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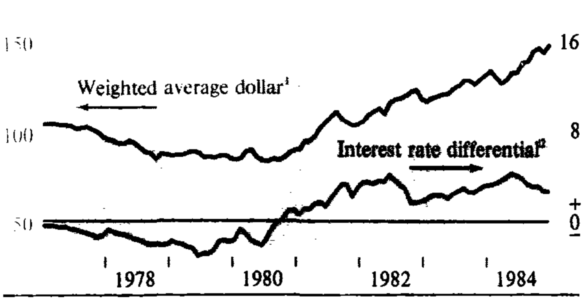
Table of Contents

U.S. International Transactions in 1984

This article was prepared by Catherine L. Mann of the Division of International Finance.

The key feature of the U.S. external accounts in 1984 was the unprecedented size of the current account deficit and the accompanying capital account surplus. These mirror imbalances occurred against a background of strong U.S. growth, large federal budget deficits, an anti-inflationary monetary policy, associated high real interest rates, and a rising exchange value of the dollar. The complex of macroeconomic factors contributed to pressures in product markets for protection to ease the burden of adjustment to international competition and, in capital markets, encouraged continued deregulation and innovation that facilitated financing of the federal budget and external deficits.

1 Foreign exchange value of the U.S. dollar and real long term interest rate differential



1. Exchange value of the U.S. dollar is the index of its weighted average exchange value against currencies of the other Group of Ten countries plus Switzerland, using 1972–76 total trade weights.

2. Interest rates are those on long-term government or public authority bonds adjusted for the expected rate of inflation estimated by a 36-month centered moving average of actual inflation (staff estimates have been made when needed). The differential is calculated by subtracting from the U.S. rate the trade-weighted average rate for the other G-10 countries plus Switzerland.

Contributing to Large Imbalances: Interest Rates and Exchange Rates

The trade-weighted average exchange value of the dollar in terms of major foreign currencies advanced 12 percent between December 1983 and December 1984, bringing the appreciation since the fourth quarter of 1980 to 68 percent.

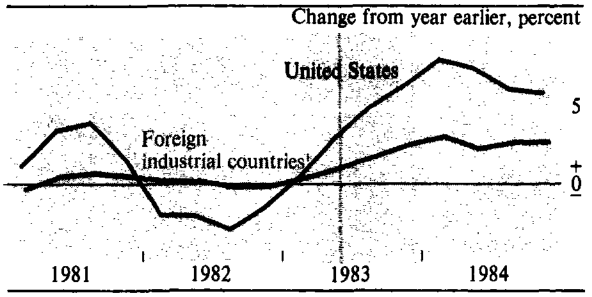
Relatively attractive real interest rates on dollar-denominated assets and strong current and prospective growth in U.S. economic activity fostered an unprecedented demand for dollar assets with a resulting appreciation in the dollar. The general correlation between differentials in long-term real interest rates and the strength of the dollar is evident from chart 1. Yet even when differentials in real interest rates and rates of growth in economic activity between the United States and other industrial countries narrowed in mid-1984, the dollar continued to climb (charts 1 and 2). In part, strong U.S. investment, combined with the continuation of lackluster investment activity in Europe, suggested a more advantageous environment for long-run growth in the United States. In addition, expectations of the continued strength of the dollar and a view of the United States as a safe haven contributed to the dollar's appreciation even as market fundamentals suggested a decline in its value in the future.

The U.S. net private saving rate was at a historical high in 1984, but it was insufficient to finance both net investment and continued large federal budget deficits (chart 3). The inflow of foreign savings lessened the crowding out of investment in interest-sensitive sectors such as residential construction. By the same token, the demand for U.S. assets raised the exchange value of the dollar; competitive pressures on U.S. producers of tradable goods intensified, and they were increasingly crowded out of U.S. and foreign markets.

Deregulation and Financial Innovation: The Capital Account

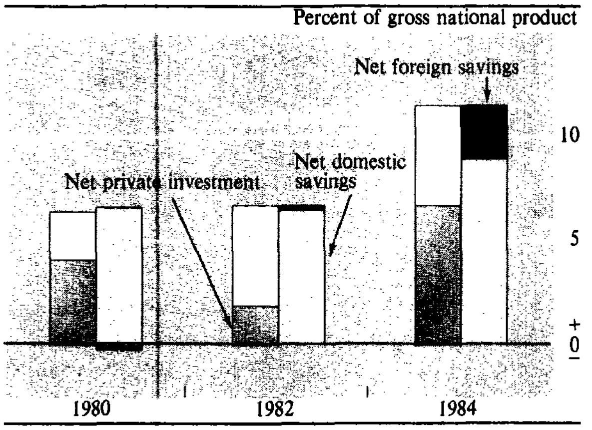
The demand for U.S. and dollar assets was higher in 1984 than in 1983, and nonbank inter-

2. Growth of real GNP



1. Average of the six major foreign industrial countries weighted using the annual average trade of these countries from 1972 to 1976.
SOURCE. Data for the United States are from the U.S. Department of Commerce.

3. Demands on and sources of net savings



Federal budget deficit is reported on a national income accounts basis.
Net private investment is the sum of business fixed investment, residential construction outlays, and the change in business inventories, less depreciation, minus a statistical discrepancy.
Net domestic savings includes personal savings, undistributed corporate profits, and state and local government surpluses.
Net foreign savings equals payments to foreigners for imports of goods and services, transfer payments, and interest paid by governments to foreigners minus receipts from foreigners for exports of goods and services.
Figures exclude depreciation, which amounted to $403 billion in 1984; including depreciation would raise both domestic investment and domestic saving. Data for 1984 are preliminary.
SOURCE. Calculations based on data from the national income and product accounts.

mediation outweighed bank-reported intermediation of net inflows last year, in contrast to 1983. The recorded net capital inflow of $71 billion was more than double the net inflow in 1983. Net inflows reported by banks fell somewhat from 1983 levels, but net foreign purchases of U.S. securities more than doubled on the strength of sizable net foreign purchases of U.S. Treasury securities.

Macroeconomic factors generated the net capital inflow; changes in the taxation and regulation of international capital flows and innovations in credit extension and exposure management facilitated the rush of foreign saving to the United States and in part determined the channels through which it entered. The U.S. government removed the withholding tax on certain interest payments to foreigners, thereby permitting U.S. corporations to issue Eurobonds directly from the United States; furthermore, the U.S. Treasury began to compete in the Eurobond market via foreign-targeted registered obligations. Innovations by private financial intermediaries reduced the costs and exchange risk of gaining access to foreign capital and also encouraged the exploitation of arbitrage opportunities that resulted from the differing pace of deregulation among countries.

Some of these intermediation techniques and innovations also affect the interpretation of capital account data. The proper attribution of flows to certain agents (for example, banks versus nonbanks) is becoming clouded, and the interest rate and currency characteristics of debt service arising from overseas sales of U.S. bonds are no longer easily identified. Unfortunately, precise clarification of the capital accounts is impossible because some agents are anonymous and some transactions are not reported under current arrangements.

Bank and Nonbank Intermediation

Associated with the new intermediation techniques was an apparent shift away from standard bank intermediation of U.S. capital inflows toward intermediation by private nonbanking entities and direct participation by the government (table 1). Net inflows reported by banks decreased somewhat in 1984, to $20 billion, while net private foreign purchases of U.S. securities (government and corporate) grew about 75 percent, to $39 billion. Taken by themselves, however, these magnitudes can be misleading.

In the early 1980s, U.S. banks were net providers of funds abroad. In 1983, however, banks became intermediaries for net inflows of funds and in fact accounted for two-thirds of those

1. Summary of U.S. international capital transactions[1]

Billions of dollars, + = net inflow

Item	1982	1983	1984
Private capital, net	−16	33	77
Bank-reported	−45	24	20
Securities, net	14	14	34
U.S. net purchase of foreign securities	−8	−8	−5
Foreign net purchase of U.S. corporate securities[2]	15	13	17
Foreign net purchase of U.S. Treasury obligations	7	9	22
Other nonbank, net	4	−7	11
Direct investment, net[2]	11	2	11
Official capital, net	−8	−1	−6
Total reported capital flows, net	−23	33	71
Statistical discrepancy	33	9	30
Current account balance	−9	−42	−102

1. Components may not add to totals because of rounding.
2. Through the third quarter of 1984, inflows from finance affiliates of U.S. companies in the Netherlands Antilles have been excluded from direct investment outflows and added to net foreign purchases of U.S. securities because they are largely the result of Eurobond sales.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

inflows. In 1984, the dollar volume of recorded bank inflows did not increase significantly, so that only about one-quarter of the net private capital inflow was attributed to banks.

Factors contributing to the decline in the share of bank intermediation included the temporary chilling of the Euro-interbank market brought on by the Continental Illinois Bank crisis, strong domestic credit demands, continuing concern over bank exposure to developing countries, and pressures on banks from both investors and regulators to increase bank capital, especially in relation to assets. The Continental Illinois Bank problem led to a reduction in bank liabilities to foreigners; credit demands and the concern over bank exposure contributed to a reduction in claims on foreigners; and pressure to improve bank capital fostered a desire to restrain both domestic and foreign lending.

The perceived need to augment capital also contributed to an unprecedented bank presence in the Eurobond market and encouraged banks to develop new forms of intermediation that produce income while conserving capital. U.S. banks or bank holding companies issued about $3 billion in so-called mandatory convertible securities in the Eurobond market in 1984. Under the current guidelines of U.S. regulators, such securities can be counted as bank capital, although up to only a limited percentage of primary capital. Some of the intermediation techniques further leverage existing capital by increasing fee income and by creating off-balance-sheet, instead of on-balance-sheet, extensions of credit or exposures. As securities, the mandatory convertible notes are recorded in the capital account data as inflows outside banking channels. Likewise, off-balance-sheet credit extensions do not appear as bank-reported transactions in the capital account. Thus the capital account data for 1984 probably underestimates the role of banks in intermediating net capital inflows.

Further bolstering the importance of securities transactions in the 1984 capital account was $22 billion of net foreign purchases of U.S. government securities (table 1), which accounted for nearly one-third of total net private capital inflows. Net sales to the private sector of $190 billion of domestic Treasury securities helped finance the federal budget deficit in 1984, and about 14 percent was purchased by foreigners. In addition, the U.S. Treasury issued $2 billion of foreign-targeted registered obligations (FTROs) directly into the Eurobond market. The FTRO was a novel effort by the U.S. Treasury to tap foreign savings and obtain a better price than that on its domestic registered debt. However, after initially selling at prices above domestic Treasury securities, the FTROs now trade in the secondary market at about the same yield as comparable domestic issues.

The $17 billion in net private foreign purchases of securities issued by U.S. corporations (both banks and nonbanks) was fueled by $23 billion of newly issued U.S. corporate Eurobonds, compared with $7 billion issued in 1983. Many U.S. corporations find it attractive to issue Eurobonds because the overseas market apparently will pay relatively more for the generally high-quality credits and the intermediate-term, bearer form supplied by U.S. firms. The characteristics of these bonds determine, in part, the nature of U.S. net capital inflows and of the debt-service payment recorded in the nontrade current account. About 20 percent of the dollar volume of new U.S. corporate Eurobonds issued in 1984 was in floating-rate notes, so called because the interest rate on the bond changes with its underlying reference rate (for example, the London interbank offered rate or Treasury bill rates); in 1981 the floating-rate share was 8 percent. About 14 percent of the total 1984 volume was denominated in foreign currency, up from 12 percent in 1981. The nondollar denomination may imply financing of the current account deficit with some foreign currency, and a payment stream with a floating interest rate or in a foreign currency would affect the future volatility of the service account.

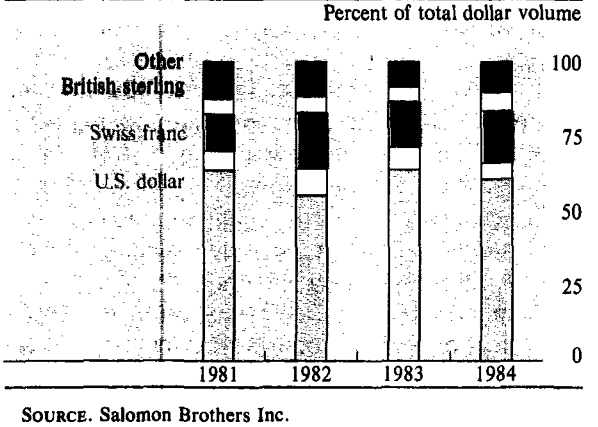
Swaps

Debt-service payments recorded in the external accounts are based on publicized terms of Eurobond issues, but because of the now-widespread use of swap transactions, it is no longer proper to infer from such sources the characteristics of actual debt-service payments. A swap transaction contractually transforms the interest rate or the currency of the payment stream associated with a bond, or both. Although the swap does not change the magnitude of the capital flow recorded in the external accounts, it can alter the apparent interest rate and currency exposure associated with that capital flow. For example, when a U.S. corporate bond with a floating rate and denominated in dollars is sold to a foreigner, the issuer undertakes an obligation to make payments in dollars at a floating rate of interest. The swap, arranged for a fee by a financial intermediary, transforms the original payment stream into, say, a fixed-rate yen obligation. The U.S. service account will continue to record a floating-rate dollar payment even though the U.S. corporation's actual payment over the life of the bond is at a fixed rate and in yen. The difference between the recorded payment and the actual payment will likely appear in the statistical discrepancy.

The motivation for entering into swap arrangements varies. One motive might be to manage balance-sheet exposures such as the variability of a corporation's asset returns and liability payments or the foreign currency risk associated with the nature or the country of business. Another motive might be to exploit the preferential terms of access that a borrower has with respect to a pool of funds without accepting exposure to an interest rate or currency that is not appropriate to the borrower's balance sheet. Preferential access might exist because of the novelty of the debt issue, sociocultural similarities between investors and borrowers, or regulations. The swap provides the means for the borrower to take advantage of the preferential terms and still obtain a payment contract with the desired attributes. Presumably, the other party to the swap obtains an interest-payment stream matching its own desired attributes and can also claim part of the benefits associated with the preferential access. The swap therefore provides opportunities that may make available for international intermediation funds that were previously too costly.

One additional consequence of the new intermediation techniques is diversification away from the dollar as a denominating currency for Eurobonds. The pool of nondollar bonds is growing, as suggested by chart 4, which shows the sizable portion of new bond issues denominated in foreign currencies. Combined with cross-currency swaps, this development suggests an increase in the liquidity of foreign currency investments. If investors have financial options with greater currency diversity but equal liquidity and risk management opportunities, their desired portfolio shares of assets denominated in dollars may fall, and pressure on the dollar may abate.

4. New issues of Eurobonds, by currency



SOURCE. Salomon Brothers Inc.

Response by Foreign Governments

The counterpart of the recorded U.S. net capital inflow was a substantial net capital outflow from Europe and Japan. Some foreign governments were concerned that, because of their magnitude, the net capital outflows could prove inflationary by weakening their currencies and could inhibit investment by raising domestic interest rates. After the United States eliminated the withholding tax, West Germany and France also eliminated their withholding taxes on foreign purchases of some domestic bonds so as to reduce capital flows motivated solely by the tax differentials. Japan, too, recently removed its withholding tax on foreign purchases of Euroyen bonds issued by Japanese corporations. In addition, some central banks acted to keep interest rates higher than they otherwise would have been in order to reduce the differential in real interest rates favoring instruments denominated in dollars.

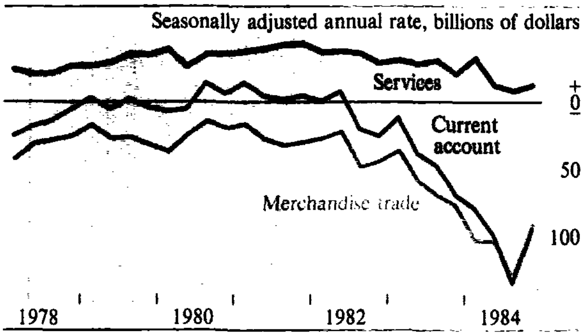
However, the net result of efforts by foreign governments to stem capital flows and currency depreciation through deregulation and changes in market interest rates has been unclear. Without question, the dollar continued to climb on the strength of investor demand for dollar assets. Apparently, the changes abroad did not significantly affect the market's expectations about the U.S. economy, U.S. monetary policy, or the dollar's value.

PROTECTIONIST PUSH: THE MERCHANDISE TRADE BALANCE

Coincident with the 1984 increase in net capital inflow and the demand for dollar assets was the slide of the merchandise trade balance to an unprecedented deficit. In response, the United States took some protectionist measures, and pressure for stronger action persists. An analysis of merchandise exports and imports by geographical area, however, suggests that protection, by weakening the links between trade and growth, can be detrimental to the United States itself as well as to its trading partners, particularly the developing countries.

