030	14,039	14,020	14,138
14 U.S. government agencies	1,577	1,542	1,530	1,512	1,496	1,495	1,495	1,503	1,513
15 States and political subdivisions, by maturity	11,435	11,748	11,693	11,715	11,700	11,745	11,758	11,742	11,852
16 One year or less	1,390	1,572	1,534	1,506	1,529	1,539	1,554	1,543	1,645
17 Over one year	10,045	10,175	10,159	10,209	10,172	10,206	10,204	10,199	10,207
18 Other bonds, corporate stocks and securities	762	767	760	772	783	790	786	775	774
Loans									
19 Federal funds sold[3]	11,344	9,190	11,178	11,331	9,347	10,705	11,074	12,321	9,526
20 To commercial banks	6,003	4,303	5,748	6,285	3,882	4,309	5,032	6,155	4,394
21 To nonbank brokers and dealers in securities	3,756	3,422	3,774	3,534	3,715	4,327	4,140	4,206	3,434
22 To others	1,586	1,464	1,656	1,511	1,750	2,069	1,902	1,960	1,698
23 Other loans, gross	117,074	117,740	115,896	116,558	114,854	115,996	113,797	114,334	113,103
24 Commercial and industrial	60,750	61,510	60,988	61,360	60,684	61,418	60,537	60,710	59,797
25 Bankers acceptances and commercial paper	1,619	1,371	1,368	1,202	1,221	1,517	1,035	1,039	1,029
26 All other	59,059	60,139	59,620	60,157	59,463	59,900	59,502	59,671	58,768
27 U.S. addressees	57,614	58,721	58,167	58,706	58,033	58,514	58,099	58,270	57,370
28 Non-U.S. addressees	1,445	1,418	1,453	1,451	1,430	1,386	1,403	1,400	1,397
29 Real estate	19,086	19,040	18,945	18,948	19,010	18,906	18,909	19,035	19,146
30 To individuals for personal expenditures	11,723	11,719	11,622	11,571	11,525	11,480	11,449	11,451	11,428
To financial institutions									
31 Commercial banks in the United States	2,931	3,339	3,071	2,735	2,700	2,680	2,518	2,615	3,014
32 Banks in foreign countries	3,191	2,804	2,826	2,557	2,743	2,932	2,892	2,577	2,767
33 Sales finance, personal finance companies, etc.	4,406	4,430	4,389	4,428	4,404	4,371	4,325	4,274	4,297
34 Other financial institutions	4,818	4,792	4,756	4,757	4,858	4,853	4,784	4,940	4,809
35 To nonbank brokers and dealers in securities	4,655	4,418	4,534	5,080	3,725	4,221	3,428	3,684	2,728
36 To others for purchasing and carrying securities[4]	928	713	687	671	684	705	676	670	656
37 To finance agricultural production	387	381	383	412	385	417	419	416	419
38 All other	4,200	4,592	3,696	4,039	4,135	4,013	3,860	3,961	4,042
39 LESS: Unearned income	1,474	1,449	1,453	1,452	1,447	1,430	1,414	1,414	1,417
40 Loan loss reserve	2,430	2,350	2,365	2,378	2,381	2,431	2,441	2,442	2,463
41 Other loans, net	113,170	113,940	112,079	112,728	111,027	112,135	109,942	110,478	109,224
42 Lease financing receivables	2,054	2,060	2,067	2,066	2,066	2,045	2,046	2,041	2,031
43 All other assets[5]	58,880	63,395	63,417	60,110	58,906	62,187	60,661	61,024	62,002
44 Total assets	**236,053**	**237,398**	**237,226**	**234,989**	**228,809**	**234,737**	**227,718**	**232,364**	**231,360**
Deposits									
45 Demand deposits	53,766	51,308	48,075	48,650	45,179	46,904	42,163	45,424	47,890
46 Mutual savings banks	266	400	401	380	271	332	275	317	292
47 Individuals, partnerships, and corporations	33,504	35,525	34,017	32,717	31,396	32,061	28,932	30,299	32,383
48 States and political subdivisions	516	838	599	772	572	996	751	606	669
49 U.S. government	442	700	599	1,028	574	201	225	551	267
50 Commercial banks in the United States	6,708	5,608	3,764	4,799	4,324	4,543	3,607	4,891	5,344
51 Banks in foreign countries	5,403	4,166	4,514	4,235	4,382	4,016	4,130	4,320	4,300
52 Foreign governments and official institutions	1,086	820	913	791	837	952	748	882	700
53 Certified and officers' checks	5,840	3,249	3,267	3,929	2,824	3,802	3,495	3,557	3,934
54 Time and savings deposits	74,722	73,734	75,110	74,667	75,036	75,939	75,916	75,993	75,675
55 Savings	14,040	15,518	17,128	18,292	19,270	20,608	21,438	22,080	22,686
56 Individuals and nonprofit organizations	13,203	14,538	16,018	17,060	17,908	19,046	19,394	20,230	20,431
57 Partnerships and corporations operated for profit	720	859	984	1,070	1,187	1,338	1,719	1,499	1,927
58 Domestic governmental units	116	110	122	154	170	215	285	306	292
59 All other	1	10	3	8	6	9	40	44	36
60 Time	60,682	58,216	57,982	56,375	55,766	55,331	54,479	53,913	52,989
61 Individuals, partnerships, and corporations	50,702	48,689	48,226	46,626	46,049	45,852	45,058	44,518	43,626
62 States and political subdivisions	2,281	2,037	2,138	2,194	2,356	2,246	2,345	2,339	2,364
63 U.S. government	206	210	235	235	85	95	86	86	86
64 Commercial banks in the United States	5,602	5,416	5,592	5,514	5,476	5,394	5,337	5,357	5,307
65 Foreign governments, official institutions, and banks	1,892	1,864	1,789	1,805	1,801	1,744	1,653	1,613	1,605
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	150	...	1,075	1,545	...	1,622	150	1,300	...
67 Treasury tax-and-loan notes	2,154	1,839	2,090	2,666	3,070	2,369	938	868	1,436
68 All other liabilities for borrowed money[6]	52,862	57,382	57,557	55,760	53,225	54,774	55,681	55,956	54,405
69 Other liabilities and subordinated notes and debentures	34,078	34,346	34,454	32,818	33,493	34,168	33,886	33,840	32,996
70 Total liabilities	**217,732**	**218,609**	**218,360**	**216,106**	**210,003**	**215,776**	**208,734**	**213,382**	**212,402**
71 Residual (total assets minus total liabilities)[7]	18,322	18,789	18,866	18,882	18,805	18,960	18,984	18,983	18,958

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

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1982	1983								Adjustment bank, 1982
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26p	Feb. 2p	Feb. 9p	Feb. 16p	Feb. 23p	
BANKS WITH ASSETS OF $750 MILLION OR MORE										
1 Total loans (gross) and securities adjusted[1]	631,466	643,328	634,591	633,561	631,034	639,034	630,249	632,075	628,320	5,296
2 Total loans (gross) adjusted[1]	505,603	509,610	505,234	505,162	502,513	507,196	501,534	502,200	499,420	3,752
3 Demand deposits adjusted[2]	109,585	112,059	107,062	101,775	100,734	103,817	101,159	100,758	97,476	1,124
4 Time deposits in accounts of $100,000 or more	187,825	180,283	177,067	171,257	169,255	167,805	166,256	163,530	162,027	487
5 Negotiable CDs	132,340	126,340	124,456	119,944	118,854	118,226	116,981	114,707	113,302	244
6 Other time deposits	55,484	53,943	52,611	51,313	50,401	49,579	49,276	48,823	48,725	242
7 Loans sold outright to affiliates[3]	2,891	2,917	2,974	2,998	2,965	2,972	2,969	3,001	2,965	....
8 Commercial and industrial	2,236	2,261	2,308	2,336	2,311	2,318	2,326	2,357	2,327	....
9 Other	655	656	666	661	654	654	643	644	638	....
BANKS WITH ASSETS OF $1 BILLION OR MORE										
10 Total loans (gross) and securities adjusted[1]	591,400	601,236	592,483	591,400	589,348	597,324	588,681	590,173	586,579	3,790
11 Total loans (gross) adjusted[1]	476,117	478,698	474,328	474,293	472,179	476,872	471,383	472,016	469,331	2,724
12 Demand deposits adjusted[2]	101,384	103,265	98,979	94,310	92,936	95,887	93,395	93,242	90,196	761
13 Time deposits in accounts of $100,000 or more	178,745	171,353	168,300	162,721	160,906	159,620	158,074	155,318	153,644	356
14 Negotiable CDs	127,051	121,211	119,485	115,169	114,234	113,694	112,471	110,120	108,709	229
15 Other time deposits	51,694	50,142	48,815	47,552	46,672	45,926	45,604	45,198	44,936	127
16 Loans sold outright to affiliates[3]	2,823	2,848	2,905	2,928	2,894	2,906	2,903	2,934	2,902	....
17 Commercial and industrial	2,179	2,202	2,250	2,281	2,253	2,266	2,276	2,306	2,277	....
18 Other	644	646	655	647	640	640	627	628	625	....
BANKS IN NEW YORK CITY										
19 Total loans (gross) and securities adjusted[1,4]	141,945	142,095	140,993	141,585	140,467	142,765	140,396	141,062	138,486	....
20 Total loans (gross) adjusted[1]	119,485	119,287	118,256	118,869	117,619	119,711	117,321	117,885	115,221	....
21 Demand deposits adjusted[2]	28,101	29,704	28,253	25,809	25,649	27,631	25,224	25,541	26,111	....
22 Time deposits in accounts of $100,000 or more	46,772	44,500	44,688	43,336	43,080	42,797	42,231	41,814	41,141	....
23 Negotiable CDs	35,612	33,327	33,699	32,444	32,424	32,089	31,554	31,243	30,813	....
24 Other time deposits	11,159	11,173	10,988	10,892	10,656	10,707	10,677	10,571	10,328	....

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

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

Millions of dollars, Wednesday figures

Account	1982	1983							
	Dec. 29	Jan. 5	Jan. 12	Jan. 19	Jan. 26p	Feb. 2p	Feb. 9p	Feb. 16p	Feb. 23p
1 Cash and due from depository institutions	7,369	7,575	7,329	7,014	7,042	7,093	7,013	7,210	6,954
2 Total loans and securities	45,249	43,938	44,055	42,707	42,791	42,944	42,184	41,562	41,214
3 U.S. Treasury securities	3,107	3,340	3,144	2,970	2,900	3,293	3,446	3,479	3,052
4 Other securities	874	893	915	913	888	885	882	887	888
5 Federal funds sold[1]	2,617	1,982	2,622	2,289	2,861	3,036	2,205	1,755	2,225
6 To commercial banks in United States	2,243	1,786	2,533	2,130	2,785	2,857	2,112	1,617	2,134
7 To others	373	197	89	158	76	179	92	138	91
8 Other loans, gross	38,650	37,722	37,374	36,536	36,142	35,729	35,650	35,442	35,049
9 Commercial and industrial	19,003	19,074	19,154	18,797	18,408	18,192	18,036	17,918	17,978
10 Bankers acceptances and commercial paper	2,816	2,741	2,847	2,701	2,717	2,619	2,588	2,680	2,747
11 All other	16,187	16,333	16,307	16,096	15,691	15,573	15,448	15,238	15,230
12 U.S. addressees	14,217	14,288	14,328	14,143	13,761	13,647	13,509	13,307	13,270
13 Non-U.S. addressees	1,970	2,045	1,979	1,953	1,930	1,926	1,939	1,931	1,960
14 To financial institutions	15,463	14,889	14,544	14,098	13,963	13,546	13,578	13,438	13,060
15 Commercial banks in United States	12,285	11,684	11,466	11,045	10,902	10,476	10,590	10,593	10,288
16 Banks in foreign countries	2,622	2,626	2,479	2,464	2,497	2,512	2,415	2,276	2,210
17 Nonbank financial institutions	556	578	600	589	564	558	574	569	562
18 For purchasing and carrying securities	480	187	166	175	240	360	312	194	189
19 All other	3,705	3,572	3,511	3,466	3,530	3,630	3,723	3,892	3,822
20 Other assets (claims on nonrelated parties)	12,556	11,478	11,011	10,928	10,974	10,712	10,635	10,482	10,326
21 Net due from related institutions	14,328	14,474	15,100	14,928	14,416	14,906	13,918	14,112	12,960
22 Total assets	79,502	77,466	77,495	75,578	75,223	75,654	73,750	73,367	71,454
23 Deposits or credit balances[2]	26,473	24,718	24,116	23,686	23,755	23,848	23,695	22,850	23,063
24 Credit balances	206	196	184	221	226	230	216	212	218
25 Demand deposits	2,104	1,676	1,904	1,897	1,764	1,852	1,764	1,796	1,942
26 Individuals, partnerships, and corporations	871	755	882	874	738	761	747	795	861
27 Other	1,233	921	1,022	1,023	1,026	1,091	1,017	1,001	1,081
28 Total time and savings	24,163	22,846	22,028	21,568	21,765	21,765	21,715	20,842	20,903
29 Individuals, partnerships, and corporations	20,929	19,763	19,065	18,593	18,913	18,861	18,747	17,783	17,797
30 Other	3,234	3,083	2,963	2,975	2,852	2,904	2,968	3,060	3,106
31 Borrowings[3]	32,343	33,612	34,483	32,356	31,859	32,173	31,139	32,036	30,034
32 Federal funds purchased[4]	8,356	10,350	11,330	10,138	9,308	10,196	9,490	10,610	9,200
33 From commercial banks in United States	6,877	8,834	9,968	8,981	8,242	9,084	8,083	9,054	7,738
34 From others	1,479	1,517	1,362	1,156	1,066	1,112	1,407	1,556	1,463
35 Other liabilities for borrowed money	23,987	23,261	23,154	22,218	22,551	21,977	21,649	21,426	20,834
36 To commercial banks in United States	21,198	20,578	20,404	19,508	20,025	19,598	19,407	19,240	18,502
37 To others	2,788	2,684	2,749	2,711	2,526	2,380	2,242	2,186	2,331
38 Other liabilities to nonrelated parties	12,196	11,292	12,122	11,929	11,731	11,789	11,812	11,615	11,320
39 Net due to related institutions	8,490	7,844	6,773	7,606	7,878	7,843	7,105	6,866	7,037
40 Total liabilities	79,502	77,466	77,495	75,578	75,223	75,654	73,750	73,367	71,454
MEMO									
41 Total loans (gross) and securities adjusted[5]	30,720	30,468	30,056	29,532	29,104	29,610	29,482	29,353	28,792
42 Total loans (gross) adjusted[5]	26,738	26,235	25,998	25,649	25,316	25,432	25,153	24,987	24,851

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

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

Millions of dollars

Industry classification	Outstanding					Net change during				
	1982					1982				
	Aug. 25	Sept. 29	Oct. 27	Nov. 24	Dec. 29	Q3	Q4	Oct.	Nov.	Dec.
1 Durable goods manufacturing	29,117	31,424	31,345	30,124	29,940	2,347	-1,484	-80	-1,220	-184
2 Nondurable goods manufacturing	24,866	25,811	24,774	24,632	23,908	512	-1,904	-1,037	-142	-725
3 Food, liquor, and tobacco	4,596	4,838	4,637	4,847	4,405	34	-433	-202	210	-442
4 Textiles, apparel, and leather	5,064	4,855	4,571	4,268	3,812	-7	-1,044	-284	-303	-456
5 Petroleum refining	4,717	5,323	5,464	5,518	5,627	228	304	141	54	110
6 Chemicals and rubber	5,518	5,810	5,426	5,386	5,530	259	-280	-384	-39	143
7 Other nondurable goods	4,971	4,985	4,677	4,614	4,534	1	-451	-308	-63	-80
8 Mining (including crude petroleum and natural gas)	27,313	28,406	29,266	29,633	29,568	154	1,162	860	368	-65
9 Trade	28,320	29,048	28,960	28,732	28,037	-142	-1,011	-88	-227	-696
10 Commodity dealers	1,788	1,977	2,036	2,102	2,305	116	328	60	65	204
11 Other wholesale	13,488	13,975	13,692	13,652	13,648	198	-327	-283	-39	-4
12 Retail	13,044	13,096	13,231	12,978	12,084	-456	1,012	135	-253	-894
13 Transportation, communication, and other public utilities	24,751	24,913	24,840	25,152	24,953	-89	39	-74	313	-200
14 Transportation	8,964	8,976	8,913	9,025	9,103	-251	127	-62	112	78
15 Communication	4,905	5,153	5,254	5,297	5,258	374	106	101	43	-38
16 Other public utilities	10,882	10,785	10,672	10,830	10,591	-212	-194	-112	158	-239
17 Construction	7,825	7,815	7,757	7,759	7,863	55	48	-58	2	103
18 Services	28,938	29,196	29,587	29,472	30,502	466	1,306	392	-115	1,029
19 All other[1]	17,536	17,916	17,966	17,945	18,502	680	586	50	-21	557
20 Total domestic loans	**188,667**	**194,530**	**194,494**	**193,452**	**193,272**	**3,982**	**-1,258**	**-36**	**-1,042**	**-180**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	87,027	89,152	89,776	89,944	90,088	-655	936	623	168	144

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

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

Billions of dollars, estimated daily-average balances

Type of holder	1978 Dec.	1979[2] Dec.	1980 Dec.	1981 June[3]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.
	Commercial banks								
1 **All holders—Individuals, partnerships, and corporations**	**294.6**	**302.2**	**315.5**		**277.5**	**288.9**	**268.9**	**271.5**	**276.7**
2 Financial business	27.8	27.1	29.8		28.2	28.0	27.8	28.6	31.9
3 Nonfinancial business	152.7	157.7	162.3	n.a.	148.6	154.8	138.7	141.4	142.9
4 Consumer	97.4	99.2	102.4		82.1	86.6	84.6	83.7	83.3
5 Foreign	2.7	3.1	3.3		3.1	2.9	3.1	2.9	2.9
6 Other	14.1	15.1	17.2		15.5	16.7	14.6	15.0	15.7
	Weekly reporting banks								
	1978 Dec.	1979[4] Dec.	1980 Dec.	1981 June[3]	1981 Sept.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.
7 **All holders—Individuals, partnerships, and corporations**	**147.0**	**139.3**	**147.4**		**131.3**	**137.5**	**126.8**	**127.9**	**132.1**
8 Financial business	19.8	20.1	21.8	n.a.	20.7	21.0	20.2	20.2	23.4
9 Nonfinancial business	79.0	74.1	78.3		71.2	75.2	67.1	67.7	68.7
10 Consumer	38.2	34.3	35.6		28.7	30.4	29.2	29.7	29.6
11 Foreign	2.5	3.0	3.1		2.9	2.8	2.9	2.8	2.7
12 Other	7.5	7.8	8.6		7.9	8.0	7.3	7.5	7.7

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.
2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.
3. Demand deposit ownership survey estimates for June 1981 are not available due to unresolved reporting errors.
4. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1977 Dec.	1978 Dec.	1979[1] Dec.	1980 Dec.	1981 Dec.	1982 Aug.	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.[6]	1983 Jan.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**65,051**	**83,438**	**112,803**	**124,524**	**165,508**	**177,182**	**173,836**	**170,253**	**165,534**	**166,367**	**165,192**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	8,796	12,181	17,359	19,790	30,188	38,066	36,692	35,130	35,304	34,590	35,304
3 Bank-related (not seasonally adjusted)	2,132	3,521	2,784	3,561	6,045	6,038	5,924	5,791	6,232	2,026	2,131
Directly placed paper[4]											
4 Total	40,574	51,647	64,757	67,854	81,660	81,707	81,347	79,846	79,143	83,492	82,485
5 Bank-related (not seasonally adjusted)	7,102	12,314	17,598	22,382	26,914	28,901	27,761	27,712r	27,769	31,428	31,198
6 Nonfinancial companies[5]	15,681	19,610	30,687	36,880	53,660	57,409	55,797	55,277	51,087	48,285	47,403
	Bankers dollar acceptances (not seasonally adjusted)										
7 **Total**	**25,450**	**33,700**	**45,321**	**54,744**	**69,226**	**72,709**	**73,818**	**75,811**	**77,125**	**79,543**	n.a.
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	10,857	11,805	10,752	10,661	10,596	10,910	n.a.
9 Own bills	8,915	7,653	8,327	8,963	9,743	10,740	9,370	9,399	9,455	9,471	n.a.
10 Bills bought	1,519	927	1,538	1,601	1,115	1,065	1,382	1,262	1,140	1,439	n.a.
Federal Reserve Banks											
11 Own account	954	587	704	776	195	565	813	0	0	1,480	n.a.
12 Foreign correspondents	362	664	1,382	1,791	1,442	1,239	1,139	1,080	992	949	n.a.
13 Others	13,700	23,870	33,370	41,614	56,926	59,664	61,927	64,070	65,537	66,204	n.a.
Basis											
14 Imports into United States	6,378	8,574	10,270	11,776	14,765	14,921	16,075	16,511	16,716	17,683	n.a.
15 Exports from United States	5,863	7,586	9,640	12,712	15,400	15,883	15,608	16,463	16,711	16,328	n.a.
16 All other	13,209	17,540	25,411	30,257	39,061	42,692	42,136	42,837	43,699	45,532	n.a.

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
3. Includes all financial company paper sold by dealers in the open market.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Effective December 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1981—Nov. 9	17.00	July 29	15.50	1981—July	20.39	1982—May	16.50
17	16.50–	Aug. 2	15.00	Aug.	20.50	June	16.50
	17.00	16	14.50	Sept.	20.08	July	16.26
20	16.50	18	14.00	Oct.	18.45	Aug.	14.39
24	16.00	23	13.50	Nov.	16.84	Sept.	13.50
Dec. 1	15.75	Oct. 7	13.00	Dec.	15.75	Oct.	12.52
1982—Feb. 2	16.50	14	12.00	1982—Jan.	15.75	Nov.	11.85
18	17.00	Nov. 22	11.50	Feb.	16.56	Dec.	11.50
23	16.50	1983—Jan. 11	11.00	Mar.	16.50	1983—Jan.	11.16
July 20	16.00	Feb. 28	10.50	Apr.	16.50	Feb.	10.98

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 1–6, 1982

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	37,830,563	1,004,140	642,584	562,394	2,129,432	913,862	32,578,151
2 Number of loans	170,984	123,157	20,331	9,027	12,408	1,403	4,658
3 Weighted-average maturity (months)	1.2	3.6	3.6	4.1	4.8	3.2	.8
4 Weighted-average interest rate (percent per annum)	11.26	15.63	15.32	13.80	13.85	12.93	10.79
5 Interquartile range[1]	10.38–11.34	14.37–16.99	13.72–16.45	12.68–14.45	12.68–15.01	12.25–13.80	10.38–10.90
Percentage of amount of loans							
6 With floating rate	26.4	32.5	39.5	70.8	65.4	65.0	21.6
7 Made under commitment	70.1	40.8	35.8	64.5	54.4	68.9	72.8
8 With no stated maturity	9.6	15.9	18.7	40.0	22.2	29.5	7.3
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS		1–99					
9 Amount of loans (thousands of dollars)	4,007,972	380,177			459,970	204,266	2,963,558
10 Number of loans	25,270	22,129			2,265	311	565
11 Weighted-average maturity (months)	46.2	43.9			26.4	45.3	49.6
12 Weighted-average interest rate (percent per annum)	12.24	15.17			13.98	13.02	11.54
13 Interquartile range[1]	10.68–13.55	13.80–16.65			13.50–14.94	12.55–13.88	10.62–12.68
Percentage of amount of loans							
14 With floating rate	77.8	49.0			67.9	81.6	82.7
15 Made under commitment	76.1	44.1			32.4	69.6	87.5
CONSTRUCTION AND LAND DEVELOPMENT LOANS		1–24	25–49	50–99		500 and over	
16 Amount of loans (thousands of dollars)	1,433,072	157,866	179,347	85,282	531,567	479,010	
17 Number of loans	25,255	16,181	4,750	1,278	2,806	241	
18 Weighted-average maturity (months)	11.1	14.4	16.0	6.4	8.3	12.2	
19 Weighted-average interest rate (percent per annum)	15.14	16.74	17.44	18.52	15.01	13.30	
20 Interquartile range[1]	12.73–16.09	15.02–18.10	14.75–18.97	14.23–20.57	12.69–15.58	11.82–14.50	
Percentage of amount of loans							
21 With floating rate	56.6	27.8	27.2	34.9	47.4	91.1	
22 Secured by real estate	71.6	75.0	85.6	92.8	69.2	64.3	
23 Made under commitment	39.6	44.4	43.1	29.7	21.5	58.7	
24 With no stated maturity	2.9	3.7	.4	4.8	2.1	4.0	
Type of construction							
25 1- to 4-family	43.3	74.8	64.2	72.2	56.7	5.2	
26 Multifamily	12.1	1.5	18.8	7.6	4.6	22.2	
27 Nonresidential	44.6	23.7	17.0	20.2	38.7	72.6	
LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
28 Amount of loans (thousands of dollars)	1,457,533	158,122	234,089	169,062	282,570	200,860	412,831
29 Number of loans	67,611	40,418	15,969	5,177	4,206	1,304	536
30 Weighted-average maturity (months)	5.8	5.4	7.1	6.4	5.7	6.1	4.7
31 Weighted-average interest rate (percent per annum)	14.84	15.60	15.38	15.34	15.57	15.01	13.46
32 Interquartile range[1]	13.96–15.71	15.00–16.21	14.65–16.11	14.57–16.02	15.03–16.08	14.00–15.57	11.01–15.22
By purpose of loan							
33 Feeder livestock	13.90	15.48	15.19	15.22	15.01	14.35	12.66
34 Other livestock	15.49	15.46	15.42	15.34	15.58	*	*
35 Other current operating expenses	15.33	15.65	15.40	15.42	15.50	14.56	15.20
36 Farm machinery and equipment	15.68	15.53	15.16	15.76	*	*	*
37 Other	14.53	15.62	15.66	14.84	16.26	14.65	13.74

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

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

1.35 INTEREST RATES Money and Capital Markets

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

	Instrument	1980	1981	1982	1982		1983		1983, week ending				
					Nov.	Dec.	Jan.	Feb.	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25
	MONEY MARKET RATES												
1	Federal funds[1,2]	13.36	16.38	12.26	9.20	8.95	8.68	8.51	8.44	8.53	8.50	8.62	8.47
	Commercial paper[3,4]												
2	1-month	12.76	15.69	11.83	8.66	8.53	8.19	8.30	8.23	8.39	8.37	8.32	8.14
3	3-month	12.66	15.32	11.89	8.69	8.51	8.17	8.34	8.26	8.43	8.45	8.34	8.16
4	6-month	12.29	14.76	11.89	8.72	8.50	8.15	8.39	8.32	8.49	8.54	8.37	8.19
	Finance paper, directly placed[3,4]												
5	1-month	12.44	15.30	11.64	8.51	8.35	8.03	8.25	8.15	8.33	8.36	8.27	8.09
6	3-month	11.49	14.08	11.23	8.39	8.18	7.96	8.24	8.03	8.23	8.34	8.31	8.07
7	6-month	11.28	13.73	11.20	8.42	8.20	7.97	8.26	8.01	8.21	8.35	8.36	8.08
	Bankers acceptances[4,5]												
8	3-month	12.72	15.32	11.89	8.76	8.54	8.19	8.36	8.32	8.52	8.45	8.34	8.16
9	6-month	12.25	14.66	11.83	8.77	8.50	8.19	8.41	8.46	8.60	8.52	8.39	8.18
	Certificates of deposit, secondary market[6]												
10	1-month	12.91	15.91	12.04	8.82	8.64	8.28	8.40	8.32	8.46	8.45	8.42	8.27
11	3-month	13.07	15.91	12.27	8.95	8.66	8.36	8.54	8.51	8.68	8.63	8.54	8.34
12	6-month	12.99	15.77	12.57	9.13	8.80	8.46	8.77	8.74	8.96	8.91	8.77	8.50
13	Eurodollar deposits, 3-month[2]	14.00	16.79	13.12	9.77	9.47	8.97	9.14	9.19	9.35	9.30	9.11	9.01
	U.S. Treasury bills[4]												
	Secondary market[7]												
14	3-month	11.43	14.03	10.61	8.07	7.94	7.86	8.11	8.05	8.16	8.22	8.16	7.91
15	6-month	11.37	13.80	11.07	8.34	8.16	7.93	8.23	8.13	8.29	8.34	8.28	8.00
16	1-year	10.89	13.14	11.07	8.44	8.23	8.01	8.28	8.19	8.34	8.41	8.33	8.06
	Auction average[8]												
17	3-month	11.506	14.077	10.686	8.042	8.013	7.810	8.130	8.055	8.122	8.252	8.256	7.888
18	6-month	11.374	13.811	11.084	8.319	8.225	7.898	8.233	8.144	8.225	8.345	8.389	7.973
19	1-year	10.748	13.159	11.099	8.567	8.234	8.007	8.308	8.007	....	....	....	8.308
	CAPITAL MARKET RATES												
	U.S. Treasury notes and bonds[9]												
	Constant maturities[10]												
20	1-year	12.05	14.78	12.27	9.16	8.91	8.62	8.92	8.83	8.98	9.06	8.98	8.67
21	2-year	11.77	14.56	12.80	9.80	9.66	9.33	9.64	9.49	9.68	9.79	9.69	9.38
22	2-1/2-year[11]	......	....	.....	....	....	....	....	9.70	....	9.90	....	9.50
23	3-year	11.55	14.44	12.92	9.98	9.88	9.64	9.91	9.87	10.00	10.06	9.95	9.66
24	5-year	11.48	14.24	13.01	10.38	10.22	10.03	10.26	10.22	10.38	10.45	10.28	9.95
25	7-year	11.43	14.06	13.06	10.53	10.49	10.36	10.56	10.58	10.74	10.78	10.59	10.17
26	10-year	11.46	13.91	13.00	10.55	10.54	10.46	10.72	10.68	10.88	10.92	10.75	10.40
27	20-year	11.39	13.72	12.92	10.57	10.62	10.78	11.03	11.01	11.16	11.21	11.06	10.71
28	30-year	11.30	13.44	12.76	10.54	10.54	10.63	10.88	10.87	11.01	11.05	10.91	10.59
	Composite[12]												
29	Over 10 years (long-term)	10.81	12.87	12.23	10.18	10.33	10.37	10.60	10.61	10.74	10.77	10.62	10.30
	State and local notes and bonds												
	Moody's series[13]												
30	Aaa	7.85	10.43	10.88	9.45	9.34	9.00	8.80	8.70	9.00	8.90	8.75	8.55
31	Baa	9.01	11.76	12.48	10.79	10.80	10.98	10.59	11.10	11.00	10.75	10.40	10.20
32	*Bond Buyer* series[14]	8.59	11.33	11.66	10.07	9.96	9.50	9.58	9.66	9.74	9.72	9.53	9.34
	Corporate bonds												
	Seasoned issues[15]												
33	All industries	12.75	15.06	14.94	13.08	13.02	12.90	13.02	12.97	13.07	13.10	13.05	12.87
34	Aaa	11.94	14.17	13.79	11.68	11.83	11.79	12.01	11.94	12.06	12.11	12.08	11.82
35	Aa	12.50	14.75	14.41	12.51	12.44	12.35	12.58	12.45	12.60	12.69	12.61	12.43
36	A	12.89	15.29	15.43	13.81	13.66	13.53	13.52	13.53	13.58	13.58	13.54	13.40
37	Baa	13.67	16.04	16.11	14.30	14.14	13.94	13.95	13.96	14.01	14.02	13.97	13.81
	Aaa utility bonds[16]												
38	New issue	12.74	15.56	14.41	11.76	11.84	12.05	12.08	12.05	12.25	....	....	11.90
39	Recently offered issues	12.70	15.56	14.45	11.88	11.91	11.84	12.09	12.02	12.26	12.12	12.10	11.88
	MEMO: Dividend/price ratio[17]												
40	Preferred stocks	10.60	12.36	12.53	11.18	11.20	11.23	11.13	11.15	11.17	11.19	11.09	11.06
41	Common stocks	5.26	5.20	5.81	4.92	4.93	4.79	4.74	4.87	4.81	4.74	4.67	4.73