In 1984, the merchandise trade deficit was $107 billion, $46 billion greater than in 1983 and more than $80 billion greater than in 1980 (table 2; chart 5). The value of U.S. exports rebounded by 10 percent in 1984 after two years of decline, while the value of U.S. imports surged 25 percent.

5. U.S. external balances

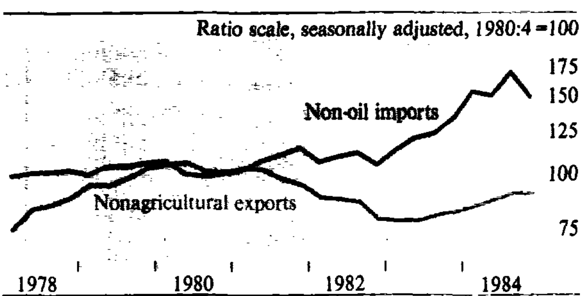


SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

The volume of nonagricultural exports posted a healthy 11 percent rate of growth, largely in industrial supplies and materials and in capital goods, as economic recovery in Western Europe and Latin America began to take hold. The response of export volume to foreign growth was only partially offset by the strong dollar. Even so, volume remained well below the level of 1980 (chart 6). In addition, export prices rose little (chart 7) for two reasons: the dollar's appreciation restrained the rise in the cost of intermediate inputs into the production process, and U.S. firms squeezed profit margins in an effort to offset the effects of the appreciation on their prices as expressed in foreign currencies.

Continuing U.S. expansion and the strength of the dollar generated an increase in non-oil import

6. Volume of U.S. merchandise trade



SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

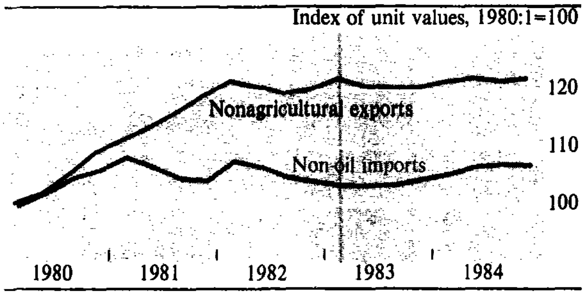
2. U.S. merchandise trade
Billions of dollars, seasonally adjusted annual rate

Period	Exports			Imports			Trade balance
	Total	Agri-cultural	Nonagri-cultural	Total	Oil	Non-oil	
1981	237.1	44.0	193.1	265.1	77.8	187.3	−28.0
1982	211.2	37.2	174.0	247.7	61.3	186.4	−36.5
1983	200.3	36.6	163.6	261.3	53.8	207.5	−61.1
1984	220.3	38.4	181.9	327.8	57.3	270.5	−107.4
1984:1	215.7	41.4	174.3	318.9	55.4	263.5	−103.3
2	218.2	37.2	180.9	321.4	59.6	261.8	−103.2
3	222.5	36.3	186.2	354.2	57.8	296.4	−131.8
4	225.0	38.7	186.3	316.6	56.4	260.2	−91.5

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

volume of 27 percent in 1984 (chart 6). An examination of the large flows of imports by sector (table 3) shows that the share of capital goods and industrial supplies in non-oil imports was stable during 1984 and supported the domestic investment boom. The impressive surge of non-oil imports around midyear (shown in table 2) developed from a combination of events: the steep appreciation of the dollar during the previous six months (which may have generated an expectation that it would soon reverse its course); the strong growth of economic activity in the previous six months; and inventory hoarding, perhaps in expectation of protectionist pressures. The increase in the unit value index for non-oil imports was moderated by the dollar's climb (chart 7), although the rise of about 3 percent suggests that importers may have chosen to improve profit margins instead of passing through to U.S. prices the full extent of the depreciation of their currency.

7. Prices in U.S. international trade



SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

Regional Analysis

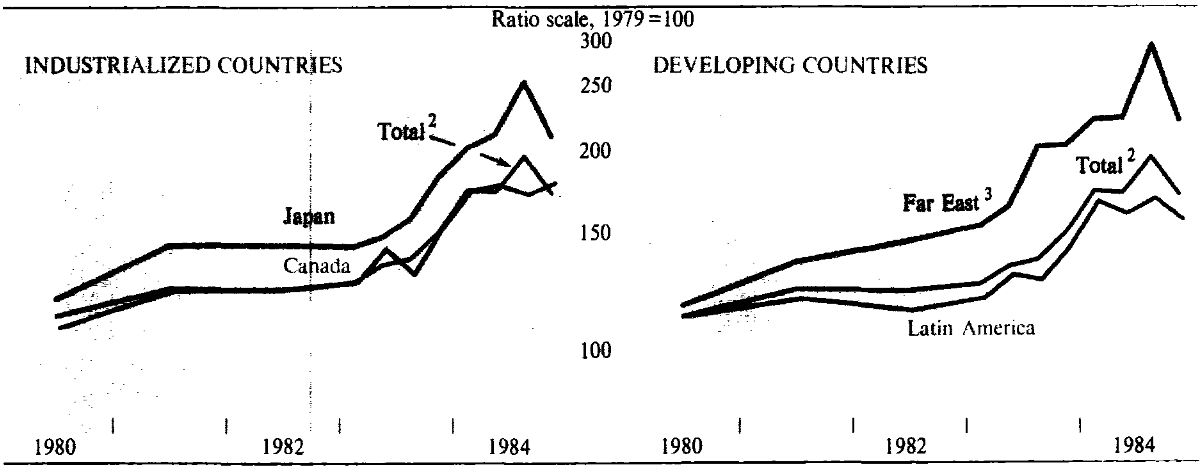
A disaggregation by region of U.S. exports other than agricultural products and U.S. non-oil imports indicates the importance of linkages between trade and growth both in the United States and in other countries, particularly developing countries. Chart 8 displays an analysis of non-oil imports by geographical area that shows how the U.S. expansion was transmitted internationally. The regions responsible for the most significant growth in U.S. non-oil imports in 1984, with

3. Shares of selected sectors in U.S. non-oil imports
Percent of total, seasonally adjusted annual rate

Sector	1980	1982	1984			
			First quarter	Second quarter	Third quarter	Fourth quarter
Industrial supplies and materials (non-oil)	30.4	25.9	24.6	24.6	23.5	23.9
Capital goods	18.3	20.8	21.8	21.5	23.5	22.1
Total	48.7	46.7	46.4	46.1	47.0	46.0
Consumer goods	20.7	21.7	22.9	22.0	22.2	22.3
All other non-oil imports	30.6	31.6	30.7	31.9	30.8	31.7

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

8. U.S. non-oil imports, by area[1]



1. Data for 1980–82 are annual. Data for 1983–84 are quarterly at seasonally adjusted annual rate.
2. Total U.S. non-oil imports from all countries.
3. Hong Kong, Korea, Singapore, and Taiwan.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

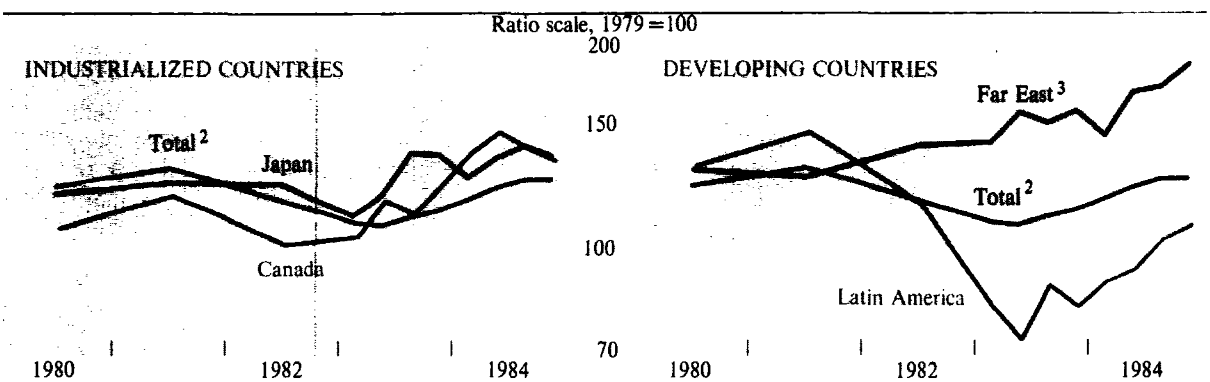
rates greater than the overall average of 30 percent, were Japan, four newly industrializing countries in the Far East, and Western Europe. However, the United States also imported 25 percent more from Latin America in 1984 than in 1983. The data suggest that the United States contributed to export-led growth in developed and newly industrializing countries and that trade expansion aided the growth and debt-servicing ability of Latin American countries.

As for U.S. nonagricultural exports, the largest increases during the last year were to developing countries (chart 9). Shipments to Latin America rose more than 30 percent as economic activity in several major countries resumed growth, stimulated in part by increased exports to the United States. The exports provided the foreign exchange earnings needed for purchases of U.S. products. Growth in U.S. nonagricultural exports to the industrial countries was less robust (except in the case of Canada).

Protection

The large U.S. merchandise trade deficit stirred demands for sectoral protection, and perceptions of "unfair" foreign competition and "distorted" exchange rates encouraged calls for action against imports in general. Certain industries

9. U.S. nonagricultural exports, by area[1]



1. Data for 1980–82 are annual. Data for 1983–84 are quarterly at seasonally adjusted annual rate.
2. Total U.S. nonagricultural exports to all countries.
3. Hong Kong, Korea, Singapore, and Taiwan.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

sought to stem the erosion of domestic and international market shares and to relieve the strains of adjustment made more acute by the strong dollar. While the U.S. government continued to advocate relatively free trade, it negotiated bilateral voluntary-restraint agreements on steel; obtained in early 1984 a fourth year of such agreements on exports of Japanese autos; and reinforced bilateral textile and apparel agreements by using value-added tests to determine country of origin. The trend toward protectionism in general, and toward bilateral and product-specific agreements in particular, is symptomatic of the drift of the world trading system away from the free trade principles embodied in the General Agreement on Tariffs and Trade.

The developing countries are increasingly important U.S. trade partners. Some U.S. industries enjoying renewed protection are ones in which the developing countries have relatively lower costs of production; in some countries, officially encouraged strategies to promote exports have recently borne fruit only to find major international markets closed or closing. The current proliferation of bilateral agreements demonstrates their virulence; because the agreements freeze world import shares, the United States is unable to benefit from shifts in productive efficiencies among its trading partners.

Arguments for protection often stress the need to ease the transition of declining industries or to allow time for reinvestment in industries whose problems are more ones of structure than of inherent uncompetitiveness. Such arguments are invalid from an economic standpoint because market forces would yield a more efficient outcome. However, such arguments do gain force as the costs of the adjustment process, including unemployment compensation, are passed on to the public through taxes.

A case for protection can be made on purely economic grounds, however. For some firms in a few industries, the loss in sales to an imported product could induce sales losses on other goods produced by the firm, and the resulting inefficiencies in the use of productive resources could exceed the gains realized by the consumers of the cheaper imports. Broadly speaking, these inefficiencies may occur in firms that produce several kinds of similar goods with the same equipment. As sales of one type of good are lost to a competitor with lower costs, sales of the other goods suffer, in part because they too are similar to the import and in part because they become more expensive by virtue of having to bear a greater share of the fixed production costs.

Role of the Exchange Rate: Oil and Agriculture

In the U.S. external accounts, the effects of the appreciation of the dollar on oil partially offset those on agricultural products because the United States is a net importer of the one and a net exporter of the other. High commodity prices in the 1970s and early 1980s encouraged significant expansion of agricultural production both in the United States and abroad. Although dollar prices of agricultural exports fell in 1984, international demand for U.S. agricultural exports was severely depressed by the strong dollar: when measured in foreign currency, prices of U.S. agricultural products actually rose over the last several years. Domestic price support policies also played a part in making U.S. agriculture uncompetitive. Agricultural export volume stagnated, growing less than 1 percent; and the value of these exports plummeted in midyear, recovering only at year-end for a gain of 4 percent in 1984.

The significant increases in the price of oil over the last decade encouraged exploration and reclamation, thereby expanding the world supply of oil and reducing the proportion of the world supply produced by members of the Organization of Petroleum Exporting Countries. At the same time, consumers responded by conserving oil and substituting other energy sources. A rising dollar made payments denominated in dollars more expensive for foreign countries and led to a further reduction in world demand for oil. The result was a drop in oil prices. Therefore, even though the volume of U.S. oil imports rose more than 8 percent in 1984 in response to the economic expansion, the value of oil imports increased only about 6 percent.

U.S. International Creditor Position and the Nontrade Current Account

Large current account deficits in 1983 and 1984 significantly eroded the U.S. position as a net

4. International investment position of the United States[1]

Billions of dollars

Year-end	Net recorded international investment position				Cumulative unrecorded transactions[2]	Recorded position plus cumulative unrecorded transactions[3]
	Total, net	Net direct investment	Other recorded portfolio, net	Gold, SDRs, and IMF		
1981	143.1	122.2	.6	20.3	−78.1	65.0
1982	149.5	99.6	26.2	23.7	−111.1	38.5
1983	106.0	92.6	−14.1	27.5	−120.4	−14.4
1984e	35	80	−75	30	−150	−115

1. Positive figures denote U.S. investment abroad; negative figures indicate foreign investment in the United States. All data except those for 1984 include estimates for gains or losses on assets denominated in foreign currency due to their revaluation at current exchange rates, as well as estimates for price changes in stocks, bonds, or other assets. Other adjustments to the value of assets relate to changes in coverage, statistical discrepancies, and the like.

2. This item is the statistical discrepancy from the U.S. international transactions account, which is cumulated beginning in 1959 with a base of zero. A positive discrepancy in the international transactions account appears here with a negative sign, on the assumption that it represents a net accumulation of claims by foreigners.

3. This item is equivalent to the cumulative U.S. current account position plus valuation adjustments (note 1).

SOURCES. 1981–83, net recorded position—*Survey of Current Business*, vol. 64 (August 1984), p. 40; 1981–83, other data—U.S. Department of Commerce, Bureau of Economic Analysis. All data for 1984 are estimates by Federal Reserve staff. Estimates do not include valuation adjustments (note 1), which would likely reduce the estimate of the net total (the first column) still further.

creditor (table 4). The bulk of the reduction in the overall U.S. net investment position occurred in portfolio investments, a development that reflects the importance of securities transactions in U.S. net capital inflows discussed earlier.

The true size of the U.S. net investment position continued to be clouded by the serious measurement problems represented by the cumulated statistical discrepancy (table 4, column 5), which increased by $30 billion in 1984. The discrepancy arises from incomplete or inaccurate reporting of trade and capital flows; for 1984 the increase probably represented in large part unreported capital inflows. If the statistical discrepancy recorded in 1984 was entirely in portfolio investments, the United States now may be very nearly a net debtor.

5. Other U.S. nontrade current account transactions[1]

Billions of dollars, seasonally adjusted annual rate

Account	1981	1982	1983	1984
Total, nontrade current account	**34.3**	**27.3**	**19.5**	**5.8**
Service transactions, net	41.1	35.3	28.1	17.0
Net investment income	34.1	27.8	23.5	18.1
Net direct investment income	25.5	18.1	14.0	12.4
Other, net	8.6	9.7	9.5	5.8
Net military	−1.1	.2	.5	−1.6
Other services, net	8.2	7.3	4.1	.5
Unilateral transfers	−6.8	−8.1	−8.6	−11.2
Private transfers	−.9	−1.2	−1.0	−1.4
U.S. government grants and pensions	−5.9	−6.9	−7.6	−9.8

1. Components may not add to totals because of rounding.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis.

The eroding U.S. net investment position was one of the reasons for the sharp decline in net service receipts since 1981 (table 5). In addition, U.S. direct investors abroad suffered large unrealized capital losses as their assets denominated in foreign currencies were revalued at rising dollar exchange rates. Net receipts from service transactions other than investment income also declined substantially, largely because payments rose for such services as transportation and travel.

OUTLOOK: IMPLICATIONS FOR ECONOMIC POLICY

The year 1984 saw the constellation of historically high federal budget deficits, strong U.S. growth and investment, and foreign enthusiasm for U.S. assets. By increasing U.S. absorption of world savings, these macroeconomic factors produced high real interest rates and a high exchange value of the dollar. The combined demand and price effects led to an enormous merchandise trade deficit and produced the related capital inflow.