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

1.36 STOCK MARKET Selected Statistics

Indicator	1980	1981	1982	1982 June	1982 July	1982 Aug.	1982 Sept.	1982 Oct.	1982 Nov.	1982 Dec.	1983 Jan.	1983 Feb.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.06	74.02	68.93	63.10	62.82	62.91	70.21	76.10	79.75	80.30	83.25	84.74
2 Industrial	78.64	85.44	78.18	71.59	71.37	70.98	80.08	86.67	90.76	92.00	95.37	97.26
3 Transportation	60.52	72.61	60 41	53.07	53.40	53.98	61.39	66.64	71.92	73.40	75.65	79.44
4 Utility	37.35	38.90	39.75	37.34	37.20	38.19	40.36	42.67	43.46	42.93	45.59	45.92
5 Finance	64.28	73.52	71.99	63.19	61.59	62.84	69.66	80.59	88.66	86.22	85.66	86.57
6 Standard & Poor's Corporation (1941–43 = 10)[1]	118.71	128.05	119.71	109.70	109.38	109.65	122.43	132.66	138.10	139.37	145.13	146.80
7 American Stock Exchange (Aug. 31, 1973 = 100)	300.94	343.58	282.62	254.72	250.63	253.54	286.22	308.74	333.54	333.36	360.92	373.84
Volume of trading (thousands of shares)												
8 New York Stock Exchange	44,867	46,967	64,617	50,481	54,530	76,031	73,710	98,508	88,431	76,463	88,463	85,026
9 American Stock Exchange	6,377	5,346	5,283	3,720	3,611	5,567	5,064	7,828	8,672	7,475	9,220	8,256
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Regulated margin credit at brokers–dealers**[2]	**14,721**	**14,411**	**13,325**	**11,783**	**11,729**	**11,396**	**11,208**	**11,728**	**12,459**	**13,325**	**13,370**	
11 Margin stock[3]	14,500	14,150	12,980	11,540	11,470	11,150	10,950	11,450	12,170	12,980	13,070	
12 Convertible bonds	219	259	344	242	258	245	257	277	288	344	299	
13 Subscription issues	2	2	1	1	1	1	1	1	1	1	1	n.a.
Free credit balances at brokers[4]												
14 Margin-account	2,105	3,515	5,735	4,215	4,410	4,470	4,990	5,520	5,600	5,735	6,257	
15 Cash-account	6,070	7,150	8,390	6,345	6,730	7,550	7,475	8,120	8,395	8,390	8,230	
	Margin-account debt at brokers (percentage distribution, end of period)											
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	
By equity class (in percent)[5]												
17 Under 40	14.0	37.0	21.0	43 0	44.0	30.0	27.0	21 0	20 0	21.0	18 0	
18 40–49	30.0	24.0	24 0	21.0	23.0	26.0	26.0	24.0	21.0	24.0	23.0	
19 50–59	25.0	17.0	24.0	16.0	13.0	18.0	20.0	22.0	25.0	24 0	25.0	n.a.
20 60–69	14.0	10.0	14.0	9.0	9.0	12.0	12.0	16.0	15.0	14.0	16.0	
21 70–79	9.0	6.0	9.0	6 0	6.0	8.0	8.0	9.0	10.0	9.0	9.0	
22 80 or more	8.0	6.0	8.0	5.0	5.0	6.0	7.0	8.0	9.0	8.0	9.0	
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[6]	**21,690**	**25,870**	**35,598**	**29,798**	**29,773**	**31,102**	**31,644**	**33,689**	**34,909**	**35,598**	**35,654**	
Distribution by equity status (percent)												
24 Net credit status	47 8	58.0	62.0	59.0	59.0	60.0	61.0	61.0	62.0	62.0	57.0	n.a.
Debt status, equity of												
25 60 percent or more	44.4	31.0	29.0	28.0	26.0	28.0	27.0	29.0	29.0	29.0	35.0	
26 Less than 60 percent	7.7	11.0	9.0	13.0	14.0	12.0	12.0	10 0	9 0	9 0	8 0	

Margin requirements (percent of market value and effective date)[7]

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

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exhange.
In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.
3. A distribution of this total by equity class is shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1979	1980	1981	1982 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1983 Jan.[p]
							Savings and loan associations					
1 **Assets**	**578,962**	**630,712**	**664,167**	**687,273**	**692,759**	**697,690**	**703,399**	**691,077**	**692,549**	**697,189**	**706,045**	**716,088**
2 Mortgages	475,688	503,192	518,547	514,046	512,997	510,678	509,776	493,899	489,923	488,614	482,234	481,346
3 Cash and investment securities[1]	46,341	57,928	63,123	70,302	70,824	72,854	74,141	74,692	75,638	78,122	84,767	91,912
4 Other	56,933	69,592	82,497	102,925	108,938	114,158	119,482	122,486	126,988	130,453	139,044	142,830
5 **Liabilities and net worth**	**578,962**	**630,712**	**664,167**	**687,273**	**692,759**	**697,690**	**703,399**	**691,077**	**692,549**	**697,189**	**706,045**	**716,088**
6 Savings capital	470,004	511,636	525,061	535,215	538,667	539,830	542,648	547,628	547,112	548,439	566,189	583,029
7 Borrowed money	55,232	64,586	88,782	94,117	96,850	98,433	98,803	99,771	100,881	102,948	97,979	89,284
8 FHLBB	40,441	47,045	62,794	65,216	66,925	67,019	66,374	65,567	65,015	64,202	63,861	60,148
9 Other	14,791	17,541	25,988	28,901	29,925	31,414	32,429	34,204	35,866	38,746	34,118	29,136
10 Loans in process	9,582	8,767	6,385	6,766	7,116	7,250	7,491	8,084	8,484	8,967	9,934	10,258
11 Other	11,506	12,394	15,544	25,756	24,671	27,375	29,965	19,202	20,018	21,048	15,720	17,675
12 Net worth[2]	32,638	33,329	28,395	25,419	25,455	24,802	24,492	24,476	24,538	24,754	26,157	26,100
13 MEMO: Mortgage loan commitments outstanding[3]	16,007	16,102	15,225	16,622	16,828	15,924	16,943	17,256	18,407	19,682	18,054	18,961
							Mutual savings banks[4]					
14 **Assets**	**163,405**	**171,564**	**175,728**	**174,952**	**175,091**	**175,563**	**175,~~563~~**	**173,487**	**172,908**	**172,287**	**174,204**	
Loans												
15 Mortgage	98,908	99,865	99,997	96,334	96,346	96,231	94,448	94,382	94,261	94,017	94,452	
16 Other	9,253	11,733	14,753	17,409	16,546	17,104	16,919	17,458	17,035	16,702	16,876	
Securities												
17 U.S. government[5]	7,658	8,949	9,810	9,968	10,112	10,036	9,653	9,404	9,219	9,456	9,685	
18 State and local government	2,930	2,390	2,288	2,259	2,253	2,247	2,214	2,191	2,505	2,496	2,500	
19 Corporate and other[6]	37,086	39,282	37,791	37,486	36,958	36,670	35,956	35,845	35,599	35,753	36,286	
20 Cash	3,156	4,334	5,442	5,469	6,040	6,167	6,405	6,695	6,749	6,291	6,920	
21 Other assets	4,412	5,011	5,649	6,027	6,836	7,109	7,185	7,514	7,540	7,572	7,485	n.a.
22 **Liabilities**	**163,405**	**171,564**	**175,728**	**174,952**	**175,091**	**175,563**	**172,780**	**173,487**	**172,908**	**172,287**	**174,204**	
23 Deposits	146,006	154,805	155,110	153,354	154,273	154,204	151,897	153,089	152,210	151,304	155,225	
24 Regular[7]	144,070	151,416	153,003	151,253	152,030	151,845	149,613	150,795	149,928	149,167	152,735	
25 Ordinary savings	61,123	53,971	49,425	47,895	47,942	47,534	46,856	47,496	48,520	49,208	56,548	
26 Time	82,947	97,445	103,578	103,358	104,088	104,310	102,756	103,299	101,408	99,959	110,330	
27 Other	1,936	2,086	2,108	2,101	2,243	2,359	2,285	2,294	2,283	2,137	2,490	
28 Other liabilities	5,873	6,695	10,632	12,246	11,230	11,940	11,691	11,166	11,556	11,893	9,742	
29 General reserve accounts	11,525	11,368	9,986	9,352	9,588	9,419	21,145	9,232	9,141	9,089	9,238	
30 MEMO: Mortgage loan commitments outstanding[8]	3,182	1,476	1,293	998	1,010	992	1,056	1,217	1,281	1,400	1,285	
							Life insurance companies					
31 **Assets**	**432,282**	**479,210**	**525,803**	**543,470**	**547,075**	**551,124**	**557,094**	**563,321**	**571,902**	**578,200**		
Securities												
32 *Government*	338	21,378	25,209	27,835	28,243	28,694	30,263	30,759	31,791	32,682		
33 United States[9]	4,888	5,345	8,167	10,187	10,403	10,774	12,214	12,606	13,538	14,370		
34 State and local	6,428	6,701	7,151	7,543	7,643	7,705	7,799	7,834	7,871	7,935		
35 Foreign[10]	9,022	9,332	9,891	10,105	10,197	10,215	10,250	10,319	10,382	10,377	n.a.	n.a.
36 Business	222,332	238,113	255,769	264,107	265,080	267,627	270,029	273,539	279,918	283,650		
37 Bonds	178,171	190,747	208,098	217,594	219,006	221,503	221,642	223,783	226,879	229,101		
38 Stocks	48,757	47,366	47,670	46,513	46,074	46,124	48,387	49,756	53,039	54,549		
39 Mortgages	119,421	131,030	137,747	139,455	139,539	140,044	140,244	140,404	140,678	140,956		
40 Real estate	13,007	15,063	18,278	19,713	19,959	20,198	20,176	20,268	20,293	20,480		
41 Policy loans	44,825	41,411	48,706	50,992	51,438	51,867	52,238	52,525	52,751	52,916		
42 Other assets	27,563	31,702	40,094	41,368	42,816	42,694	44,144	45,826	46,471	47,516		
							Credit unions					
43 **Total assets/liabilities and capital**	**65,854**	**71,709**	**77,682**	**82,858**	**84,107**	**84,423**	**85,102**	**86,554**	**88,144**	**89,261**		
44 Federal	35,934	39,801	42,382	45,077	45,705	45,931	46,310	47,076	47,649	48,272		
45 State	29,920	31,908	35,300	37,781	38,402	38,492	38,792	39,478	40,495	40,989		
46 Loans outstanding	53,125	47,774	50,448	49,556	49,919	50,133	50,733	51,047	50,934	50,936		
47 Federal	28,698	25,627	27,458	27,073	27,295	27,351	27,659	27,862	27,789	27,824	n.a.	n.a.
48 State	24,426	22,147	22,990	22,483	22,624	22,782	23,074	23,185	23,145	23,139		
49 Savings	56,232	64,399	68,871	73,602	74,834	75,088	75,331	76,874	78,529	79,799		
50 Federal (shares)	35,530	36,348	37,574	40,213	40,710	40,969	41,178	41,961	42,852	43,413		
51 State (shares and deposits)	25,702	28,051	31,297	33,389	34,124	34,119	34,153	34,913	35,677	36,386		

For notes see bottom of opposite page.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1980	Fiscal year 1981	Fiscal year 1982	Calendar year 1981 H2	1982 H1	1982 H2	1982 Nov.	1982 Dec.	1983 Jan.
U.S. budget									
1 Receipts[1]	517,112	599,272	617,776	301,777	322,478	286,338	42,007	54,498	57,505
2 Outlays[1,2]	576,675	657,204	728,375	358,558	348,678	390,846	66,166	72,436	67,087
3 Surplus, or deficit (-)	-59,563	-57,932	-110,609	-56,780	-26,200	104,508	-24,159	-17,938	-9,582
4 Trust funds	8,801	6,817	5,456	-8,085	-17,690	-6,576	-5,750	3,382	-3,623
5 Federal funds[3]	-68,364	-64,749	-116,065	-48,697	-43,889	-97,934	-18,409	21,320	-5,959
Off-budget entities (surplus, or deficit (-))									
6 Federal Financing Bank outlays	-14,549	-20,769	-14,142	-8,728	-7,942	-4,923	-559	-198	-271
7 Other[4]	303	236	-3,190	-1,752	227	-2,267	127	33	-63
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (-)	73,808	78,936	-127,940	-67,260	-33,914	111,699	-24,845	-18,103	-9,916
Source or financing									
9 Borrowing from the public	70,515	79,329	134,993	54,081	41,728	119,609	25,923	29,895	6,419
10 Cash and monetary assets (decrease, or increase (-))[5]	-355	-1,878	11,911	-1,111	-408	-9,057	7,231	-13,002	2,179
11 Other[6]	3,648	1,485	4,858	14,290	-7,405	1,146	-8,309	1,211	1,318
MEMO:									
12 Treasury operating balance (level, end of period)	20,990	18,670	29,164	12,046	10,999	19,773	5,210	19,773	17,502
13 Federal Reserve Banks	4,102	3,520	10,975	4,301	4,099	5,033	2,247	5,033	2,627
14 Tax and loan accounts	16,888	15,150	18,189	7,745	6,900	14,740	2,963	14,740	14,875

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

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government." *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1984*.

NOTES TO TABLE 1.37

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

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

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

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

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1980	Fiscal year 1981	Fiscal year 1982	Calendar year 1981 H2	Calendar year 1982 H1	Calendar year 1982 H2	Calendar year 1982 Nov.	Calendar year 1982 Dec.	Calendar year 1983 Jan.
RECEIPTS									
1 **All sources**[1]	**517,112**	**599,272**	**617,766**	**301,777**	**322,478**	**286,338**	**42,007**	**54,498**	**57,505**
2 Individual income taxes, net	244,069	285,917	297,744	147,035	150,565	145,676	22,452	24,946	34,151
3 Withheld	223,763	256,332	267,513	134,199	133,575	131,567	22,079	23,843	20,953
4 Presidential Election Campaign Fund	39	41	39	5	34	5	0	0	0
5 Nonwithheld	63,746	76,844	84,691	17,391	66,174	20,040	1,153	1,906	13,217
6 Refunds	43,479	47,299	54,498	4,559	49,217	5,938	779	804	18
Corporation income taxes									
7 Gross receipts	72,380	73,733	65,991	31,056	37,836	25,661	1,630	9,402	2,394
8 Refunds	7,780	12,596	16,784	738	8,028	11,467	2,310	1,238	1,230
9 Social insurance taxes and contributions, net	157,803	182,720	201,498	91,592	108,079	94,278	14,902	15,776	17,071
10 Payroll employment taxes and contributions[2]	133,025	156,932	172,744	82,984	88,795	85,063	12,924	15,138	15,479
11 Self-employment taxes and contributions[3]	5,723	6,041	7,941	244	7,357	177	0	0	415
12 Unemployment insurance	15,336	15,763	16,600	6,355	9,809	6,857	1,629	264	789
13 Other net receipts[1,4]	3,719	3,984	4,212	2,009	2,119	2,181	349	373	387
14 Excise taxes	24,329	40,839	36,311	22,097	17,525	16,556	2,925	2,674	2,707
15 Customs deposits	7,174	8,083	8,854	4,661	4,310	4,299	692	724	485
16 Estate and gift taxes	6,389	6,787	7,991	3,742	4,208	3,445	472	572	553
17 Miscellaneous receipts[5]	12,748	13,790	16,161	8,441	7,984	7,891	1,243	1,643	1,374
OUTLAYS									
18 **All types**[1,6]	**576,675**	**657,204**	**728,375**	**358,558**	**346,286**	**390,846**	**66,166**	**72,436**	**67,087**
19 National defense	135,856	159,765	187,418	87,421	93,154	100,419	16,937	18,141	16,297
20 International affairs	10,733	11,130	9,982	4,655	5,183	4,406	45	1,044	804
21 General science, space, and technology	5,722	6,359	7,070	3,388	3,370	3,903	771	838	487
22 Energy	6,313	10,277	4,674	4,394	2,814	2,059	504	362	296
23 Natural resources and environment	13,812	13,525	12,934	7,296	5,636	6,940	1,100	1,060	1,007
24 Agriculture	4,762	5,572	14,875	5,181	7,087	13,260	3,322	5,326	3,223
25 Commerce and housing credit	7,788	3,946	3,865	1,825	1,410	2,244	−52	968	1,213
26 Transportation	21,120	23,381	20,560	10,753	9,915	10,686	1,876	1,567	1,718
27 Community and regional development	10,068	9,394	7,165	4,269	3,193	4,186	718	638	504
28 Education, training, employment, social services	30,767	31,402	26,300	13,878	12,595	12,187	2,058	2,019	2,259
29 Health[1]	55,220	65,982	74,017	35,322	37,213	39,073	6,644	6,895	6,612
30 Income security[6]	193,100	225,101	248,343	129,269	112,782	133,779	22,987	24,263	23,010
31 Veterans benefits and services	21,183	22,988	23,955	12,880	10,865	13,241	2,069	3,202	837
32 Administration of justice	4,570	4,696	4,671	2,290	2,334	2,373	419	382	448
33 General government	4,505	4,614	4,726	2,311	2,410	2,322	524	451	337
34 General-purpose fiscal assistance	8,584	6,856	6,393	3,043	3,325	3,152	302	58	1,269
35 Net interest[7]	52,458	68,726	84,697	39,950	41,880	44,948	8,469	6,611	7,616
36 Undistributed offsetting receipts[8]	−9,887	−16,509	−13,270	−9,564	−6,490	−8,333	−2,529	−1,389	−849

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

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1984.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION
Billions of dollars

Item	1980	1981				1982			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**936.7**	**970.9**	**977.4**	**1,003.9**	**1,034.7**	**1,066.4**	**1,084.7**	**1,147.0**	**1,201.9**
2 Public debt securities	930.2	964.5	971.2	997.9	1,028.7	1,061.3	1,079.6	1,142.0	1,197.1
3 Held by public	737.7	773.7	771.3	789.8	825.5	858.9	867.9	925.6	987.7
4 Held by agencies	192.5	190.9	199.9	208.1	203.2	202.4	211.7	216.4	209.4
5 Agency securities	6.5	6.4	6.2	6.1	6.0	5.1	5.0	5.0	4.8
6 Held by public	5.0	4.9	4.7	4.6	4.6	3.9	3.9	3.7	3.7
7 Held by agencies	1.5	1.5	1.5	1.5	1.4	1.2	1.1	1.3	1.1
8 **Debt subject to statutory limit**	**931.2**	**965.5**	**972.2**	**998.8**	**1,029.7**	**1,062.2**	**1,080.5**	**1,142.9**	**1,197.9**
9 Public debt securities	929.6	963.9	970.6	997.2	1,028.1	1,060.7	1,079.0	1,141.4	1,196.5
10 Other debt[1]	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4
11 MEMO: Statutory debt limit	935.1	985.0	985.0	999.8	1,079.8	1,079.8	1,143.1	1,143.1	1,290.2

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership
Billions of dollars, end of period

Type and holder	1978	1979	1980	1981	1982			1983	
					Oct.	Nov.	Dec.	Jan.	Feb.
1 **Total gross public debt**	**789.2**	**845.1**	**930.2**	**1,028.7**	**1,142.8**	**1,161.7**	**1,197.1**	**1,201.0**	**1,215.3**
By type									
2 Interest-bearing debt	782.4	844.0	928.9	1,027.3	1,136.8	1,160.5	1,195.5	1,199.6	1,213.7
3 Marketable	487.5	530.7	623.2	720.3	824.7	852.5	881.5	888.7r	907.7
4 Bills	161.7	172.6	216.1	245.0	283.9	293.5	311.8	308.1	314.9
5 Notes	265.8	283.4	321.6	375.3	438.1	454.2	465.0	473.0	481.3
6 Bonds	60.0	74.7	85.4	99.9	102.7	104.7	104.6	107.6	111.5
7 Nonmarketable[1]	294.8	313.2	305.7	307.0	312.2	308.0	314.0	310.9	306.1
8 Convertible bonds[2]	2.2	2.2	....	....	....	....	....	....	....
9 State and local government series	24.3	24.6	23.8	23.0	23.8	25.0	25.7	25.6	25.7
10 Foreign issues[3]	29.6	28.8	24.0	19.0	14.6	14.9	14.7	14.0	12.7
11 Government	28.0	23.6	17.6	14.9	12.2	12.5	13.0	12.7	11.4
12 Public	1.6	5.3	6.4	4.1	2.4	2.4	1.7	1.3	1.3
13 Savings bonds and notes	80.9	79.9	72.5	68.1	67.8	68.1	68.0	68.1	68.3
14 Government account series[4]	157.5	177.5	185.1	196.7	205.7	199.9	205.4	203.0	199.1
15 Non-interest-bearing debt	6.8	1.2	1.3	1.4	6.0	1.2	1.6	1.4	1.6
By holder[5]									
16 U.S. government agencies and trust funds	170.0	187.1	192.5	203.3					
17 Federal Reserve Banks	109.6	117.5	121.3	131.0					
18 Private investors	508.6	540.5	616.4	694.5					
19 Commercial banks	93.2	96.4	116.0	109.4					
20 Mutual savings banks	5.0	4.7	5.4	5.2					
21 Insurance companies	15.7	16.7	20.1	19.1					
22 Other companies	19.6	22.9	25.7	37.8	n.a.	n.a.	n.a.	n.a.	n.a.
23 State and local governments	64.4	69.9	'78.8	85.6					
Individuals									
24 Savings bonds	80.7	79.9	72.5	68.0					
25 Other securities	30.3	36.2	56.7	75.6					
26 Foreign and international[6]	137.8	124.4	127.7	141.4					
27 Other miscellaneous investors[7]	58.9	90.1	106.9	152.3					

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

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

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

▲Series discontinued.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

	Item	1979	1980	1981	1982		1983	1983, week ending Wednesday					
					Nov.	Dec.r	Jan.	Jan. 19	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23
	Immediate delivery[1]												
1	U.S government securities	13,183	18,331	24,728	35,933	31,388	35,724	34,744	39,180	35,047	34,501	39,963	44,144
	By maturity												
2	Bills	7,915	11,413	14,768	19,275	18,473	19,439	20,938	20,742	18,261	16,473	21,748	21,292
3	Other within 1 year	454	421	621	748	645	819	719	1,125	655	643	911	637
4	1–5 years	2,417	3,330	4,360	6,875	5,351	6,973	6,268	8,813	7,949	7,213	8,390	12,259
5	5–10 years	1,121	1,464	2,451	4,162	3,794	4,263	4,290	4,208	3,269	4,479	4,351	5,108
6	Over 10 years	1,276	1,704	2,528	4,873	3,124	4,229	3,610	4,291	4,913	5,692	4,563	4,847
	By type of customer												
7	U.S. government securities dealers	1,448	1,484	1,640	2,151	2,156	2,219	2,299	2,544	1,544	1,922	1,706	2,141
8	U.S. government securities brokers	5,170	7,610	11,750	16,819	14,165	17,130	16,311	18,965	17,325	17,237	19,648	21,702
9	All others[2]	6,564	9,237	11,337	16,962	15,066	16,376	16,134	17,670	16,178	15,341	18,609	20,302
10	Federal agency securities	2,723	3,258	3,306	4,951	4,521	5,199	6,026	4,846	3,902	3,472	5,185	4,965
11	Certificates of deposit	1,764	2,472	4,477	4,848	4,347	4,747	4,560	4,354	4,794	3,746	3,890	4,824
12	Bankers acceptances			1,807	2,895	2,446	2,827	2,570	2,567	2,524	2,057	2,364	3,109
13	Commercial paper			6,128	7,392	6,915	7,911	8,058	7,664	8,036	7,252	7,265	8,055
	Futures transactions[3]												
14	Treasury bills			3,523	387	4,280	5,166	5,121	6,814	6,140	4,999	6,801	6,178
15	Treasury coupons	n.a.	n.a.	1,330	794	1,534	1,667	1,526	1,989	1,579	1,631	1,958	2,529
16	Federal agency securities			234	195	254	169	164	186	159	182	233	281
	Forward transactions[4]												
17	U.S. government securities			365	6,747	1,086	1,035	1,349	1,562	1,895	2,236	1,220	1,525
18	Federal agency securities			1,370	969	1,073	1,136	1,469	942	857	968	1,405	1,184

1. Before 1981, data for immediate transactions include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. *Futures contracts are standardized agreements* arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

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

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1979	1980	1981	1982		1983	1983, week ending Wednesday				
					Nov.	Dec.	Jan.	Jan. 12	Jan. 19	Jan. 26	Feb. 2	Feb. 9
		Positions										
	Net immediate[1]											
1	U.S. government securities	3,223	4,306	9,033	8,417	14,814r	14,670	15,505	13,888	14,640	12,176	13,244
2	Bills	3,813	4,103	6,485	3,654	8,732	9,953	9,031	9,526	11,004	10,660	10,257
3	Other within 1 year	−325	−1,062	−1,526	593	428	−230	−35	−325	−482	−675	−584
4	1–5 years	−455	434	1,488	2,850	4,249	3,091	3,761	2,292	3,143	2,163	2,204
5	5–10 years	160	166	292	−274	−36r	−193	382	−73	−874	−930	−205
6	Over 10 years	30	665	2,294	1,594	1,442r	2,049	2,366	2,468	1,849	958	1,571
7	Federal agency securities	1,471	797	2,277	5,680	5,948r	5,125	5,352	5,573	4,513	4,208	4,523
8	Certificates of deposit	2,794	3,115	3,435	5,316	6,850r	6,180	6,231	5,793	5,669	6,130	5,969
9	Bankers acceptances			1,746	3,240	4,037r	3,551	3,590	3,546	3,502	3,142	3,014
10	Commercial paper			2,658	3,265	3,157r	3,436	3,391	3,539	3,362	3,533	3,267
	Futures positions											
11	Treasury bills			−8,934	1,761	−4,913r	−7,108	−9,586	−8,184	−4,803	−1,281	−747
12	Treasury coupons	n.a.	n.a.	−2,733	−2,700	−2,304r	−2,142	−2,667	−2,354	−1,615	−1,031	−947
13	Federal agency securities			522	−344	−335r	−343	−494	−326	−233	−66	−153
	Forward positions											
14	U.S. government securities			−603	−828	−1,235	−1,397	−1,309	−1,697	−1,713	−1,033	−1,041
15	Federal agency securities			−451	−2,028	−2,108	−2,329	−2,598	−2,645	−1,873	−1,573	−2,039
		Financing[2]										
	Reverse repurchase agreements[3]											
16	Overnight and continuing			14,568	22,186	29,053	27,038	29,157	25,803	25,001	25,818	
17	Term agreements			32,048	55,024	61,639	49,013	49,164	49,171	48,990	50,747	
	Repurchase agreements[4]	n.a.	n.a.									n.a.
18	Overnight and continuing			35,919	43,112	57,009	59,753	60,438	56,805	56,893	58,250	
19	Term agreements			29,449	54,999	50,073	43,846	44,157	44,198	45,023	43,761	

For notes see opposite page.

1.45 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1978	1979	1980	1982 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **Federal and federally sponsored agencies**[1]	**137,063**	**163,290**	**193,229**	**238,787**	**242,565**	**243,623**	**246,050**	**245,698**	**243,634**	**247,218**
2 Federal agencies	21,488	24,715	28,606	32,274	32,302	32,280	32,606	32,713	32,772	33,055
3 Defense Department[2]	968	738	610	419	408	399	388	377	364	354
4 Export-Import Bank[3,4]	8,711	9,191	11,250	13,939	13,938	13,918	14,042	14,000	13,999	14,218
5 Federal Housing Administration[5]	588	537	477	358	353	345	335	323	311	288
6 Government National Mortgage Association participation certificates[6]	3,141	2,979	2,817	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[7]	2,364	1,837	1,770	1,471	1,471	1,471	1,471	1,471	1,471	1,471
8 Tennessee Valley Authority	7,460	8,997	11,190	13,715	13,760	13,775	14,010	14,185	14,270	14,365
9 United States Railway Association[7]	356	436	492	207	207	207	195	192	192	194
10 Federally sponsored agencies[1]	113,575	138,575	164,623	206,513	210,263	211,343	213,444	212,985	210,862	214,163
11 Federal Home Loan Banks	27,563	33,330	41,258	61,883	62,058	61,747	61,251	60,904	60,356	61,447
12 Federal Home Loan Mortgage Corporation	2,262	2,771	2,536	3,099	3,099	3,099	3,099	3,099	3,099	3,099
13 Federal National Mortgage Association	41,080	48,486	55,185	62,660	65,563	65,733	68,130	67,916	66,852	70,052
14 Federal Land Banks	20,360	16,006	12,365	8,217	7,652	7,652	7,652	6,813	6,813	6,813
15 Federal Intermediate Credit Banks	1,469	2,676	1,821	926	926	926	926	926	926	926
16 Banks for Cooperatives	4,843	584	584	220	220	220	220	220	220	220
17 Farm Credit Banks[1]	5,081	33,216	48,153	64,506	65,743	65,657	65,553	66,449	65,877	65,014
18 Student Loan Marketing Association	915	1,505	2,720	5,000	5,000	6,307r	6,611r	6,657	6,718	6,591
19 Other	2	1	1	2	2	2	2	1	1	1
MEMO:										
20 **Federal Financing Bank debt**[1,8]	**51,298**	**67,383**	**87,460**	**120,241**	**121,261**	**122,623**	**124,357**	**125,064**	**125,707**	**126,424**
Lending to federal and federally sponsored agencies										
21 Export-Import Bank[4]	6,898	8,353	10,654	13,829	13,829	13,823	13,954	13,954	13,954	14,177
22 Postal Service[7]	2,114	1,587	1,520	1,221	1,221	1,221	1,221	1,221	1,221	1,221
23 Tennessee Valley Authority	5,635	7,272	9,465	11,990	12,035	12,050	12,285	12,460	12,545	12,640
24 United States Railway Association[7]	356	436	492	207	207	207	195	192	192	194
Other Lending[9]										
25 Farmers Home Administration	23,825	32,050	39,431	52,346	52,711	53,311	53,736	53,661	53,661	53,261
26 Rural Electrification Administration	4,604	6,484	9,196	15,454	15,688	15,916	16,282	16,600	16,750	17,157
27 Other	6,951	9,696	13,982	20,194	20,570	21,095	21,684	26,976	27,384	27,774

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

NOTES TO TABLE 1.44

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

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

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1979	1980	1981	1982 June^r	July^r	Aug.^r	Sept.^r	Oct.^r	Nov.^r	Dec.
1 **All issues, new and refunding**[1]	**43,365**	**48,367**	**47,732**	**5,783**	**5,583**	**6,510**	**6,497**	**8,260**	**9,850**	**9,085**
Type of issue										
2 General obligation	12,109	14,100	12,394	1,806	974	1,683	1,701	2,262	3,352	1,543
3 U.S. government loans[2]	53	38	34	16	22	25	30	30	34	37
4 Revenue	31,256	34,267	35,338	3,977	4,609	4,827	4,796	5,998	6,498	7,542
5 U.S. government loans[2]	67	57	55	45	49	52	54	57	57	62
Type of issuer										
6 State	4,314	5,304	5,288	1,074	257	835	1,077	1,010	1,088	169
7 Special district and statutory authority	23,434	26,972	27,499	2,867	3,695	3,654	3,455	5,101	5,269	5,824
8 Municipalities, counties, townships, school districts	15,617	16,090	14,945	1,842	1,631	2,021	1,965	2,149	3,493	3,092
9 **Issues for new capital, total**	**41,505**	**46,736**	**46,530**	**5,693**	**5,396**	**6,083**	**6,294**	**7,073**	**9,106**	**8,886**
Use of proceeds										
10 Education	5,130	4,572	4,547	717	293	516	830	532	716	810
11 Transportation	2,441	2,621	3,447	245	118	768	551	636	1,286	1,338
12 Utilities and conservation	8,594	8,149	10,037	830	1,272	685	283	1,335	1,961	1,830
13 Social welfare	15,968	19,958	12,729	2,307	2,705	2,500	2,542	2,619	2,204	2,963
14 Industrial aid	3,836	3,974	7,651	416	562	728	1,048	556	729	1,066
15 Other purposes	5,536	7,462	8,119	1,178	446	886	1,040	1,395	2,210	879

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

SOURCE. Public Securities Association.

1.47 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1980	1981	1982	1982 June^r	July^r	Aug.^r	Sept.^r	Oct.^r	Nov.^r	Dec.
1 **All issues**[1]	**73,694**	**69,992**	**83,787**	**4,928**	**6,222**	**9,318**	**8,247**	**9,988**	**8,802**	**9,830**
2 **Bonds**	**53,206**	**44,643**	**53,225**	**3,228**	**3,934**	**6,553**	**5,762**	**7,120**	**5,412**	**5,636**
Type of offering										
3 Public	41,587	37,653	43,427	2,398	2,868	5,546	5,308	6,425	4,927	4,264
4 Private placement	11,619	6,989	9,798	830	1,066	1,007	454	695	485	1,372
Industry group										
5 Manufacturing	15,409	12,325	13,307	462	1,638	1,602	1,730	2,044	2,138	1,204
6 Commercial and miscellaneous	6,693	5,229	5,681	343	493	1,202	481	417	523	565
7 Transportation	3,329	2,054	1,474	82	58	402	64	285	88	120
8 Public utility	9,557	8,963	12,155	761	717	934	1,021	1,663	1,246	944
9 Communication	6,683	4,280	2,265	176	84	205	311	208	115	372
10 Real estate and financial	11,534	11,793	18,343	1,403	944	2,208	2,156	2,504	1,302	2,431
11 **Stocks**[2]	**20,489**	**25,349**	**30,563**	**1,700**	**2,288**	**2,765**	**2,485**	**2,868**	**3,390**	**4,194**
Type										
12 Preferred	3,631	1,797	5,115	67	644	622	522	611	573	421
13 Common	16,858	23,522	25,448	1,633	1,644	2,143	1,963	2,257	2,817	3,773
Industry group										
14 Manufacturing	4,839	5,073	5,650	502	187	718	345	666	481	920
15 Commercial and miscellaneous	5,245	7,557	7,770	317	615	375	742	640	1,024	693
16 Transportation	549	779	709	52	5	62	84	80	225	22
17 Public utility	6,230	5,577	7,517	277	331	759	1,003	620	752	742
18 Communication	567	1,778	2,227	17	96	495	4	33	14	1,361
19 Real estate and financial	3,059	4,585	6,690	534	1,054	357	307	829	894	455

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. 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.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1981	1982	1982 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1983 Jan.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	20,596	45,675	3,061	3,304	4,322	4,709	5,668	5,815	5,291	8,085
2 Redemptions of own shares[3]	15,866	30,078	2,038	2,145	2,335	3,052	3,046	3,493	4,835	4,233
3 Net sales	4,730	15,597	1,023	1,159	1,987	1,657	2,622	2,322	456	3,852
4 Assets[4]	55,207	76,741	54,238	54,592	62,212	63,783	70,964	74,864	76,841	80,102
5 Cash position[5]	5,277	5,999	6,298	5,992	6,039	5,556	5,948	5,838	6,040	6,940
6 Other	49,930	70,742	47,940	48,600	56,173	58,227	65,016	69,026	70,801	73,162

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.49 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1979	1980	1981	1981 Q1	Q2	Q3	Q4	1982 Q1	Q2	Q3
1 Corporate profits with inventory valuation and capital consumption adjustment	194.8	181.6	190.6	200.3	185.1	193.1	183.9	157.1	155.4	166.2
2 Profits before tax	252.7	242.4	232.1	253.1	225.4	233.3	216.5	171.6	171.7	180.3
3 Profits tax liability	87.6	84.6	81.2	91.5	79.2	82.4	71.6	56.7	55.3	60.9
4 Profits after tax	165.1	157.8	150.9	161.6	146.2	150.9	144.9	114.9	116.3	119.4
5 Dividends	52.7	58.1	65.1	61.5	64.0	66.8	68.1	68.8	69.3	70.5
6 Undistributed profits	112.4	99.7	85.8	100.1	82.2	84.1	76.8	46.1	47.0	48.8
7 Inventory valuation	−43.1	−43.0	−24.6	−35.5	−22.8	−23.0	−17.1	−4.4	−9.4	−10.3
8 Capital consumption adjustment	−14.8	17.8	−16.8	−17.3	−17.5	−17.1	−15.5	−10.1	−6.9	−3.8

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

1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1976	1977	1978	1979	1980	1981 Q2	1981 Q3	1981 Q4	1982 Q1	1982 Q2
1 **Current assets**	**827.4**	**912.7**	**1,043.7**	**1,218.2**	**1,333.5**	**1,388.3**	**1,410.9**	**1,427.1**	**1,423.6**	**1,419.4**
2 Cash	88.2	97.2	105.5	118.0	127.1	126.2	125.1	131.7	121.3	123.4
3 U.S. government securities	23.5	18.2	17.3	17.0	19.3	19.9	18.0	17.9	17.1	17.4
4 Notes and accounts receivable	292.9	330.3	388.0	461.1	510.6	533.1	542.4	536.7	537.8	534.4
5 Inventories	342.5	376.9	431.6	505.5	543.7	565.3	577.0	587.1	593.8	589.2
6 Other	80.3	90.1	101.3	116.7	132.7	143.8	148.3	153.6	153.6	155.0
7 **Current liabilities**	**495.1**	**557.1**	**669.3**	**807.8**	**890.9**	**931.5**	**967.2**	**980.0**	**985.7**	**982.6**
8 Notes and accounts payable	282.1	317.6	382.9	461.2	515.2	525.9	549.5	562.9	555.0	554.9
9 Other	213.0	239.6	286.4	346.6	375.7	405.5	417.7	417.1	430.8	427.8
10 **Net working capital**	**332.4**	**355.5**	**374.4**	**410.5**	**442.6**	**456.8**	**443.7**	**447.1**	**437.9**	**436.8**
11 MEMO: Current ratio[1]	1.671	1.638	1.559	1.508	1.497	1.490	1.459	1.456	1.444	1.445

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry[1]	1981	1982	1983[1]	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1983 Q1[1]	1983 Q2[1]
1 **Total nonfarm business**	**321.49**	**316.43**	**310.92**	**327.83**	**327.72**	**323.22**	**315.79**	**302.77**	**302.25**	**302.20**
Manufacturing										
2 Durable goods industries	61.84	56.44	54.22	60.78	60.84	59.03	57.14	50.50	52.76	50.85
3 Nondurable goods industries	64.95	63.23	61.69	66.14	67.48	64.74	62.32	59.59	60.05	60.45
Nonmanufacturing										
4 Mining	16.86	15.45	15.46	16.81	17.60	16.56	14.63	13.31	14.56	14.62
Transportation										
5 Railroad	4.24	4.38	4.21	4.18	4.56	4.73	3.94	4.31	3.69	4.49
6 Air	3.81	3.93	3.33	4.82	3.20	3.54	4.11	4.85	3.71	3.64
7 Other	4.00	3.64	3.46	4.12	4.23	4.06	3.24	3.25	3.56	3.46
Public utilities										
8 Electric	29.74	33.40	33.09	31.14	30.95	32.26	34.98	35.12	33.38	32.94
9 Gas and other	8.65	8.55	7.91	8.60	9.17	9.14	8.40	7.77	7.61	8.43
10 Trade and services	86.33	86.95	87.78	88.33	87.80	88.85	87.31	84.00	85.38	85.23
11 Communication and other[2]	41.06	40.46	39.78	42.92	41.89	40.33	39.73	40.06	37.55	38.09

1. Anticipated by business.
2. "Other" consists of construction; social services and membership organizations; and forestry, fisheries, and agricultural services.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

1.52 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1977	1978	1979	1980	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	44.0	52.6	65.7	73.6	84.5	85.5	85.1	88.0	88.3	89.5
2 Business	55.2	63.3	70.3	72.3	76.9	80.6	80.9	82.6	82.2	81.0
3 Total	99.2	116.0	136.0	145.9	161.3	166.1	166.0	170.6	170.5	170.4
4 LESS: Reserves for unearned income and losses	12.7	15.6	20.0	23.3	27.7	28.9	29.1	30.2	30.4	30.5
5 Accounts receivable, net	86.5	100.4	116.0	122.6	133.6	137.2	136.9	140.4	140.1	139.8
6 Cash and bank deposits	2.6	3.5								
7 Securities	.9	1.3	24.9[1]	27.5	34.5	34.2	35.0	37.3	39.1	39.7
8 All other	14.3	17.3								
9 **Total assets**	**104.3**	**122.4**	**140.9**	**150.1**	**168.1**	**171.4**	**171.9**	**177.8**	**179.2**	**179.5**
LIABILITIES										
10 Bank loans	5.9	6.5	8.5	13.2	14.7	15.4	15.4	14.5	16.8	18.6
11 Commercial paper	29.6	34.5	43.3	43.4	51.2	51.2	46.2	50.3	46.7	45.8
Debt										
12 Short-term, n.e.c.	6.2	8.1	8.2	7.5	11.9	9.6	9.0	9.3	9.9	8.7
13 Long-term, n.e.c.	36.0	43.6	46.7	52.4	50.7	54.8	59.0	60.3	60.9	63.5
14 Other	11.5	12.6	14.2	14.3	17.1	17.8	19.0	18.9	20.5	18.7
15 Capital, surplus, and undivided profits	15.1	17.2	19.9	19.4	22.4	22.8	23.3	24.5	24.5	24.2
16 **Total liabilities and capital**	**104.3**	**122.4**	**140.9**	**150.1**	**168.1**	**171.4**	**171.9**	**177.8**	**179.2**	**179.5**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

1.53 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Dec. 31, 1982[1]	Changes in accounts receivable 1982 Oct.	Nov.	Dec.	Extensions 1982 Oct.	Nov.	Dec.	Repayments 1982 Oct.	Nov.	Dec.
1 **Total**	**80,952**	**−1,215**	**−1,891**	**−571**	**18,041**	**22,319**	**20,031**	**19,256**	**24,210**	**20,602**
2 Retail automotive (commercial vehicles)	12,570	−82	430	142	842	1,330	1,036	924	900	894
3 Wholesale automotive	12,074	−596	−1,416	−1,087	4,500	6,637	4,965	5,096	8,053	6,052
4 Retail paper on business, industrial, and farm equipment	28,191	−608	−476	222	971	1,297	1,420	1,579	1,773	1,198
5 Loans on commercial accounts receivable and factored commercial accounts receivable	9,073	54	−13	−350	10,102	11,310	10,493	10,048	11,323	10,843
6 All other business credit	19,044	17	−416	502	1,626	1,745	2,117	1,609	2,161	1,615

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1980	1981	1982	1982						1983
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	83.4	90.4	94.6	98.4	91.4	95.0	99.1	97.9	91.8	88.9
2 Amount of loan (thousands of dollars)	59.2	65.3	69.8	73.1	66.5	71.6	74.4	75.6	67.6	65.4
3 Loan/price ratio (percent)	73.2	74.8	76.6	77.3	74.1	78.7	77.9	79.0	75.2	75.2
4 Maturity (years)	28.2	27.7	27.6	28.4	26.4	28.1	28.4	27.9	26.9	26.5
5 Fees and charges (percent of loan amount)[2]	2.09	2.67	2.95	3.15	2.87	3.04	2.74	2.76	2.98	2.46
6 Contract rate (percent per annum)	12.25	14.16	14.47	15.01	15.05	14.34	13.86	13.26	13.09	13.00
Yield (percent per annum)										
7 FHLBB series[3]	12.65	14.74	15.12	15.70	15.68	14.98	14.41	13.81	13.69	13.49
8 HUD series[4]	13.95	16.52	15.79	16.50	15.40	15.05	13.95	13.80	13.62	13.44
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.44	16.31	15.31	16.29	14.61	14.03	12.99	12.82	12.80	12.87
10 GNMA securities[6]	12.55	15.29	14.68	15.56	14.51	13.57	12.83	12.66	12.60	12.29
FNMA auctions[7]										
11 Government-underwritten loans	14.11	16.70	....	....	15.78	....	....	....	....	....
12 Conventional loans	14.43	16.64	15.95	16.85	15.78	15.36	13.92	13.75	13.72	....
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	55,104	58,675	66,031	66,158	67,810	68,841	69,152	70,126	71,814	73,106
14 FHA/VA-insured	37,365	39,341	39,718	39,853	39,922	39,871	39,523	39,174	39,057	38,924
15 Conventional	17,725	19,334	26,312	26,305	27,888	28,970	29,629	30,952	32,757	34,182
Mortgage transactions (during period)										
16 Purchases	8,099	6,112	15,116	1,354	1,931	1,670	1,449	1,681	2,495	2,045
17 Sales	0	2	0	0	0	0	0	0	0	0
Mortgage commitments[8]										
18 Contracted (during period)	8,083	9,331	22,105	2,016	1,820	1,482	1,426	2,795	3,055	2,006
19 Outstanding (end of period)	3,278	3,717	7,606	7,674	6,900	6,587	6,268	7,286	7,606	7,487
Auction of 4-month commitments to buy										
Government-underwritten loans										
20 Offered	8,605.4	2,487.2	307.4	8.9	43.3	16.4	2.5	27.0	4.6	2.0
21 Accepted	4,002.0	1,478.0	104.3	0.0	5.7	0.0	0.0	0.0	0.0	0.0
Conventional loans										
22 Offered	3,639.2	2,524.7	445.3	37.2	70.1	27.5	13.6	22.1	23.2	7.8
23 Accepted	1,748.5	1,392.3	237.6	23.6	42.9	0.0	8.9	11.4	15.3	0.0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
24 Total	4,362	5,245	5,153	5,309	5,201	5,207	4,957	4,676	4,733	n.a.
25 FHA/VA	2,116	2,236	1,921	2,232	2,216	2,225	1,016	1,012	1,009	n.a.
26 Conventional	2,246	3,010	3,224	3,077	2,985	2,982	3,891	3,663	3,724	n.a.
Mortgage transactions (during period)										
27 Purchases	3,723	3,789	23,671	2,237	2,529	1,799	2,000	1,917	3,916	n.a.
28 Sales	2,527	3,531	24,164	2,204	2,619	1,923	2,197	2,182	3,798	n.a.
Mortgage commitments[10]										
29 Contracted (during period)	3,859	6,974	28,187	2,189	2,768	2,892	2,506	1,714	1,068	n.a.
30 Outstanding (end of period)	447	3,518	7,549	8,544	9,318	10,211	10,572	10,407	7,549	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, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.
8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
9. Includes participation as well as whole loans.
10. Includes conventional and government-underwritten loans.

1.55 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1980	1981	1982	1981 Q3	1981 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4
1 **All holders**	**1,471,786**	**1,583,732**	**1,654,446r**	**1,561,813**	**1,583,732**	**1,603,450**	**1,624,707**	**1,633,059r**	**1,654,446r**
2 1- to 4-family	986,979	1,060,633	1,104,528r	1,047,799	1,060,633	1,071,462	1,082,971	1,089,504r	1,104,528r
3 Multifamily	137,134	141,442	148,218r	140,243	141,442	143,812	145,559	145,399r	148,218r
4 Commercial	255,655	279,930	294,641r	273,765	279,930	284,261	290,693	291,740	294,641r
5 Farm	92,018	101,727	107,059r	100,006	101,727	103,915	105,484	106,416	107,059r
6 Major financial institutions	997,168	1,040,827	1,021,225	1,034,032	1,040,827	1,041,702	1,042,904	1,027,027	1,021,225
7 Commercial banks[1]	263,030	284,536	301,742	279,017	284,536	289,365	294,022	298,342	301,742
8 1- to 4-family	160,326	170,013	177,122	167,550	170,013	171,350	172,596	175,126	177,122
9 Multifamily	12,924	15,132	15,841	14,481	15,132	15,338	15,431	15,666	15,841
10 Commercial	81,081	91,026	100,269	88,588	91,026	94,256	97,522	99,050	100,269
11 Farm	8,699	8,365	8,510	8,398	8,365	8,421	8,473	8,500	8,510
12 Mutual savings banks	99,865	99,997	93,882	99,994	99,997	97,464	96,346	94,382	93,882
13 1- to 4-family	67,489	68,187	63,708	68,116	68,187	66,305	65,381	63,849	63,708
14 Multifamily	16,058	15,960	14,946	15,939	15,960	15,536	15,338	15,026	14,946
15 Commercial	16,278	15,810	15,200	15,909	15,810	15,594	15,598	15,479	15,200
16 Farm	40	40	28	30	40	29	29	28	28
17 Savings and loan associations	503,192	518,547	484,297	518,985	518,547	516,111	512,997	493,899	484,297
18 1- to 4-family	419,763	433,142	400,563	433,923	433,142	430,178	425,890	410,035	400,563
19 Multifamily	38,142	37,699	36,177	37,990	37,699	37,986	38,321	36,894	36,177
20 Commercial	45,287	47,706	47,557	47,072	47,706	47,947	48,786	46,970	47,557
21 Life insurance companies	131,081	137,747	141,304	136,036	137,747	138,762	139,539	140,404	141,304
22 1- to 4-family	17,943	17,201	16,975	17,376	17,201	17,086	16,451	16,865	16,975
23 Multifamily	19,514	19,283	19,107	19,441	19,283	19,199	18,982	18,967	19,107
24 Commercial	80,666	88,163	92,322	86,070	88,163	89,529	91,113	91,640	92,322
25 Farm	12,958	13,100	12,900	13,149	13,100	12,948	12,993	12,932	12,900
26 Federal and related agencies	114,300	126,112	139,291r	121,772	126,112	128,721	131,485	134,449r	139,291r
27 Government National Mortgage Association	4,642	4,765	4,556	4,382	4,765	4,438	4,669	4,110	4,556
28 1- to 4-family	704	693	683	696	693	689	688	682	683
29 Multifamily	3,938	4,072	3,873	3,686	4,072	3,749	3,981	3,428	3,873
30 Farmers Home Administration	3,492	2,235	1,785	1,562	2,235	2,469	1,335	947	1,785r
31 1- to 4-family	916	914	783	500	914	715	491	302	783r
32 Multifamily	610	473	218	242	473	615	179	46	218r
33 Commercial	411	506	377	325	506	499	256	164	377r
34 Farm	1,555	342	407	495	342	640	409	435	407r
35 Federal Housing and Veterans Administration	5,640	5,999	5,947r	6,005	5,999	6,003	5,908	5,362r	5,947r
36 1- to 4-family	2,051	2,289	2,097r	2,240	2,289	2,266	2,218	2,130r	2,097r
37 Multifamily	3,589	3,710	3,850	3,765	3,710	3,737	3,690	3,232r	3,850
38 Federal National Mortgage Association	57,327	61,412	71,814	59,682	61,412	62,544	65,008	68,841	71,814
39 1- to 4-family	51,775	55,986	66,500	54,227	55,986	57,142	59,631	63,495	66,500
40 Multifamily	5,552	5,426	5,314	5,455	5,426	5,402	5,377	5,346	5,314
41 Federal Land Banks	38,131	46,446	50,433	44,708	46,446	47,947	49,270	49,983	50,433
42 1- to 4-family	2,099	2,788	3,077	2,605	2,788	2,874	2,954	3,029	3,077
43 Farm	36,032	43,658	47,356	42,103	43,658	45,073	46,316	46,954	47,356
44 Federal Home Loan Mortgage Corporation	5,068	5,255	4,756	5,433	5,255	5,320	5,295	5,206	4,756
45 1- to 4-family	3,873	4,018	3,494	4,166	4,018	4,075	4,042	3,944	3,494
46 Multifamily	1,195	1,237	1,262	1,267	1,237	1,245	1,253	1,262	1,262
47 Mortgage pools or trusts[2]	142,258	162,990	214,430r	158,140	162,990	172,292	183,647	198,365	214,430r
48 Government National Mortgage Association	93,874	105,790	118,402r	103,750	105,790	108,592	111,459	114,776	118,402r
49 1- to 4-family	91,602	103,007	115,293r	101,068	103,007	105,701	108,487	111,728	115,293r
50 Multifamily	2,272	2,783	3,109	2,682	2,783	2,891	2,972	3,048	3,109
51 Federal Home Loan Mortgage Corporation	16,854	19,843r	41,278r	17,936	19,843r	23,960r	28,693r	35,121r	41,278r
52 1- to 4-family	13,471	16,605	46,903	14,401	16,605	21,781	27,193	35,686	46,903
53 Multifamily	3,383	3,955	8,825	3,535	3,955	4,964	6,056	7,568	8,825
54 Federal National Mortgage Association[3]	n.a.	717	14,450	n.a.	717	2,786	4,556	8,133	14,450
55 1- to 4-family	n.a.	717	14,450	n.a.	717	2,786	4,556	8,133	14,450
56 Farmers Home Administration	31,530	36,640	40,300r	36,454	36,640	36,955	38,939	40,335	40,300r
57 1- to 4-family	16,683	18,378	20,005r	18,407	18,378	18,740	19,357	20,079	20,005r
58 Multifamily	2,612	3,426	4,344r	3,488	3,426	3,447	4,044	4,344	4,344r
59 Commercial	5,271	6,161	7,011r	6,040	6,161	6,351	6,762	7,056	7,011r
60 Farm	6,964	8,675	8,940r	8,519	8,675	8,417	8,776	8,856	8,940r
61 Individual and others[4]	218,060	253,808	279,500	247,869	253,803	260,735	266,671	273,218	279,500
62 1- to 4-family[5]	138,284	167,412	187,325	162,524	167,412	172,560	177,592	182,554	187,325
63 Multifamily	27,345	28,286	31,352	28,272	28,286	29,703	29,935	30,572	31,352
64 Commercial	26,661	30,558	31,905	29,761	30,558	30,085	30,656	31,381	31,905
65 Farm	25,770	27,547	28,918	27,312	27,547	28,387	28,488	28,711	28,918

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. The program was implemented by FNMA in October 1981.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.
5. Includes a new estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.56 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1979	1980	1981	1982						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Amounts outstanding (end of period)									
1 **Total**	**312,024**	**313,472**	**333,375**	**331,851**	**332,471**	**333,808**	**335,948**	**334,871**	**336,991**	**343,372**
By major holder										
2 Commercial banks	154,177	147,013	149,300	146,775	146,745	147,275	148,280	147,926	148,270	150,643
3 Finance companies	68,318	76,756	89,818	93,009	93,353	93,207	93,357	92,541	93,462	94,322
4 Credit unions	46,517	44,041	45,954	45,882	45,698	46,154	46,846	46,645	46,832	47,253
5 Retailers[2]	28,119	28,448	29,551	26,645	26,710	26,751	26,829	27,046	27,639	30,202
6 Savings and loans	8,424	9,911	11,598	12,312	12,520	12,833	13,051	13,457	13,672	13,891
7 Gasoline companies	3,729	4,468	4,403	4,398	4,600	4,714	4,669	4,322	4,141	4,063
8 Mutual savings banks	2,740	2,835	2,751	2,830	2,845	2,874	2,916	2,934	2,975	2,998
By major type of credit										
9 Automobile	116,362	116,838	126,431	128,415	128,359	128,281	129,085	128,619	129,594	130,504
10 Commercial banks	67,367	61,536	59,181	58,140	58,131	58,222	58,762	58,796	58,996	59,128
11 Indirect paper	38,338	35,233	35,097	34,903	34,979	34,996	35,449	35,490	35,686	35,962
12 Direct loans	29,029	26,303	24,084	23,237	23,152	23,226	23,313	23,306	23,310	23,166
13 Credit unions	22,244	21,060	21,975	21,940	21,852	22,071	22,402	22,306	22,395	22,596
14 Finance companies	26,751	34,242	45,275	48,335	48,376	47,988	47,921	47,518	48,203	48,780
15 Revolving	56,937	58,352	63,049	59,302	59,824	60,475	60,932	60,811	61,500	66,273
16 Commercial banks	29,862	29,765	33,110	31,974	32,205	32,691	33,104	33,085	33,371	35,777
17 Retailers	23,346	24,119	25,536	22,930	23,019	23,070	23,159	23,404	23,988	26,433
18 Gasoline companies	3,729	4,468	4,403	4,398	4,600	4,714	4,669	4,322	4,141	4,063
19 Mobile home	16,838	17,322	18,486	18,543	18,601	18,741	18,778	18,814	18,821	18,768
20 Commercial banks	10,647	10,371	10,300	9,924	9,857	9,790	9,723	9,631	9,578	9,464
21 Finance companies	3,390	3,745	4,494	4,731	4,801	4,916	4,953	4,971	4,970	4,965
22 Savings and loans	2,307	2,737	3,203	3,400	3,458	3,544	3,604	3,716	3,775	3,836
23 Credit unions	494	469	489	488	486	491	498	496	498	503
24 Other	121,887	120,960	125,409	125,591	125,687	126,311	127,153	126,627	127,076	127,827
25 Commercial banks	46,301	45,341	46,709	46,737	46,552	46,572	46,691	46,414	46,325	46,274
26 Finance companies	38,177	38,769	40,049	39,943	40,176	40,303	40,483	40,052	40,289	40,577
27 Credit unions	23,779	22,512	23,490	23,454	23,360	23,592	23,946	23,844	23,939	24,154
28 Retailers	4,773	4,329	4,015	3,715	3,691	3,681	3,670	3,642	3,651	3,769
29 Savings and loans	6,117	7,174	8,395	8,912	9,063	9,289	9,447	9,741	9,897	10,055
30 Mutual savings banks	2,740	2,835	2,751	2,830	2,845	2,874	2,916	2,934	2,975	2,998
	Net change (during period)[3]									
31 **Total**	**38,381**	**1,448**	**19,894**	**1,349**	**570**	**66**	**1,092**	**−324**	**2,523**	**2,192**
By major holder										
32 Commercial banks	18,161	−7,163	2,284	−100	−66	−252	481	−49	904	1,099
33 Finance companies	14,020	8,438	13,062	874	195	−142	115	−393	1,133	845
34 Credit unions	2,185	−2,475	1,913	38	−69	179	346	−32	418	169
35 Retailers[2]	2,132	329	1,103	304	297	−109	60	−88	−98	−35
36 Savings and loans	1,327	1,485	1,682	187	196	268	181	328	194	171
37 Gasoline companies	509	739	−65	38	3	65	−115	−115	−39	−93
38 Mutual savings banks	47	95	−85	8	14	57	24	25	11	36
By major type of credit										
39 Automobile	14,715	477	9,595	655	61	−402	505	−78	1,816	1,303
40 Commercial banks	6,857	−5,830	−2,355	−240	101	−146	435	52	600	479
41 Indirect paper	4,488	−3,104	−136	−52	225	−129	332	72	496	463
42 Direct loans	2,369	−2,726	−2,219	−188	−124	−17	103	−20	104	16
43 Credit unions	1,044	−1,184	914	28	−26	65	159	−12	232	62
44 Finance companies	6,814	7,491	11,033	867	−14	−321	−89	−118	984	762
45 Revolving	8,628	1,415	4,697	507	612	143	210	108	107	532
46 Commercial banks	5,521	−97	3,345	219	266	162	243	246	202	680
47 Retailers	2,598	773	1,417	250	343	−84	82	−23	−56	−55
48 Gasoline companies	509	739	−65	38	3	65	−115	−115	−39	−93
49 Mobile home	1,603	483	1,161	67	63	141	10	−4	40	−68
50 Commercial banks	1,102	−276	−74	−58	−57	−62	−67	−97	−19	−90
51 Finance companies	238	355	749	64	73	108	20	−7	3	−25
52 Savings and loans	240	430	466	60	47	94	54	100	53	44
53 Credit unions	23	−25	20	1	0	1	3	0	3	3
54 Other	13,435	−927	4,441	120	−166	184	367	−350	560	425
55 Commercial banks	4,681	−960	1,368	−21	−376	−206	−130	−250	121	30
56 Finance companies	6,986	592	1,280	−57	136	71	184	−268	146	108
57 Credit unions	1,118	−1,266	975	9	−43	113	184	−20	183	104
58 Retailers	−466	−444	−314	54	−46	−25	−22	−65	−42	20
59 Savings and loans	1,087	1,056	1,217	127	149	174	127	228	141	127
60 Mutual savings banks	47	95	−85	8	14	57	24	25	11	36

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

3. Net change equals extensions minus liquidations (repayments, charge-offs and other credit); figures for all months are seasonally adjusted.