The high dollar priced many U.S. tradable goods out of international markets and encouraged a flood of imports into the domestic goods market. Both developments generated pressures for sectoral protection and for greater shielding of the U.S. market against all imports. It is to be hoped that protection will be limited or avoided altogether, because it causes worldwide misallocation of resources. In addition, protection can only delay, not prevent, needed industrial adjustment. Moreover, if it succeeds in reducing the trade deficit, protection will yield a smaller net capital inflow, relatively higher domestic interest rates, and perhaps a reduced rate of domestic investment and growth in economic activity.

In the longer run, the microeconomic forces resulting from financial innovation and deregulation may either augment or attenuate the strengthening of the dollar. Financial innovation can increase competition for dollar assets by encouraging wider participation in financial markets; the result would be increased upward pressure on the dollar's exchange value. But financial innovation can also increase the availability and liquidity of foreign currency assets, which could cause investors to shift away from the dollar in the currency composition of their portfolios and reduce upward pressure on the dollar's value. In any event, financial innovation and deregulation of domestic and international capital markets facilitated the strong net inflow of foreign savings in 1984. By helping finance the federal budget deficit and the external deficit, the capital inflow lowered the cost and expanded the availability of funds for U.S. investment, with particular benefits for interest-sensitive and nontraded goods industries.

Finally, the combined forces of financial innovation and protection, together with the macroeconomic environment of 1984, have implications for the successful resolution of the international debt situation. Financial innovation has increased the access of higher-quality borrowers to the pool of world savings, possibly to the detriment of developing countries with debt problems. U.S. protection could reduce the export earnings of the developing countries, thereby altering their investment choices, reducing their income growth, and restricting their future ability to service debt. High interest rates and an appreciating dollar do more immediate damage by increasing the local currency costs of servicing debt.

Current account deficits and capital account surpluses go hand in hand, as do the hardships and the benefits of each. Simultaneous shrinkage in the one and enlargement of the other are inherently contradictory: the two accounts must move in tandem. Moreover, one country's surplus in its capital account is the collective capital account deficit of the rest of the world. Thus, until the deficit in the U.S. current account is eliminated, residents of other countries will be net lenders to the United States, notwithstanding foreign official efforts to curb financial outflows.

The forces and conflicts discussed here—the high dollar and relatively high interest rates, the current account deficit and capital account surplus in the United States and matching imbalances elsewhere, the attendant pressures for protection on the one hand and encouragement of innovation and deregulation in financial markets on the other—all will continue until the federal budget deficit is controlled and the economic recovery in the rest of the world catches up to that of the United States. □

Treasury and Federal Reserve Foreign Exchange Operations

This 46th 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.

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During the six months ended in January, the dollar rose to its highest levels of the floating-rate period against the German mark and to record levels against the British pound and most other European currencies. The dollar's advance largely occurred in two steps—first around mid-September and again from early November to mid-January. In all, the dollar rose some 8 percent against the currencies of continental Europe and 15 percent against the pound sterling. It advanced a substantially smaller 3½ percent against the Japanese yen and about 1 percent in terms of the Canadian dollar. In trade-weighted terms the dollar rose some 8 percent over the six-month period.

The dollar continued to rise despite a shift in the prospects for the U.S. economy and for U.S. interest rates, which began to occur in the summer. For the past couple of years, the dollar's strong performance had been associated with exceptionally vigorous U.S. economic growth, in contrast to slower recoveries elsewhere. Relatively high U.S. interest rates had also been viewed as supporting the dollar. But indications emerged in August that the U.S. expansion was slowing in the third quarter, while economic activity abroad was picking up. Private economic forecasters tended to scale back their projections of U.S. output gains for late 1984; some even speculated that the United States might experience a growth recession in the coming quarters. At the same time, long-term U.S. interest rates were progressively declining. By early autumn, evidence accumulated that the narrowly defined monetary aggregate was no longer expanding and short-term interest rates began to fall back. By late January, interest rates on long-term U.S. government bonds had eased 1½ percentage

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, January 31, 1985
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements:	
Swiss francs/dollars	600
Other authorized European currency/dollars	1,250
Total	30,100

2. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations[1]

Millions of dollars

Period	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
1984:1	0	0
1984:2	−17.7	−21.4
1984:3	0	0
1984:4	0	0
January 1985	0	0
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1985[2]	−1,380.7	−900.6

1. Data are on a value-date basis.
2. Valuation gains and losses represent the increase or decrease in the dollar value of outstanding currency assets and liabilities, using end-of-period exchange rates as compared with rates of acquisition. The valuation losses reflect the dollar's appreciation since foreign currencies were acquired.

points. Short-term interest rates had dropped even more, the decline accompanied by two cuts of ½ percentage point in the Federal Reserve's discount rate to 8 percent. For the period as a whole, the rate for three-month Eurodollar deposits had declined more than 3 percentage points, and interest differentials vis-à-vis the German mark, for example, though still favorable to the dollar, had been cut just about in half.

Under these circumstances, expectations developed that the dollar would weaken during the latter part of 1984, but these expectations failed to materialize. Each time the dollar started to move lower, it quickly recovered. The dollar was buoyed by an easing of inflationary fears in the United States that implied U.S. real interest rates were still attractive, even at lower nominal levels. Forecasts that price pressures would reappear, made when the U.S. expansion was stronger early in 1984, had not been borne out. Inflation continued moderate, and confidence grew that the U.S. economy might experience reasonable price stability for some time. This confidence gained support from continued declines in world commodity prices, most particularly crude petroleum.

The strength of the dollar reflected as well a continuing preference on the part of both residents and nonresidents to invest in dollar-denominated assets. Since the last recession, economic growth was considerably greater in the United States than in most other industrialized countries, many of which were still facing near-record levels of unemployment. The United States and its currency continued to be well regarded on grounds of relative political stability. The flexibility of its labor and product markets compared favorably with those of other countries, some of which had been experiencing unusually protracted labor disputes. The weakness of precious metals and other commodity prices tended to underline the attractiveness of financial assets in general and of dollar assets in particular. Investors, still reacting to the credit problems of recent years, attempted to be more selective. They tended to place a greater premium on security in making investment decisions, and the dollar provided an outlet for many of these investments. Portfolio managers as well remained attracted to dollar markets. These markets seemed to provide the flexibility needed to adjust investment strategies quickly in the face of shifting interest rate expectations, and the liquidity to cover the currency exposure if the dollar should drop.

Thus, capital inflows continued to be attracted to the United States at a pace greater than needed to finance a large current account deficit at prevailing exchange rates. During the third quarter, heavy inflows came through the banking sector, as banks in the United States pulled back funds previously placed in the Eurodollar market. As inflationary expectations in the United States continued to moderate, as long-term interest rates fell, and as expectations of a decline in the dollar faded, a larger portion of the inflows subsequently took the form of portfolio investments in dollar-denominated securities. In November and December, the U.S bond market in particular attracted attention at least partly because of relatively attractive yields and prospects for capital appreciation.

As these developments unfolded during the six months, market participants focused on the economic consequences and the possible policy implications of the dollar's continued advance. For the United States, while a strong currency helped to moderate price pressures at a time of vigorous economic growth, it imposed major strains on the U.S. competitive position. The current account deficit was building up close to $100 billion, largely as the result of sharp increases in imports of consumer and investment goods. For other countries, market participants noted the competitive boost being given to their exports, the leading source of stimulus to otherwise relatively modest economic recoveries. But they believed the authorities would prefer a broader-based recovery and, therefore, would seek to keep interest rates as low as possible, particularly since inflationary expectations were subdued.

Thus, market participants concluded that the authorities would be reluctant to use monetary policy to resist the dollar's rise. For a time early in the period, dealers were skeptical that even intervention would be used. But market sensitivity to intervention increased, after the Bundesbank sold dollars aggressively in the exchange market late in September, in the first of several, highly visible operations. The U.S. authorities, having intervened on one occasion earlier that month, again entered the market on four days following the Bundesbank's late-September operation. Central banks of some other countries also intervened to sell dollars during late September and early October. Later in the period, when the dollar resumed its advance, market professionals again expected the authorities would try to moderate the move with intervention. Expectations of central bank resistance, along with the intervention operations that actually took place, for a time kept the dollar's rise in check.

By the turn of the year, the outlook for the U.S. economy was progressively improving. Published data revealed quicker growth in the fourth quarter for the United States than had been anticipated. Also, an accelerating expansion of monetary aggregates late in the year was seen as narrowing the scope for any further easing of U.S. monetary policy. Economic performance in several European countries, though also improving, was still viewed by market professionals as not so vigorous as to require greater monetary restraint. As sentiment toward the dollar became even more bullish early in January, the dollar's rise against all currencies gained increasing momentum. The market noted the dollar's approach to levels against the German mark at which the Bundesbank had been seen intervening several months before, as well as intense selling pressure against the British pound. In a few European countries, domestic interest rates were tending to firm in response to concerns that the dollar's continued rise would eventually be reflected in increased domestic inflation.

With the approach of a scheduled meeting of G-5 finance ministers and central bank governors, market professionals anticipated that this might be an occasion for monetary authorities to plan a large and concerted exchange market operation. The officials discussed a range of international economic and financial issues. In their announcement of January 17, they reaffirmed their commitments to promote a convergence of economic performance and stressed the importance of removing structural rigidities in their economies. They also reaffirmed the May 1983 Williamsburg agreement to undertake coordinated intervention as necessary.

After the G-5 meeting, visible foreign exchange market operations were in fact undertaken by several countries. Most central banks in Europe and the Bank of Japan operated on occasion to sell dollars during the rest of January. The U.S. authorities, in coordination with the others, also intervened on two occasions late in January to sell dollars against marks.

These operations reinforced market perceptions that the central banks were more willing to intervene than before. At the end of the month, however, market participants were still uncertain of the extent to which the authorities were prepared to intervene and of the circumstances in which the central banks would judge intervention to be appropriate or helpful. Dealers remained impressed by the steady stream of commercial and investment-related orders for dollars coming into the market. Under these circumstances the dollar steadied but did not fall back appreciably from mid-January levels.

In summary, during the six months under review, the U.S. authorities intervened in the exchange markets on seven occasions, selling dollars and buying marks in each instance. They bought $50 million equivalent of marks on one day early in September, $229 million on four occasions between September 24 and October 17, and $94 million on two days late in January.

The total, $373 million equivalent of marks, was shared equally between the U.S. Treasury and the Federal Reserve.

In other operations, the Treasury Department announced on October 12 that it had joined with the Bank of Japan and the Bank of Korea in arrangements to provide short-term financing to the Central Bank of the Philippines, totaling $80 million in support of the Philippine economic adjustment program, which had been agreed upon with the management of the International Monetary Fund (IMF). The Treasury, through the Exchange Stabilization Fund (ESF), agreed to provide $45 million; the Bank of Japan, $30 million; and the Bank of Korea, $5 million. The full amount of the facility was drawn on November 7. The drawing occurred after the Managing Director of the IMF confirmed that the IMF had received assurances of the availability of adequate financing in support of the Philippine economic adjustment program and that he had formally submitted the Philippine request for a standby arrangement to the Fund's Executive Board. The drawings were repaid on December 28, after the Philippines drew on its standby arrangement with the Fund.

On December 3, the U.S. Treasury agreed to provide a $500 million swap facility to the Central Bank of the Argentine Republic as bridging credit in support of the Argentine economic adjustment program, which had been agreed upon with the IMF. The full $500 million was drawn on December 28. On that day the IMF Managing Director indicated that the IMF had assurances of adequate financing from commercial banks in support of the Argentine government's economic program. Argentina's requests to draw on a standby arrangement and on the Compensatory Financing Facility (CFF) were then approved by the Fund's Executive Board. The drawing was repaid in the amounts of $270 million on January 3, 1985, and $230 million on January 15, 1985, after the Argentine government's drawings from the IMF under the CFF and its standby arrangement respectively.

The Federal Reserve and the ESF invest foreign currency balances acquired in the market as a result of their foreign exchange operations in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. Under the authority provided by the Monetary Control Act of 1980, the Federal Reserve had invested $870.1 million of its foreign currency holdings in securities issued by foreign governments as of January 31. In addition, the Treasury held the equivalent of $1,573.8 million in such securities as of the end of January.

GERMAN MARK

During the period under review, the mark fell 8.5 percent against the strongly rising dollar and eased relative to all other major currencies except sterling, ending the period near the bottom of the European Monetary System (EMS). The mark's decline against the dollar was interrupted only temporarily—between late September and early November.

At the start of the period, international investors' attention was deflected to dollar-denominated securities. A rally in the U.S. bond market had just gotten under way. A much talked-about elimination of the U.S. withholding tax on interest payments to nonresidents was finally approaching. And talk spread that the U.S. Treasury would soon issue securities targeted

3. Drawings and repayments by foreign central banks under special swap arrangements with the U.S. Treasury

Millions of dollars; drawings or repayments (−)

Drawings on the U.S. Treasury	1984:3	1984:4	January 1985	Outstanding January 31, 1985
Central Bank of the Philippines	0	{ 45 −45 }	0	0
Central Bank of the Argentine Republic	0	500	{ −230 −270 }	0

NOTE. Data are on a value-date basis.

especially for foreign investors. Meanwhile, the mark continued to suffer from comparison between the recoveries in Germany and in the United States. Under these circumstances, the mark was trading at DM2.9170, near the eleven-and-one-half-year lows against the dollar early in August. Its margin over other currencies within the EMS had also been significantly reduced.

After trading steadily in seasonally thin markets for several weeks, the mark again began to decline as the dollar rose early in September. As the mark's fall progressed, market participants questioned whether the German authorities would act to stop the decline. The economic justification for doing so was unclear. Additional stimulus to Germany's export sector—already the driving force to economic recovery—was seen in the market as a welcome boost to the economy and a spur to employment. Meanwhile, depreciation was not generating any evident pickup in inflationary pressures, partly because of the weakness of world commodity prices. Moreover, market participants were unsure what policy tool the authorities might use if they chose to act against the mark's decline. The Bundesbank had emphasized before, when the mark was also declining against the dollar, that it did not intend to tighten monetary policy. As for official intervention, remarks of Bundesbank officials pointed to its limited effectiveness in resisting fundamental market trends.

In fact, the Bundesbank had been intervening regularly at the Frankfurt fixings and on occasion at other times in the open market. These operations, at least during August, just about offset interest earnings and other inflows into reserves of Germany, so that the foreign exchange reserves showed little net change from the $38 billion level at the end of July. When the dollar's rise accelerated, pulling the mark rate down to DM3.1765, the Bundesbank intervened more aggressively. Its actions, followed by other European central banks, helped the mark to bounce back up immediately. For several days thereafter, market participants were extremely wary of possible further dollar sales by the Bundesbank, and rumors of other large operations circulated widely. For the month of September, Germany's foreign exchange reserves fell $2.7 billion.

The U.S. authorities had purchased $50 million equivalent of marks on one occasion early in September. After the Bundesbank's action of September 21, they purchased a total of $135 million equivalent of marks during three days from late September to early October to counter disorderly markets. These purchases were shared equally between the Federal Reserve and the Treasury.

Immediately after the central bank interventions, the mark traded generally between DM3.00 and DM3.10. In early October, the mark received a further lift when the cabinet announced repeal of Germany's 25 percent withholding tax on German securities held by nonresidents, retroactively to August 1, sparking renewed foreign interest in German bonds. But soon thereafter, the mark began to drift lower against the dollar and to a lesser extent against most other currencies. In mid-October, when the mark was approaching the lows of September and trading at DM3.1575, the Bundesbank again intervened. The U.S. authorities also bought $95 million equivalent of marks on one occasion to counter a renewed outbreak of disorderly market conditions.

The mark then rallied. Market participants had become impressed that the Bundesbank and others were resisting the generalized rise of the dollar. Furthermore, the economic environment appeared to have shifted in Germany's favor since midsummer. Statistics were released indicating that the economy had revived strongly during the summer. Exports continued to be the principal boost to output and earnings. But for the first time the export boom appeared to be spilling over to other sectors, as reflected in increased domestic new orders for capital goods. U.S. interest rates of all maturities were declining, so that the market no longer perceived the Bundesbank as having to resist a gradual decline in German rates to obtain a narrowing of adverse interest differentials to strengthen the mark. Under these circumstances, market professionals began to build up long positions in marks in the expectation that a major adjustment in the dollar–mark relationship was about to occur. The bidding for marks pushed the spot rate up 9 percent to DM2.90 in the first week in November.

But after November 7, the mark changed direction and declined as the dollar strengthened for the balance of the period under review. At first the selling of marks appeared to be dominated by corporations and others that had postponed dollar purchases required before the year-end in hopes of taking advantage of the expected rise in the mark. Before long the selling of marks broadened as expectations of a generalized decline in dollar rates diminished. Speculators in the futures markets and dealers in commercial banks liquidated much of their long mark positions by year-end. Moreover, international investors, no longer as concerned that a decline in the dollar would erode their total return on dollar-denominated securities, came back to U.S. securities markets in size. With investors attracted by the remaining interest differentials favoring the dollar and the prospect of profits as U.S. interest rates continued to decline, the dollar quickly came to overshadow the mark in the exchange markets. By January 11, the mark had been pulled down to a record low for the floating-rate period of DM3.2020.

The Bundesbank had continued to operate in the exchange markets to sell dollars. These operations contributed to a $950 million decline in Germany's foreign exchange reserves during the three months from October to December. But German authorities were also attempting to modify their money market management to ensure that German banks not have permanent recourse to large amounts of Lombard loans at the central bank, and they were concerned that larger dollar sales might complicate this endeavor. Accordingly, by January central bank money was increasingly being provided through security-based repurchase agreements, sometimes at interest rates slightly below the Bundesbank's Lombard rate. Foreign exchange market operators at times misread the central bank's actions as signaling a desire for short-term interest rates to ease. In fact, the Bundesbank had announced that its monetary growth targets for 1985 would be lower than for the previous year, at 3 to 5 percent. Bundesbank officials pointed to the impact of the mark's continued decline on import prices, thereby suggesting there was little scope for easing monetary policy. Yet the market's misinterpretation of the Bundesbank's intentions for money market rates was not fully dispelled until the Bundesbank announced it would raise the Lombard rate ½ percentage point, to 6 percent, effective February 1.

In any case, by the time the mark hit its mid-January low, market attention was focused more on the rise of the dollar than on the decline of the mark. Other currencies, too, were weakening sharply, most especially the pound. As a result, when market participants became aware that a G-5 meeting of finance ministers and central bank governors was to take place in Washington on January 17, they began to expect a concerted intervention operation. Between the middle of January and the close of the period, there were joint intervention operations in which the U.S. monetary authorities purchased $94 million equivalent of marks. These operations, like those earlier in the period, were shared equally between the Federal Reserve and the Treasury and were conducted to resist a renewed rise in the dollar.

At the end of January the mark was above its lows, trading at DM3.1670 against the dollar. But it was 9 percent below its high reached in early November, and 8½ percent below levels at the end of July. Germany's reserves declined a further $821 million in January to close the period at $34 billion.

Within the EMS, the mark's attraction as an investment vehicle for private-sector investors weakened in relation to other EMS currencies, as well as to the dollar. Economic performance and macroeconomic policies among EMS countries were showing growing convergence. Other European countries were adopting more market-oriented policies. Against this background, the persistence of wide, unfavorable interest differentials at a time when inflation differentials were narrowing and prospects for a new currency realignment were appearing remote led virtually all the EMS currencies to strengthen relative to the mark. The authorities of other EMS countries took advantage of this development to buy substantial amounts of marks in the market to add to reserves.

STERLING

At the beginning of the period under review, a five-month decline of sterling against the dollar was ending, with the currency trading around \$1.30 and between 78 and 79 according to the Bank of England's trade-weighted index. After mid-October, however, the pound became increasingly vulnerable to selling pressure, and by December it was falling across the board. The downward pressure continued in January. For the period as a whole the pound fell 15 percent against the dollar and 9 percent in terms of the Bank of England's trade-weighted index.

In August and September, sterling traded steadily against other European currencies, even though all were declining against the dollar. The British authorities' resolve to adhere to their medium-term financial plan calling for cuts in growth of monetary and public-sector borrowing had recently been reaffirmed. The Bank of England ratified a substantial increase in short-term British interest rates that restored an interest rate advantage for the pound relative to the dollar. Although the pound declined 8½ percent against the dollar to \$1.22 as the dollar advanced generally, it did not move below 76.6 on the trade-weighted index. The overall steadiness of sterling and an apparent moderation in the growth of British monetary aggregates permitted staged reductions in short-term sterling interest rates during August totaling 1½ percentage points. With these cuts the interest differentials favoring sterling were more than eliminated.

Notwithstanding the pound's steadier tone in the exchange markets, a number of factors undermined market confidence that the British authorities would hold to their anti-inflation policies. Britain's economy, in its third year of expansion, was showing signs of losing momentum while unemployment was still rising. No progress was being made in bringing inflation down below 5 percent or in slowing the rise of unit labor costs, by then increasing more rapidly than in other industrial countries. Meanwhile Britain's current account position was deteriorating, despite a pickup in demand in major export markets, because of a sharp jump in imports. A lengthy strike by coal miners was having an adverse effect on production, as well as the balance of payments since imported oil was being substituted for domestically produced coal. Moreover, the oil sector, which had been accounting for more than half the economy's recent growth and had kept Britain's current account in surplus, was no longer seen as a reliable source of strength. With predictions that North Sea oil production would peak in the next couple of years, the stimulative effect of the oil sector on the economy was expected to wane. In the meantime the contribution of net oil exports to Britain's balance of payments was expected to be undercut if an apparent weakness in oil markets led to any significant drop in petroleum prices.

Britain's domestic economy and external position were thus perceived to be in precarious balance. Market participants paid close attention to any development thought capable of forcing the government to have to choose between supporting further growth and employment or dealing with pressures on prices, costs, and the exchange rate. Thus, prospects of a possible spreading of the coal miners' strike and of a reduction in oil prices set the stage for an abrupt, but limited, drop in the exchange rate around mid-October. Within a week, the pound slid below \$1.20 against the dollar and to 74.0 against the trade-weighted index.

Then, for about two months, the pound steadied. The coal miners' strike failed to widen, and downward pressure on oil prices was being contained as long as OPEC discussions on ways to deal with weak oil prices continued. The pound traded within a range of 74 to 76 according to the trade-weighted index. Against the dollar it moved in line with other European currencies, rising during late October and early November before falling back below \$1.21 early in December. With the pound again trading more steadily, British short-term interest rates continued to ease largely in line with the decline in Eurodollar rates. By mid-December, the British clearing banks had cut their base lending rates from the midsummer highs a total of 2½ percentage points to 9½ or 9¾ percent.

From December on, sterling began to fall sharply against all currencies, setting successive new lows in terms of both the dollar and the trade-weighted index. Selling of sterling was stimulated by the expectation that OPEC would have difficulty reaching an effective agreement on price differentials. In addition, the market's underlying concern intensified that the authorities were shifting their priorities for economic policy toward spurring output. Growth of public-sector borrowing was turning out well in excess of the government's target, only partly because of strike-related expenditures. Credit extended to the private sector also showed signs of accelerating. The monetary aggregates remained near the top of their official target ranges. Admittedly, the monetary aggregates were distorted in December by a stock issue. But market participants, interpreting the evidence at hand, concluded that the Bank of England would be reluctant to see a reversal of the interest rate declines of the past several months even to stem a fall in the exchange rate. Market participants also came to doubt that authorities were prepared to use intervention to resist a renewed decline in sterling. Official declarations and actions suggested the authorities were willing to let the pound fall if dictated by market forces.

Under these circumstances the pound dropped steadily, falling most precipitously in mid-January when the OPEC negotiations appeared to be under particular strain. The pound touched a low against the dollar of $1.1015 in Far Eastern trading on January 14 and of 70.6 against the trade-weighted index at the opening in London that same day. As the exchange rate fell, the authorities did not resist a rise in money market interest rates. The Bank of England at one point seized the initiative to push interest rates up further, to the levels of midsummer. In the end, sterling interbank rates rose even more—for a total increase of 4½ percentage points to 14 percent. At that point interest rate differentials were again strongly in favor of the pound, reaching a level of 3½ percentage points for three-month deposits relative to the dollar.

Late in January, the high level of sterling interest rates made selling the pound short expensive. In addition, OPEC had demonstrated an ability to work out a limited agreement on pricing differentials, and spot oil prices firmed. Thus, the immediate pressures against the currency abated. Sterling also benefited from market talk of stepped-up central bank intervention following the mid-January G-5 meeting in Washington. Although the pound remained subject to sporadic pressure through the end of the month, it traded without clear direction. The pound closed slightly above its low at $1.1275 and 71.5 in terms of the Bank of England's trade-weighted index.

British foreign exchange reserves were little changed on balance between the end of July and the end of December. Then for January, they dropped $233 million to $6.73 billion as of the end of the period.

On December 18, the Chancellor of the Exchequer, in reply to questions in Parliament, stated that the Bank of England would no longer request foreign monetary authorities to restrict sterling balances to working levels, thereby ending formally an agreement the government felt was no longer appropriate to the current international monetary setting. The announcement did not cause any visible impact on exchange rates at the time.

Japanese Yen

Over the six-month period under review, the Japanese yen eased against the dollar but appreciated against the European currencies. A record-breaking pace of long-term capital outflows continued to be a source of downward pressure on the currency against the dollar. Outflows of Japanese resident capital were attracted in part by relatively high interest rates abroad. They also reflected the continuing diversification of financial assets by Japanese investors and increased yen lending to foreign borrowers. Meanwhile, some nonresidents that had been among the largest investors in Japanese securities several years ago continued to liquidate their holdings at maturity, largely to meet payment needs. The net long-term capital outflows swamped Japan's large and growing current account surplus, which was reaching $35 billion for the year. At times, however, favorable shifts in commercial leads and lags gave a boost to the yen against all currencies. Vis-à-vis the European currencies, Japan's large current account surplus and robust domestic economy were important sources of strength.

At first, the yen got some respite from the full brunt of the capital outflows that had helped to push the spot rate down to ¥246.45 by the start of the six-month period. The outflows subsided in August as foreign investment in Japanese equities resumed during a late-summer rebound in the Tokyo stock market. Also, Japanese investors slowed their net purchases of foreign securities ahead of the end of the financial half-year in September. Thus, the yen advanced to ¥242 early in August and traded steadily against the dollar at that level for several weeks.

During September and October, the yen also received a lift from a favorable swing in commercial transactions. The yen started to ease against the dollar, which had become well-bid across the board. But market participants expected this weakness to be short lived, anticipating that the dollar would soon decline in response to declining U.S. interest rates. Thus, as the yen fell through the lows of late July and early August and toward the ¥250 level, Japanese exporters stepped up their selling of dollars to take advantage of the current dollar rate. Meanwhile, importers postponed their currency purchases. At the same time, Japan's imports of oil slowed so that the net export balance was unusually favorable.

With these trade transactions favoring the yen and capital outflows temporarily subdued, the yen's decline against the dollar was more gradual than the decline of the European currencies during September and early October. The yen did touch a two-year low of ¥250.45 on October 17, but it gained 7 percent against the German mark to trade near a record high vis-à-vis that currency. Moreover, the yen recouped its losses against the dollar during late October when the dollar eased back. By early November the yen was again trading near the ¥240 level against the dollar and reached a high for the six-month period of ¥239.40 on November 7.

Meanwhile, the changing economic environment abroad had several implications for Japan. The slowdown of the U.S. economic expansion in the third quarter of 1984 seemed to show up almost immediately in a sharp deceleration of Japan's export growth. As a result, Japan's external position actually had a negative impact on GNP in the same quarter. In addition, the decline in U.S. interest rates, widely expected to be further encouraged by cuts in the Federal Reserve's discount rate, contributed to a substantial easing of long-term interest rates in Japan. Japanese enterprises shifted their expectations about immediate financing requirements and the future costs of funds. Credit demand softened and corporate borrowing increasingly took place at shorter maturities.

Against this background, there was discussion in the fall that a reduction of the Bank of Japan's official interest rates could entail large potential benefits and low risks for the Japanese economy, given Japan's restrictive fiscal policy, low inflation, and the more restrained outlook for economic growth. Officials of the Bank of Japan were concerned, however, that any further drop in Japan's relatively low short-term rates would put further pressure on the yen exchange rate at a time when the size of Japan's current account surplus was threatening to provoke protectionist reactions in major export markets. It therefore kept its discount rate at the 5 percent level established a year earlier with the result that short-term interest rates remained steady.

As a result of these interest rate developments, the interest differentials adverse to the yen narrowed somewhat for long-term rates and declined even more for short-term rates. But market operators began to waver in their expectations that the yen would strengthen further in response to this narrowing of interest differentials because the dollar generally had eased relatively little from its highs of October.

Thus, the allure of the remaining interest differentials favoring the United States and of prospects of significant further capital appreciation on dollar-denominated bonds began once again to weigh on the Japanese yen. Toward the end of the year Japanese investment in foreign securities mounted. The December U.S. government issue targeted at foreign investors, as well as the offering of British Telecom shares, were well received in the Tokyo market. Thus, net capital outflows therefore jumped up in November and December to $5 billion and a record $8 billion respectively. In the year as a whole, net long-term capital outflows from Japan rose to $50 billion. At the same time, exchange market participants noted that foreign private borrowers rushed to take advantage of the opening of the Euroyen market to them, effective December 1, to place yen issues. To the extent these issues were purchased by Japanese residents, the transactions contributed to Japan's capital outflows.

Commercial leads and lags also began to shift against the Japanese yen. When expectations of a decline in the dollar faded, importers who had postponed their currency purchases came to fear that exchange rates would become even more unfavorable if they waited any longer. Meanwhile, exporters had already converted some of their foreign currency proceeds ahead of schedule.

As a result, the yen progressively weakened against the dollar, falling more than 6½ percent from its early November high to ¥255.40 by the end of January. At this level it was down 3½ percent on balance during the six months, although against the major European currencies, it rose nearly 5 percent.

Throughout the six-month period the Bank of Japan intervened in the foreign exchange market in comparatively small amounts. Following the meeting of the G-5 in mid-January, the prospect of an increase in coordinated intervention made market participants wary of speculating too heavily against the yen. However, the concern was not sufficient to stem the yen's slide. In total, intervention sales of dollars offset only a fraction of Japan's interest earnings on its foreign exchange reserves, which rose $1.6 billion over the six-month period to close at $22.5 billion.

European Monetary System

During the period under review, there was a growing convergence of economic performance among EMS countries. Recovery had spread to all. The countries showing the greatest improvement in 1984 were those that had still been in recession during 1983. Inflation was continuing to decelerate, with the countries showing the greater declines being those with the higher inflation rates a year earlier. In general, current account positions were either stable or continuing to improve.

In all cases, the economic expansion proved insufficient to reduce historically high levels of unemployment. Yet fiscal and monetary policies were generally restrained. Fiscal policies were aimed at reducing the size of the government deficit relative to GNP, with actual results varying depending on the burden of unemployment compensation and interest payments on government debt. Monetary policy was generally unaccommodating. Interest rates were allowed to ease only in response to declines in other countries or to improvements in inflation and fiscal deficit control at home.

Under these circumstances, the exchange rate relationship within the EMS remained free from strain during the entire period under review. Early on, most of the EMS currencies were clustered within 1 percent of their bilateral parity rates. The only exception was the Italian lira, which started near the upper limit of the wider, 6 percent limit established for that currency. The German mark and the Dutch guilder alternated as the topmost currency within the narrow band against the Belgian franc at the bottom. During the period, the German mark and Dutch guilder fell progressively, albeit unevenly, to the lower part of the band. The two currencies fell below the Danish krone, and the Irish pound by early September, dropped below the French franc late in November, and approached the bottom of the narrow band to trade below the Belgian franc by early January.

The strength of other currencies vis-à-vis the mark presented many EMS countries with opportunities and policy choices. One option, chosen by the Belgian, French, and Italian authorities, was to take advantage of the lack of pressure to build their foreign currency reserves. Before the period, the Belgian National Bank had been able to begin reducing its liabilities to the European Monetary Cooperation Fund (EMCF), using the proceeds of the government's external borrowings. During the six months under review, the Belgian central bank was able to continue this program, not only with proceeds of further borrowings, but also with foreign currencies acquired in the market. By the end of the period, Belgium had fully restored its European Currency Unit (ECU) position in the EMCF and increased foreign currency reserves more than $500 million over the six months. Before the period, the French and Italian authorities had already restored their foreign currency reserves to the levels prevailing before the last EMS realignment. They continued, however, to buy substantial amounts of marks along with some other currencies.

Another option, chosen in a small way by the French and Italian authorities, was to ease some of the exchange controls imposed during earlier periods of pressure against their currencies. On December 1, the French authorities announced a partial lifting of controls on the transfer of funds abroad by individuals and corporations and permitted Economic Community institutions to float ECU-denominated bonds in the French market. On December 1, the Italian authorities announced reductions in the non-interest-bearing deposit required against residents' investment abroad and eased restrictions on foreign exchange accounts as well as on the means of payment to be used by Italians traveling abroad.