NOTE: Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, $71.3 billion at the end of 1979, $74.8 billion at the end of 1980, and $80.2 billion at the end of 1981.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1979	1980	1981	1982 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
					Extensions					
1 **Total**	**324,777**	**306,076**	**336,341**	**29,737**	**27,514**	**27,579**	**28,268**	**28,062**	**31,610**	**30,462**
By major holder										
2 Commercial banks	154,733	134,960	146,186	13,460	12,485	12,499	12,750	13,322	14,616	13,992
3 Finance companies	61,518	60,801	66,344	5,700	4,607	4,685	4,894	4,427	6,231	5,752
4 Credit unions	34,926	29,594	35,444	2,887	2,711	2,904	3,092	2,897	3,438	3,315
5 Retailers[1]	47,676	49,942	53,430	4,762	4,785	4,396	4,684	4,431	4,383	4,518
6 Savings and loans	5,901	6,621	8,142	785	803	863	786	961	884	871
7 Gasoline companies	18,005	22,253	24,902	1,969	1,944	2,021	1,876	1,835	1,867	1,799
8 Mutual savings banks	2,018	1,905	1,893	174	179	211	186	189	191	215
By major type of credit										
9 Automobile	93,901	83,454	94,404	8,182	7,332	7,112	7,546	7,970	10,329	9,618
10 Commercial banks	53,554	41,109	42,792	3,404	3,687	3,454	3,702	4,296	4,796	4,472
11 Indirect paper	29,623	22,558	24,941	2,036	2,324	1,957	2,077	2,785	3,016	2,744
12 Direct loans	23,931	18,551	17,851	1,368	1,363	1,497	1,625	1,511	1,780	1,728
13 Credit unions	17,397	15,294	18,084	1,497	1,389	1,499	1,579	1,514	1,786	1,743
14 Finance companies	22,950	27,051	33,527	3,281	2,256	2,159	2,265	2,160	3,747	3,403
15 Revolving	120,174	128,068	140,135	13,361	12,551	12,497	12,464	12,340	12,489	12,336
16 Commercial banks	61,048	61,593	67,370	7,141	6,237	6,512	6,336	6,455	6,638	6,473
17 Retailers	41,121	44,222	47,863	4,251	4,370	3,964	4,252	4,050	3,984	4,064
18 Gasoline companies	18,055	22,253	24,902	1,969	1,944	2,021	1,876	1,835	1,867	1,799
19 Mobile home	6,471	5,093	6,028	459	441	581	452	476	484	455
20 Commercial banks	4,542	2,937	3,106	180	173	194	191	174	237	196
21 Finance companies	797	898	1,313	129	133	193	105	81	84	84
22 Savings and loans	948	1,146	1,432	137	123	181	140	207	147	157
23 Credit unions	184	113	176	13	12	13	16	14	16	18
24 Other	104,231	89,461	95,774	7,735	7,190	7,389	7,806	7,276	8,308	8,053
25 Commercial banks	35,589	29,321	32,918	2,735	2,388	2,339	2,521	2,397	2,945	2,851
26 Finance companies	37,771	32,852	31,504	2,290	2,218	2,333	2,524	2,186	2,400	2,265
27 Credit unions	17,345	14,187	17,182	1,377	1,310	1,392	1,497	1,369	1,636	1,554
28 Retailers	6,555	5,720	5,567	511	415	432	432	381	399	454
29 Savings and loans	4,953	5,476	6,710	648	680	682	646	754	737	714
30 Mutual savings banks	2,018	1,905	1,893	174	179	211	186	189	191	215
					Liquidations					
31 **Total**	**286,396**	**304,628**	**316,447**	**28,388**	**26,944**	**27,513**	**27,176**	**28,386**	**29,087**	**28,270**
By major holder										
32 Commercial banks	136,572	142,123	143,902	13,560	12,551	12,751	12,269	13,371	13,712	12,893
33 Finance companies	47,498	52,363	53,282	4,826	4,412	4,827	4,779	4,820	5,098	4,907
34 Credit unions	32,741	32,069	33,531	2,849	2,780	2,725	2,746	2,929	3,020	3,146
35 Retailers[1]	45,544	49,613	52,327	4,458	4,488	4,505	4,624	4,519	4,481	4,553
36 Savings and loans	4,574	5,136	6,640	598	607	595	605	633	690	700
37 Gasoline companies	17,496	21,514	24,967	1,931	1,941	1,956	1,991	1,950	1,906	1,892
38 Mutual savings banks	1,971	1,810	1,978	166	165	154	162	164	180	179
By major type of credit										
39 Automobile	79,186	82,977	84,809	7,527	7,271	7,514	7,041	8,048	8,513	8,315
40 Commercial banks	46,697	46,939	45,147	3,644	3,586	3,600	3,267	4,244	4,196	3,993
41 Indirect paper	25,135	25,662	25,077	2,088	2,099	2,086	1,745	2,713	2,520	2,281
42 Direct loans	21,562	21,277	20,070	1,556	1,487	1,514	1,522	1,531	1,676	1,712
43 Credit unions	16,353	16,478	17,169	1,469	1,415	1,434	1,420	1,526	1,554	1,681
44 Finance companies	16,136	19,560	22,494	2,414	2,270	2,480	2,354	2,278	2,763	2,641
45 Revolving	111,546	126,653	135,438	12,854	11,939	12,354	12,254	12,232	12,382	11,804
46 Commercial banks	55,527	61,690	64,025	6,922	5,971	6,350	6,093	6,209	6,436	5,793
47 Retailers	38,523	43,449	46,446	4,001	4,027	4,048	4,170	4,073	4,040	4,119
48 Gasoline companies	17,496	21,514	24,967	1,931	1,941	1,956	1,991	1,950	1,906	1,892
49 Mobile home	4,868	4,610	4,867	392	378	440	442	480	444	523
50 Commercial banks	3,440	3,213	3,180	238	230	256	258	271	256	286
51 Finance companies	559	543	564	65	60	85	85	88	81	109
52 Savings and loans	708	716	966	77	76	87	86	107	94	113
53 Credit unions	161	138	156	12	12	12	13	14	13	15
54 Other	90,796	90,388	91,333	7,615	7,356	7,205	7,439	7,626	7,748	7,628
55 Commercial banks	30,908	30,281	31,550	2,756	2,764	2,545	2,651	2,647	2,824	2,821
56 Finance companies	30,803	32,260	30,224	2,347	2,082	2,262	2,340	2,454	2,254	2,157
57 Credit unions	16,227	15,453	16,207	1,368	1,353	1,279	1,313	1,389	1,453	1,450
58 Retailers	7,021	6,164	5,881	457	461	457	454	446	441	434
59 Savings and loans	3,866	4,420	5,493	521	531	508	519	526	596	587
60 Mutual savings banks	1,971	1,810	1,978	166	165	154	162	164	180	179

1. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1977	1978	1979	1980	1981	1982	1980 H1	1980 H2	1981 H1	1981 H2	1982 H1	1982 H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**243.4**	**317.7**	**368.6**	**388.8**	**355.0**	**391.1**	**384.4**	**325.1**	**384.9**	**402.7**	**379.6**	**365.1**
By sector and instrument												
2 U.S. government	69.0	56.8	53.7	37.4	79.2	87.4	46.1	63.3	95.1	81.9	92.9	99.3
3 Treasury securities	69.1	57.6	55.1	38.8	79.8	87.8	46.6	63.9	95.7	82.4	93.2	100.6
4 Agency issues and mortgages	−.1	−.9	−1.4	−1.4	−.6	−.5	−.5	−.6	−.6	−.5	−.4	−1.4
5 Private domestic nonfinancial sectors	174.3	260.9	314.9	351.5	275.8	303.7	338.3	261.9	289.7	320.8	286.7	265.8
6 Debt capital instruments	123.6	169.8	198.7	216.0	204.1	175.0	213.1	203.8	204.4	196.5	153.5	157.5
7 Tax-exempt obligations	15.7	21.9	28.4	29.8	35.9	32.9	32.8	30.7	41.0	35.1	30.6	53.1
8 Corporate bonds	22.8	21.0	20.1	22.5	33.2	23.9	22.6	37.3	29.0	24.7	23.0	13.4
Mortgages												
9 Home mortgages	63.9	94.3	112.1	120.1	96.7	78.6	113.9	96.5	96.9	95.2	62.0	54.8
10 Multifamily residential	3.9	7.1	9.2	7.8	8.8	4.6	6.9	8.1	9.5	5.1	4.1	8.5
11 Commercial	11.6	18.4	21.7	23.9	20.2	25.3	25.4	20.3	20.1	27.4	23.2	22.2
12 Farm	5.7	7.1	7.2	11.8	9.3	9.8	11.5	10.9	7.8	9.0	10.5	5.4
13 Other debt instruments	50.7	91.1	116.2	135.5	71.7	128.8	125.2	58.1	85.4	124.3	133.2	108.3
14 Consumer credit	25.4	40.2	48.8	45.4	4.9	25.3	41.0	−3.3	13.0	29.4	21.2	14.4
15 Bank loans n.e.c.	4.4	26.7	37.1	49.2	35.4	51.1	39.6	18.0	52.7	47.7	54.6	77.1
16 Open market paper	4.0	2.9	5.2	11.1	6.6	19.2	17.4	20.3	−7.1	10.7	27.6	4.4
17 Other	16.9	21.3	25.1	29.7	24.9	33.1	27.2	23.0	26.7	36.5	29.8	12.4
18 By borrowing sector	174.3	260.9	314.9	351.5	275.8	303.7	338.3	261.9	289.7	320.8	286.7	265.8
19 State and local governments	15.2	15.4	19.1	20.2	27.3	22.3	22.5	21.8	32.8	25.1	19.5	41.5
20 Households	89.5	137.3	169.3	176.5	117.5	120.4	165.8	115.2	119.8	141.0	99.9	83.6
21 Farm	10.2	12.3	14.6	21.4	14.4	16.4	22.7	15.7	13.0	19.9	12.8	8.4
22 Nonfarm noncorporate	15.4	28.3	32.4	34.4	33.8	40.5	37.0	27.5	40.2	41.8	39.3	34.9
23 Corporate	44.0	67.6	79.4	99.0	82.8	104.1	90.3	81.7	83.9	93.0	115.2	97.4
24 Foreign net borrowing in U.S.	19.3	13.5	33.8	20.2	27.2	27.3	26.6	29.0	25.3	34.0	20.6	17.4
25 Bonds	8.6	5.1	4.2	3.9	.8	5.5	4.9	2.0	−.4	3.3	7.6	2.2
26 Bank loans n.e.c.	5.6	3.1	19.1	2.3	11.5	3.7	2.6	5.9	17.2	5.0	2.3	−.4
27 Open market paper	1.9	2.4	6.6	11.2	10.1	13.9	16.3	15.7	4.5	20.6	7.1	12.5
28 U.S. government loans	3.3	3.0	3.9	2.9	4.7	4.3	2.8	5.4	4.0	5.0	3.6	3.2
29 **Total domestic plus foreign**	**262.7**	**331.2**	**402.3**	**409.1**	**382.2**	**418.4**	**411.0**	**354.2**	**410.2**	**436.7**	**400.2**	**382.5**
	Financial sectors											
30 **Total net borrowing by financial sectors**	**22.7**	**48.8**	**75.0**	**80.7**	**61.3**	**80.7**	**76.1**	**57.6**	**65.0**	**85.8**	**75.5**	**93.3**
By instrument												
31 U.S. government related	14.3	21.9	36.7	47.3	43.6	45.1	50.8	47.3	39.8	42.5	47.8	59.3
32 Sponsored credit agency securities	2.5	7.0	23.1	24.3	24.4	30.1	25.8	27.1	21.7	26.9	33.3	21.4
33 Mortgage pool securities	12.2	16.1	13.6	23.1	19.2	15.0	25.0	20.2	18.1	15.6	14.5	37.9
34 Loans from U.S. government	−.4	−1.2	......	......	......	......	......	......	......	......	......	......
35 Private financial sectors	8.4	26.9	38.3	33.4	17.7	35.6	25.3	10.3	25.2	43.4	27.8	34.0
36 Corporate bonds	9.8	10.1	7.5	7.8	7.1	−.8	7.7	9.9	4.4	−2.1	.4	−3.4
37 Mortgages	2.1	3.1	.9	−1.2	−.9	−2.9	−2.9	−5.3	3.5	−2.3	−3.5	1.9
38 Bank loans n.e.c.	−3.7	−.3	2.8	−.4	−.4	2.2	.5	.1	−.9	3.7	.7	5.9
39 Open market paper	2.2	9.6	14.6	18.0	4.8	20.9	10.8	−.1	9.7	24.8	17.0	16.0
40 Loans from Federal Home Loan Banks	−2.0	4.3	12.5	9.2	7.1	16.2	9.2	5.8	8.5	19.3	13.2	13.8
By sector												
41 Sponsored credit agencies	2.1	5.8	23.1	24.3	24.4	30.1	25.8	27.1	21.7	26.9	33.3	21.4
42 Mortgage pools	12.2	16.1	13.6	23.1	19.2	15.0	25.0	20.2	18.1	15.6	14.5	37.9
43 Private financial sectors	8.2	30.3	40.8	36.6	24.9	44.1	27.9	17.7	32.0	53.0	35.3	50.7
44 Commercial banks	2.3	1.1	1.3	1.6	.5	.4	1.8	.8	.3	.2	.5	.6
45 Bank affiliates	5.4	2.0	7.2	6.5	6.9	8.3	4.9	5.8	8.0	6.9	9.7	9.7
46 Savings and loan associations	.1	9.9	14.3	11.4	6.6	13.1	10.2	.1	13.2	19.2	6.9	16.6
47 Finance companies	4.3	16.9	18.1	16.6	6.3	14.1	11.0	6.0	6.5	17.3	11.0	7.6
48 REITs	−1.9	−2.5	−1.4	−1.3	−2.2	.2	−1.1	−2.0	−2.5	.2	.2	.1
	All sectors											
49 **Total net borrowing**	**285.4**	**379.9**	**477.4**	**489.7**	**443.5**	**499.1**	**487.1**	**411.8**	**475.2**	**522.5**	**475.7**	**475.8**
50 U.S. government securities	83.8	79.9	90.5	84.8	122.9	132.6	97.0	110.7	135.1	124.5	140.7	158.7
51 State and local obligations	15.7	21.9	28.4	29.8	35.9	32.9	32.8	30.7	41.0	35.1	30.6	53.1
52 Corporate and foreign bonds	41.2	36.1	31.8	34.2	41.1	28.5	35.2	49.3	33.0	26.0	30.9	12.2
53 Mortgages	87.1	129.9	151.0	162.4	134.0	115.2	154.7	130.4	137.7	134.3	96.2	92.7
54 Consumer credit	25.4	40.2	48.8	45.4	4.9	25.3	41.0	−3.3	13.0	29.4	21.2	14.4
55 Bank loans n.e.c.	6.2	29.5	59.0	51.0	46.5	57.0	42.7	24.0	69.0	56.4	57.6	82.5
56 Open market paper	8.1	15.0	26.4	40.3	21.6	54.0	44.5	35.9	7.2	56.2	51.8	32.8
57 Other loans	17.8	27.4	41.5	41.8	36.6	53.7	39.2	34.1	39.2	60.7	46.6	29.4
	External corporate equity funds raised in U.S.											
58 **Total new share issues**	**10.6**	**6.5**	**1.9**	**−3.8**	**22.1**	**−2.9**	**−1.7**	**16.3**	**27.9**	**11.2**	**−17.0**	**16.3**
59 Mutual funds	−2.4	.9	−.1	.1	5.0	7.7	−.8	5.5	4.5	8.9	6.5	14.5
60 All other	13.1	5.6	1.9	−3.9	17.1	−10.6	−.9	10.8	23.4	2.3	−23.5	1.8
61 Nonfinancial corporations	10.5	2.7	−.1	−7.8	12.9	−11.5	−6.1	6.9	18.8	.9	−23.8	−.1
62 Financial corporations	2.2	2.5	2.5	3.2	2.1	.9	3.4	1.9	2.3	.8	1.0	2.2
63 Foreign shares purchased in U.S.	.3	.4	−.5	.8	2.1	*	1.7	1.9	2.2	.7	−.7	−.2

1.59 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates

Transaction category, or sector	1977	1978	1979	1980	1981	1982	1980 H1	1980 H2	1981 H1	1981 H2	1982 H1	1982 H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**243.4**	**317.7**	**368.6**	**388.8**	**355.0**	**391.1**	**384.4**	**325.1**	**384.9**	**402.7**	**379.6**	**365.1**
By public agencies and foreign												
2 Total net advances	49.8	79.2	101.9	74.6	95.8	95.9	101.0	104.6	87.0	98.7	93.2	92.1
3 U.S. government securities	23.1	34.9	36.1	-6.3	15.7	17.2	16.6	20.5	10.9	15.9	18.5	......
4 Residential mortgages	12.3	20.0	25.7	35.8	31.7	23.4	36.7	34.9	28.5	21.4	25.5	47.4
5 FHLB advances to savings and loans	2.0	4.3	12.5	9.2	7.1	16.2	9.2	5.8	8.5	19.3	13.2	13.8
6 Other loans and securities	16.4	20.1	27.6	35.9	41.3	39.1	38.6	43.4	39.1	42.1	36.0	30.9
Total advanced, by sector												
7 U.S. government	7.9	10.0	17.1	19.0	23.7	24.2	18.7	24.6	22.8	27.1	21.2	14.0
8 Sponsored credit agencies	16.8	22.4	39.9	52.4	44.4	46.0	56.9	45.2	43.7	44.3	47.7	60.5
9 Monetary authorities	9.8	7.1	7.0	7.7	4.5	9.2	14.0	14.9	5.9	-3.7	22.1	-6.3
10 Foreign	15.2	39.6	38.0	4.6	23.2	16.6	11.3	19.9	26.5	30.9	2.2	24.0
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies & mortgage pools	14.3	21.9	36.7	47.3	43.6	45.1	50.8	47.3	39.8	42.5	47.8	59.3
12 Foreign	19.3	13.5	33.8	20.2	27.2	27.3	26.6	29.0	25.3	34.0	20.6	17.4
Private domestic funds advanced												
13 Total net advances	227.1	273.9	337.1	381.8	329.9	367.6	360.8	296.9	362.9	380.5	354.7	349.8
14 U.S. government securities	60.7	45.1	54.3	91.1	107.2	115.4	80.5	90.2	124.2	108.5	122.3	158.7
15 State and local obligations	15.7	21.9	28.4	29.8	35.9	32.9	32.8	30.7	41.0	35.1	30.6	53.1
16 Corporate and foreign bonds	30.5	22.2	22.4	23.7	25.8	20.6	24.1	31.6	20.1	18.6	22.7	*
17 Residential mortgages	55.4	81.4	95.5	92.0	73.7	59.7	84.0	69.6	77.8	78.8	40.5	15.8
18 Other mortgages and loans	62.9	107.6	149.1	154.3	94.4	155.3	148.7	80.6	108.3	158.7	151.8	135.9
19 LESS: Federal Home Loan Bank advances	-2.0	4.3	12.5	9.2	7.1	16.2	9.2	5.8	8.5	19.3	13.2	13.8
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	190.9	261.7	302.9	292.2	257.9	301.3	260.7	245.4	270.4	326.3	276.3	277.8
21 Commercial banking	59.6	87.6	128.7	121.1	99.7	103.5	108.1	64.7	134.8	107.8	99.2	120.9
22 Savings institutions	70.2	81.6	73.6	55.5	54.1	24.6	48.9	34.9	73.2	43.9	5.3	29.7
23 Insurance and pension funds	49.7	69.0	75.0	66.4	74.4	75.8	60.1	84.3	64.4	75.8	75.8	87.6
24 Other finance	11.4	23.5	25.6	49.2	29.8	97.4	43.6	61.5	1.9	98.8	95.9	39.5
25 Sources of funds	190.9	261.7	302.9	292.2	257.9	301.3	260.7	245.4	270.4	326.3	276.3	277.8
26 Private domestic deposits and RP's	124.4	138.9	141.1	142.5	167.8	211.2	145.9	162.5	173.1	212.0	210.3	158.4
27 Credit market borrowing	8.4	26.9	38.3	33.4	17.7	35.6	25.3	10.3	25.2	43.4	27.8	34.0
28 Other sources	58.0	96.0	123.5	116.4	72.4	54.6	89.5	72.7	72.1	70.9	38.2	85.4
29 Foreign funds	4.7	1.2	6.3	25.6	-23.0	-8.8	3.4	20.0	-26.0	.7	-16.8	18.2
30 Treasury balances	.1	4.3	6.8	.4	-2.6	1.1	-.7	6.1	1.0	6.0	8.2	-4.9
31 Insurance and pension reserves	34.3	51.4	62.2	49.1	65.4	70.8	43.8	70.3	60.5	66.0	75.6	77.7
32 Other, net	28.5	39.1	48.3	41.3	32.6	6.4	43.0	28.6	36.6	-.4	-12.3	30.7
Private domestic nonfinancial investors												
33 Direct lending in credit markets	44.7	39.0	72.5	122.9	89.7	101.9	125.4	61.7	117.7	97.5	106.2	106.0
34 U.S. government securities	15.9	24.6	36.3	61.4	38.3	50.4	54.9	23.3	53.3	43.0	57.7	58.8
35 State and local obligations	3.3	.8	3.6	9.4	12.6	20.3	11.5	6.2	18.9	22.8	17.8	41.8
36 Corporate and foreign bonds	11.8	5.1	2.9	10.2	9.3	7.9	16.9	7.8	10.8	9.2	-6.6	-26.4
37 Open-market paper	1.9	9.6	15.6	12.1	-3.4	3.5	14.6	8.1	1.4	-1.4	8.4	7.8
38 Other	11.8	10.7	19.9	29.8	32.9	35.6	27.6	32.5	33.3	42.3	29.0	24.1
39 Deposits and currency	133.4	148.5	152.3	151.9	179.2	221.0	149.9	172.4	186.1	218.6	223.4	158.4
40 Currency	7.3	8.3	9.3	7.9	10.3	9.5	6.3	9.3	11.3	5.8	13.2	2.1
41 Checkable deposits	10.4	17.2	16.3	19.2	4.2	18.3	22.5	-2.5	11.0	26.5	10.1	8.6
42 Small time and savings accounts	123.7	93.5	63.7	61.0	79.5	46.6	50.7	73.4	85.7	26.9	66.3	79.3
43 Money market fund shares	*	.2	6.9	34.4	29.2	107.5	38.6	61.9	3.4	104.1	110.8	39.4
44 Large time deposits	12.0	25.8	46.6	21.2	48.3	36.3	39.4	24.4	72.1	46.8	25.7	30.1
45 Security RPs	2.3	2.2	7.5	6.6	6.5	2.5	-5.3	5.3	7.8	7.7	2.6	1.0
46 Foreign deposits	1.7	1.3	2.0	1.5	1.1	.3	2.3	.6	1.7	.8	.2	2.0
47 **Total of credit market instruments, deposits and currency**	**178.1**	**187.5**	**224.9**	**274.8**	**269.0**	**322.8**	**275.3**	**234.1**	**303.8**	**316.1**	**329.6**	**264.4**
48 Public holdings as percent of total	19.0	23.9	25.3	18.2	25.1	22.9	24.6	29.5	21.2	22.6	23.3	24.1
49 Private financial intermediation (in percent)	84.0	95.6	89.9	76.5	78.2	82.0	72.3	82.7	74.5	85.8	77.9	79.4
50 *Total foreign funds*	10.5	40.8	44.3	21.0	.2	7.8	14.8	*	.5	30.3	-14.6	5.8
MEMO: Corporate equities not included above												
51 **Total net issues**	**10.6**	**6.5**	**1.9**	**-3.8**	**22.1**	**-2.9**	**-1.7**	**16.3**	**27.9**	**11.2**	**-17.0**	**16.3**
52 Mutual fund shares	2.4	.9	-.1	.1	5.0	7.7	.8	5.5	4.5	8.9	6.5	14.5
53 Other equities	13.1	5.6	1.9	-3.9	17.1	-10.6	.9	10.8	23.4	2.3	23.5	1.8
54 Acquisitions by financial institutions	12.5	7.4	4.6	10.4	14.6	22.9	14.2	8.6	20.7	25.3	20.5	20.8
55 Other net purchases	1.9	-.8	-2.7	14.2	7.5	-25.8	-15.9	7.7	7.2	-14.1	-37.5	-4.4

NOTES BY LINE NUMBER.
1. Line 1 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28, 33, and 39 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1980	1981	1982	1982 June	1982 July	1982 Aug.	1982 Sept.	1982 Oct.	1982 Nov r	1982 Dec.	1983 Jan.	1983 Feb.
1 **Industrial production**[1]	**147.0**	**151.0**	**138.6**	**138.7**	**138.8**	**138.4**	**137.3**	**135.7**	**134.9**	**135.2**	**136.9**	**137.3**
Market groupings												
2 Products, total	146.7	150.6	141.8	142.1	142.6	142.0	140.8	139.3	139.0	140.0	140.9	141.1
3 Final, total	145.3	149.5	141.5	142.1	142.5	141.2	140.0	138.7	138.3	139.5	140.1	140.2
4 Consumer goods	145.4	147.9	142.6	144.8	145.8	144.1	143.4	142.2	141.3	142.1	143.7	144.4
5 Equipment	145.2	151.5	139.8	138.4	138.0	137.3	135.2	134.0	134.2	135.9	135.2	134.3
6 Intermediate	151.9	154.4	143.3	141.9	142.8	144.7	143.7	141.6	141.8	141.9	143.7	144.4
7 Materials	147.6	151.6	133.7	133.5	133.0	132.8	132.0	130.0	128.4	127.8	130.8	131.5
Industry groupings												
8 Manufacturing	146.7	150.4	137.6	137.7	138.1	138.0	137.1	135.0	134.0	134.5	136.3	137.1
Capacity utilization (percent)[1,2]												
9 Manufacturing	79.1	78.5	69.8	70.0	70.0	69.8	69.2	68.0	67.4	67.5	68.3	68.5
10 Industrial materials industries	80.0	79.9	68.9	68.8	68.5	68.2	67.7	66.6	65.7	65.2	66.6	66.9
11 Construction contracts (1977 = 100)[3]	107.0	111.0	111.0	111.0	98.0	112.0	117.0	105.0	122.0	131.0	127.0	n.a.
12 Nonagricultural employment, total[4]	137.4	138.5	136.2	136.5	136.1	135.7	135.7	135.1	134.9	134.6	135.1	134.8
13 Goods-producing, total	110.1	109.3	102.5	102.9	102.3	101.5	101.0	99.7	99.0	98.2	99.3	98.8
14 Manufacturing, total	104.3	103.7	96.9	97.3	96.7	96.0	95.5	94.2	93.5	93.2	93.6	93.7
15 Manufacturing, production-worker	99.3	98.0	89.3	89.8	89.2	88.4	87.8	86.2	85.3	85.1	85.5	85.8
16 Service-producing	152.4	154.4	154.7	154.9	154.6	154.5	154.7	154.4	154.5	154.3	154.7	154.6
17 Personal income, total	342.9	383.5	408.0	407.3	410.8	411.4	412.3	414.5	417.7	418.7	418.9	....
18 Wages and salary disbursements	317.6	349.9	365.5	366.0	367.6	367.8	367.7	368.0	368.2	369.8	373.7	....
19 Manufacturing	264.3	288.1	285.3	288.4	287.7	286.4	284.5	281.3	280.0	279.5	282.3	....
20 Disposable personal income[5]	332.9	370.3	396.7	393.4	400.6	400.9	402.0	404.1	407.4	408.0	408.0	....
21 Retail sales[6]	303.8	330.6	326.0	338.6	341.9	340.3	343.5	347.4	353.4	353.3	352.0	350.6
Prices[7]												
22 Consumer	246.8	272.4	289.1	290.6	292.2	292.8	293.3	294.1	293.6	292.4	292.6	....
23 Producer finished goods	247.0	269.8	280.6	279.9	281.7	282.3	281.2	284.1	284.9	285.1	283.6	....