A third option was to take advantage of the relative strength of the currency to lower interest rates. In France and Belgium the authorities cautiously permitted an easing of interest rates once the foreign currency reserve position was restored and after inflation had shown clear signs of moderation. The French authorities also took advantage of moderating domestic credit demands to replace the strict guidelines on banks' credit, known as the *encadrement du credit*, with a more flexible credit control system.

But in general the authorities perceived the scope for lowering interest rates to be limited. Faster or more substantial cuts in interest rates were judged to be inappropriate in view of the remaining inflation differentials vis-à-vis Germany, the continuing need to finance a large budget deficit, or the financing requirements of a current account deficit. In both Italy and Ireland, interest rates were actually increased. The Bank of Italy temporarily raised its discount rate 1 percentage point to 16.5 percent in September to curb growth in bank credit that was exceeding its target range. When credit growth moderated, however, the Bank of Italy cut its discount rate back to 15.5 percent in recognition of the continuing progress in reducing inflation to less than double-digit rates.

Thus, interest differentials among EMS countries remained relatively wide and did not narrow as rapidly as, for example, the inflation differentials. Residents in countries with still relatively high interest rates increased their borrowings in international markets, partly to finance domestic operations, while short-term capital movements through the banking sector also flowed to the centers with higher rates. Judging these inflows to be potentially reversible, the central banks chose to resist a substantial appreciation of their currencies within the EMS through intervention.

Against the dollar, the EMS currencies fluctuated generally in line with the German mark, weakening during most of the period under review, with the only major reversal during October and November. By the end of January many of these currencies were tradng at record lows against the dollar, and all were some 8 percent below levels at the end of July.

Although several of the EMS central banks at times intervened in dollars to limit the decline of their currencies against the dollar, total dollar sales by central banks other than the Bundesbank were moderate for the period as a whole. In any case, by the end of January, the EMS central banks had purchased considerably more EMS and other currencies in the exchange market than they had sold dollars.

Swiss Francs

As the period under review began, Swiss interest rates were under some upward pressure. Throughout 1984, the monetary authorities in Switzerland aimed at controlling inflation by monetary restraint, adhering to a targeted rate of growth of about 3 percent for the central bank money stock. They held to this goal even though economic recovery slowed during the second half of the year. The economic recovery, though moderate by historical standards, was sufficient to generate a modest pickup in credit demands and some increase in interest rates. In addition, domestic financial markets were somewhat unsettled by the decline of the Swiss franc from its peak in March that amounted to nearly 19 percent vis-à-vis the dollar and about 2 percent vis-à-vis the German mark by the end of July. These declines had brought the spot rate down to SF2.4745 and DM.8493 by the opening of the period.

During August the Swiss franc steadied. Although short- and long-term interest rates in Switzerland remained the lowest of any of the industrialized countries, the tightening of money market conditions in Switzerland combined with other factors to begin to reverse the decline in the Swiss franc. Interest rates in Switzerland were rising at a time when rates elsewhere were either steady or declining. Interest differentials, while still adverse vis-à-vis both the dollar and the German mark, narrowed. In addition, nonresidents had significantly reduced their issuance of Swiss-franc-denominated bonds. Also, there had been a particularly sharp drop in bond placements—and therefore in the ensuing conversion of bond proceeds into dollars—by Japanese firms whose ability to offer attractive terms on bonds with stock warrants became compromised by a poor performance of Japan's stock market during the second quarter. Nor did Swiss franc bonds offer as much prospect for capital appreciation to attract investors as did bonds denominated in currencies of countries where interest rates were declining.

The Swiss franc therefore recovered irregularly against the dollar to reach its high of the six-month period of SF2.3650 on August 16. The franc recovered against the German mark for somewhat longer, moving to a level below DM0.82 after mid-September.

During late September and October, when European currencies were generally fluctuating widely vis-à-vis the dollar, the Swiss franc moved with the German mark, but not as widely. The Swiss franc was not the focus of selling pressures before September 21. Thereafter, it did not benefit as much from intervention. The Swiss authorities made it clear that they did not intend to intervene aggressively in the exchange markets out of concern that they might then have to deviate substantially from their domestic monetary policy objectives. When the dollar fell back in late October, the Swiss franc was again trading close to its highs for the period against both the dollar and the mark.

Thereafter, however, the franc began to lose ground relative to both currencies. This weakness in the franc followed statistical releases confirming that inflation continued to be higher and growth lower than in Germany. Also, the franc did not benefit, as the mark did, from continuing expectations of central bank intervention. The National Bank, having kept its restrictive 3 percent target for growth of central bank money for 1985, was perceived as reluctant to add further upward pressure on domestic interest rates by intervening in the exchange markets. The franc declined more rapidly than the mark as the dollar strengthed across the board during late December and January. The franc closed the period at SF2.6830, down 8½ percent relative to the dollar for the six months.

As the franc began again to decline in late 1984, market commentators started to attribute the move at least in part to a long-term loss of the franc's international appeal. They suggested the franc might be suffering from an erosion of its "safe haven" status in the face of worldwide reductions in inflation and the perception of an increasingly fragile political environment in Europe. Some also suggested that the transactions demand for the currency had diminished to the extent that the franc had lost attractiveness as a trading vehicle. As for foreign exchange dealing, the dollar–mark relationship was volatile enough to provide sufficient profit opportunities in markets larger in size and permitting bigger transactions. As a medium for investment, the franc was being overshadowed by other currencies, most especially the dollar.

The Swiss National Bank did not intervene in the exchanges during the August–January period. Swiss reserves fluctuated as the central bank used currency swaps to adjust domestic liquidity, closing virtually unchanged from levels at the end of July.

CANADIAN DOLLAR

Just before the period opened, the Canadian dollar had shaken off the severe selling pressures of the earlier part of the year. In midsummer, Canadian interest rates had moved up, restoring a positive differential in favor of the Canadian dollar. With money market rates well above corresponding U.S. rates at the start of August, the cost of short Canadian dollar positions had become expensive. Thus professional selling of the currency subsided and commercial leads and lags came into better balance. Also a public debate faded over whether economic policy should give priority to reducing unemployment or dealing with inflation. The Canadian dollar rose from the historic low of Can.$1.3368 ($0.748) against the U.S. dollar reached in mid-July to Can.$1.3094 ($0.764) by early August.

During the period under review, a number of factors supported the Canadian currency, which, along with the U.S. dollar, rose relative to the other major currencies. Canada's current account was in surplus, buoyed by a strong export performance. Canada's economy revived in the third quarter, catching up for slower growth earlier in the year. Meanwhile, inflation continued to moderate, falling to below 4 percent at an annual rate. In addition, a change in government at the September national elections encouraged market participants because of the new governing party's advocacy of policies to encourage foreign investment in Canada, to reduce government intervention in the economy, and to cut government expenditures. These ideas were reaffirmed in November when the government gave a statement to Parliament of its intended legislative program.

Yet market confidence in the Canadian dollar was not fully restored. The public debate preceding the election had left uncertain the priority any government would place between lower interest rates to stimulate the economy and higher rates to fight inflation. By midwinter there was also some doubt that the new government would be able to implement its program of fiscal restraint. Moreover, large corporate transactions occasionally weighed on the market for Canadian dollars.

Under these circumstances, the Canadian authorities moved cautiously to take advantage of the decline of U.S. interest rates to avoid an outbreak of revived pressure against the currency. Canadian interest rates at first did not decline as quickly as U.S. rates, and by mid-October the interest differentials vis-à-vis the U.S. dollar were even wider than in early August. Thereafter, Canadian interest rates did ease more in line with U.S. interest rates, maintaining the wider differentials for the balance of the six-month period.

Against this background, the Canadian dollar fluctuated without clear direction against the U.S. dollar, declining less than other currencies. On balance it declined 1¼ percent to Can.$1.3258 ($0.754) by the end of January. The Canadian dollar thereby continued to appreciate against other currencies during the period under review, benefiting at least in part from high yields on Canadian assets and the currency's relative firmness against the U.S. dollar to attract sizable capital inflows from abroad.

Foreign exchange intervention by the Canadian authorities was aimed at smoothing out sharp movements in the currency. Total foreign currency reserves fell $1.2 billion, mostly in August and November, to stand at $1.5 billion at the end of the period. The declines primarily reflected repayments of outstanding foreign exchange drawings made earlier in the year on the government's credit lines with Canadian and foreign banks. □

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available without charge. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Studies" that lists the studies that are currently available.*

STUDY SUMMARY

SCALE ECONOMIES IN COMPLIANCE COSTS FOR CONSUMER PROTECTION REGULATIONS: THE TRUTH IN LENDING AND EQUAL CREDIT OPPORTUNITY LAWS

Gregory E. Elliehausen and Robert D. Kurtz—Staff, Board of Governors
Prepared as a staff study in the fall of 1984

This study investigates scale economies in compliance costs for Regulations Z (Truth in Lending) and B (Equal Credit Opportunity) at commercial banks. The data are from a 1981 survey of financial institutions conducted by the Federal Reserve Board to determine compliance costs associated with consumer protection laws that are implemented by Board regulations.

The major finding of the study is that there are economies of scale in compliance costs for Regulations Z and B at commercial banks at levels of output up to 375,000 consumer credit accounts, beyond which there are small diseconomies of scale. At the lowest output levels, in terms of the volume of consumer credit accounts, large unexploited scale economies exist, which suggest that Regulations Z and B impose a competitive disadvantage on banks with small consumer credit portfolios. Scale economies decrease rapidly, however, as output increases, and they are exhausted at a moderate level of output. Thus, the costs of complying with consumer protection regulations do not appear to be a factor that would lead to much greater concentration in consumer lending at banks.

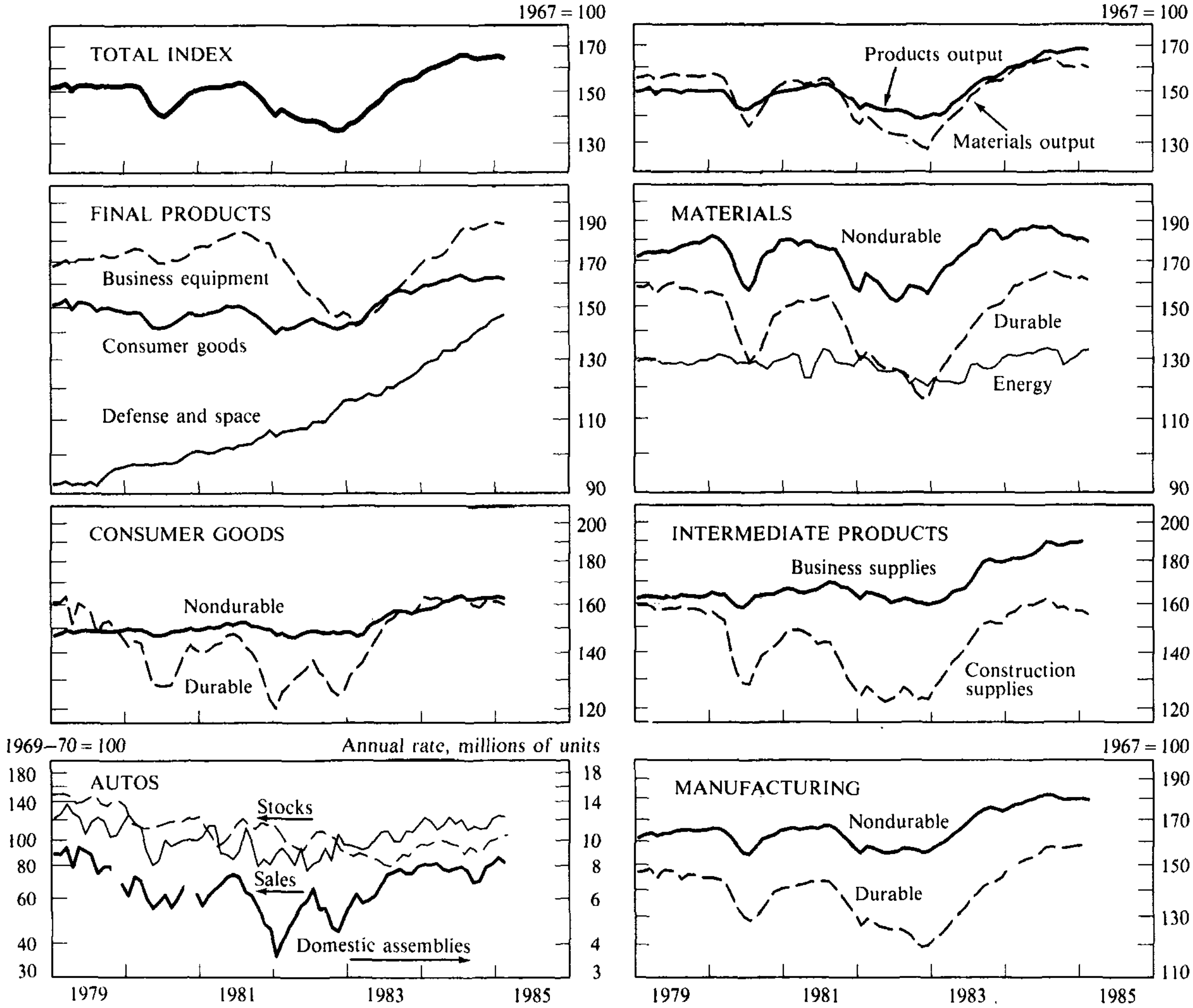
Other findings are that labor and administration account for 50 to 70 percent of total compliance costs at all levels of output and that compliance costs increase about proportionately with wage rates, suggesting that compliance activities for Regulations Z and B are labor intensive. Administration accounts for a smaller share of compliance costs than labor does at moderate and higher output levels. This result suggests that scale economies may arise from more efficient use of high-cost administrative personnel at banks with larger consumer credit portfolios (although other factors may offset the scale economies at high levels of output). Finally, the analysis indicates that larger average sizes of accounts are associated with higher compliance costs. Because closed-end (mortgage and consumer installment) accounts are generally larger than open-end (credit card) accounts, the average size of the account reflects the composition of banks' consumer credit portfolios. Thus, compliance costs may be larger for closed-end accounts than for open-end accounts. As a result, the consumer protection regulations may provide an incentive for banks to shift from closed-end to open-end lending. □

Industrial Production

Released for publication March 15

Industrial production declined an estimated 0.5 percent in February, and gains during the preceding three months were revised downward. At 164.7 percent of the 1967 average, the index in February was 2.9 percent above its level a year ago, although not much higher than its mid-1984 level. The February decline, in part weather-related, was widespread among products and materials.

In market groupings, output of consumer goods declined 0.6 percent in February as automotive products fell 1.8 percent. Automobiles were assembled at an annual rate of 8.2 million units following a January rate of 8.6 million. Production of home goods edged down following larger declines in preceding months, and nondu-



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. 1984 to Feb. 1985
	1985		1984			1985		
	Jan.	Feb.	Oct.	Nov.	Dec.	Jan.	Feb.	
	Major market groupings							
Total industrial production	**165.5**	**164.7**	**−.4**	**.2**	**.1**	**.3**	**−.5**	**2.9**
Products, total	168.5	167.9	.3	.5	.4	.1	−.4	4.7
Final products	167.2	166.7	.4	.6	.5	.1	−.3	5.5
Consumer goods	162.9	161.9	.0	.6	−.1	.2	−.6	1.6
Durable	161.2	159.9	−.6	1.8	−.1	−.1	−.8	−1.6
Nondurable	163.5	162.7	.2	.2	.0	.3	−.5	2.8
Business equipment	189.5	188.8	.5	.6	.8	−.2	−.4	9.8
Defense and space	145.9	147.0	1.1	.8	1.8	.8	.8	13.5
Intermediate products	173.4	172.2	.2	−.2	.0	.2	−.7	1.9
Construction supplies	156.7	155.3	.3	−1.1	.1	−.2	−.9	−.8
Materials	160.9	159.9	−1.5	.0	−.3	.6	−.6	.3
	Major industry groupings							
Manufacturing	167.0	166.3	−.2	.2	.2	.1	−.4	3.0
Durable	158.2	157.5	.0	.3	.3	.1	−.4	4.7
Nondurable	179.7	179.2	−.5	.1	.1	.0	−.3	1.1
Mining	125.3	122.4	−4.0	1.0	−.3	.7	−2.3	−1.4
Utilities	185.5	185.6	−.2	2.3	−1.1	1.5	.1	5.2

NOTE. Indexes are seasonally adjusted.

rable consumer goods declined 0.5 percent. Output of total equipment was little changed in January and February as cutbacks in business equipment were offset by continued growth in the output of defense and space equipment. Weakness continued in February in the production of construction supplies. Output of materials decreased 0.6 percent, with declines both in durables such as equipment parts and in nondurables such as textiles and chemicals.

In industry groupings, declines were widespread in manufacturing, with an overall drop of 0.4 percent in February; however, steel production rose for the second month. Mining output declined more than 2 percent in February, and utilities were little changed.

Statements to Congress

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 6, 1985.

I am pleased to appear once again before this committee to discuss the economic situation and its relationship to the budgetary choices before you. I know the task that confronts you in reconciling budgetary priorities in the context of a huge deficit is extremely difficult. I can shed little light on the choices you must make among national security, social, and other programmatic objectives. But from my vantage point, it does seem clear that an adequate reduction in the overall deficit must be a critical ingredient in any satisfactory budget plan.

Last month the Federal Reserve submitted its semiannual report on monetary policy to the Congress, and my testimony to the Banking Committees at that time provided an extensive review of recent monetary developments and the Federal Reserve's expectations for the performance of the economy in 1985. [See FEDERAL RESERVE BULLETIN, vol. 71 (April 1985), pp. 187–99]. I have submitted copies of that earlier testimony to this committee, and I shall limit my prepared remarks this morning to some summary comments on the economic setting.

As you know, we have made substantial progress over the past two years toward our longer-run aims for the economy. Despite widespread doubts about our economic prospects at the beginning of the recovery, the expansion that developed has been the strongest since the Korean War period. Real gross national product rose almost 6 percent over the four quarters of 1984, bringing the cumulative gain in domestic output since the recession trough in late 1982 to about 12½ percent. The rise in production has been associated with large increases in employment and a sizable decline in the unemployment rate. As part of that general improvement, there has been a sharp rebound in profits and a surge in business investment, especially for innovative, high-technology capital equipment. Productivity also has grown relatively strongly. Taken together, those factors should bode well for our future growth potential.

I am particularly encouraged by the fact that this remarkable expansion of activity has been achieved without any significant increase in the inflation rate from the sharply reduced levels of 1982 and 1983. To be sure, a number of factors that may not be lasting have helped to hold down price increases. The continuing appreciation of the dollar and competition from imports have placed considerable downward pressure on prices in some manufacturing and mining industries. Declines in prices of some important commodities, including petroleum and a number of raw materials, also have played a key role. But perhaps more fundamentally, increases in nominal wages are reflecting and supporting the lower rate of inflation, and there are encouraging signs that expectations of future inflation have been damped.

At this point, the most common forecasts suggest that growth will remain strong enough in 1985 to produce some further declines in unemployment, with little if any pickup in inflation. That, in fact, is the "central tendency" of the forecasts of members of the Federal Open Market Committee. But we must not be lulled by these seemingly favorable near-term prospects. Despite the strength indicated by the aggregate statistics and favorable near-term expectations for the economy as a whole, there are some large and unsustainable imbalances in our economy. Unless dealt with effectively, those imbalances will, in time, undercut all that has been achieved.

The strains in agriculture, in the heavy capital equipment area, and in the metals industry are most visible. To some extent, the difficulties in these sectors arise out of severe structural problems that must be dealt with directly. But there can be little doubt that these specific problems have been exacerbated by pressures related to the massive deficits in the federal budget and in our external accounts.

It is not a coincidence that the unprecedentedly large deficits in our trade and current accounts have developed alongside the internal budget deficit. In the end, a government deficit must be financed, either internally or externally, out of savings. We do not have now, nor are we likely to have in the future, the capacity to save enough domestically to finance *both* federal deficits at or approaching the current size and the rising levels of investment needed to support growth and productivity. Thus far in the expansion period, we have been able to bridge the gap by drawing on a growing net inflow of foreign saving to supplement our own.

Net domestic saving—by individuals, by businesses, and by state and local governments—has, in fact, increased quite rapidly over the past few years, amounting to about 9 percent of the GNP in 1984, near the higher end of the range that has prevailed over the postwar period. Nevertheless, about a quarter of our net needs for investment and for deficit financing last year still had to be met from foreign sources. So far, that capital has been readily available and has played a key role in containing pressures on domestic interest rates. Even so, interest rates, as you know, have remained high both historically and relative to current levels of inflation. Without the net flow of savings from the rest of the world, pressures on our financial markets would have been still greater and interest rates would have been still higher.

Thanks to the capital inflow, the kinds of obvious "crowding out" of housing and investment so widely anticipated a year or two earlier largely have been avoided. But other key sectors—particularly those that are heavily dependent on export markets or that must compete with imports—are being "crowded." Looking abroad, growth in many industrialized countries remains relatively sluggish and the depreciation of foreign currencies vis-à-vis the dollar seems to be one factor inhibiting the pursuit of more expansionary policies by our major trading partners, feeding back on our own export prospects. At the same time, the stability of our capital markets has become hostage to a continuing net inflow of international funds.

In this context, let me make a few observations about monetary policy. In the most general terms, the objective of the Federal Reserve is to provide sufficient money and credit to support sustainable growth in real output and employment, while moving toward greater price stability. Appreciable progress was made in these directions in 1984. We will want to provide enough money this year to sustain orderly growth in demand and output, and my earlier testimony reviews our plans in that respect.

However, money creation cannot resolve an underlying imbalance between domestic saving and investment. Real savings release real resources for investment and for use of the government, and growth in savings tends to work against inflation. But beyond fostering sustainable growth, money creation cannot release resources to meet investment and federal needs. Rather it adds to the demands upon those resources. Indeed, should excessive monetary growth ignite inflationary fears, the effort to encourage savings and reduce capital market pressures would be undercut. As prospects for stability are undermined, the international capital flows on which, for the time being, we are dependent would be discouraged. And the implications for interest rates—probably sooner rather than later—would be adverse. The risks of more inflation and less growth over time would be increased, not reduced.

A number of policies—with monetary and fiscal policies leading the list—must be blended together to encourage sustained and balanced growth. In practice, achieving an optimum blend is seldom easy, and the precise measures to be taken can be debated. But what does seem clear now is that any satisfactory approach is dependent upon substantial cuts in our massive budgetary deficit. And, within the range of practicality, the larger and sooner the cuts, the better. To have a real impact this year on markets and on the economy the actions must be large enough and credible enough to have an impact on expectations and confidence, even if the measures taken will be phased in over time.

I am sensitive to the practical and political difficulties of the decisions that must be made. I realize that there is no natural constituency for specific budgetary cuts or revenue measures. But I also know that we are, at present, on a course that cannot be sustained indefinitely.

The practical question is whether we act now to build on the progress of the past and reinforce prospects for future growth and stability or whether, as so often in the past, we wait for crisis and dislocation to be a catalyst for action. But then it would be too late, and the longer constructive action is delayed, the greater the risks and the larger the task. □

Statement by Emanuel Melichar, Senior Economist, Division of Research and Statistics, Board of Governors of the Federal Reserve System, before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, March 20, 1985.[1]

After experiencing a major boom during the past decade, the farm sector is in the sixth year of a period of lower and relatively stagnant income, with poor prospects for near-term improvement. Reduced income flows and the consequent decline in land prices, plus sharply higher interest rates, have in this period produced severe financial stress for those farmers who had borrowed heavily to expand their enterprises during the concluding years of the boom. The progressive erosion of the equity of these farmers, who owe most of the total farm debt, has been increasing the incidence of problem farm loans at banks and other farm lenders.

Charge-offs of Farm Loans at Banks

Net charge-offs of farm production loans, an item added to bank reports last year, in 1984 were equal to 2.2 percent of such farm loans outstanding at year-end. Relative farm-loan charge-offs were highest by far in California; charge-offs in the other 49 states averaged 1.8 percent of loans. As shown in table 1, other states with relatively high farm-loan charge-offs were in the western Corn Belt, the Great Plains, and the Southeast.

As data discussed later will indicate, the relative rate of farm-loan charge-offs at all banks was nearly double that for all loans at agricultural banks; and that rate, in turn, was about double the rate of charge-offs of all loans at other small banks.

Net charge-offs of farm production loans totaled about $900 million in 1984, of which about $240 million was reported by banks in California.

Delinquent Farm Loans at Banks

Banks have been reporting amounts of delinquent farm loans since December 1982; however, the data are incomplete because only relatively large banks (assets of $100 million or more) report nonaccrual and renegotiated farm loans. These large banks account for only 31 percent of farm production loans at banks nationally, and for much smaller percentages in highly rural states.

Data are available on farm loans that are past due but still accruing interest, which must be reported by most banks engaged in farm lending. At year-end, these past-due loans represented 3.8 percent of farm loans outstanding, a level that has not changed much since 1982. During this period, however, the proportion of farm loans past due fell in some states, such as California, but rose somewhat in most midwestern states.

At large banks required to report all categories of delinquent farm loans, the total (past due, nonaccrual, and renegotiated "troubled" debt) has remained near 10 percent of outstanding loans over the past two years. Farm lending at these banks, however, is disproportionately concentrated in California, where large banks make most farm loans. At year-end, the total delinquent farm production loans at large California banks averaged 13 percent of loans outstanding, compared with 9 percent at large banks in other states. The nonaccrual component averaged 8 percent of loans outstanding in California, compared with just under 5 percent in other states. But these relatively high numbers of delinquen-

1. All data for 1984 are preliminary estimates based on reports available on March 8, 1985, when more than 99 percent of banks had reported, but regular editing was not complete. Special editing of some items was performed in compiling this report.

The attachments to this statement are available on request from the Economic Activity Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

cies on farm loans did not pose a serious threat to the large California banks because farm loans represented only about 4 percent of total loans at these banks (the same proportion as at all banks nationally).

Though small banks have not been required to report nonaccrual farm loans, they do report their total nonaccrual loans. From these data, it appears that about 3 percent of the farm production loans at small banks may be in the nonaccrual category. When this figure is averaged with the 5.8 percent of loans in nonaccrual status at the larger banks that account for 31 percent of farm loans outstanding, about 3.8 percent of all farm production loans are estimated to be in the nonaccrual category.

Thus, about 5 percent, or $2 billion, of all farm production loans were nonperforming at year-end. Another 2.6 percent, or about $1 billion, was reported as past due 30 to 89 days. Thus about $3 billion of farm production loans at banks were delinquent.

Experience of Agricultural Banks

Although farm loans constitute only 4 percent of all loans outstanding at banks, many small banks have a much higher farm-loan ratio. The "unweighted" average of the farm-loan ratios at all banks is now about 17 percent, and about 5,000 "agricultural" banks now have a ratio that exceeds that average. The financial experience of these banks has recently been dominated by the rise in farm-loan delinquencies.

Two years ago, loan delinquencies were still lower at agricultural banks than at other small banks (banks with assets of less than $500 million and a farm-loan ratio that is below average). At the latter banks, relative delinquencies were peaking as the business recession was ending, while delinquencies at agricultural banks were rising from a lower level. By the end of 1983, delinquent loans at agricultural banks reached the same relative level as the recession peak at other small banks. A year later, at the end of 1984, delinquent loans at agricultural banks had risen further, to 6.2 percent of total loans, well above the average of 4.7 percent at other small banks.

Of the four categories of delinquent loans, nonaccrual loans rose most rapidly during the past two years, especially at the banks most heavily concentrated in farm lending. At banks with a farm-loan ratio of more than 50 percent, for example, nonaccrual loans rose from an average of about 0.5 percent of total loans in December 1982 to about 2.5 percent of total loans two years later.

Total loan charge-offs, for which there are data over a longer period, have risen substantially at agricultural banks since 1980. At 1.2 percent of year-end loans, net charge-offs at agricultural banks were double the relative level at other small banks—the opposite of the situation that had prevailed for many years before 1983. At the more heavily agricultural banks, average net charge-offs were still higher—between 1.5 and 2.0 percent of loans outstanding.

Net income at agricultural banks was sharply reduced by their loan losses. However, these banks had been relatively profitable, and in 1984 their return to equity still averaged 9 percent. But in each year since 1980, an increased proportion of agricultural banks experienced loan losses larger than could be covered by annual net earnings. In 1984, 16 percent of agricultural banks made loan-loss provisions that exceeded 2.5 percent of year-end loans outstanding. Mostly because of such adverse loan experience, 12 percent of agricultural banks reported negative net income for 1984, compared with an average of only 1 percent during the 1970s. On the other hand, 32 percent of agricultural banks needed loan-loss provisions equal to less than 0.4 percent of outstanding loans in 1984, and 59 percent needed provisions of less than 1.0 percent. Such relatively low losses enabled nearly a fifth of all agricultural banks to report earning more than 15 percent on equity in 1984, and more than half earned more than 10 percent.

Because most agricultural banks maintained positive earnings while their growth was slowed by the weak farm economy, the ratio of capital to assets at these banks rose slightly further in 1984, to an average of 9.5 percent. The capital ratio at agricultural banks now averages a full percentage point above that at other small banks. Furthermore, average capital ratios are highest at the most heavily agricultural banks, at which they also rose in spite of increased farm-loan losses.

The favorable capital position of most agricultural banks provides a valuable, but limited, cushion for coping with adverse loan experience. If relatively large loan losses occur in a short period of time and thus cannot be covered from current earnings, capital can be depleted rapidly. At agricultural banks, loans average about 50 percent of assets and capital about 10 percent of assets; therefore, loan losses equal to about 20 percent of outstanding loans would, on average, deplete all capital.

During the past two years, banks that have failed have come predominately from the group that had earlier reported levels of delinquent loans that exceeded total capital. The number of such banks rose about one-third during 1984, to more than 600 banks at year-end, or 4 percent of all banks. There were significant increases in the number of such banks in several highly agricultural states: yet, in most of these states—Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and Wisconsin—the proportion of banks in this condition at the end of 1984 was still only roughly equal to the national average of 4 percent. Furthermore, farm loans at such banks nationally averaged only 7 percent of total loans at the banks. In several states with a relatively high number of these potentially vulnerable banks—California, Colorado, Florida, Louisiana, Oklahoma, Tennessee, and Texas—their low average farm-loan ratio indicates that farm loan difficulties play, on average, a minor role in loan problems at these banks.

The relative proportions of agricultural and other small banks troubled by problem loans over the past two years can be contrasted. In December 1982, more of the small nonagricultural banks than of the agricultural banks had relatively high proportions of delinquent loans. Over the next two years, the situation among nonagricultural banks changed little while that at the agricultural banks deteriorated until, by December 1984, it appeared somewhat worse than at the other banks.

A more vulnerable subgroup of the banks discussed above consists of the banks at which nonperforming loans alone exceed total capital. Farm loans figure more prominently at these banks, averaging 15 percent of total loans. And, whereas the number of small nonagricultural banks in this predicament changed little over the last two years, the number of agricultural banks with delinquent loans equal to (approximately) or greater than capital more than tripled over two years—but is still smaller than the number of nonagricultural banks in the same position.

In 1983, only 7 of the 44 insured commercial banks that failed, or 16 percent, were agricultural banks. Last year, 32 of the 78 failures, or 41 percent, were agricultural banks. Still, farm loans constituted only 10 percent of total loans at the banks that failed in 1984, and totaled only $199 million at these banks at the beginning of that year. Growth last year in the number of agricultural banks with a relatively high level of nonperforming loans may portend a further increase in failures of agricultural banks. □

Statement by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on International Economic Policy and Trade of the Committee on Foreign Affairs, U.S. House of Representatives, March 22, 1985.

I welcome this opportunity to discuss the important issues relating to U.S. trade and current account deficits. I will begin with some thoughts on the basic factors at work, to provide a framework within which to consider the desirability of various possible actions in terms of their contributions to noninflationary economic growth as well as to reductions in our external deficits.

Causes of the External Deficits

It is customary to analyze changes in the external deficits by focusing on proximate causes, such as the growth of economic activity at home and abroad and changes in exchange rates. The cyclical behavior of the U.S. and foreign economies has been an important factor contributing to both the timing and the widening of the U.S. external deficits. The U.S. recession held down the growth of imports from the fourth quarter of 1980 until the fourth quarter of 1982 and, thus, delayed the rise in our external deficits in spite of an appreciating dollar. Since 1982, we have enjoyed a strong recovery, with output—measured by real gross national product (GNP)—rising about 12½ percent from the fourth quarter of 1982 to the fourth quarter of 1984. Aggregate demand—measured by all U.S. purchases of goods and services, both domestic and foreign—has increased even faster, about 15 percent during this period, with some of this demand spilling over abroad. A significant part of the deterioration in our external accounts has therefore resulted from the strong growth in the U.S. economy.