1. The industrial production and capacity utilization series have been revised back to January 1979.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1982 Q1	1982 Q2	1982 Q3	1982 Q4r	1982 Q1	1982 Q2	1982 Q3	1982 Q4	1982 Q1	1982 Q2	1982 Q3	1982 Q4r
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 ***Manufacturing***	***139.8***	***138.1***	***137.7***	***134.5***	***195.2***	***196.4***	***197.7***	***198.9***	***71.6***	***70.3***	***69.7***	***67.6***
2 Primary processing	137.1	132.3	132.4	129.3	198.6	199.5	200.4	201.3	69.1	66.3	66.1	64.2
3 Advanced processing	141.6	141.2	140.5	137.3	193.5	194.9	196.2	197.6	73.2	72.5	71.6	69.5
4 **Materials**	**138.7**	**134.7**	**132.6**	**128.7**	**192.6**	**193.7**	**194.6**	**195.5**	**72.0**	**69.6**	**68.1**	**65.8**
5 Durable goods	130.9	127.1	124.7	117.0	196.4	197.3	198.3	199.2	66.7	64.4	62.9	58.8
6 Metal materials	90.9	77.0	73.0	66.3	142.3	142.4	142.3	142.4	63.9	54.1	51.3	46.6
7 Nondurable goods	161.0	156.8	155.1	157.1	214.6	216.1	217.4	218.9	75.0	72.6	71.3	71.8
8 Textile, paper, and chemical	164.5	160.5	158.4	161.0	225.6	227.3	228.8	230.5	72.9	70.6	69.2	69.9
9 Textile	101.3	101.8	102.0	103.0	142.1	142.4	142.8	143.1	71.3	71.5	71.5	72.0
10 Paper	146.1	142.0	145.9	147.8	163.8	164.6	165.4	166.3	89.2	86.3	88.2	88.9
11 Chemical	200.0	194.0	188.5	192.1	287.3	289.6	291.9	294.3	69.6	67.0	64.6	65.3
12 Energy materials	129.8	125.5	123.8	121.7	156.5	157.0	157.6	158.2	82.9	79.9	78.5	76.9

2.11 Continued

Series	Previous cycle[1]		Latest cycle[2]		1982	1982							1983	
	High	Low	High	Low	Feb.	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.	Feb.
	Capacity utilization rate (percent)													
13 Manufacturing	88.0	69.0	87.2	74.9	72.2	70.0	70.0	69.8	69.2	68.0	67.4	67.5	68.3	68.5
14 Primary processing	93.8	68.2	90.1	71.0	70.0	65.7	65.7	66.1	66.4	65.0	63.9	63.7	65.0	65.2
15 Advanced processing	85.5	69.4	86.2	77.2	73.6	72.3	72.3	71.7	70.7	69.6	69.2	69.6	70.0	70.2
16 Materials	92.6	69.4	88.8	73.8	72.9	68.8	68.5	68.2	67.7	66.6	65.7	65.2	66.6	66.9
17 Durable goods	91.5	63.6	88.4	68.2	67.4	64.0	63.7	63.1	61.9	59.6	58.4	58.2	60.3	60.9
18 Metal materials	98.3	68.6	96.0	59.6	64.7	52.2	50.7	51.2	51.9	48.6	45.5	45.6	51.0	52.4
19 Nondurable goods	94.5	67.2	91.6	77.5	76.5	70.9	70.2	71.0	72.8	72.5	71.9	71.1	71.8	71.7
20 Textile, paper, and chemical	95.1	65.3	92.2	75.3	74.4	68.8	68.0	68.9	70.7	70.3	69.9	69.5	69.9	69.9
21 Textile	92.6	57.9	90.6	80.9	71.9	69.6	69.8	72.3	72.3	73.0	71.6	71.3	70.2	70.7
22 Paper	99.4	72.4	97.7	89.3	90.7	85.3	86.0	88.6	89.8	89.7	90.0	86.9	88.4	88.0
23 Chemical	95.5	64.2	91.3	70.7	71.3	65.0	63.7	63.9[r]	66.2	65.4	65.1	65.3	65.7	65.7
24 Energy materials	94.6	84.8	88.3	82.7	83.2	79.8	80.0	79.0	76.6	77.6	76.8	76.4	77.2	77.1

1. Monthly high 1973; monthly low 1975.

2. Preliminary; monthly highs December 1978 through January 1980; monthly lows July 1980 through October 1980.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1980	1981	1982	1982					1983	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
HOUSEHOLD SURVEY DATA										
1 Noninstitutional population[1]	**169,847**	**172,272**	**174,451**	**174,707**	**174,888**	**175,069**	**175,238**	**175,381**	**175,543**	**175,693**
2 Labor force (including Armed Forces)[1]	109,042	110,812	112,383	112,810	113,056	112,940	113,222	113,311	112,737	112,741
3 Civilian labor force	106,940	108,670	110,204	110,614	110,858	110,752	111,042	111,129	110,548	110,553
Employment										
4 Nonagricultural industries[2]	95,938	97,030	96,125	96,254	96,180	95,763	95,670	95,682	95,691	95,670
5 Agriculture	3,364	3,368	3,401	3,429	3,363	3,413	3,466	3,411	3,412	3,393
Unemployment										
6 Number	7,637	8,273	10,678	10,931	11,315	11,576	11,906	12,036	11,446	11,490
7 Rate (percent of civilian labor force)	7.1	7.6	9.7	9.9	10.2	10.5	10.7	10.8	10.4	10.4
8 Not in labor force	60,805	61,460	62,061	61,897	61,832	62,129	62,016	62,070	62,806	62,952
ESTABLISHMENT SURVEY DATA										
9 Nonagricultural payroll employment[3]	**90,406**	**91,105**	**89,619**	**89,312**	**89,264**	**88,877**	**88,750**	**88,565**	**88,895**	**88,715**
10 Manufacturing	20,285	20,173	18,849	18,672	18,572	18,325	18,181	18,131	18,197	18,221
11 Mining	1,020	1,104	1,122	1,086	1,075	1,058	1,046	1,037	1,028	1,015
12 Contract construction	4,399	4,307	3,917	3,899	3,883	3,856	3,854	3,818	3,916	3,782
13 Transportation and public utilities	5,143	5,152	5,057	5,025	5,031	5,007	4,992	4,983	4,959	4,951
14 Trade	20,386	20,736	20,547	20,550	20,492	20,441	20,425	20,316	20,500	20,431
15 Finance	5,168	5,330	5,350	5,360	5,367	5,357	5,363	5,377	5,390	5,401
16 Service	17,901	18,598	19,000	19,048	19,084	19,074	19,135	19,148	19,179	19,177
17 Government	16,249	16,056	15,784	15,672	15,763	15,742	15,754	15,755	15,726	15,737

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

Grouping	1967 proportion	1982 avg.	1982 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.	1983 Jan.p	Feb.e
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**138.6**	**142.9**	**141.7**	**140.2**	**139.2**	**138.7**	**138.8**	**138.4**	**137.3**	**135.7**	**134.9**	**135.2**	**136.9**	**137.3**
2 Products	60.71	141.8	144.6	143.7	142.9	142.3	142.1	142.6	142.0	140.8	139.3	139.0	140.0	140.9	141.1
3 Final products	47.82	141.5	144.1	143.3	142.6	142.2	142.1	142.5	141.2	140.0	138.7	138.3	139.5	140.1	140.2
4 Consumer goods	27.68	142.6	141.8	141.5	142.1	143.6	144.8	145.8	144.1	143.4	142.2	141.3	142.1	143.7	144.4
5 Equipment	20.14	139.8	147.3	145.9	143.4	140.4	138.4	138.0	137.3	135.2	134.0	134.2	135.9	135.2	134.3
6 Intermediate products	12.89	143.3	146.3	145.2	143.7	142.6	141.9	142.8	144.7	143.7	141.6	141.8	141.9	143.7	144.4
7 Materials	39.29	133.7	140.4	138.5	136.2	134.3	133.5	133.0	132.8	132.0	130.0	128.4	127.8	130.8	131.5
Consumer goods															
8 Durable consumer goods	7.89	129.3	125.9	128.1	130.7	132.6	134.6	137.3	132.9	131.3	126.5	124.6	126.2	131.4	134.0
9 Automotive products	2.83	129.5	117.5	125.0	129.9	138.9	143.0	149.7	135.5	135.5	123.6	120.7	128.7	134.3	143.2
10 Autos and utility vehicles	2.03	99.0	82.0	93.6	100.5	111.8	117.1	127.7	107.1	105.8	89.6	86.9	99.0	107.0	119.2
11 Autos	1.90	86.6	70.5	79.8	87.2	96.1	101.9	114.6	93.3	94.3	79.5	77.7	87.9	97.1	107.2
12 Auto parts and allied goods	.80	206.9	207.8	204.5	204.6	207.6	208.6	205.4	207.6	210.7	210.0	206.6	204.0	203.5	204.0
13 Home goods	5.06	129.2	130.6	129.9	131.1	129.1	129.9	130.4	131.4	128.9	128.1	126.8	124.9	129.7	128.9
14 Appliances, A/C, and TV	1.40	102.6	103.5	97.0	102.7	100.5	106.4	102.7	104.5	99.4	106.1	104.8	94.5	110.1	108.4
15 Appliances and TV	1.33	104.6	104.1	97.4	103.1	101.5	108.8	106.1	108.6	104.1	110.5	108.4	98.6	113.5	.....
16 Carpeting and furniture	1.07	149.8	147.8	151.3	151.8	145.9	149.0	151.4	152.5	153.3	151.9	151.4	152.2	151.2	.....
17 Miscellaneous home goods	2.59	135.1	138.1	138.9	138.0	137.7	134.9	136.7	137.2	134.9	130.1	128.6	130.1	131.5	130.6
18 Nondurable consumer goods	19.79	148.0	148.1	146.8	146.6	147.9	148.8	149.1	148.6	148.2	148.5	147.9	148.5	148.6	148.6
19 Clothing	4.29	108.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
20 Consumer staples	15.50	159.0	159.2	158.1	158.3	159.0	159.9	159.7	159.4	158.8	159.1	158.1	158.8	158.9	159.0
21 Consumer foods and tobacco	8.33	149.7	151.1	149.6	148.1	149.9	150.9	149.9	149.6	148.6	150.2	149.0	149.9	.....	.....
22 Nonfood staples	7.17	169.7	168.7	168.0	170.0	169.5	170.4	171.2	170.8	170.7	169.5	168.7	169.2	169.2	169.0
23 Consumer chemical products	2.63	219.9	218.2	217.8	218.3	216.6	219.8	222.3	222.4	221.7	220.0	218.9	220.9	223.0	.....
24 Consumer paper products	1.92	127.7	130.2	127.8	128.7	126.7	126.7	128.1	129.4	128.2	125.3	125.1	127.4	129.2	.....
25 Consumer energy products	2.62	150.2	147.2	147.6	151.9	153.6	152.8	151.4	149.3	150.6	151.1	150.2	148.0	144.4	.....
26 Residential utilities	1.45	170.8	171.6	170.4	174.5	173.7	171.1	167.7	169.7	169.5	169.1	171.5	169.3	.....	.....
Equipment															
27 Business	12.63	157.9	171.6	169.0	164.9	159.9	156.7	154.9	153.9	150.5	147.1	146.4	148.3	146.7	145.0
28 Industrial	6.77	135.0	155.9	151.2	145.9	138.9	134.0	131.3	128.4	123.8	118.3	117.2	118.3	117.9	113.9
29 Building and mining	1.44	214.2	274.9	256.9	242.2	224.4	209.0	200.4	190.8	182.1	169.3	165.7	172.7	173.3	156.7
30 Manufacturing	3.85	107.2	116.8	116.3	114.0	109.7	107.5	106.0	104.4	101.6	98.0	97.5	97.0	96.7	95.9
31 Power	1.47	123.0	141.1	139.0	134.8	131.5	129.9	129.6	130.1	124.7	121.0	121.0	120.7	118.9	119.0
32 Commercial transit, farm	5.86	184.4	189.9	189.5	186.9	184.1	183.0	182.2	183.3	181.4	180.5	180.2	182.9	180.1	181.0
33 Commercial	3.26	253.5	256.4	257.8	253.1	247.7	247.5	248.8	253.5	254.0	253.5	254.8	258.6	256.0	255.5
34 Transit	1.93	103.8	110.4	110.5	110.9	110.9	108.3	106.3	102.0	95.5	93.2	92.3	95.2	91.1	94.4
35 Farm	.67	80.6	95.1	84.9	83.5	85.8	84.1	76.9	75.8	76.1	76.8	70.7	66.8	67.0	.....
36 Defense and space	7.51	109.4	106.5	107.0	107.2	107.7	107.6	109.5	109.5	109.5	111.9	113.6	115.0	115.9	116.3
Intermediate products															
37 Construction supplies	6.42	124.3	127.5	125.6	123.6	122.2	123.1	124.1	127.1	125.5	122.5	123.4	122.8	125.6	126.2
38 Business supplies	6.47	162.2	165.1	164.6	163.7	162.8	160.6	161.4	162.1	161.8	160.5	160.1	160.9	161.7	.....
39 Commercial energy products	1.14	181.2	184.1	184.5	183.5	180.3	178.3	179.8	178.1	179.2	180.4	182.4	183.5	183.1	.....
Materials															
40 Durable goods materials	20.35	125.0	132.4	130.7	128.1	126.6	126.6	126.0	125.1	123.0	118.5	116.4	116.2	120.5	121.8
41 Durable consumer parts	4.58	95.3	92.2	94.1	94.7	98.9	103.1	103.8	101.0	97.1	91.4	90.0	91.1	94.8	97.1
42 Equipment parts	5.44	166.8	180.1	177.5	173.9	170.0	168.3	166.1	164.1	158.3	155.4	155.1	155.0	157.1	157.6
43 Durable materials n.e.c.	10.34	116.1	125.1	122.2	118.8	116.1	115.1	114.8	115.4	115.8	111.1	107.7	106.8	112.7	114.0
44 Basic metal materials	5.57	79.8	94.3	88.6	82.3	79.4	77.4	75.7	76.1	77.7	73.0	69.1	67.9	75.8	.....
45 Nondurable goods materials	10.47	157.5	164.2	162.0	160.3	156.6	153.5	152.3	154.5	158.5	158.2	157.3	155.9	157.7	157.9
46 Textile, paper, and chemical materials	7.62	161.1	167.9	166.6	164.4	160.4	156.7	155.3	157.7	162.2	161.5	161.0	160.4	161.6	162.1
47 Textile materials	1.85	102.2	102.2	104.5	104.5	101.8	99.1	99.6	103.2	103.3	104.4	102.5	102.1	100.6	.....
48 Paper materials	1.62	145.6	148.5	146.7	143.5	141.8	140.7	142.1	146.6	148.9	148.9	149.7	144.8	147.6	.....
49 Chemical materials	4.15	193.5	204.9	202.2	199.3	193.9	188.7	185.4	186.5	193.7	192.0	191.6	192.6	194.4	.....
50 Containers, nondurable	1.70	161.4	166.7	161.3	159.8	157.2	158.5	158.1	162.8	167.3	164.9	160.8	155.2	159.5	.....
51 Nondurable materials n.e.c.	1.14	127.9	136.0	132.4	134.2	130.6	124.8	123.4	120.1	121.1	125.5	127.4	127.2	128.4	.....
52 Energy materials	8.48	125.2	130.3	128.2	125.8	125.4	125.4	126.0	124.5	121.0	122.6	121.4	121.0	122.4	122.4
53 Primary energy	4.65	116.0	119.5	119.2	117.3	116.9	116.6	117.2	113.8	111.1	114.4	113.7	114.0	116.2	.....
54 Converted fuel materials	3.82	136.3	143.4	139.1	136.1	135.7	136.0	136.7	137.4	133.0	132.6	130.8	129.4	130.0	.....
Supplementary groups															
55 Home goods and clothing	9.35	119.5	120.1	118.9	118.9	119.5	120.2	121.4	121.3	120.1	119.9	119.6	118.5	121.4	120.7
56 Energy, total	12.23	135.7	138.9	137.6	136.7	136.5	136.2	136.4	134.8	132.7	134.1	133.3	132.6	132.8	132.6
57 Products	3.76	159.6	158.4	158.8	161.5	161.7	160.5	160.0	158.0	159.3	160.0	160.0	158.7	156.2	.....
58 Materials	8.48	125.2	130.3	128.2	125.8	125.4	125.4	126.0	124.5	121.0	122.6	121.4	121.0	122.4	122.4

2.13 Continued

Grouping	SIC code	1967 proportion	1982 avg.	1982 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	1983 Jan.[p]	Feb.[e]
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	12.05	146.3	155.6	153.1	151.6	148.8	145.2	142.6	141.3	139.7	140.4	140.4	140.3	140.7	139.0
2 Mining	......	6.36	126.2	142.4	138.1	134.1	128.9	123.5	120.1	116.9	114.7	115.9	116.8	118.7	121.2	116.2
3 Utilities	......	5.69	168.8	170.4	170.0	171.0	170.9	169.4	167.7	168.5	167.5	167.8	166.7	164.5	162.4	164.5
4 Electric	......	3.88	190.5	192.5	191.7	193.1	193.4	191.6	189.2	189.9	188.2	188.4	188.3	185.6	182.9	185.9
5 Manufacturing	......	87.95	137.6	140.9	140.1	138.7	137.9	137.7	138.1	138.0	137.1	135.0	134.0	134.5	136.3	137.1
6 Nondurable	......	35.97	156.2	157.8	157.3	156.1	155.0	155.3	155.7	156.9	156.7	156.2	155.3	155.8	156.9	156.8
7 Durable	......	51.98	124.7	129.3	128.2	126.7	126.1	125.5	125.9	124.9	123.5	120.3	119.3	119.8	122.1	123.4
Mining																
8 Metal	10	.51	82.3	120.8	109.9	108.8	90.0	71.8	58.1	53.4	55.4	63.1	70.4	74.0	78.1	.....
9 Coal	11.12	.69	142.7	156.0	155.6	146.2	149.2	144.4	140.3	135.8	127.9	143.2	134.1	129.7	144.8	136.6
10 Oil and gas extraction	13	4.40	131.1	146.6	141.4	137.7	132.7	129.1	127.0	123.3	121.0	119.1	120.3	123.3	124.0	117.8
11 Stone and earth minerals	14	.75	112.1	120.5	121.6	119.6	114.6	106.6	103.8	105.7	106.3	108.5	111.9	111.9	112.7	.....
Nondurable manufactures																
12 Foods	20	8.75	151.1	151.7	150.8	149.7	150.5	151.0	151.0	150.7	149.0	151.5	152.0	152.4	.....	.....
13 Tobacco products	21	67	118.0	126.7	126.7	116.1	118.6	123.6	121.4	120.6	113.3	110.6	113.0	109.9	.....	.....
14 Textile mill products	22	2.68	124.6	125.8	126.0	126.3	123.5	123.7	124.3	125.9	126.1	125.9	123.1	122.6	120.0	.....
15 Apparel products	23	3.31	108.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
16 Paper and products	26	3.21	150.8	151.5	150.6	149.8	146.5	146.8	147.0	152.5	154.3	155.0	154.5	151.1	156.1	155.3
17 Printing and publishing	27	4.72	144.2	146.4	145.9	144.2	143.8	142.6	143.9	145.3	144.3	142.0	141.7	144.2	146.0	145.8
18 Chemicals and products	28	7.74	196.1	201.3	200.3	198.6	193.6	193.2	194.1	195.6	196.4	194.1	192.8	196.0	197.2	.....
19 Petroleum products	29	1.79	121.8	119.5	121.3	120.8	122.2	124.3	124.7	121.4	122.6	123.8	120.0	119.0	118.6	115.5
20 Rubber and plastic products	30	2.24	254.7	251.8	253.4	255.1	257.0	258.9	256.8	261.1	262.0	256.3	250.2	249.7	250.6	.....
21 Leather and products	31	.86	60.9	64.0	61.2	60.6	61.1	62.3	62.9	60.8	60.9	59.5	57.7	56.0	59.5	.....
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	86.9	83.8	83.8	85.2	86.3	86.5	87.1	86.5	86.9	89.5	91.9	92.5	93.3	93.1
23 Lumber and products	24	1.64	112.6	104.9	103.5	106.2	110.6	112.2	116.9	120.3	119.9	117.2	119.1	121.4	125.0	.....
24 Furniture and fixtures	25	1.37	151.9	148.4	150.2	151.8	151.1	152.5	154.5	156.7	155.7	154.3	152.4	153.0	153.4	.....
25 Clay, glass, stone products	32	2.74	128.2	135.0	131.5	127.0	125.0	126.1	126.9	128.8	130.4	128.1	127.3	125.4	127.8	.....
26 Primary metals	33	6.57	75.2	88.5	83.0	76.4	75.2	72.8	72.9	72.9	73.2	69.6	63.6	62.9	71.2	75.8
27 Iron and steel	331.2	4.21	61.7	78.5	73.0	65.1	62.4	58.0	58.1	57.4	56.4	54.1	47.5	46.7	57.3	.....
28 Fabricated metal products	34	5.93	114.8	121.4	121.1	119.1	115.8	115.0	115.5	114.3	112.3	107.6	107.0	107.3	108.1	108.1
29 Nonelectrical machinery	35	9.15	149.0	160.0	157.3	153.7	150.0	147.4	147.1	147.2	144.9	140.4	139.6	139.0	137.9	136.9
30 Electrical machinery	36	8.05	169.3	172.9	172.6	172.2	170.9	170.8	170.3	169.7	167.0	165.4	165.5	165.3	169.2	169.9
31 Transportation equipment	37	9.27	104.9	102.0	104.4	105.9	110.0	111.6	112.7	107.0	105.3	100.8	100.2	103.7	105.7	110.2
32 Motor vehicles and parts	371	4.50	109.8	98.6	105.6	110.7	119.8	124.0	127.2	116.7	113.5	103.0	101.7	108.8	113.5	123.3
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	100.4	105.3	103.2	101.3	100.8	99.9	99.0	97.8	97.6	98.6	98.7	98.9	98.3	97.8
34 Instruments	38	2.11	161.9	164.5	163.0	162.8	163.8	164.8	165.2	165.5	161.9	157.4	155.8	155.2	156.0	156.0
35 Miscellaneous manufactures	39	1.51	137.1	144.5	145.3	144.6	141.7	136.8	134.7	133.9	132.9	129.6	129.5	129.1	131.3	130.8
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 Products, total	......	**507.4**	**579.6**	**588.1**	**586.8**	**582.1**	**586.1**	**584.1**	**585.8**	**578.5**	**575.3**	**570.0**	**568.4**	**572.7**	**575.5**	**580.4**
37 Final	......	390.9	451.0	457.1	456.6	453.5	458.3	456.7	457.2	449.2	446.3	442.8	441.3	445.0	445.9	450.4
38 Consumer goods	......	277.5	308.0	306.3	306.9	306.7	312.3	313.1	314.9	309.1	309.3	306.6	305.6	307.0	308.3	313.0
39 Equipment	......	113.4	143.0	150.8	149.7	146.8	146.0	143.5	142.3	140.1	137.0	136.2	135.7	138.0	137.6	137.4
40 Intermediate	......	116.6	128.6	131.1	130.2	128.6	127.8	127.4	128.7	129.3	129.0	127.2	127.1	127.7	129.5	130.0

1. 1972 dollar value.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1980	1981	1982r	1982 June	July	Aug.	Sept.	Oct.r	Nov.r	Dec.r	1983 Jan.
	Private residential real estate activity (thousands of units)										
NEW UNITS											
1 Permits authorized	1,191	986	985	929	1,062	888	1,003	1,172	1,192	1,305	1,512
2 1-family	710	564	538	516	500	497	561	651	729	736	893
3 2-or-more-family	480	421	448	413	562	391	442	521	463	569	619
4 Started	1,292	1,084	1,061	910r	1,185r	1,046r	1,134r	1,142	1,361	1,263	1,716
5 1-family	852	705	662	617r	625r	651r	683r	716	868	837	1,110
6 2-or-more-family	440	379	399	293r	560r	395r	451r	426	493	426	606
7 Under construction, end of period[1]	896	682	720	660	673	670	687	687	711	726	n.a.
8 1-family	515	382	399	384	377	373	379	381	393	408	n.a.
9 2-or-more-family	382	301	321	276	296	296	308	306	317	317	n.a.
10 Completed	1,502	1,266	1,005	939	1,007	1,002	929	1,116	1,058	1,017	n.a.
11 1-family	957	818	631	582	693	638	585	684	685	636	n.a.
12 2-or-more-family	545	447	374	357	314	364	344	432	373	381	n.a.
13 Mobile homes shipped	222	241	239	252r	240r	234	222	224	251	243	n.a.
Merchant builder activity in 1-family units											
14 Number sold	545	436	412	369	364r	389r	473	481	544	524	576
15 Number for sale, end of period[1]	342	278	257	254	250	248	247	245	246	252	259
Price (thousands of dollars)[2]											
Median											
16 Units sold	64.7	68.8	69.3	69.3	70.9	70.1	67.7	69.7	73.7	71.6	75.5
Average											
17 Units sold	76.4	83.1	83.8	84.9	86.5	86.5	79.6	79.9	88.4	85.6	91.8
EXISTING UNITS (1-family)											
18 Number sold	2,881	2,350	1,942	1,980	1,890	1,820	1,840	1,930	2,120	2,260	2,610
Price of units sold (thousands of dollars)[2]											
19 Median	62.1	66.1	67.7	69.4	69.2	68.9	67.3	66.9	67.7	67.8	68.3
20 Average	72.7	78.0	80.4	82.3	82.0	82.0	80.0	79.3	80.4	80.6	80.6
	Value of new construction[3] (millions of dollars)										
CONSTRUCTION											
21 Total put in place	**230,748**	**238,198**	**228,724**	**231,589**	**227,638**	**228,053**	**228,136**	**228,779**	**235,822**	**234,660**	**255,494**
22 Private	175,701	185,221	178,567	182,651	178,734	176,644	177,002	177,682	183,777	186,942	200,180
23 Residential	87,261	86,566	74,351	75,251	73,436	72,139	71,451	74,042	78,899	83,272	90,356
24 Nonresidential, total	88,440	98,655	104,216	107,400	105,298	104,505	105,551	103,640	104,878	103,670	109,824
Buildings											
25 Industrial	13,839	17,031	16,670	18,424	16,404	16,691	16,587	17,072	15,838	15,257	16,824
26 Commercial	29,940	34,243	37,125	38,048	37,512	36,091	37,129	35,677	37,769	37,516	40,455
27 Other	8,654	9,543	10,421	10,579	10,130	10,499	10,506	10,778	11,100	11,476	12,690
28 Public utilities and other	36,007	37,838	40,000	40,349	41,252	41,224	41,329	40,113	40,171	39,421	39,855
29 Public	55,047	52,977	50,157	48,938	48,904	51,409	51,134	51,097	52,045	47,718	55,314
30 Military	1,880	1,966	2,202	1,901	2,261	2,481	2,674	2,347	2,468	2,485	2,688
31 Highway	13,808	13,304	13,180	13,073	14,119	13,327	13,464	14,314	13,906	12,417	14,709
32 Conservation and development	5,089	5,225	4,983	5,051	5,055	5,036	4,719	4,546	4,718	4,595	5,178
33 Other	34,270	32,482	29,792	28,913	27,469	30,565	30,277	29,890	30,953	28,221	32,739

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	From 12 months earlier		From 3 months earlier (at annual rate)				From 1 month earlier					Index level Jan. 1983 (1967 = 100)[1]
	1982 Jan.	1983 Jan.	1982				1982				1983	
			Mar.	June	Sept.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	
CONSUMER PRICES[2]												
1 **All items**	**8.4**	**3.6**	**1.3**	**9.8**	**4.1**	**.5**	**.1**	**.4**	**.0**	**-.3**	**.2**	**292.6**
2 Food	4.6	2.5	5.0	6.2	.6	.8	.2	.2	.0	.0	.1	288.1
3 Energy items	9.1	-.5	-17.7	7.5	8.1	10.2	.5	1.3	.8	.3	-2.5	414.5
4 All items less food and energy	9.3	4.4	4.1	9.6	4.7	-.3	.2	.4	-.1	-.5	.1	280.3
5 Commodities	5.8	6.1	5.3	9.9	2.4	5.4	.0	.6	.3	.3	.6	237.4
6 Services	12.3	3.0	2.9	11.3	4.6	-4.8	-.1	.1	-.3	-1.0	.1	330.2
PRODUCER PRICES												
7 Finished goods	6.5	2.1	.9	4.6	4.2	4.6	.1	.4	.6	.2	1.0	283.6
8 Consumer foods	2.2	.7	6.8	10.2	-5.2	-2.6	-.4	.0	.0	.1	-.2	258.3
9 Consumer energy	11.1	-3.7	-21.9	-9.2	30.9	7.1	.4	.6	2.0	-.9	4.2	811.3
10 Other consumer goods	6.6	3.8	3.8	5.7	4.2	6.5	.3	.6	.6	.4	-1.0	237.2
11 Capital equipment	8.5	3.4	3.6	5.2	3.5	3.9	-.1	.2	.3	.5	-.1	285.7
12 Intermediate materials[3]	6.2	-.3	-2.3	-.5	2.3	1.5	.2	.1	.3	.0	-.4	315.3
13 Excluding energy	5.5	.5	.3	.0	1.0	1.2	.4	.0	.2	.2	.1	290.8
Crude materials												
14 Foods	-10.4	-1.2	23.3	15.8	-26.4	1.3	-3.0	1.0	1.0	.4	1.1	239.6
15 Energy	15.2	1.1	-5.8	1.6	8.7	5.8	.9	1.0	1.7	-1.2	-1.2	810.0
16 Other	-8.7	-7.7	-35.7	19.2	2.9	-7.9	.6	-.6	9	-.5	-2.9	231.0

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental-equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1980	1981	1982	1981	1982			
				Q4	Q1	Q2	Q3	Q4[p]
GROSS NATIONAL PRODUCT								
1 **Total**	**2,633.1**	**2,937.7**	**3,057.6**	**3,003.2**	**2,995.5**	**3,045.2**	**3,088.2**	**3,101.4**
By source								
2 Personal consumption expenditures	1,667.2	1,843.2	1,971.3	1,884.5	1,919.4	1,947.8	1,986.3	2,031.5
3 Durable goods	214.3	234.6	242.5	229.6	237.9	240.7	240.3	251.2
4 Nondurable goods	670.4	734.5	762.0	746.5	749.1	755.0	768.4	775.3
5 Services	782.5	874.1	966.8	908.3	932.4	952.1	977.6	1,005.0
6 Gross private domestic investment	402.4	471.5	420.5	468.9	414.8	431.5	443.3	392.4
7 Fixed investment	412.4	451.1	443.3	455.7	450.4	447.7	438.6	436.6
8 Nonresidential	309.2	346.1	347.6	360.2	357.0	352.2	344.2	336.9
9 Structures	110.5	129.7	141.4	139.6	141.4	143.6	141.3	139.2
10 Producers' durable equipment	198.6	216.4	206.2	220.6	215.6	208.6	203.0	197.7
11 Residential structures	103.2	105.0	95.8	95.5	93.4	95.5	94.3	99.8
12 Nonfarm	98.3	99.7	90.1	89.4	87.9	89.6	88.7	94.1
13 Change in business inventories	−10.0	20.5	−22.8	13.2	−35.6	16.2	4.7	−44.2
14 Nonfarm	−5.7	15.0	−23.1	6.0	−36.0	−15.0	3.7	−45.3
15 Net exports of goods and services	25.2	26.1	18.5	23.5	31.3	34.9	6.9	.8
16 Exports	339.2	367.3	349.2	367.9	359.9	365.8	349.5	321.5
17 Imports	314.0	341.3	330.7	344.4	328.6	330.9	342.5	320.7
18 Government purchases of goods and services	538.4	596.9	647.3	626.3	630.1	630.9	651.7	676.7
19 Federal	197.2	229.0	257.7	250.5	249.7	244.3	259.0	277.9
20 State and local	341.2	368.0	389.6	375.7	380.4	386.6	392.7	398.9
By major type of product								
21 Final sales, total	2,643.1	2,917.3	3,080.4	2,989.9	3,031.1	3,061.4	3,083.5	3,145.6
22 Goods	1,141.9	1,289.2	1,280.9	1,298.5	1,269.4	1,283.1	1,295.5	1,275.7
23 Durable	477.3	528.1	493.7	504.9	482.4	505.9	516.9	469.5
24 Nondurable	664.6	761.1	787.3	793.6	787.0	777.2	778.6	806.2
25 Services	1,225.6	1,364.3	1,492.3	1,421.5	1,444.4	1,476.7	1,509.5	1,538.7
26 Structures	265.7	284.2	284.3	283.3	281.7	285.3	283.2	287.0
27 Change in business inventories	−10.0	20.5	−22.8	13.2	−35.6	−16.2	4.7	−44.2
28 Durable goods	5.2	8.7	18.3	−5.6	−30.9	−6.6	10.1	−45.8
29 Nondurable goods	−4.8	11.8	−4.6	18.9	−4.8	−9.6	−5.4	1.6
30 MEMO: **Total GNP in 1972 dollars**	**1,474.0**	**1,502.6**	**1,476.0**	**1,490.1**	**1,470.7**	**1,478.4**	**1,481.1**	**1,473.9**
NATIONAL INCOME								
31 **Total**	**2,117.1**	**2,352.5**	**2,436.6**	**2,404.5**	**2,396.9**	**2,425.2**	**2,455.6**	**2,468.7**
32 Compensation of employees	1,598.6	1,767.6	1,856.4	1,813.4	1,830.8	1,850.7	1,868.3	1,875.9
33 Wages and salaries	1,356.1	1,494.0	1,560.6	1,531.1	1,541.5	1,556.6	1,570.0	1,574.3
34 Government and government enterprises	260.2	283.1	302.3	292.3	296.3	300.0	303.5	309.2
35 Other	1,095.9	1,210.9	1,258.3	1,238.8	1,245.2	1,256.6	1,266.4	1,265.1
36 Supplement to wages and salaries	242.5	273.6	295.8	282.3	289.3	294.1	298.3	301.6
37 Employer contributions for social insurance	115.3	133.2	142.1	136.5	140.2	141.7	142.8	143.6
38 Other labor income	127.3	140.4	153.8	145.8	149.1	152.5	155.5	157.9
39 Proprietors' income[1]	116.3	124.7	120.4	124.1	116.4	117.3	118.4	129.3
40 Business and professional[1]	96.9	100.7	101.3	99.5	98.6	99.9	101.7	104.9
41 Farm[1]	19.4	24.0	19.1	24.6	17.8	17.4	16.6	24.4
42 Rental income of persons[2]	32.9	33.9	34.1	33.6	33.9	34.2	34.6	33.9
43 Corporate profits[1]	181.6	190.6	160.5	183.9	157.1	155.4	166.2	163.3
44 Profits before tax[3]	242.5	232.1	174.6	216.5	171.6	171.7	180.3	174.8
45 Inventory valuation adjustment	−43.0	−24.6	9.3	−17.1	−4.4	−9.4	10.3	−12.9
46 Capital consumption adjustment	17.8	−16.8	−4.8	−15.5	−10.1	−6.9	3.8	1.5
47 Net interest	187.7	235.7	265.2	249.5	258.7	267.5	268.1	266.4

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.49.