In contrast, the growth of demand for U.S. exports had been quite weak. In major foreign industrial countries, real GNP increased only about 5 percent from the end of 1982 to the end of 1984, after virtually no growth on average over the preceding two years. The slight support that this growth provided for U.S. exports was offset to a large extent by the external financing problems of some developing countries, especially our neighbors in Latin America. As a result, the value of U.S. exports in 1984 was little changed from 1980. The Board staff estimates that about one-third of the increase in the U.S. current account deficit from the end of 1980 to the end of 1984, after abstracting from a decline in imports of oil, can be attributed to the cyclical expansion of the U.S. economy relative to that of our trading partners.

A somewhat larger portion can be related to the very substantial appreciation of the dollar. On a weighted-average basis against the currencies of other major industrial countries, the dollar has appreciated more than 70 percent since the fourth quarter of 1980, when our current account was showing a small surplus. Some of the appreciation has reflected and contributed to our relatively good inflation performance, but even in real terms—adjusted for changes in consumer price levels in the United States and abroad—the weighted average value of the dollar is now nearly 60 percent higher than it was at the end of 1980, and roughly 45 percent higher than its average for the entire floating-rate period.

I think it is fair to say that no one fully understands the factors that have led to the enormous appreciation of the dollar; certainly no one anticipated it. Nevertheless, it seems clear that several forces have been at work at one time or another. A rise in U.S. interest rates relative to those abroad can explain a good part of the dollar's rise, particularly in its early phases. In addition, one can point perhaps more broadly to the vigor and dynamism of the U.S. economy and its high profitability. But one cannot find much direct evidence in the statistics that international flows, such as purchases of U.S. equities or direct foreign investment, have been of a nature that might be specially responsive to such incentives. Finally, one can point to the political and social, as well as economic, stability of the United States, which has made this country a relatively secure haven in which savers may want to keep their wealth.

History provides some support to this notion that capital movements can be a dominant influence in the determination of the dollar exchange rate. Evidence covering the periods 1919–39 and the postwar period indicates that an expansion in the United States relative to the rest of the world, while weakening the current account, strengthened the capital account sufficiently to improve the overall balance of payments by increasing desires to move funds into the United States under the old regime of fixed exchange rates and by causing the dollar to appreciate under the present regime of flexible rates.

While the strong dollar and our large external deficits reflect, in part, our improved macroeconomic performance and the greater return on financial investment in this country, in a more fundamental sense they are related to the budget deficit. When the U.S. government runs a deficit, other sectors must, on balance, finance it. Private domestic residents and state and local governments through their savings have provided part of the financing, not just of their own investment, but of the government's deficit as well. The net inflow of savings from abroad—which is the counterpart of the current account deficit—has (directly or indirectly) provided the remainder of the financing. This capital inflow has enabled us to have lower interest rates than we would have had otherwise, given our budget deficit.

Consequences of the Deficits and the Strong Dollar

The goal of macroeconomic policy is to provide an environment for sustainable noninflationary economic growth. The strong dollar and the external deficits have contributed to that environment. The external deficits reflect the growth and relative dynamism of the American economy that have attracted a flow of funds from abroad. The growing net capital inflow—now supplementing net domestic savings of individuals, businesses, and state and local governments by nearly a third—has been a critically important factor in enabling us to finance both rising investment and the enormous federal deficit at lower rates of interest than otherwise would have prevailed. Of course, it is our rising private investment that would be crowded out by higher interest rates in the absence of the net foreign capital inflow. The strength of the dollar and the ready availability of goods from abroad have also been potent factors restraining price increases in the United States.

At the same time, the strength of the U.S. economy, acting through our trade and current account balances, has provided a major and needed stimulus to the rest of the world. The support we have provided to the exports, particularly of developing countries, has been a critical element in the difficult process of economic adjustment that they have embarked on. Exports to the United States have helped to sustain the economies of our industrial trading partners, as well, thereby contributing to a healthier world economy.

Some have argued that the strong dollar has cost the U.S. economy something like 2 million jobs since 1980. But it is difficult to conclude that overall U.S. employment and output have been unduly restrained during the past two years by the large trade deficit and, more fundamentally, by the appreciation of the dollar. Employment has increased by 7 million people since the end of 1982. It would be misleading to suggest that last year's trade deficit of $107 billion could have been simply transformed into an additional $107 billion of domestic output. Any attempt to demand that much more output from the domestic economy—equivalent to about 3 percent of GNP—would likely have produced higher interest rates, run into capacity constraints, and encountered structural rigidities in the labor market. The result would not have been 3 percent more output but a significantly less favorable U.S. price performance. In the absence of the policies that have led to the capital inflow and the strong dollar, while losses of jobs from these sources would have been less, so probably would have been the creation of new jobs.

From these perspectives, the effects of the strong dollar and the external deficits are gratifying. However, strains and distortions are evident, for instance, in pressures on our farmers, miners, and producers of capital equipment. All sectors, clearly, have not shared equally in our expansion.

You have asked for my best assessment of the cumulative effects of such deficits upon the U.S. and global economies, and what consequences can be expected if annual trade deficits of the current magnitude should continue to be incurred. I do not believe that the budgetary and trade deficits of the magnitude we are running are sustainable forever, even in a framework of growth and prosperity. They imply a dependence on foreign borrowing by the United States that, left unchecked, will sooner or later undermine the confidence in our economy essential to a strong currency and prospects for lower interest rates.

If the external deficits continue, the United States will become an international debtor country on a rapidly rising scale. Our longstanding position as an international creditor has been a major support to our balance of payments so far. Thanks to the very productive character of some of our foreign assets, the United States had a surplus of investment income averaging more than $30 billion annually during 1979–81. This surplus has meant that we have been able to tolerate a sizable trade deficit without incurring a deficit in the current account, which combines services and trade. This advantage is rapidly being eroded; indeed, our net investment income fell below $20 billion in 1984. If these developments are not reversed, the United States may soon find itself in a position where it would have to earn a surplus in the trade balance to cover a deficit on investment income. The longer the situation continues, the more the value of the dollar would have to fall in the long run to generate such a trade surplus.

As a final consequence, the exchange rate pressures and trade imbalances we have been experiencing are generating economic and political pressures toward protection. It is essential that these pressures be resisted. This brings me to the specific questions you have asked me to address this morning.

Evaluation of Proposals

You have asked me to evaluate various policy approaches that the committee is considering.

One general approach—suggested by the questions on foreign investment and import measures—is increased protection against imports. This would be a gross mistake for many reasons. First, if protectionist measures actually had the effect of appreciably reducing some imports, they would presumably be reflected, other things equal, in still further upward pressures on the dollar. This would intensify the problems experienced by exporters, farmers, and other groups that are not protected. Second, quotes, new tariffs, or import surcharges all act directly to raise prices, and the problem would not be temporary if the effect would be to refuel inflationary expectations—just at a time when so much progress has been made in changing that psychology. Third, protectionism would be particularly troublesome from the point of view of the developing countries. We have encouraged developing countries to adopt sound adjustment policies that will enable them to service their debts, to enhance over time their productive capacity, and to grow. Success is dependent upon their ability to increase exports, and as their exports grow they will also import from the United States and other industrialized countries. But that success will be denied if the United States and other industrial countries protect their own markets from fair competition by developing countries.

In some respects, the situation of the developing country debtors today resembles that of Germany after World War I. Heavy demands were being made upon Germany for payment of war reparations. At the same time, the countries receiving these reparations protected themselves against the imports from Germany, which were the necessary means by which Germany might have paid. Default and financial restrictions were the result.

Finally, protectionist measures would almost certainly provoke retaliation. The worldwide trend toward free trade would be in danger of being reversed. A situation might result, resembling that after the tariffs and other restrictions adopted around the world in the 1930s greatly reduced world trade.

Turning to specific proposals, I would like to focus on plans for a temporary import surcharge. Those proposals are sometimes coupled with other measures to reduce our budget deficit. Such proposals are offered as a relatively painless means of raising government revenue while simultaneously addressing the trade deficit.

One attraction of an import surcharge is that it seems to tax foreign exporters as well as domestic residents. But it is also clear that any benefits, either for our current account balance or for the budget, would be temporary. Lasting effects cannot come from a temporary surcharge. But a surcharge might make other budget measures more difficult to enact. In any event, the surcharge would act directly to raise prices, reduce real income, lower employment, and perhaps raise the value of the dollar.

If this tax is so attractive to the United States, it would certainly be attractive to others as well. Most countries have budget deficits larger than they would like and, with high unemployment, would not be averse to reducing imports. If the surcharge approach is, in effect, legitimized by the United States, other countries might follow our example. That would eliminate any net benefits and also have destructive implications for world trade.

At a more fundamental level, it does not seem consistent to prepare actions to reduce our trade deficit and at the same time welcome the associated capital inflows from abroad. Unless we reduce our budget deficit, success in improving our trade balance, and thus reducing the capital inflow, will intensify pressures on our domestic financial markets, jeopardizing such interest-sensitive sectors of the economy as housing and investment.

In essence, a lasting solution to the problem of our external imbalance rests on simultaneously restoring internal financial equilibrium. There is simply little choice but to take prompt action to reduce our budget deficit over time. Approaches that obscure that basic need will, in the end, not succeed.

This applies also to capital controls—such as payments restrictions, taxes, or surcharges on incoming foreign investment dollars. If these controls were effective, they would only shift the impact of the nation's budget problems by pushing up interest rates and most likely the value of the dollar. However, such controls are not likely to be effective, given the integration of domestic financial markets with the Euromarket and international financial markets generally. Participants in financial markets are sophisticated enough to find ways around any controls, as they have done in the past. Imposing capital controls in these circumstances would only serve to raise costs and undermine the efficiency of our financial markets and could jeopardize the role of the U.S. dollar as a reserve currency. The experience of the United States with the interest equalization tax and with the so-called "Voluntary Credit Restraint Program" confirms this judgment.

You raised the possibility of a surcharge on oil imports. Imposing a surcharge on oil imports is similar to increasing taxes on oil consumption. This tax should be judged on its merit as an energy policy measure. A smaller tax on oil consumption could yield the same reductions in the budget and trade deficits.

You have asked, as well, whether the floating exchange rate system itself may have contributed to our problems. Swings in exchange rates over the past decade, to be sure, have been extremely wide. They have far exceeded movements needed to establish or restore equilibrium in international trade and payments. Many of these swings must be related mainly to changes in the relative outlooks for interest rates, inflation, and real growth in different countries. A good part of the changes in relative economic outlooks, in turn, can be related to changes in monetary and fiscal policies. Given the stances of monetary and fiscal policies in the United States and abroad during the past four or five years, it is hard to believe that the Bretton Woods system of pegged exchange rates could have survived. Greater stability of exchange rates, which is greatly to be desired, must be founded, in the first place, on greater convergence of economic performance in all countries, and on policies capable of sustaining that convergence.

Finally, you raised the question of whether the dollar is overvalued. It is sometimes argued that whatever exchange rate prevails in the market at any moment balances demand and supply and therefore cannot be over- or undervalued. In my view, however, it is more meaningful to interpret this question as referring to the effect of the exchange rate on key economic magnitudes, such as the trade balance or the current account, over the medium term. It seems evident that the recent value of the dollar has been clearly inconsistent with even very approximate balance in either the trade or the current account. In this sense, therefore, the dollar's current value is not sustainable over time.

Given this interpretation of our situation, the right policy prescription for dealing with the trade deficit must be to deal with the circumstance that is at the root of the high dollar. This brings me back to the need to reduce the structural deficit in our federal budget. Such action, of course, would not cure all the diverse problems encountered in the various sectors of our economy or the world economy. But a substantial adjustment of the budget toward balance is a necessary first step. It would, other things equal, lead to declines in real interest rates, a depreciation of the dollar in exchange markets, and (with some lag) a reduction in the external deficits. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, of the Committee on Government Operations, U.S. House of Representatives, March 27, 1985.

I appreciate the opportunity to appear before this subcommittee to review with you recommendations to reform the federal regulatory structure for financial institutions contained in the Report of the Task Group on Regulation of Financial Services, chaired by Vice President Bush.

I want to state clearly at the outset that we at the Federal Reserve Board support the Task Group recommendations when viewed as a comprehensive and interrelated package.

Obviously, other approaches could have been taken, and a number were considered. The report, as you explicitly recognized, Mr. Chairman, in your letter to me requesting this testimony, involves "trade-offs" among competing objectives and valid concerns of regulatory policy. Some of those concerns, perhaps inevitably, were weighed differently by different members of the Task Group. Reaching an agreed approach was a difficult process, and necessarily involved a degree of complexity in the specific proposals. But I am satisfied that the net result would be both greater simplification and, in some areas, greater coherence in the regulatory and supervisory processes. Other approaches reviewed by the Task Group could not achieve as much.

Within the general framework of the present proposal, congressional debate and consideration may point to the need for modification. But certain basic elements of the proposed approach, in my judgment, should not be undermined.

You have requested that I be explicit about those areas that are of critical importance to the Federal Reserve or otherwise, in which even seemingly small changes would alter the desired balance and be "fatal" to our continuing endorsement. I will address those points as well as note some areas where we perceive possible problems in implementation that need to be explored more fully in the legislative process.

The Regulatory Environment

Reform of the federal regulatory structure for banking institutions is, as you are aware, not a new issue. Through the years there have been many proposals for change, yet the current structure has been in place essentially unchanged for a long time. That history suggests that the present system has responded fairly effectively to continuing and diverse needs. But I share the widening perception that the time has come for change. The overlapping responsibilities among the banking, thrift, and other agencies at a time of rapid technological and institutional change in the financial world has been reflected in increased uncertainties both among those regulated and the regulators. There have been inconsistencies in regulatory rulings or approaches by different agencies, flowing from differing responsibilities under existing law or differing views of how the financial system should evolve. In some instances, a clear locus of responsibility for newly emerging institutions or practices is not clear.

At the same time, I must emphasize as strongly as I can that the present sense of disarray does not arise primarily as a result of jurisdictional questions. Rather, in my judgment, it grows mainly out of the difficulties for any agency in interpreting and carrying out policies set out in existing substantive law. That body of law was developed in a quite different setting many years ago, and markets and institutions have meanwhile been transformed by economic and technological change.

The financial system is adapting, as it must. But those adaptations have often not been guided by clear expressions of public policy enunciated by the Congress in the light of changing circumstances. As things now stand, the pressures for change are reflected in, and potentially distorted by, exploitation of perceived loopholes, reinterpretation of existing laws by regulators and the courts, and actions taken by states with little or no consideration of the implications for the financial system generally. These questions about banking law and congressional intent need urgently to be resolved by fresh expressions of substantive law. They will not be resolved by changing regulatory structure, procedures, or bureaucratic jurisdiction. Instead, it is those substantive questions that breed the appearance of regulatory conflict and inconsistency. Consequently, I would again urge the Congress to proceed as expeditiously as possible to deal with needed changes in substantive law, and to consider administrative structure in that light, rather than the reverse.

The problem becomes steadily more acute with the passage of time. Banks and bank holding companies, and thrifts and their service corporations and holding companies, are expanding interstate and into new product lines—including investment banking, real estate development, and insurance activities—whenever and wherever they can find room through new interpretations of federal law or new state law. Nonbank entities—securities firms, insurance companies, and commercial and retail organizations—are making inroads, where they can, into the banks' traditional franchise in deposit taking and payments system. In the process, long-established policies set by the Congress are breaking down—the separation of banking and commerce and of commercial banking and investment banking, as well as statutory limitations on interstate branching. Confusion abounds. Equity is lost.

My point is *not* that all change in these directions is necessarily bad. On the contrary, in some areas the process of change should be facilitated rather than forced into unnatural channels, with full consideration of the implications for safety and soundness, competition, conflicts of interest, and other fundamental continuing considerations of public policy.

It would make little sense to move ahead on the question of regulatory structure without first resolving these underlying substantive issues. The entire complex of issues—summed up in "nonbank banks," "nonthrift thrifts," the relationship between state and federal banking powers, expanded powers for bank holding companies, and interstate banking—should be considered and decided as quickly as possible. I know that many of these issues still are controversial within the affected industries. But I also know that no administrative structure can be expected to work well without a fresh sense of direction from the Congress as to these basic issues.

The Goals of Financial Regulation

Government regulation of the financial system, in general, and of depository institutions, in particular—both commercial banks and thrifts—has been intended to serve a variety of objectives. The most prominent among these is commonly referred to as "safety and soundness." That goal is directly related to protecting individual depositors but also has profound implications for the operation of the financial system and the economy as a whole.

Commercial banks, in particular, are custodians of the largest share of the money supply, liquid assets, and the payments system. The stability of one part of the banking system rests increasingly on the soundness of the whole as the interrelationships among institutions become even more complex. In the last analysis, prospects for growth and stability in the economy as a whole must be premised on a strong and stable financial system.