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

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1980	1981	1982	1981	1982			
				Q4	Q1	Q2	Q3	Q4[p]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,160.2**	**2,404.1**	**2,570.6**	**2,494.6**	**2,510.5**	**2,552.7**	**2,592.5**	**2,626.9**
2 Wage and salary disbursements	1,356.1	1,493.9	1,560.6	1,531.2	1,541.6	1,556.6	1,570.0	1,574.3
3 Commodity-producing industries	468.0	510.8	509.9	517.7	514 3	513.6	510.2	501.5
4 Manufacturing	354.4	386.4	382.6	388.7	385.1	385.6	383.8	375.8
5 Distributive industries	330.5	361.4	376.0	368.3	371.4	375.4	378.4	378.6
6 Service industries	297.5	338.6	372.5	352.8	359.5	367.6	377.8	385.0
7 Government and government enterprises	260.2	283.1	302.3	292.4	296.5	300.0	303.5	309.2
8 Other labor income	127.3	140.4	153.8	145.8	149.1	152.5	155.5	157.9
9 Proprietors' income[1]	116.3	124.7	120.4	124.1	116.4	117.3	118.4	129.3
10 Business and professional[1]	96.9	100.7	101.3	99.5	98.6	99.9	101.7	104.9
11 Farm[1]	19.4	24.0	19.1	24.6	17.8	17 4	16.6	24.4
12 Rental income of persons[2]	32.9	33.9	34.1	33 6	33.9	34.2	34.6	33.9
13 Dividends	55.9	62 5	67.0	65.2	65.8	66.1	67.2	68.8
14 Personal interest income	256.3	308.5	371.8	351.0	359.7	372.0	378.2	377.2
15 Transfer payments	297.2	336.3	374.7	350.7	354 6	365 2	381.0	397.8
16 Old-age survivors, disability, and health insurance benefits	154.2	182.0	204.5	192.8	194.7	197 5	209.2	216.6
17 LESS: Personal contributions for social insurance	88.7	104.9	111.7	107.0	110.6	111 4	112.4	112.5
18 EQUALS: Personal income	2,160.2	2,404.1	2,570.6	2,494.6	2,510.5	2,552.7	2,592.5	2,626.9
19 LESS: Personal tax and nontax payments	336.2	386.7	397.2	393.2	393 4	401 2	394.4	399.7
20 EQUALS: Disposable personal income	1,824.1	2,029.2	2,173.4	2,101.4	2,117.1	2,151.5	2,198.1	2,227.1
21 LESS: Personal outlays	1,717 9	1,898 9	2,030 7	1,942 7	1,977.9	2,007.2	2,046.1	2,091.6
22 EQUALS: Personal saving	106.2	130.2	142.7	158.6	139 1	144 3	152.0	135.5
MEMO: Per capita (1972 dollars)								
23 Gross national product	6,474	6,536	6,360	6,458	6,360	6,380	6,376	6,328
24 Personal consumption expenditures	4,087	4,122	4,124	4,088	4,104	4,121	4,117	4,154
25 Disposable personal income	4,472	4,538	4,547	4,559	4,527	4,552	4,555	4,554
26 Saving rate (percent)	5.8	6.4	6.6	7.5	6.6	6 7	6.9	6.1
GROSS SAVING								
27 **Gross saving**	**406.3**	**477.5**	**414.5**	**476.3**	**428.8**	**441.5**	**422.4**	**n.a.**
28 Gross private saving	438.3	504.7	530.8	547.7	520.3	529 0	546.1	n.a.
29 Personal saving	106.2	130.2	142.7	158.6	139.1	144.3	152.0	135 5
30 Undistributed corporate profits[1]	38.9	44.4	31.8	44.3	32.5	30.7	34 8	n.a.
31 Corporate inventory valuation adjustment	-43 0	24.6	9.3	- 17 1	-4.4	9 4	-10.3	-12.9
Capital consumption allowances								
32 Corporate	181.2	206.2	225.1	216.0	218.9	223.4	227.5	230.4
33 Noncorporate	112.0	123.9	131.3	128.7	129.8	130.5	131.9	132.8
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	33.2	28.2	116.4	- 72.5	90.7	87 5	- 123.7	n.a.
36 Federal	-61.4	60.0	- 148.2	-101.7	- 118.4	119.6	156.0	n.a.
37 State and local	28.2	31.7	31.9	29.1	27.7	32.1	32.3	n.a.
38 Capital grants received by the United States, net	1.2	1.1	.0	1.1	.0	.0	.0	0
39 **Gross investment**	**410.1**	**475.6**	**414.6**	**469.0**	**421.3**	**442.3**	**426.0**	**368.7**
40 Gross private domestic	402.4	471.5	420.5	468.9	414.8	431.5	443.3	392.4
41 Net foreign	7.8	4.1	- 5.9	0.1	6.5	10.8	17.3	23.7
42 **Statistical discrepancy**	**3.9**	**−1.9**	**.2**	**−7.2**	**−7.5**	**.8**	**3.6**	**n.a.**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1979	1980	1981	1981		1982		
				Q3	Q4	Q1	Q2	Q3[p]
1 Balance on current account	-466	1,520	4,471	751	-927	1,088	2,231	-4,227
2 Not seasonally adjusted	...	...	...	-1,834	1,293	742	2,841	-6,471
3 Merchandise trade balance[2]	-27,346	-25,338	-27,889	-7,845	-9,185	-5,873	-5,695	-12,458
4 Merchandise exports	184,473	224,237	236,254	57,694	57,593	55,780	55,174	52,480
5 Merchandise imports	-211,819	-249,575	-264,143	-65,539	-66,778	-61,653	-60,869	-64,938
6 Military transactions, net	-2,035	-2,472	-1,541	61	-528	167	247	527
7 Investment income, net[3]	31,215	29,910	33,037	8,183	8,529	6,861	7,688	7,418
8 Other service transactions, net	3,262	6,203	7,472	2,160	2,127	1,981	1,731	1,939
9 Remittances, pensions, and other transfers	2,011	-2,101	-2,104	-558	-562	575	-671	-602
10 U.S. government grants (excluding military)	-3,549	-4,681	-4,504	-1,250	-1,308	-1,473	-1,069	-1,051
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-3,743	-5,126	-5,137	-1,257	-987	-904	-1,547	-2,418
12 Change in U.S. official reserve assets (increase, -)	-1,133	-8,155	-5,175	-4	262	-1,089	-1,132	-794
13 Gold	-65	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-1,136	-16	-1,823	-225	-134	400	-241	-434
15 Reserve position in International Monetary Fund	-189	-1,667	-2,491	-647	-358	-547	-814	-459
16 Foreign currencies	257	-6,472	-861	868	754	-142	-77	99
17 Change in U.S. private assets abroad (increase, -)[3]	-59,469	-72,746	-98,982	-15,996	-46,952	-29,208	-35,111	-23,152
18 Bank-reported claims	-26,213	-46,838	-84,531	-15,254	-42,645	-32,708	-36,923	-21,032
19 Nonbank-reported claims	-3,307	-3,146	-331	855	-508	4,112	-304	n.a.
20 U.S. purchase of foreign securities, net	-4,726	-3,524	5,429	-618	-2,843	-531	-441	-3,103
21 U.S direct investments abroad, net[3]	-25,222	-19,238	-8,691	-979	-956	-81	2,557	983
22 Change in foreign official assets in the United States (increase, +)	-13,697	15,442	4,785	-5,835	8,119	-3,122	1,998	2,102
23 U.S. Treasury securities	-22,435	9,708	4,983	-4,635	4,439	-1,344	-2,076	4,880
24 Other U.S. government obligations	463	2,187	1,289	545	246	296	258	-101
25 Other U.S. government liabilities[4]	-73	561	-69	-337	275	182	387	-509
26 Other U.S. liabilities reported by U.S. banks	7,213	-159	-4,083	-2,382	3,436	-1,516	3,393	-2,160
27 Other foreign official assets[5]	1,135	3,145	2,665	974	215	216	36	-8
28 Change in foreign private assets in the United States (increase, +)[3]	52,157	39,042	73,136	22,715	30,988	28,202	27,621	13,952
29 U.S. bank-reported liabilities	32,607	10,743	41,262	16,916	20,476	25,423	22,552	10,224
30 U.S. nonbank-reported liabilities	1,362	6,530	532	1,006	-457	-982	-2,304	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	4,960	2,645	2,932	-446	1,238	1,277	2,095	1,308
32 Foreign purchases of other U.S. securities, net	1,351	5,457	7,109	761	396	1,319	2,497	134
33 Foreign direct investments in the United States, net[3]	11,877	13,666	21,301	4,478	9,335	1,165	2,781	2,286
34 Allocation of SDRs	1,139	1,152	1,093	0	0	0	0	0
35 Discrepancy	25,212	28,870	25,809	-374	9,497	5,032	5,940	14,537
36 Owing to seasonal adjustments	...	...	...	-2,144	2,474	-899	574	-1,973
37 Statistical discrepancy in recorded data before seasonal adjustment	25,212	28,870	25,809	1,770	7,023	5,931	5,366	16,510
MEMO:								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	1,133	-8,155	-5,175	-4	262	-1,089	-1,132	-794
39 Foreign official assets in the United States (increase, +)	-13,624	14,881	4,854	-5,498	7,844	-2,940	1,611	2,611
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	5,543	12,769	13,314	2,935	2,230	4,988	3,073	164
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	465	631	602	132	64	93	125	137

1. Seasonal factors are no longer calculated for lines 12 through 41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted

Item	1980	1981	1982	1982r July	Aug.	Sept	Oct.	Nov	Dec.	1983 Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	220,626	233,677	212,193	18,060	17,463	17,320	16,671	15,852	16,347	17,393
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	244,871	261,305	243,952	19,849	22,930	20,581	21,006	18,892	19,154	20,021
3 **Trade balance**	**−24,245**	**−27,628**	**−31,759**	**−1,790**	**−5,467**	**−3,261**	**−4,335**	**−3,041**	**−2,808**	**−2,628**

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" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1979	1980	1981	1982 Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Feb.
1 **Total**[1]	**18,956**	**26,756**	**30,075**	**31,233**	**31,864**	**31,711**	**34,006**	**33,958**	**33,936**	**34,233**
2 Gold stock, including Exchange Stabilization Fund[1]	11,172	11,160	11,151	11,148	11,148	11,148	11,148	11,148	11,144	11,139
3 Special drawing rights[2,3]	2,724	2,610	4,095	4,601	4,809	4,801	4,929	5,250	5,267	5,284
4 Reserve position in International Monetary Fund[2]	1,253	2,852	5,055	6,433	6,406	6,367	7,185	7,348	8,035	8,594
5 Foreign currencies[4,5]	3,807	10,134	9,774	9,051	8,630	9,395	10,744	10,212	9,490	9,216

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13.

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.

4. Beginning November 1978, valued at current market exchange rates.

5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies, if any.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1979	1980	1981	1982 Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.	Feb.
1 Deposits	429	411	505	347	396	326	386	328	366	352
Assets held in custody										
2 U.S. Treasury securities[1]	95,075	102,417	104,680	104,136	106,117	107,636	107,467	112,544	115,872	116,428
3 Earmarked gold	15,169	14,965	14,804	14,761	14,726	14,706	14,711	14,716	14,717	14,752

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1979	1980	1981	1982 June[r]	1982 July	1982 Aug.[r]	1982 Sept.[r]	1982 Oct	1982 Nov.	1982 Dec.[p]
	All foreign countries									
1 **Total, all currencies**	**364,409**	**401,135**	**462,790**	**459,154**	**465,633**	**471,710**	**471,085**	**463,601**	**468,376**	**468,168**
2 Claims on United States	32,302	28,460	63,743	83,604	82,555	88,936	90,267	89,036	90,877	91,672
3 Parent bank	25,929	20,202	43,267	58,614	55,962	60,315	60,872	61,283	62,472	61,696
4 Other	6,373	8,258	20,476	24,990	26,593	28,621	29,395	27,753	28,405	29,976
5 Claims on foreigners	317,330	354,960	378,899	356,657	363,842	362,437	360,462	354,373	357,071	357,056
6 Other branches of parent bank	79,662	77,019	87,821	87,163	89,446	91,593	93,283	90,030	91,891	90,875
7 Banks	123,420	146,448	150,708	137,683	142,763	138,517	135,454	133,365	133,239	133,214
8 Public borrowers	26,097	28,033	28,197	25,291	24,654	24,521	24,333	23,850	23,340	23,979
9 Nonbank foreigners	88,151	103,460	112,173	106,520	106,979	107,806	107,392	107,128	108,601	108,988
10 Other assets	14,777	17,715	20,148	18,893	19,236	20,337	20,356	20,192	20,428	19,440
11 **Total payable in U.S. dollars**	**267,713**	**291,798**	**350,678**	**353,847**	**359,978**	**366,148**	**369,746**	**361,804**	**363,483**	**360,600**
12 Claims on United States	31,171	27,191	62,142	82,037	80,912	87,328	88,613	87,316	89,001	89,952
13 Parent bank	25,632	19,896	42,721	58,117	55,283	59,634	60,207	60,538	61,655	61,040
14 Other	5,539	7,295	19,421	23,920	25,629	27,694	28,406	26,778	27,346	28,912
15 Claims on foreigners	229,120	255,391	276,882	260,530	267,267	266,420	268,253	261,896	261,671	258,622
16 Other branches of parent bank	61,525	58,541	69,398	70,386	72,488	74,252	77,470	74,032	74,759	73,274
17 Banks	96,261	117,342	122,055	110,274	115,072	111,712	110,591	107,448	106,606	105,711
18 Public borrowers	21,629	23,491	22,877	19,957	19,306	19,043	18,984	18,659	18,187	18,301
19 Nonbank foreigners	49,705	56,017	62,552	59,913	60,401	61,413	61,208	61,757	62,119	61,336
20 Other assets	7,422	9,216	11,654	11,280	11,799	12,400	12,880	12,592	12,811	12,026
	United Kingdom									
21 **Total, all currencies**	**130,873**	**144,717**	**157,229**	**158,466**	**164,106**	**164,523**	**167,189**	**164,582**	**165,687**	**161,067**
22 Claims on United States	11,117	7,509	11,823	20,744	23,962	27,031	27,534	27,829	28,677	27,354
23 Parent bank	9,338	5,275	7,885	16,768	19,680	22,730	22,970	23,717	24,278	23,017
24 Other	1,779	2,234	3,938	3,976	4,282	4,301	4,564	4,112	4,399	4,337
25 Claims on foreigners	115,123	131,142	138,888	131,860	133,964	130,814	132,746	129,913	130,666	127,694
26 Other branches of parent bank	34,291	34,760	41,367	37,696	37,250	36,937	40,385	37,013	38,319	37,000
27 Banks	51,343	58,741	56,315	54,727	56,428	53,582	52,203	52,568	51,414	50,757
28 Public borrowers	4,919	6,688	7,490	6,595	6,456	6,286	6,086	6,157	6,170	6,240
29 Nonbank foreigners	24,570	30,953	33,716	32,842	33,830	34,009	34,072	34,165	34,763	33,697
30 Other assets	4,633	6,066	6,518	5,862	6,180	6,678	6,909	6,840	6,344	6,019
31 **Total payable in U.S. dollars**	**94,287**	**99,699**	**115,188**	**120,002**	**125,247**	**126,344**	**131,129**	**127,517**	**128,863**	**123,740**
32 Claims on United States	10,746	7,116	11,246	20,256	23,421	26,514	26,919	27,255	28,093	26,761
33 Parent bank	9,297	5,229	7,721	16,599	19,451	22,496	22,758	23,478	24,035	22,756
34 Other	1,449	1,887	3,525	3,657	3,970	4,018	4,161	3,777	4,058	4,005
35 Claims on foreigners	81,294	89,723	99,850	95,857	97,699	95,293	99,008	95,269	95,870	92,228
36 Other branches of parent bank	28,928	28,268	35,439	32,567	32,007	31,414	35,703	32,243	33,154	31,648
37 Banks	36,760	42,073	40,703	40,479	42,515	40,321	39,786	39,077	38,310	36,717
38 Public borrowers	3,319	4,911	5,595	4,655	4,513	4,336	4,214	4,251	4,281	4,329
39 Nonbank foreigners	12,287	14,471	18,113	18,156	18,664	19,222	19,305	19,698	20,125	19,534
40 Other assets	2,247	2,860	4,092	3,889	4,127	4,537	5,202	4,993	4,900	4,751
	Bahamas and Caymans									
41 **Total, all currencies**	**108,977**	**123,837**	**149,051**	**141,878**	**141,099**	**144,194**	**140,614**	**139,438**	**140,939**	**144,271**
42 Claims on United States	19,124	17,751	46,546	56,704	52,646	56,087	55,467	55,713	57,106	59,143
43 Parent bank	15,196	12,631	31,643	36,608	31,242	32,822	32,155	32,927	34,015	34,560
44 Other	3,928	5,120	14,903	20,096	21,404	23,265	23,312	22,786	23,091	24,583
45 Claims on foreigners	86,718	101,926	98,002	81,170	84,416	83,835	81,054	79,539	79,155	80,833
46 Other branches of parent bank	9,689	13,342	12,951	15,407	17,538	17,806	17,772	17,955	18,066	18,688
47 Banks	43,189	54,861	55,096	42,747	44,229	43,616	41,333	40,439	40,995	42,116
48 Public borrowers	12,905	12,577	10,010	7,327	7,031	7,036	6,999	6,743	6,310	6,411
49 Nonbank foreigners	20,935	21,146	19,945	15,689	15,618	15,377	14,950	14,402	13,784	13,618
50 Other assets	3,135	4,160	4,503	4,004	4,037	4,272	4,093	4,186	4,678	4,295
51 **Total payable in U.S. dollars**	**102,368**	**117,654**	**143,686**	**136,910**	**135,619**	**138,771**	**136,077**	**134,607**	**135,648**	**138,723**

3.14 Continued

Liability account	1979	1980	1981	1982 June[r]	July	Aug.[r]	Sept.[r]	Oct.	Nov.	Dec.[p]
	All foreign countries									
52 **Total, all currencies**	**364,409**	**401,135**	**462,790**	**459,154**	**465,633**	**471,710**	**471,085**	**463,601**	**468,376**	**468,168**
53 To United States	66,689	91,079	137,712	160,947	164,504	167,661	170,430	169,312	171,756	176,773
54 Parent bank	24,533	39,286	56,289	59,235	60,939	64,419	67,028	64,102	66,254	73,403
55 Other banks in United States	13,968	14,473	19,197	29,534	31,555	32,425	33,763	32,607	31,764	33,400
56 Nonbanks	28,188	37,275	62,226	72,178	72,010	70,817	69,639	72,603	73,738	69,970
57 To foreigners	283,510	295,411	305,630	278,721	281,592	283,954	280,450	274,222	276,293	271,605
58 Other branches of parent bank	77,640	75,773	86,396	84,542	86,776	92,202	93,753	91,658	91,270	91,824
59 Banks	122,922	132,116	124,906	105,206	105,959	103,466	99,966	98,259	98,209	96,633
60 Official institutions	35,668	32,473	25,997	19,914	20,239	20,004	20,527	19,440	21,095	19,603
61 Nonbank foreigners	47,280	55,049	68,331	69.059	68,618	68,282	66,204	64,865	65,719	63,545
62 Other liabilities	14,210	14,690	19,448	19.486	19,537	20,095	20,205	20,067	20,327	19,790
63 **Total payable in U.S. dollars**	**273,857**	**303,281**	**364,390**	**369,380**	**376,129**	**381,898**	**385,440**	**377,121**	**379,142**	**377,910**
64 To United States	64,530	88,157	134,645	157,717	161,250	164,403	167,534	166,377	168,285	173,298
65 Parent bank	23,403	37,528	54,437	57,174	58,958	62,369	65,114	62,191	63,963	71,081
66 Other banks in United States	13,771	14,203	18,883	29,198	31,224	32,162	33,508	32,362	31,428	33,035
67 Nonbanks	27,356	36,426	61,325	71,345	71,068	69,872	68,912	71,824	72,894	69,182
68 To foreigners	201,514	206,883	217,602	200.262	203,767	205,709	206,553	199,297	198,944	193,399
69 Other branches of parent bank	60,551	58,172	69,299	68,516	70,429	75,344	78,499	76,237	74,621	74,593
70 Banks	80,691	87,497	79,594	65,821	66,520	63,959	62,535	59,782	58,829	57,311
71 Official institutions	29,048	24,697	20,288	15,373	15,737	15,672	16,607	15,253	16,774	15,044
72 Nonbank foreigners	31,224	36,517	48,421	50,552	51,081	50,734	48,912	48,025	48,720	46,451
73 Other liabilities	7,813	8,241	12,143	11,401	11,112	11,786	11,353	11,447	11,913	11,213
	United Kingdom									
74 **Total, all currencies**	**130,873**	**144,717**	**157,229**	**158,466**	**164,106**	**164,523**	**167,189**	**164,582**	**165,687**	**161,067**
75 To United States	20,986	21,785	38,022	44,086	46,965	49,001	53,919	53,777	54,003	53,954
76 Parent bank	3,104	4,225	5,444	6,323	6,679	8,022	11,336	10,568	10,597	13,091
77 Other banks in United States	7,693	5,716	7,502	9,985	11,215	11,616	13,280	12,567	12,374	12,205
78 Nonbanks	10,189	11,844	25,076	27,778	29,071	29,363	29,303	30,642	31,032	28,658
79 To foreigners	104,032	117,438	112,255	106,665	109,105	107,268	104,967	102,611	103,927	99,567
80 Other branches of parent bank	12,567	15,384	16,545	17,771	18,010	18,666	19,123	18,399	19,372	18,361
81 Banks	47,620	56,262	51,336	46,628	48,541	47,502	45,526	45,601	44,266	44,020
82 Official institutions	24,202	21,412	16,517	11,746	12,076	12,006	12,348	11,379	12,940	11,504
83 Nonbank foreigners	19,643	24,380	27,857	30,520	30,478	29,094	27,970	27,232	27,349	25,682
84 Other liabilities	5,855	5,494	6,952	7,715	8,036	8,254	8,303	8,194	7,757	7,546
85 **Total payable in U.S. dollars**	**95,449**	**103,440**	**120,277**	**125,859**	**131,199**	**132,536**	**137,268**	**133,591**	**135,188**	**130,261**
86 To United States	20,552	21,080	37,332	43,323	46,129	48,266	53,262	53,146	53,056	53,029
87 Parent bank	3,054	4,078	5,350	6,212	6,603	7,928	11,223	10,442	10,306	12,814
88 Other banks in United States	7,651	5,626	7,249	9,806	11,048	11,510	13,142	12,472	12,188	12,026
89 Nonbanks	9,847	11,376	24,733	27,305	28,478	28,828	28,897	30,232	30,562	28,189
90 To foreigners	72,397	79,636	79,034	78,794	81,207	79,954	80,025	76,519	77,982	73,477
91 Other branches of parent bank	8,446	10,474	12,048	13,903	14,202	14,514	15,548	14,614	15,310	14,300
92 Banks	29,424	35,388	32,298	30,557	32,364	31,898	31,187	30,404	29,092	28,810
93 Official institutions	20,192	17,024	13,612	9,843	10,200	10,322	11,012	9,806	11,198	9,668
94 Nonbank foreigners	14,335	16,750	21,076	24,491	24,441	23,220	22,278	21,895	22,382	20,699
95 Other liabilities	2,500	2,724	3,911	3,742	3,863	4,316	3,981	3,926	4,150	3,755
	Bahamas and Caymans									
96 **Total, all currencies**	**108,977**	**123,837**	**149,051**	**141,878**	**141,099**	**144,194**	**140,614**	**139,438**	**140,939**	**144,271**
97 To United States	37,719	59,666	85,704	97,916	98,609	99,270	96,936	96,810	98,475	102,463
98 Parent bank	15,267	28,181	39,396	39,416	41,122	42,971	41,806	40,225	41,900	45,096
99 Other banks in United States	5,204	7,379	10,474	17,410	17,831	17,911	17,927	17,481	16,805	18,508
100 Nonbanks	17,248	24,106	35,834	41,090	39,656	38,388	37,203	39,104	39,770	38,859
101 To foreigners	68,598	61,218	60,012	41,204	39,740	42,039	40,965	39,793	39,603	39,360
102 Other branches of parent bank	20,875	17,040	20,641	15,855	15,018	17,348	17,690	17,421	17,566	17,541
103 Banks	33,631	29,895	23,202	12,702	11,766	11,599	10,910	10,297	10,413	10,122
104 Official institutions	4,866	4,361	3,498	2,471	2,407	2,288	2,091	2,137	1,846	1,956
105 Nonbank foreigners	9,226	9,922	12,671	10,176	10,549	10,804	10,274	9,938	9,778	9,741
106 Other liabilities	2,660	2,953	3,335	2,758	2,750	2,885	2,713	2,835	2,861	2,448
107 **Total payable in U.S. dollars**	**103,460**	**119,657**	**145,227**	**138,640**	**137,910**	**140,750**	**137,717**	**136,574**	**137,828**	**141,048**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1980	1981	1982 July	Aug.	Sept.	Oct.	Nov.	Dec.	1983 Jan.p
1 **Total**[1]	**164,578**	**169,702**	**170,228**	**169,289**	**171,094**	**171,308**	**168,048**	**172,721**	**175,523**
By type									
2 Liabilities reported by banks in the United States[2]	30,381	26,572	25,867	26,594	26,440	26,965	25,376	24,831	23,956
3 U.S. Treasury bills and certificates[3]	56,243	52,389	45,824	44,182	44,450	43,964	42,906	46,658	50,432
U.S. Treasury bonds and notes									
4 Marketable	41,455	53,150	63,048	63,415	64,940	65,581	65,801	67,666	67,942
5 Nonmarketable[4]	14,654	11,791	9,750	9,350	9,350	9,350	8,750	8,750	8,750
6 U.S. securities other than U.S. Treasury securities[5]	21,845	25,800	25,739	25,748	25,914	25,448	25,215	24,816	24,443
By area									
7 Western Europe[1]	81,592	65,484	58,791	61,120	61,350	60,723	59,355	61,371	62,467
8 Canada	1,562	2,403	1,519	1,771	2,057	2,204	2,044	2,070	2,520
9 Latin America and Caribbean	5,688	6,954	7,522	6,802	6,385	7,181	5,884	6,028	7,142
10 Asia	70,784	91,790	97,112	94,883	95,822	95,187	94,091	95,996	95,602
11 Africa	4,123	1,829	1,485	1,326	1,303	1,452	1,371	1,350	1,716
12 Other countries[6]	829	1,242	3,799	3,387	4,177	4,561	5,303	5,906	6,076

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1979	1980	1981	1982 Mar.	June	Sept.	Dec.p
1 Banks' own liabilities	1,918	3,748	3,767	4,290	4,783	4,973	4,751
2 Banks' own claims	2,419	4,206	5,224	5,574	6,401	6,772	7,689
3 Deposits	994	2,507	3,398	3,532	3,526	3,429	4,241
4 Other claims	1,425	1,699	1,826	2,042	2,875	3,343	3,448
5 Claims of banks' domestic customers[1]	580	962	971	944	921	506	676

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1979	1980	1981▲	1982						1983
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **All foreigners**	**187,521**	**205,297**	**243,279**	**285,114**	**293,122**	**298,515**	**297,617**	**303,015[r]**	**305,378**	**304,651**
2 Banks' own liabilities	117,196	124,791	162,974	209,172	217,564	220,427	218,741	226,307[r]	225,437	219,243
3 Demand deposits	23,303	23,462	19,628	17,071	15,840	15,418	17,064	17,216[r]	16,076	16,204
4 Time deposits[1]	13,623	15,076	28,903	59,603	62,208	62,332	62,236	62,976[r]	67,050	64,263
5 Other[2]	16,453	17,583	17,398	20,292	24,211	23,520	22,842	24,382	23,736	23,074
6 Own foreign offices[3]	63,817	68,670	97,044	112,206	115,305	119,158	116,600	121,733[r]	118,574	115,702
7 Banks' custody liabilities[4]	70,325	80,506	80,305	75,941	75,558	78,089	78,876	76,708	79,941	85,409
8 U.S. Treasury bills and certificates[5]	48,573	57,595	55,316	51,211	49,646	51,572	53,374	52,138	55,614	62,137
9 Other negotiable and readily transferable instruments[6]	19,396	20,079	19,019	20,722	22,134	22,437	21,787	20,965	20,609	19,342
10 Other	2,356	2,832	5,970	4,009	3,778	4,080	3,715	3,605	3,718	3,930
11 **Nonmonetary international and regional organizations[7]**	**2,356**	**2,344**	**2,721**	**4,082**	**5,073**	**5,050**	**6,036**	**6;465**	**4,597**	**6,611**
12 Banks' own liabilities	714	444	638	2,246	3,093	2,752	2,337	3,387	1,584	1,787
13 Demand deposits	260	146	262	343	265	194	261	257	106	284
14 Time deposits[1]	151	85	58	633	453	734	431	969	1,339	1,333
15 Other[2]	303	212	318	1,271	2,376	1,825	1,645	2,161	139	170
16 Banks' custody liabilities[4]	1,643	1,900	2,083	1,835	1,980	2,298	3,699	3,078	3,013	4,824
17 U.S. Treasury bills and certificates	102	254	541	487	328	676	2,160	1,774	1,621	3,603
18 Other negotiable and readily transferable instruments[6]	1,538	1,646	1,542	1,349	1,652	1,621	1,539	1,304	1,392	1,221
19 Other	2	0	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**78,206**	**86,624**	**79,037**	**71,690**	**70,776**	**70,891**	**70,930**	**68,282**	**71,490**	**74,388**
21 Banks' own liabilities	18,292	17,826	16,813	16,279	16,323	16,646	16,898	16,676	16,484	16,534
22 Demand deposits	4,671	3,771	2,564	2,788	1,994	2,526	2,138	2,127	1,981	2,188
23 Time deposits[1]	3,050	3,612	4,197	6,497	5,859	5,312	6,132	5,524	5,477	4,889
24 Other[2]	10,571	10,443	10,052	6,994	8,470	8,809	8,629	9,025	9,027	9,458
25 Banks' custody liabilities[4]	59,914	68,798	62,224	55,411	54,453	54,245	54,031	51,607	55,006	57,854
26 U.S. Treasury bills and certificates[5]	47,666	56,243	52,389	45,824	44,182	44,450	43,964	42,906	46,658	50,432
27 Other negotiable and readily transferable instruments[6]	12,196	12,501	9,787	9,552	10,234	9,755	10,033	8,672	8,319	7,386
28 Other	52	54	47	36	37	39	34	28	28	35
29 **Banks[9]**	**88,316**	**96,415**	**135,558**	**171,474**	**177,557**	**181,452**	**179,672**	**185,792[r]**	**185,135**	**178,169**
30 Banks' own liabilities	83,299	90,456	123,839	157,802	163,348	165,627	164,054	169,525[r]	168,718	161,346
31 Unaffiliated foreign banks	19,482	21,786	26,795	45,596	48,043	46,469	47,454	47,792[r]	50,144	45,644
32 Demand deposits	13,285	14,188	11,614	9,384	8,765	8,138	9,887	9,739	8,733	8,286
33 Time deposits[1]	1,667	1,703	8,695	25,006	26,698	26,503	26,099	26,220[r]	28,256	25,505
34 Other[2]	4,530	5,895	6,486	11,206	12,580	11,828	11,468	11,833	13,154	11,854
35 Own foreign offices[3]	63,817	68,670	97,044	112,206	115,305	119,158	116,600	121,733[r]	118,574	115,702
36 Banks' custody liabilities[4]	5,017	5,959	11,718	13,671	14,209	15,825	15,618	16,267	16,417	16,822
37 U.S. Treasury bills and certificates	422	623	1,687	3,872	3,970	4,897	5,634	5,792	5,809	6,292
38 Other negotiable and readily transferable instruments[6]	2,415	2,748	4,421	6,661	7,102	7,916	7,181	7,782	7,827	7,698
39 Other	2,179	2,588	5,611	3,138	3,138	3,012	2,803	2,693	2,782	2,833
40 **Other foreigners**	**18,642**	**19,914**	**25,964**	**37,868**	**39,716**	**41,123**	**40,980**	**42,476[r]**	**44,155**	**45,484**
41 Banks' own liabilities	14,891	16,065	21,684	32,845	34,800	35,401	35,452	36,719	38,651	39,575
42 Demand deposits	5,087	5,356	5,189	4,556	4,816	4,560	4,778	5,093	5,257	5,447
43 Time deposits	8,755	9,676	15,953	27,467	29,199	29,783	29,574	30,263	31,977	32,536
44 Other[2]	1,048	1,033	543	822	785	1,059	1,100	1,363	1,416	1,592
45 Banks' custody liabilities[4]	3,751	3,849	4,279	5,023	4,916	5,721	5,528	5,756	5,505	5,908
46 U.S. Treasury bills and certificates	382	474	699	1,028	1,167	1,548	1,615	1,666	1,525	1,810
47 Other negotiable and readily transferable instruments[6]	3,247	3,185	3,268	3,160	3,147	3,146	3,035	3,207	3,071	3,037
48 Other	123	190	312	835	603	1,028	878	884	908	1,062
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,984	10,745	10,747	13,029	13,921	13,533	13,999	13,408	14,296	13,362

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.17 Continued

Area and country	1979	1980	1981▲	1982						1983
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total**	**187,521**	**205,297**	**243,279**	**285,114**	**293,122**	**298,515**	**297,617**	**303,015r**	**305,378**	**304,651**
2 **Foreign countries**	**185,164**	**202,953**	**240,558**	**281,032**	**288,049**	**293,466**	**291,581**	**296,550r**	**300,780**	**298,040**
3 Europe	90,952	90,897	91,019	107,158	112,017	114,263	114,895	117,245r	117,909	118,782
4 Austria	413	523	587	501	531	537	508	441	512	482
5 Belgium-Luxembourg	2,375	4,019	4,117	2,967	3,218	3,259	2,782	2,499r	2,517	2,256
6 Denmark	1,092	497	333	452	446	149	166	221	509	996
7 Finland	398	455	296	162	224	328	478	572	805	475
8 France	10,433	12,125	8,486	8,642	8,145	7,720	7,358	7,065	8,112	8,497
9 Germany	12,935	9,973	7,665	5,624	5,397	5,331	5,360	6,093	5,405	5,806
10 Greece	635	670	463	506	559	471	516	496	537	589
11 Italy	7,782	7,572	7,290	5,760	6,703	6,714	5,541	4,779	5,674	4,938
12 Netherlands	2,337	2,441	2,823	2,789	2,838	2,899	3,102	3,100	3,362	3,770
13 Norway	1,267	1,344	1,457	1,333	1,634	1,773	2,026	2,197	1,567	1,476
14 Portugal	557	374	354	365	453	386	356	453	388	398
15 Spain	1,259	1,500	916	1,133	1,223	1,106	1,315	1,301	1,405	1,316
16 Sweden	2,005	1,737	1,545	1,385	1,278	1,324	2,000	1,615	1,380	1,315
17 Switzerland	17,954	16,689	18,720	23,847	25,014	26,519	26,736	27,994	28,999	29,160
18 Turkey	120	242	518	222	287	301	317	255	296	190
19 United Kingdom	24,700	22,680	28,287	44,970	46,881	48,478	48,809	50,276r	48,383	50,334
20 Yugoslavia	266	681	375	320	317	307	390	470	499	470
21 Other Western Europe[1]	4,070	6,939	6,245	5,739	6,381	6,294	6,484	6,889	6,936	5,846
22 U.S.S.R.	52	68	49	41	47	47	111	45	50	57
23 Other Eastern Europe[2]	302	370	493	397	440	322	541	486	573	413
24 Canada	7,379	10,031	10,250	11,168	12,194	11,623	12,163	11,719r	12,217	11,079
25 Latin America and Caribbean	49,686	53,170	84,685	103,810	106,882	109,110	106,616	110,345r	112,907	110,324
26 Argentina	1,582	2,132	2,445	2,154	2,713	3,359	3,482	3,432	3,577	4,833
27 Bahamas	15,255	16,381	34,400	39,388	41,502	42,164	41,100	44,324r	44,009	42,631
28 Bermuda	430	670	765	1,302	1,289	1,519	1,507	1,596	1,571	1,999
29 Brazil	1,005	1,216	1,568	1,823	1,865	1,752	2,020	1,865	2,078	1,923
30 British West Indies	11,138	12,766	17,794	22,039	22,871	23,294	23,071	24,302	26,200	24,602
31 Chile	468	460	664	1,442	1,170	1,293	1,438	1,444	1,626	1,341
32 Colombia	2,617	3,077	2,993	2,699	2,636	2,516	2,407	2,426	2,598	2,384
33 Cuba	13	6	9	7	9	7	7	8	9	10
34 Ecuador	425	371	434	527	478	524	556	519	453	472
35 Guatemala	414	367	479	613	616	639	636	639	670	682
36 Jamaica	76	97	87	139	136	121	118	108	126	115
37 Mexico	4,185	4,547	7,163	9,643	9,259	8,468	8,031	8,135	7,967	7,925
38 Netherlands Antilles	499	413	3,182	3,601	3,759	3,713	3,677	3,518	3,597	3,756
39 Panama	4,483	4,718	4,847	4,884	4,656	6,172	4,688	4,795r	4,698	4,919
40 Peru	383	403	694	931	984	974	1,031	959	1,147	1,052
41 Uruguay	202	254	367	609	665	721	844	651	759	751
42 Venezuela	4,192	3,170	4,245	9,140	9,219	8,625	8,796	8,315	8,382	7,623
43 Other Latin America and Caribbean	2,318	2,123	2,548	2,869	3,056	3,249	3,207	3,309r	3,440	3,306
44 Asia	33,005	42,420	50,005	52,118	50,854	51,115	49,800	48,597	48,530	48,194
China										
45 Mainland	49	49	158	261	245	254	216	214	203	220
46 Taiwan	1,393	1,662	2,082	2,371	2,323	2,490	2,568	2,786	2,716	3,139
47 Hong Kong	1,672	2,548	3,950	4,918	4,551	4,945	4,957	4,847	4,428	4,542
48 India	527	416	385	551	655	407	449	507	433	514
49 Indonesia	504	730	640	722	593	436	748	534	849	1,156
50 Israel	707	883	592	476	486	583	622	705	606	608
51 Japan	8,907	16,281	20,750	19,861	19,291	18,895	16,860	15,680	15,987	15,836
52 Korea	993	1,528	2,013	1,934	1,712	1,905	1,886	1,791	1,692	1,473
53 Philippines	795	919	874	660	728	712	736	768	770	680
54 Thailand	277	464	534	450	369	310	365	349	629	482
55 Middle-East oil-exporting countries[3]	15,300	14,453	13,174	14,252	14,106	14,026	14,050	14,396	13,433	12,332
56 Other Asia	1,879	2,487	4,854	5,662	5,795	6,152	6,344	6,020	6,784	7,210
57 Africa	3,239	5,187	3,180	2,692	2,586	2,783	3,369	3,192	3,070	3,346
58 Egypt	475	485	360	430	405	385	242	373	398	500
59 Morocco	33	33	32	52	47	63	54	66	75	51
60 South Africa	184	288	420	339	341	344	279	564	277	276
61 Zaire	110	57	26	25	25	20	23	22	23	25
62 Oil-exporting countries[4]	1,635	3,540	1,395	1,025	908	1,074	1,669	1,250	1,280	1,618
63 Other Africa	804	783	946	821	860	897	1,103	918	1,017	877
64 Other countries	904	1,247	1,419	4,085	3,516	4,572	4,738	5,452	6,147	6,314
65 Australia	684	950	1,223	3,831	3,317	4,355	4,530	5,224	5,904	6,080
66 All other	220	297	196	254	199	216	207	228	243	235
67 Nonmonetary international and regional organizations	2,356	2,344	2,721	4,082	5,073	5,050	6,036	6,465	4,597	6,611
68 International	1,238	1,157	1,661	3,064	3,936	3,934	5,141	5,522	3,705	5,769
69 Latin American regional	806	890	710	606	776	719	573	533	517	527
70 Other regional[5]	313	296	350	412	362	397	322	410	375	316

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."
▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1979	1980	1981▲	1982 July	1982 Aug.	1982 Sept	1982 Oct.	1982 Nov	1982 Dec.	1983 Jan.p
1 **Total**	**133,943**	**172,592**	**251,047**	**323,295**	**328,621**	**339,367**	**334,138**	**336,566r**	**352,867**	**356,390**
2 **Foreign countries**	**133,906**	**172,514**	**250,991**	**323,250**	**328,515**	**339,323**	**334,082**	**336,509r**	**352,799**	**356,317**
3 Europe	28,388	32,108	49,058	67,491	70,807	76,481	78,346	79,213r	83,712	83,423
4 Austria	284	236	121	189	186	146	173	197	216	234
5 Belgium-Luxembourg	1,339	1,621	2,843	4,092	4,421	4,804	4,962	5,404r	5,113	4,751
6 Denmark	147	127	187	303	323	358	396	406	554	609
7 Finland	202	460	546	699	776	806	813	904	990	984
8 France	3,322	2,958	4,124	5,860	5,960	5,815	6,218	6,638r	6,864	7,179
9 Germany	1,179	948	936	1,730	1,565	1,609	1,522	1,766	1,849	1,404
10 Greece	154	256	333	294	270	283	335	373	452	576
11 Italy	1,631	3,364	5,240	6,292	6,569	6,733	7,346	7,718	7,510	7,553
12 Netherlands	514	575	682	1,118	1,085	1,099	1,285	1,122	1,394	1,470
13 Norway	276	227	384	538	482	575	544	650	569	629
14 Portugal	330	331	529	990	970	998	1,018	924	943	843
15 Spain	1,051	993	2,100	3,304	3,520	3,469	3,558	3,633	3,730	3,662
16 Sweden	542	783	1,205	1,510	1,693	2,398	2,799	2,804	3,030	3,057
17 Switzerland	1,165	1,446	2,213	1,610	1,589	1,859	1,636	1,516	1,674	1,624
18 Turkey	149	145	424	646	600	605	603	598	560	527
19 United Kingdom	13,795	14,917	23,655	34,702	37,181	41,370	41,652	40,862r	44,462	44,535
20 Yugoslavia	611	853	1,224	1,266	1,220	1,196	1,248	1,261	1,418	1,382
21 Other Western Europe[1]	175	179	209	280	286	325	266	380	368	384
22 U.S.S.R	268	281	377	274	296	246	242	227	263	238
23 Other Eastern Europe[2]	1,254	1,410	1,725	1,793	1,814	1,787	1,728	1,832	1,751	1,783
24 Canada	4,143	4,810	9,164	13,049	12,083	11,852	12,977	12,526r	14,203	14,774
25 Latin America and Caribbean	67,993	92,992	138,121	178,323	181,708	186,355	179,981	180,868r	186,818	191,188
26 Argentina	4,389	5,689	7,522	10,971	10,936	10,964	11,019	10,816	10,959	11,231
27 Bahamas	18,918	29,419	43,437	52,503	54,706	55,340	51,692	52,204r	55,971	57,511
28 Bermuda	496	218	346	388	385	429	602	957	609	578
29 Brazil	7,713	10,496	16,918	21,560	22,146	23,081	22,970	22,978r	23,174	22,977
30 British West Indies	9,818	15,663	21,920	28,136	28,519	29,982	28,223	27,323r	28,913	32,469
31 Chile	1,441	1,951	3,690	5,228	5,367	5,394	5,276	5,091	5,570	5,260
32 Colombia	1,614	1,752	2,018	2,607	2,650	2,826	2,838	2,895	3,185	3,225
33 Cuba	4	3	3	8	3	3	3	3	3	15
34 Ecuador	1,025	1,190	1,531	2,027	2,048	2,127	2,057	2,101	2,053	2,027
35 Guatemala[3]	134	137	124	121	116	119	111	140	124	137
36 Jamaica[3]	47	36	62	578	508	387	151	218	181	206
37 Mexico	9,099	12,595	22,408	29,742	29,347	29,596	29,371	29,508	29,447	29,422
38 Netherlands Antilles	248	821	1,076	1,032	778	825	688	731r	809	858
39 Panama	6,041	4,974	6,779	9,147	9,842	10,583	9,983	10,575r	10,122	9,970
40 Peru	652	890	1,218	2,064	2,062	2,252	2,244	2,259	2,332	2,299
41 Uruguay	105	137	157	413	457	550	572	609r	681	712
42 Venezuela	4,657	5,438	7,069	9,692	9,800	9,867	9,925	10,250	10,684	10,202
43 Other Latin America and Caribbean	1,593	1,583	1,844	2,105	2,039	2,032	2,257	2,211	2,000	2,089
44 Asia	30,730	39,078	49,770	57,388	57,229	57,335	55,678	56,671r	60,630	59,103
China										
45 Mainland	35	195	107	139	127	126	139	194	210	204
46 Taiwan	1,821	2,469	2,461	1,977	1,891	1,949	2,020	2,255	2,285	2,223
47 Hong Kong	1,804	2,247	4,126	6,124	6,447	6,723	5,976	6,201r	7,705	7,089
48 India	92	142	123	266	235	275	254	258	222	230
49 Indonesia	131	245	346	294	297	292	315	314	342	370
50 Israel	990	1,172	1,562	1,637	1,534	1,623	1,748	1,895	2,043	1,835
51 Japan	16,911	21,361	26,757	30,026	29,491	28,496	26,722	25,952r	27,199	26,796
52 Korea	3,793	5,697	7,324	7,046	6,967	7,365	7,790	8,536	9,389	9,052
53 Philippines	737	989	1,817	2,605	2,611	2,508	2,560	2,467	2,555	2,444
54 Thailand	933	876	564	415	388	409	442	501	644	649
55 Middle East oil-exporting countries[4]	1,548	1,432	1,575	2,493	2,633	2,591	2,848	3,176	3,088	3,429
56 Other Asia	1,934	2,252	3,009	4,366	4,607	4,978	4,865	4,923r	4,948	4,781
57 Africa	1,797	2,377	3,503	4,971	4,811	5,176	5,017	5,274	5,350	5,600
58 Egypt	114	151	238	378	399	386	365	349	322	310
59 Morocco	103	223	284	314	368	376	367	384	347	342
60 South Africa	445	370	1,011	1,620	1,574	1,775	1,744	1,832	2,013	2,061
61 Zaire	144	94	112	81	58	59	61	58	57	57
62 Oil-exporting countries[5]	391	805	657	848	761	842	762	903	803	914
63 Other	600	734	1,201	1,730	1,651	1,738	1,718	1,747	1,807	1,916
64 Other countries	855	1,150	1,376	2,028	1,878	2,125	2,083	1,957	2,087	2,229
65 Australia	673	859	1,203	1,700	1,534	1,792	1,713	1,528	1,714	1,715
66 All other	182	290	172	328	344	332	370	429	373	514
67 Nonmonetary international and regional organizations[6]	36	78	56	45	106	44	56	57	68	73

1. Includes the Bank for International Settlements Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1979	1980	1981▲	1982						1983
				July	Aug.	Sept.r	Oct.	Nov.r	Dec.	Jan.p
1 **Total**	**154,030**	**198,698**	**286,415**	....	....	**376,923**	....	....	**392,487**	....
2 Banks' own claims on foreigners	133,943	172,592	251,047	323,295	328,621	339,367	334,138	336,566	352,867	356,390
3 Foreign public borrowers	15,937	20,882	31,316	40,612	41,758	42,682	42,459	42,280	44,544	44,553
4 Own foreign offices[1]	47,428	65,084	96,647	114,412	118,642	125,761	116,870	118,060	126,544	133,130
5 Unaffiliated foreign banks	40,927	50,168	74,086	108,572	109,143	111,499	114,301	115,223	119,290	115,711
6 Deposits	6,274	8,254	22,979	40,276	40,929	40,705	42,024	41,113	42,855	41,662
7 Other	34,654	41,914	51,107	68,296	68,214	70,794	72,278	74,109	76,434	74,049
8 All other foreigners	29,650	36,459	48,998	59,699	59,078	59,424	60,508	61,003	62,489	62,997
9 Claims of banks' domestic customers[2]	20,088	26,106	35,368	....	....	37,556	....	....	39,620	....
10 Deposits	955	885	1,378	....	....	1,389	....	....	1,936	....
11 Negotiable and readily transferable instruments[3]	13,100	15,574	25,752	....	....	29,047	....	....	30,627	....
12 Outstanding collections and other claims	6,032	9,648	8,238	....	....	7,120	....	....	7,057	....
13 MEMO: Customer liability on acceptances	18,021	22,714	29,517	....	....	35,273	....	....	38,401	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	22,333	24,511	39,831	45,301	43,911	43,649	45,453	46,805	40,831	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1979	1980	1981	1982			
			Dec.▲	Mar.	June	Sept.	Dec.p
1 **Total**	**86,181**	**106,748**	**153,839**	**174,506**	**200,493**	**213,028**	**227,158**
By borrower							
2 Maturity of 1 year or less[1]	65,152	82,555	115,818	133,035	151,622	161,257	173,228
3 Foreign public borrowers	7,233	9,974	15,099	16,573	19,397	20,115	21,032
4 All other foreigners	57,919	72,581	100,718	116,463	132,225	141,143	152,196
5 Maturity of over 1 year[1]	21,030	24,193	38,022	41,470	48,871	51,770	53,930
6 Foreign public borrowers	8,371	10,152	15,662	16,831	20,082	21,903	22,830
7 All other foreigners	12,659	14,041	22,360	24,639	28,789	29,867	31,099
By area							
Maturity of 1 year or less[1]							
8 Europe	15,235	18,715	27,903	34,284	39,053	44,828	48,971
9 Canada	1,777	2,723	4,634	5,805	6,582	7,021	7,537
10 Latin America and Caribbean	24,928	32,034	48,473	58,244	67,975	71,597	74,404
11 Asia	21,641	26,686	31,408	30,564	33,537	33,028	37,435
12 Africa	1,077	1,757	2,457	2,890	3,259	3,621	3,660
13 All other[2]	493	640	943	1,249	1,217	1,163	1,221
Maturity of over 1 year[1]							
14 Europe	4,160	5,118	8,092	8,333	9,243	10,507	11,488
15 Canada	1,317	1,448	1,774	1,858	2,340	1,957	1,923
16 Latin America and Caribbean	12,814	15,075	25,088	27,666	32,897	33,985	35,115
17 Asia	1,911	1,865	1,902	2,245	2,474	3,359	3,173
18 Africa	655	507	899	1,056	1,295	1,328	1,491
19 All other[2]	173	179	267	312	622	635	740

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1978[2]	1979	1980	1981				1982			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.p
1 **Total**	**266.2**	**303.9**	**352.0**	**372.1**	**382.9**	**399.8**	**414.4**	**417.6**	**432.0**	**433.6**	**435.1**
2 G-10 countries and Switzerland	124.7	138.4	162.1	168.5	168.3	172.2	175.2	173.7	175.0	173.4	177.2
3 Belgium-Luxembourg	9.0	11.1	13.0	13.6	13.8	14.1	13.3	13.2	14.1	13.5	13.0
4 France	12.2	11.7	14.1	14.5	14.7	16.0	15.3	15.9	16.4	15.7	16.6
5 Germany	11.3	12.2	12.1	13.3	12.1	12.7	12.9	12.5	12.7	12.2	12.6
6 Italy	6.7	6.4	8.2	7.7	8.4	8.6	9.6	9.0	9.0	9.7	10.3
7 Netherlands	4.4	4.8	4.4	4.6	4.2	3.7	4.0	4.0	4.1	3.8	3.6
8 Sweden	2.1	2.4	2.9	3.2	3.1	3.4	3.7	4.0	4.0	4.7	5.0
9 Switzerland	5.3	4.7	5.0	5.1	5.2	5.1	5.5	5.3	5.1	5.0	5.0
10 United Kingdom	47.3	56.4	67.4	68.5	67.0	68.8	69.9	69.7	68.5	69.0	70.9
11 Canada	6.0	6.3	8.4	8.9	10.8	11.8	10.9	11.6	11.3	10.8	10.9
12 Japan	20.6	22.4	26.5	29.1	28.9	28.0	30.1	28.4	29.9	28.9	29.0
13 Other developed countries	19.4	19.9	21.6	23.5	24.8	26.4	28.4	30.6	32.1	32.6	33.6
14 Austria	1.7	2.0	1.9	1.8	2.1	2.2	1.9	2.1	2.1	2.0	1.9
15 Denmark	2.0	2.2	2.3	2.4	2.3	2.5	2.3	2.5	2.6	2.5	2.4
16 Finland	1.2	1.2	1.4	1.4	1.3	1.4	1.7	1.6	1.6	1.8	2.3
17 Greece	2.3	2.4	2.8	2.7	3.0	2.9	2.8	2.8	2.6	2.5	2.9
18 Norway	2.1	2.3	2.6	2.8	2.8	3.0	3.1	3.2	3.2	3.4	3.3
19 Portugal	.6	.7	.6	.6	.8	1.0	1.1	1.2	1.5	1.6	1.5
20 Spain	3.5	3.5	4.4	5.5	5.7	5.8	6.7	7.2	7.3	7.7	7.5
21 Turkey	1.5	1.4	1.5	1.5	1.4	1.5	1.4	1.6	1.5	1.5	1.4
22 Other Western Europe	1.3	1.4	1.7	1.8	1.8	1.9	2.1	2.2	2.2	2.1	2.3
23 South Africa	2.0	1.3	1.1	1.5	1.9	2.5	2.8	3.3	3.5	3.6	3.7
24 Australia	1.4	1.3	1.3	1.5	1.7	1.9	2.5	3.0	4.0	4.0	4.3
25 OPEC countries[3]	22.7	22.9	22.7	21.7	22.2	23.5	24.5	25.1	26.1	27.0	27.2
26 Ecuador	1.6	1.7	2.1	2.0	2.0	2.1	2.2	2.3	2.4	2.3	2.2
27 Venezuela	7.2	8.7	9.1	8.3	8.8	9.2	9.7	9.7	9.8	10.1	10.6
28 Indonesia	2.0	1.9	1.8	2.1	2.1	2.5	2.5	2.7	2.7	2.9	3.2
29 Middle East countries	9.5	8.0	6.9	6.7	6.8	7.1	7.5	8.2	8.7	9.0	8.5
30 African countries	2.5	2.6	2.8	2.6	2.6	2.6	2.5	2.2	2.5	2.7	2.7
31 Non-OPEC developing countries	52.6	63.0	77.4	82.2	84.8	90.2	96.2	97.5	103.6	103.8	106.9
Latin America											
32 Argentina	3.0	5.0	7.9	9.5	8.5	9.3	9.4	9.9	9.7	9.2	8.9
33 Brazil	14.9	15.2	16.2	17.0	17.5	17.7	19.1	19.7	21.3	22.4	22.8
34 Chile	1.6	2.5	3.7	4.0	4.8	5.5	5.8	6.0	6.4	6.2	6.3
35 Colombia	1.4	2.2	2.6	2.4	2.5	2.5	2.6	2.3	2.6	2.8	3.0
36 Mexico	10.8	12.0	15.9	17.0	18.2	20.0	21.6	22.9	25.1	24.8	24.4
37 Peru	1.7	1.5	1.8	1.8	1.7	1.8	2.0	1.9	2.4	2.6	2.6
38 Other Latin America	3.6	3.7	3.9	4.7	3.8	4.2	4.1	4.1	4.0	4.3	4.2
Asia											
China											
39 Mainland	.0	.1	.2	.2	.2	.2	.2	.2	.3	.2	.3
40 Taiwan	2.9	3.4	4.2	4.4	4.6	5.1	5.1	5.1	5.0	4.9	5.2
41 India	.2	.2	.3	.3	.3	.3	.3	.5	.5	.5	.6
42 Israel	1.0	1.3	1.5	1.3	1.8	1.5	2.1	1.7	2.2	1.9	2.3
43 Korea (South)	3.9	5.4	7.1	7.7	8.8	8.6	9.4	8.6	8.9	9.3	10.8
44 Malaysia	.6	1.0	1.1	1.2	1.4	1.4	1.7	1.7	1.9	1.8	2.1
45 Philippines	2.8	4.2	5.1	4.8	5.1	5.6	6.0	5.9	6.3	6.0	6.2
46 Thailand	1.2	1.5	1.6	1.6	1.5	1.4	1.5	1.4	1.3	1.3	1.6
47 Other Asia	.2	.5	.6	.5	.7	.8	1.0	1.2	1.1	1.3	1.1
Africa											
48 Egypt	.4	.6	.8	.8	.7	1.0	1.1	1.3	1.3	1.3	1.2
49 Morocco	.6	.6	.7	.6	.5	.7	.7	.7	.7	.8	.7
50 Zaire	.2	.2	.2	.2	.2	.2	.2	.2	.2	.1	.1
51 Other Africa[4]	1.4	1.7	2.1	2.2	2.1	2.2	2.3	2.3	2.3	2.2	2.5
52 Eastern Europe	6.9	7.3	7.4	7.7	7.7	7.7	7.8	7.2	6.7	6.3	6.2
53 U.S.S.R.	1.3	.7	.4	.4	.5	.4	.6	.4	.4	.3	.3
54 Yugoslavia	1.5	1.8	2.3	2.4	2.5	2.5	2.5	2.5	2.4	2.2	2.2
55 Other	4.1	4.8	4.6	4.8	4.8	4.7	4.7	4.3	3.9	3.8	3.7
56 Offshore banking centers	31.0	40.4	47.0	53.7	59.3	61.7	63.5	65.2	70.7	70.3	66.6
57 Bahamas	10.4	13.7	13.7	15.5	17.9	21.3	18.9	19.8	23.1	20.1	18.0
58 Bermuda	.7	.8	.6	.7	.7	.8	.7	.7	.7	.8	.9
59 Cayman Islands and other British West Indies	7.4	9.4	10.6	11.9	12.6	12.1	12.4	12.0	12.2	13.3	12.8
60 Netherlands Antilles	.8	1.2	2.1	2.3	2.4	2.2	3.2	3.2	3.0	3.3	3.3
61 Panama[5]	3.0	4.3	5.4	6.5	6.9	6.7	7.6	7.1	7.3	8.0	7.5
62 Lebanon	.1	.2	.2	.2	.2	.2	.2	.2	.2	.1	.1
63 Hong Kong	4.2	6.0	8.1	8.4	10.3	10.3	11.8	12.9	14.3	14.9	14.8
64 Singapore	3.9	4.5	5.9	7.3	8.1	8.0	8.7	9.3	9.8	9.8	9.1
65 Others[6]	.5	.4	.3	.9	.3	.1	.1	.1	.1	.0	.0
66 Miscellaneous and unallocated[7]	9.1	11.7	14.0	14.9	15.7	18.2	18.8	18.3	18.2	20.1	17.6

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. Beginning with data for June 1978, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

3. In addition to the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1979	1980	1981	1981 Sept.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.^{p}
1	***Total***	***17,418***	***22,212***	***22,460***	***23,593***	***22,460***	***22,366***	***20,843***	***21,269***
2	Payable in dollars	14,323	18,481	18,749	20,374	18,749	19,605	18,102	18,378
3	Payable in foreign currencies	3,095	3,731	3,711	3,219	3,711	2,761	2,740	2,892
	By type								
4	Financial liabilities	7,507	11,316	12,103	13,072	12,103	12,585	10,017	10,537
5	Payable in dollars	5,223	8,528	9,444	10,688	9,444	10,622	8,056	8,456
6	Payable in foreign currencies	2,284	2,788	2,660	2,384	2,660	1,963	1,961	2,081
7	Commercial liabilities	9,910	10,896	10,357	10,520	10,357	9,782	10,826	10,732
8	Trade payables	4,591	4,993	4,720	4,430	4,720	4,022	4,967	4,526
9	Advance receipts and other liabilities	5,320	5,903	5,637	6,091	5,637	5,760	5,859	6,206
10	Payable in dollars	9,100	9,953	9,305	9,686	9,305	8,983	10,047	9,921
11	Payable in foreign currencies	811	943	1,052	835	1,052	798	779	811
	By area or country								
	Financial liabilities								
12	Europe	4,649	6,467	6,808	7,957	6,808	7,874	5,947	6,407
13	Belgium-Luxembourg	322	465	460	495	460	596	518	494
14	France	175	327	709	929	709	924	581	664
15	Germany	497	582	491	430	491	503	439	446
16	Netherlands	829	681	748	664	748	755	517	763
17	Switzerland	170	354	715	465	715	707	661	670
18	United Kingdom	2,477	3,923	3,559	4,800	3,559	4,282	3,084	3,240
19	Canada	532	964	958	977	958	914	758	702
20	Latin America and Caribbean	1,514	3,136	3,353	3,293	3,353	3,327	2,794	2,782
21	Bahamas	404	964	1,279	1,019	1,279	1,095	1,003	933
22	Bermuda	81	1	7	6	7	6	7	14
23	Brazil	18	23	22	20	22	27	24	28
24	British West Indies	516	1,452	1,241	1,398	1,241	1,469	1,044	990
25	Mexico	121	99	102	107	102	67	83	85
26	Venezuela	72	81	98	90	98	97	100	104
27	Asia	804	723	957	814	957	455	502	631
28	Japan	726	644	792	696	792	293	340	424
29	Middle East oil-exporting countries[2]	31	38	75	51	75	63	66	67
30	Africa	4	11	3	3	3	2	3	3
31	Oil-exporting countries[3]	1	1	0	1	0	0	0	0
32	All other[4]	4	15	24	29	24	12	11	13
	Commercial liabilities								
33	Europe	3,709	4,402	3,771	3,963	3,771	3,422	3,661	3,862
34	Belgium-Luxembourg	137	90	71	79	71	50	47	50
35	France	467	582	573	575	573	504	657	759
36	Germany	545	679	545	590	545	473	457	431
37	Netherlands	227	219	221	239	221	232	247	281
38	Switzerland	316	499	424	569	424	400	412	358
39	United Kingdom	1,080	1,209	880	925	880	824	849	904
40	Canada	924	888	897	853	897	884	1,116	1,188
41	Latin America and Caribbean	1,325	1,300	1,037	1,134	1,037	804	1,399	1,219
42	Bahamas	69	8	2	3	2	22	20	6
43	Bermuda	32	75	67	113	67	71	102	48
44	Brazil	203	111	67	61	67	83	62	128
45	British West Indies	21	35	2	11	2	27	1	3
46	Mexico	257	367	340	392	340	210	727	484
47	Venezuela	301	319	276	273	276	194	219	269
48	Asia	2,991	3,034	3,285	3,221	3,285	3,404	3,286	3,201
49	Japan	583	802	1,094	775	1,094	1,090	1,060	1,133
50	Middle East oil-exporting countries[2]	1,014	890	910	881	910	998	954	821
51	Africa	728	817	703	757	703	664	733	668
52	Oil-exporting countries[3]	384	517	344	355	344	247	340	248
53	All other[4]	233	456	664	593	664	604	630	595

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1979	1980	1981	1981 Sept.	1981 Dec.	1982 Mar.	1982 June	1982 Sept.^{p}
1	**Total**	**31,305**	**34,535**	**35,674**	**34,392**	**35,674**	**30,189**	**30,234**	**29,294**
2	Payable in dollars	28,108	31,591	32,091	31,389	32,091	27,554	27,735	26,612
3	Payable in foreign currencies	3,197	2,944	3,584	3,003	3,584	2,635	2,500	2,682
	By type								
4	Financial claims	18,404	19,816	20,756	19,399	20,756	17,752	18,215	17,580
5	Deposits	12,852	14,180	14,657	13,771	14,657	12,656	13,428	12,498
6	Payable in dollars	11,936	13,405	14,043	13,045	14,043	12,199	13,054	12,096
7	Payable in foreign currencies	916	775	614	727	614	457	374	402
8	Other financial claims	5,552	5,636	6,098	5,627	6,098	5,096	4,787	5,082
9	Payable in dollars	3,726	3,953	3,644	3,932	3,644	3,439	3,219	3,395
10	Payable in foreign currencies	1,826	1,683	2,454	1,695	2,454	1,657	1,568	1,687
11	Commercial claims	12,901	14,720	14,919	14,994	14,919	12,437	12,019	11,714
12	Trade receivables	12,185	13,960	13,954	14,057	13,954	11,477	10,960	10,709
13	Advance payments and other claims	716	759	965	937	965	960	1,058	1,005
14	Payable in dollars	12,447	14,233	14,403	14,412	14,403	11,917	11,461	11,121
15	Payable in foreign currencies	454	487	516	582	516	520	557	593
	By area or country								
	Financial claims								
16	Europe	6,191	6,094	4,533	4,819	4,533	4,511	4,486	4,693
17	Belgium-Luxembourg	32	145	43	26	43	16	13	16
18	France	177	312	315	348	315	422	313	305
19	Germany	409	230	224	314	224	197	148	174
20	Netherlands	53	51	50	68	50	79	56	52
21	Switzerland	73	59	67	80	67	53	63	60
22	United Kingdom	5,111	4,982	3,505	3,659	3,505	3,502	3,620	3,714
23	Canada	4,997	5,064	6,624	6,033	6,624	4,931	4,395	4,318
24	Latin America and Caribbean	6,312	7,811	8,615	7,762	8,615	7,432	8,312	7,529
25	Bahamas	2,773	3,477	3,925	3,284	3,925	3,537	3,845	3,301
26	Bermuda	30	135	18	15	18	27	42	19
27	Brazil	163	96	30	66	30	49	76	76
28	British West Indies	2,011	2,755	3,503	3,315	3,503	2,797	3,504	3,136
29	Mexico	157	208	313	283	313	281	274	268
30	Venezuela	143	137	148	143	148	130	134	133
31	Asia	601	607	759	500	759	680	800	830
32	Japan	199	189	363	111	363	267	327	252
33	Middle East oil-exporting countries[2]	16	20	37	29	37	36	33	30
34	Africa	258	208	173	169	173	164	156	165
35	Oil-exporting countries[3]	49	26	46	41	46	43	41	50
36	All other[4]	44	32	51	116	51	34	66	44
	Commercial claims								
37	Europe	4,922	5,544	5,359	5,378	5,359	4,381	4,241	4,164
38	Belgium-Luxembourg	202	233	234	220	234	246	209	178
39	France	727	1,129	776	767	776	698	634	646
40	Germany	593	599	557	582	557	452	391	408
41	Netherlands	298	318	303	308	303	227	296	277
42	Switzerland	272	354	427	404	427	354	383	258
43	United Kingdom	901	929	969	1,034	969	1,062	893	1,036
44	Canada	859	914	967	1,017	967	943	707	665
45	Latin America and Caribbean	2,879	3,766	3,468	3,729	3,468	2,907	2,763	2,772
46	Bahamas	21	21	12	18	12	80	30	19
47	Bermuda	197	108	223	241	223	212	226	154
48	Brazil	645	861	668	726	668	417	419	481
49	British West Indies	16	34	12	13	12	23	14	7
50	Mexico	708	1,102	1,022	985	1,022	762	748	869
51	Venezuela	343	410	424	456	424	396	381	373
52	Asia	3,451	3,522	3,914	3,700	3,914	3,155	3,297	3,027
53	Japan	1,177	1,052	1,244	1,129	1,244	1,160	1,211	866
54	Middle East oil-exporting countries[2]	765	825	901	829	901	757	793	775
55	Africa	551	653	750	717	750	587	597	638
56	Oil-exporting countries[3]	130	153	152	154	152	143	132	148
57	All other[4]	240	321	461	453	461	463	413	448

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1981	1982	1983	1982						1983
			Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	40,686	41,846	5,148	2,708	3,183	4,292	5,967	5,581	5,784	5,148
2 Foreign sales	34,856	37,950	4,366	2,697	2,650	4,399	5,675	5,245	4,868	4,366
3 **Net purchases, or sales (−)**	**5,830**	**3,896**	**782**	**11**	**532**	**−107**	**292**	**336**	**915**	**782**
4 **Foreign countries**	**5,803**	**3,811**	**772**	**5**	**530**	**−110**	**282**	**325**	**890**	**772**
5 Europe	3,662	2,541	586	302	272	−268	175	69	616	586
6 France	900	−143	47	0	−7	−43	−30	−8	43	47
7 Germany	−22	333	84	20	−12	−43	47	26	138	84
8 Netherlands	42	−60	2	0	12	−62	−102	−24	25	2
9 Switzerland	288	−529	212	−34	−53	−144	−118	−208	226	212
10 United Kingdom	2,235	3,073	184	309	366	73	435	317	187	184
11 Canada	783	222	90	−36	73	115	5	72	154	90
12 Latin America and Caribbean	−30	304	5	−69	121	−82	142	54	39	5
13 Middle East[1]	1,140	368	57	−137	101	134	−98	9	−153	−57
14 Other Asia	287	244	125	−57	−43	−16	22	112	210	125
15 Africa	7	2	6	1	1	0	0	2	3	6
16 Other countries	−46	131	18	0	5	6	35	7	22	18
17 **Nonmonetary international and regional organizations**	**27**	**85**	**10**	**6**	**2**	**3**	**10**	**11**	**25**	**10**
BONDS[2]										
18 Foreign purchases	17,290	21,431	1,933	1,743	1,513	2,088	2,778	2,099	2,099	1,933
19 Foreign sales	12,247	20,340	2,279	1,634	1,760	2,230	2,939	2,280	2,457	2,279
20 **Net purchases, or sales (−)**	**5,043**	**1,091**	**−346**	**109**	**−247**	**−142**	**−162**	**−181**	**−358**	**−346**
21 **Foreign countries**	**4,976**	**1,118**	**−344**	**74**	**−111**	**−106**	**−202**	**−190**	**−348**	**−344**
22 Europe	1,356	1,736	−190	189	−27	−279	429	−236	158	−190
23 France	11	296	21	5	−18	25	−16	24	146	−21
24 Germany	848	2,122	−96	258	106	86	190	11	43	−96
25 Netherlands	70	29	16	−3	0	−10	−2	−4	−1	16
26 Switzerland	108	161	28	−22	32	−24	−4	−13	44	28
27 United Kingdom	181	−1,085	−105	63	−109	−380	240	327	−461	−105
28 Canada	−12	25	11	1	4	2	−152	10	−2	11
29 Latin America and Caribbean	132	160	23	18	18	19	−15	28	−6	23
30 Middle East[1]	3,465	−769	−211	−68	−78	193	−435	−20	−177	−211
31 Other Asia	44	−23	23	−66	−31	−47	−30	28	−5	23
32 Africa	−1	−19	0	0	0	0	0	0	0	0
33 Other countries	−7	7	0	0	2	5	0	0	−1	0
34 **Nonmonetary international and regional organizations**	**66**	**−28**	**−2**	**35**	**−136**	**−36**	**41**	**10**	**−10**	**−2**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−188	−1,334	−292	44	11	−160	−308	−740	−272	−292
36 Foreign purchases	9,281	7,151	1,031	452	532	545	706	772	927	1,031
37 Foreign sales	9,469	8,485	1,323	409	520	705	1,014	1,512	1,199	1,323
38 Bonds, net purchases, or sales (−)	−5,449	−6,610	22	−698	−1,353	−1,157	−1,331	−463	−417	22
39 Foreign purchases	17,553	29,959	2,881	2,293	3,279	3,064	3,058	2,948	2,962	2,881
40 Foreign sales	23,003	36,569	2,859	2,991	4,632	4,222	4,389	3,411	3,379	2,859
41 **Net purchases, or sales (−), of stocks and bonds**	**−5,637**	**−7,944**	**−270**	**−655**	**−1,342**	**−1,317**	**−1,639**	**−1,204**	**−689**	**−270**
42 **Foreign countries**	**−4,625**	**−6,756**	**−244**	**−662**	**−1,144**	**−810**	**−1,247**	**−1,173**	**−736**	**−244**
43 Europe	707	−2,489	−307	−26	−128	−271	−517	−572	−555	−307
44 Canada	−3,697	−2,376	−21	−344	−678	−299	−181	−12	−29	−21
45 Latin America and Caribbean	69	336	258	3	49	−65	−268	−62	29	258
46 Asia	−322	−1,853	−164	−303	−433	241	−283	−536	−195	−164
47 Africa	−55	−9	9	3	17	1	0	4	4	−9
48 Other countries	87	−364	−2	6	29	−416	3	5	10	−2
49 **Nonmonetary international and regional organizations**	**−1,012**	**−1,188**	**−26**	**7**	**−198**	**−507**	**−392**	**−31**	**47**	**−26**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1981	1982	1983	1982						1983
			Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**70,201**	**85,346**	....	**79,873**	**80,694**	**82,345**	**84,047**	**84,844**	**85,346**	**85,780**
2 Foreign countries[2]	64,530	80,546	....	75,348	76,722	78,339	79,132	79,402	80,546	80,968
3 Europe[2]	23,976	29,214	....	26,447	27,722	28,805	29,023	29,388	29,214	29,829
4 Belgium-Luxembourg	543	447	....	155	576	551	834	448	447	716
5 Germany[2]	11,861	14,841	....	13,535	13,959	14,520	14,493	14,704	14,841	15,151
6 Netherlands	1,955	2,702	....	2,137	2,302	2,333	2,315	2,420	2,702	2,787
7 Sweden	643	667	....	650	644	635	655	687	667	678
8 Switzerland[2]	846	1,540	....	1,016	1,100	1,233	1,266	1,532	1,540	1,013
9 United Kingdom	6,709	6,554	....	6,927	7,129	7,362	7,242	7,104	6,554	6,737
10 Other Western Europe	1,419	2,464	....	2,028	2,012	2,171	2,218	2,493	2,464	2,747
11 Eastern Europe	0	0	....	0	0	0	0	0	0	0
12 Canada	514	602	....	446	353	428	482	552	602	649
13 Latin America and Caribbean	736	1,076	....	848	1,166	1,204	1,086	1,231	1,076	1,062
14 Venezuela	286	188	....	229	222	221	204	172	188	190
15 Other Latin America and Caribbean	319	656	....	402	611	771	657	759	656	715
16 Netherlands Antilles	131	232	....	217	333	211	225	300	232	156
17 Asia	38,671	49,521	....	47,179	47,165	47,682	48,302	48,093	49,521	49,292
18 Japan	10,780	11,568	....	11,289	11,247	11,395	11,381	11,299	11,568	11,645
19 Africa	631	78	....	405	305	180	180	78	78	78
20 All other	2	54	....	23	12	41	60	61	54	59
21 Nonmonetary international and regional organizations	5,671	4,800	....	4,525	3,972	4,006	4,915	5,442	4,800	4,812
22 International	5,638	4,439	....	4,419	3,882	3,811	4,670	5,192	4,439	4,418
23 Latin American regional	1	6	....	-4	-4	-4	-4	4	6	6
	Transactions (net purchases, or sales (-) during period)									
24 **Total[2]**	**12,652**	**15,144**	**434**	**1,669**	**822**	**1,651**	**1,703**	**797**	**502**	**434**
25 Foreign countries[2]	11,568	16,016	423	2,338	1,374	1,618	792	270	1,144	423
26 Official institutions	11,694	14,516	276	2,792	367	1,525	641	220	1,866	276
27 Other foreign[2]	-127	1,499	147	-454	1,007	93	152	51	722	147
28 Nonmonetary international and regional organizations	1,085	-870	11	-669	-553	33	910	526	-642	11
MEMO: Oil-exporting countries										
29 Middle East[3]	11,156	7,537	93	1,313	257	176	209	-320	303	93
30 Africa[4]	-289	-552	0	0	100	-125	0	-100	0	0

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of *foreign countries*.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Feb. 28, 1983		Country	Rate on Feb. 28, 1983		Country	Rate on Feb. 28, 1983	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.75	Dec. 1982	France[1]	12.5	Feb. 1983	Norway	9.0	Nov. 1979
Belgium	11.5	Nov. 1982	Germany, Fed. Rep. of	5.0	Dec. 1982	Switzerland	4.5	Dec. 1982
Brazil	49.0	Mar. 1981	Italy	18.0	Aug. 1981	United Kingdom[2]	....	....
Canada	9.43	Feb. 1983	Japan	5.5	Dec. 1981	Venezuela	13.0	Sept. 1982
Denmark	10.0	Nov. 1980	Netherlands	4.5	Jan. 1983			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1980	1981	1982	1982					1983	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	14.00	16.79	12.24	11.57	11.74	10.43	9.77	9.47	8.97	9.14
2 United Kingdom	16.59	13.86	12.21	11.08	10.84	9.74	9.30	10.55	11.04	11.29
3 Canada	13 12	18.84	14.38	14.76	13.57	12.14	11.08	10.56	9.87	9.69
4 Germany	9.45	12.05	8.81	8.94	8.13	7.55	7.24	6.54	5.78	5.79
5 Switzerland	5.79	9.15	5.04	4.07	3.97	3.66	3.76	3.71	2.78	2.95
6 Netherlands	10.60	11.52	8.26	8.66	7.85	7.09	6.36	5.66	4.97	4.82
7 France	12.18	15.28	14.61	14.43	14.09	13.51	12 98	12.70	12.55	12.88
8 Italy	17.50	19.98	19.99	19.52	18.56	18.57	19.05	19.20	18.95	19.04
9 Belgium	14.06	15.28	14 10	14.00	13.06	12.75	12.50	12.25	12.25	12 25
10 Japan	11.45	7.58	6.84	7.14	7.19	6.97	6.98	6.96	6.47	6.64

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1980	1981	1982	1982				1983	
				Sept.	Oct.	Nov.	Dec	Jan.	Feb.
1 Argentina/peso	n.a	n a.	20985.00	25961.90	29487.50	39200.00	43883.91	48916.66	50239.47
2 Australia/dollar[1]	114.00	114.95	101.65	95.820	94.35	94.27	96.82	98.26	96.62
3 Austria/schilling	12.945	15 948	17 060	17.597	17.797	17 947	16.994	16.783	17.076
4 Belgium/franc	29.237	37.194	45.780	48.300	49.103	49.600	47.493	46.888	47.739
5 Brazil/cruzeiro	n.a.	92.374	179.22	201.73	215.34	228.51	244.63	262.30	309.01
6 Canada/dollar	1.1693	1.1990	1.2344	1.2348	1.2301	1.2262	1.2385	1.2287	1.2277
7 Chile/peso	n.a.	n.a.	51.118	62 643	66.770	69.050	72.630	74.257	76.863
8 China, P.R./yuan	n.a.	1.7031	1.8978	1.9567	1.9887	2.0002	1.9445	1.9238	1.9653
9 Colombia/peso	n.a	n.a.	64.071	65.921	66.856	68.168	69.526	70.762	71.751
10 Denmark/krone	5.6345	7.1350	8.3443	8.8038	8.9192	8.9595	8.5275	8.4171	8.5811
11 Finland/markka	3.7206	4.3128	4.8086	4.8014	5.3480	5.5263	5.3425	5.3120	5.3907
12 France/franc	4.2250	5.4396	6.5793	7.0649	7.1557	7.2152	6.8548	6.7725	6.8855
13 Germany/deutsche mark	1.8175	2.2631	2.428	2.5055	2.5320	2.5543	2.4193	2.3893	2.4280
14 Greece/drachma	n.a.	n.a.	66.872	70.946	71.948	72.889	70.788	80.761	83.621
15 Hong Kong/dollar	n.a.	5.5678	6.0697	6.1253	6.6038	6.6724	6.5417	6.5252	6.6060
16 India/rupee	7.8866	8.6807	9.4846	9.6495	9.7005	9.7968	9.6926	9.7938	9.9184
17 Indonesia/rupiah	n.a.	n.a.	660 43	662.75	670.31	680.92	687.95	694.62	700.01
18 Iran/rial	n.a.	79.324	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
19 Ireland/pound[1]	205.77	161.32	142.05	136.53	134.35	132.91	137.69	139.16	136.81
20 Israel/shekel	n.a.	n.a.	24.407	28.922	29.860	31.344	32.966	34.863	36.986
21 Italy/lira	856.20	1138.60	1354.00	1411.19	1439.94	1468.84	1398.74	1374.71	1399.78
22 Japan/yen	226.63	220.63	249.06	263.29	271.61	264.09	241.94	232.73	236.12
23 Malaysia/ringgit	2.1767	2.3048	2.3395	2.3610	2.3688	2.3647	2.3529	2.2822	2.2757
24 Mexico/peso	22.968	24.547	72.990	101.86	108.83	130.61	147.35	150.75	157.81
25 Netherlands/guilder	1.9875	2.4998	2.6719	2.7444	2.7608	2.7861	2.6698	2.6310	2.6779
26 New Zealand/dollar[1]	97.34	86.848	75.101	72.419	71.431	71.092	72.569	72.921	71.895
27 Norway/krone	4.9381	5.7430	6.4567	6.8999	7.1735	7.2397	7.0346	7.0447	7.1171
28 Peru/sol	n.a.	n.a.	694.59	772.08	819.14	878.66	942.47	1019.54	1087.43
29 Philippines/peso	n.a.	7.8113	8.5324	8.6521	8.7760	8.8733	9.0546	9.2632	9.4488
30 Portugal/escudo	50.082	61.739	80.101	87.702	89.652	91.911	92.685	94.548	93.771
31 Singapore/dollar	n.a.	2.1053	2.1406	2.1671	2.1984	2.2123	2.1522	2.0768	2.0758
32 South Africa/rand[1]	128.54	114.77	92.297	86.830	86.20	87.77	92.03	93.82	91.04
33 South Korea/won	n.a.	n.a.	731.93	743.61	743.65	745.60	746.36	749.80	752.19
34 Spain/peseta	71.758	92.396	110.09	113 049	115.20	119.09	126.125	126.844	129.886
35 Sri Lanka/rupee	16.167	18.967	20.756	20.918	20.898	21.009	21.166	21.378	22.355
36 Sweden/krona	4.2309	5 0659	6.2838	6.2313	7.1543	7.5095	7.3555	7.3227	7.4385
37 Switzerland/franc	1.6772	1 9674	2.0327	2.1418	2.1736	2.1931	2.0588	1.9679	2.0180
38 Thailand/baht	n.a.	21.731	23.014	23.000	23.000	23.000	23.000	23.000	22.999
39 United Kingdom/pound[1]	232.58	202.43	174.80	171.20	169.62	163.21	161.60	157.56	153.29
40 Venezuela/bolivar	n.a.	4.2781	4.2981	4.3006	4.2976	4.2996	4.2971	4.2973	4.3101
MEMO:									
United States/dollar[2]	87.39	102.94	116.57	120.93	123.16	124.27	119.22	117.73	119.70

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable tranfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
......	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

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Anticipated schedule of release dates for periodic releases	December 1982	A76

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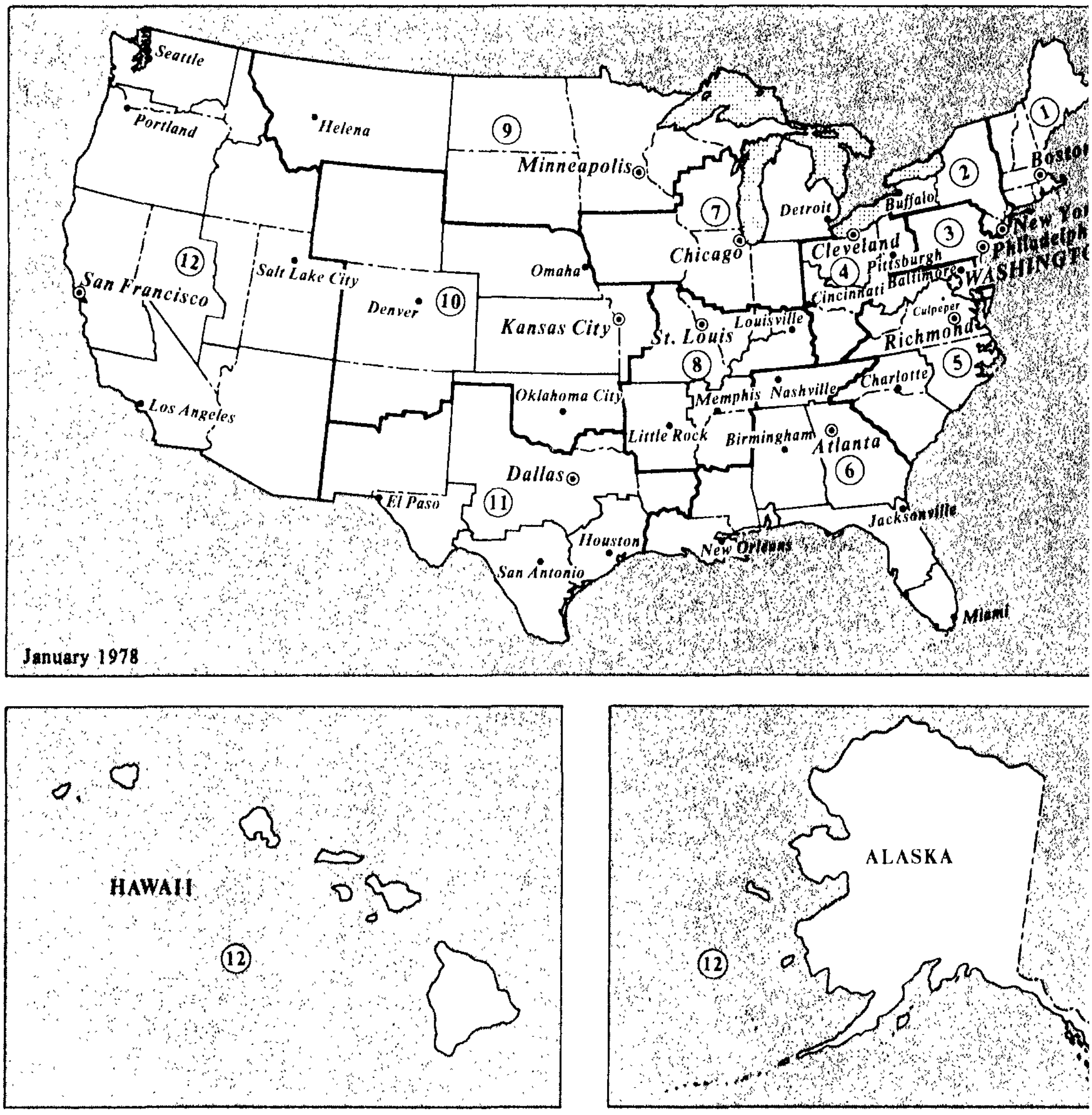

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