In recognition of that fact, the federal government has long provided a strong "safety net" for depository institutions, reflected primarily in the assistance available at times of need from the Federal Reserve, the Federal Home Loan Bank Board (FHLBB), the Federal Deposit Insurance Corporation (FDIC), and the Federal Savings and Loan Insurance Corporation (FSLIC). And that "safety net" is logically paralleled by a system of supervision and regulation designed to keep risks manageable.

At the same time, the regulatory and supervisory apparatus is designed to achieve other continuing objectives. These objectives include protection from conflicts of interest, fraud, and other abuses, encouragement of competition and avoidance of excessive concentrations of financial power, and promotion of certain social objectives, such as consumer protection and, traditionally, access to mortgage credit.

These objectives have spawned a variety of federal agencies and approaches, and the responsibilities are shared between the federal and the state governments. Legislation at the federal and the state levels can set out in relatively broad terms the boundaries between acceptable and unacceptable behavior, and the responsibilities of different agencies. But substantial elements of discretion by those administering the laws are inherent in the process.

Regulations issued by those agencies elaborate the general principles enunciated by law in more detailed form, and, in effect, amplify and clarify the public policies set out by the Congress. *Supervision and examination* is a process by which government agencies seek to assure, on a case-by-case basis, appropriate compliance with relevant laws and regulation, involving the application of professional expertise, judgment, and discretion. One technique of supervision and regulation may be to encourage or require financial disclosures, seeking by that method to protect the public and to encourage natural market disciplines on financial institutions and other participants in financial markets.

As with any complex set of objectives, specific situations often arise in which the goals of financial regulation are in conflict, and there is a need to choose or balance between the attainment of one and the others in greater or lesser degree. Moreover, the weights society places on these goals may change over time. Finally, the specific techniques used to attain these goals may need to be modified over time because of changes in financial conditions or practices.

All of this is the backdrop to any consideration of reform of the administrative apparatus. None of it suggests that any simple formula provides an all-encompassing answer. What we need is a workable balance, adequately reflecting the public priorities involved.

Some General Considerations in Modifying the Regulatory Structure

In approaching the particular issues of administrative structure, several potentially conflicting considerations need to be taken into account.

First, the regulatory and supervisory structure should encourage a high degree of continuity, consistency, independence, and professionalism. That points toward an "arms-length" relationship to the regulated industries and to a high degree of insulation from narrow political pressures, particularly in the quasijudicial "casework" of examinations and supervision. But it is also true that regulation and supervision must be alert and responsive to the legitimate needs of the affected industries—we need a strong and competitive banking and financial system—and to the basic policies enunciated by our elected representatives in the Congress.

Second, the regulatory and supervisory process should be as simple and cohesive as possible—an objective emphasized by the Bush Task Group in the light of the sheer mass of regulation and the layers of overlapping and sometimes conflicting authority that have developed over time. But simplicity pursued singlemindedly implies a degree of consolidation that may conflict with a desirable element of checks and balances and experimentation. One issue in this respect is the appropriate role for the state regulatory authorities within the context of the "dual banking system." Another issue is the extent to which conditions still justify separate regulatory and supervisory treatment for thrift institutions that have come to closely resemble banks in their powers and functions.

Third, the question of the appropriate degree of coordination with related areas of public policy can arise in several guises. For instance, any Secretary of the Treasury, in the light of his broad responsibilities as the chief financial officer of an administration, will have a continuing interest in the functioning of financial markets and institutions, in the soundness of the insurance funds, and in the general direction of regulatory policy. That interest can be and is expressed through the administration's role in the legislative process. In the present system, it also has a tangible reflection in the location of the Comptroller of the Currency within the Treasury, in the Secretary's participation in the Depository Institutions Deregulation Committee, and in more informal consultative arrangements.

Fourth, even more immediate are the concerns of a central bank. By law and custom, here and in other industrialized countries, the central bank is and must be concerned about the stability and functioning of the financial system as a whole and the banking system in particular. Indeed, this was the primary concern in establishing the Federal Reserve, and the Federal Reserve has always had a substantial presence in both the regulation and the supervision of banking institutions. In fact, the Congress has substantially increased the Federal Reserve's regulatory and supervisory responsibilities over the years.

Beyond the specifics of legislation, I also believe it apparent that the Congress and the public at large have looked to the Federal Reserve to take a lead role in anticipating and in dealing with financial problems that impact the financial system as a whole. In the light of our responsibilities for monetary policy and as lender of last resort, it is hard for me to see how it could be otherwise. The obvious and essential corollary is that the Federal Reserve must have enough involvement in the ongoing regulatory and supervisory effort to provide it with the knowledge, the expertise, and the tools necessary to discharge those responsibilities.

We believe that the Task Group proposals adequately recognize those fundamental concerns. Conceptually, those concerns could be met by other arrangements, some of them potentially more desirable from our perspective. At the same time, a basically different approach would raise concerns from other perspectives. So long as the provisions bearing on our ability to discharge our responsibilities remain as outlined in the Task Group proposals, we are satisfied that the Federal Reserve will be able to meet its responsibilities effectively.

THE FEDERAL RESERVE AND FINANCIAL REGULATION[1]

In light of the critical importance of the point, it may be worth amplifying the interconnection of responsibilities for monetary policy and financial regulation and supervision. Both, at their roots, are concerned with a stable, smoothly functioning financial system. More specifically, the banking system and other depository institutions provide the critical mechanism for transmitting monetary policy impulses to the economy, and those impulses work more broadly through financial markets. Ideally, that system will have the strength, the resiliency, and the competitiveness to adapt to changes in economic conditions and monetary policy while maintaining the continuity in services and the confidence of the public. If there are weak spots or fragilities in the system, they could well bear upon monetary policy decisions. The Federal Reserve must be in a position to sense emerging vulnerabilities.

Conversely, the Federal Reserve has inherent powers to deal with dislocations in the banking system, through the discount window and otherwise. Effective exercise of those powers implies ongoing knowledge of the condition of the financial system, and requires expertise, manpower, and experience to deal with points of trouble. The actions taken—for instance, through the discount window—in turn, may have market and monetary effects, which need to be taken into account in the conduct of monetary policy.

The points are not theoretical. Within the past year the Federal Reserve has necessarily had to consider appropriate responses—including the provision of needed liquidity—to counter threats to systemic stability and confidence implicit in the problems of the Continental Illinois Bank, of the agricultural sector, and of the state-chartered, privately insured savings and loans in the state of Ohio. More broadly, management of the international debt problem has had clear systemic implications. Each of these problems had different causes and different implications for the financial markets and the economy. Each problem required a response from the central bank. And, unless contained, each could have had implications for monetary policy.

While the need for a close familiarity with the operations of banking institutions and for adequate authority is dramatically important during times of financial distress, the need is ongoing. We have a natural interest in encouraging a strong banking structure and a payments system on a continuing basis to minimize the possibility of crises and to maintain the effectiveness of monetary policy. While that general goal can be and is shared by others, I doubt that, without a strong ongoing Federal Reserve voice in the evolution of the system, these concerns will be appropriately balanced with other objectives.

Policies such as those affecting capital and liquidity standards, the "toughness" of examinations, loan-loss provisioning, and information disclosure can have great significance for the effectiveness of monetary policy as well as for the stability of the entire financial system. Conflicts will inevitably arise in these areas as they are approached from different perspectives. Those conflicts need to be resolved, and I believe the perspective of the central bank is one essential part of a satisfactory resolution.

In sum, to be effective in carrying out its interrelated responsibilities for monetary policy and the stability of the banking and financial system, the Federal Reserve needs to maintain a strong position as a "hands-on" regulator and a supervisor, not just as an adviser or a bystander. Specifically, we must have a sufficient level of supervisory and regulatory authority so that we can accomplish the following: (1) retain a well-informed, able, and motivated staff in these areas, able to understand markets and institutions; (2) act forcefully to deal with emerging problems; and (3) play an active role in shaping

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.

public policy toward banking and financial regulation.

CURRENT ROLE OF THE FEDERAL RESERVE

The Congress has long recognized the need for the Federal Reserve to maintain an active role in bank supervision and regulation. These criteria are broadly satisfied by present arrangements.

Our specific jurisdictions are as the primary federal regulator of state member banks, bank holding companies, and certain activities of foreign banks operating in the United States and of U.S. banks operating abroad. While the Comptroller is the primary regulator and the supervisor of national banks, the Board has residual supervisory jurisdiction by virtue of the banks' membership in the Federal Reserve System.

With the growing numbers and activities of holding companies, regulatory authority in this area has assumed increased importance. Centralization of the authority has helped assure a substantial core of consistency in regulation of banking institutions and their affiliates throughout the country, especially with respect to the involvement of banks in nonbanking activities and in activities involving interstate locations. Many bank holding companies already engage in nonbanking activities nationwide, and as more and more states join regional interstate banking compacts or otherwise engage in interstate deposit taking, the regulation of bank holding companies will take on even greater significance.

The Congress has also entrusted the Board with broad rulemaking authority in a variety of other areas affecting both state and national banks. Some of these areas, such as reserve requirements, are an integral part of monetary policy. Other areas include margin requirements, enforcement of some Glass–Steagall Act provisions, limits on loans to insiders, limits on loans to affiliates, Truth in Lending, and certain other consumer statutes. Some of the responsibilities peripheral to our "core" functions as a central bank could reasonably be lodged elsewhere.

In general, present arrangements permit us to maintain a capability with respect to relevant facets of the banking business essential to the performance of our central banking responsibilities. Through the regional Reserve Banks, that presence is maintained in all parts of the country.

THE TASK GROUP RECOMMENDATIONS

The Task Group recommendations for regulation of banking institutions would, as I will describe in a moment, change some of the supervisory and regulatory responsibilities of the Federal Reserve, decreasing them in some areas while strengthening them in others. Taken as a whole, the recommendations, at least at a conceptual level, would continue to satisfy our needs as a central bank, and on balance should lead to an effective and somewhat simpler supervisory structure as a whole.

The recommendations would centralize in the Federal Reserve, for the first time, all federal supervision and regulation of federally insured, state-chartered banks. At present, the Board's direct responsibilities for state-chartered banks is limited to the minority that choose to be members of the Federal Reserve System. In assuming responsibility for other state-chartered banks, we would also have primary responsibility for establishing and monitoring a program under which qualifying states could be certified to assume much of the federal supervision of state banking organizations.

The Board would continue to regulate and supervise the largest bank holding companies—so-called "international class bank holding companies"—regardless of the charter class of their lead bank. Authority over holding companies in which the lead bank is state chartered would also continue. Our residual authority over national banks, by virtue of their membership in the Federal Reserve System, would remain unchanged. The Board also would retain its current jurisdiction over foreign bank holding companies operating in the United States as well as over U.S. banks operating foreign branches.

At the same time, the Office of the Comptroller of the Currency would assume the title of "Federal Banking Agency" (FBA) and, as an executive branch agency, would remain attached to the Treasury Department.[2] The agency would re-

2. The term "executive branch agency," in Task Group terminology, implies that the agency director would report to the Secretary of the Treasury on broad policy issues and on overall budget and staffing to maintain conformity with administration programs in these areas.

main the primary supervisor of national banks. Apart from international class organizations, the agency would also supervise and regulate bank holding companies in which a national bank is the lead bank. It would become the initiating agency in deciding upon nonbanking activities appropriate for all bank holding companies.

The recommendations reflect several concerns of the Task Group. The concept of more than one federal bank regulator is retained, despite the complications, partly to maintain checks and balances as a safeguard against undue concentration of regulatory power. Insofar as possible, consistent with other objectives, the Task Group wished to provide a single supervisor for a bank and its holding company, sacrificing assured uniformity among all bank holding companies to achieve that objective. Also, incentives would be provided for a greater role for state supervisory authorities.

As indicated earlier, the essential needs of the central bank are respected. In retaining the basic institutional structure for the regulation of national banks, the Secretary of the Treasury is afforded a direct avenue for continuing input and influence on regulatory policies and direct access to expertise.

The role of the FDIC under the report's recommendations would be limited essentially to administering the federal deposit insurance system. The composition of the FDIC board would consist of three presidential appointees, with the Director of the FBA and the Chairman of the Federal Reserve serving as nonvoting members.

The extent to which the insurer of banks needs to remain involved in the active continuing supervision of banks was a matter of considerable discussion and was resolved by providing the FDIC with expanded powers to monitor all troubled insured banks that pose a direct threat to the FDIC insurance fund, as well as a sample of nontroubled banks, in cooperation with the primary supervisor. However, the FDIC's current day-to-day supervision, examination, and regulation of state nonmember banks would be transferred to the Federal Reserve Board or state agencies that have been certified by the Board to assume such responsibilities.

The recommendations regarding state banks provide a substantial opportunity for simplification, both by reducing the number of federal agencies involved and by working toward less overlap with the states. The structure of the Federal Reserve, which through 12 District Federal Reserve Banks has strong regional roots and contact with local banking institutions, should enhance prospects for fruitful cooperation with state authorities.

Bank Holding Company Regulation

One of the most significant changes in the structure of bank regulation recommended by the report is the division of supervisory and regulatory authority over bank holding companies, as opposed to the present centralization in the Federal Reserve Board.

Division of BHC Regulation. The report's *goal* of reducing the number of regulators overseeing particular banking organizations is straightforward. The advantages are strongest in the case of those bank holding companies with only one subsidiary bank, and with a parent company that is essentially a shell with no significant nonbanking operations of its own. That is true of the vast number of bank holding companies—more than 5,000 out of the total of about 6,100.

The merits are more ambiguous in the case of multibank holding companies (of which there are more than 600) with a combination of state and national bank subsidiaries that would be regulated by the Comptroller, by the Federal Reserve, and by one or more state supervisors. In these cases, the goal of a single regulator of bank and holding company cannot be achieved, although the bulk of the banking assets would ordinarily be under the same supervision as the parent holding company.

At a practical level, friction could arise as the asset size of banks within a holding company varies over time, calling for a different federal supervisor of the holding company. Indeed, some bank holding companies may find it advantageous to shift the charters or the assets of their subsidiary banks to switch from one regulator to another. The recommendations thus introduce into holding company supervision at least the theoretical possibility of "forum shopping" or "competition in laxity" not present in the existing bank holding company regulatory structure.

These jurisdictional questions could become more difficult given the trend toward interstate banking and the regional banking compacts being enacted by many states. As an increasing number of bank holding companies have subsidiary state banks in a number of states, delegation of authority over the holding company could become complicated and contentious.

International Class Bank Holding Companies. The report recommends that the Federal Reserve Board retain its jurisdiction over the so-called international class bank holding companies—those holding companies owning or controlling U.S. banks with foreign branches or material foreign banking subsidiaries, or companies with total assets in excess of one-half of 1 percent of aggregate bank holding company assets (approximately $12.5 billion at present). (As more banking institutions establish international operations or cross the threshold of relative size, they would be added to the international class grouping).

This recommendation, while retaining a situation in which the holding company supervisor may be different from the lead bank supervisor, recognizes that the supervision and the regulation of large banking institutions inherently carry important implications for the stability of the domestic and international financial system as a whole. Those implications are directly related to the broader responsibilities of the Federal Reserve, and treatment should be uniform.

Nonbank Activities. The recommendations in the report contemplate that the Federal Banking Agency (rather than the Federal Reserve, as at present) take the initiative in determining the scope of nonbanking activities for all bank holding companies. The main ground for that proposal appears to be a sense that these decisions affecting the structure of the banking system might better be made by an executive branch agency more assuredly responsive to administration policy and philosophy. These decisions once made are not practically reversible and can profoundly affect the structure of financial markets. Our concern is that the decisions do not undercut the stability of the banking system and its safety and soundness, given the inherent interdependence and interconnection among parts of a holding company organization.

In recognition of those concerns, the report proposes that the Federal Reserve Board retain a right to veto any activity determined to be permissible for bank holding companies by the Director of the Federal Banking Agency if, by a two-thirds vote, the Board determines that the activity would "undermine the stability of the banking system or have a serious adverse effect on safe and sound financial practices." Clearly, exercise of that veto would require, and is intended to require, a strong sense of conviction on the part of the Board, and would likely be exercised only rarely. Differences of opinion between the Federal Banking Agency and the Board about the suitability of specific nonbank activities should normally be resolved by informal consultation. Clearly, the specificity of substantive legislation delineating the appropriate range of activities for bank holding companies would be important. In any event, the Congress will have to decide the degree to which it is appropriate to provide latitude for these decisions by an executive branch agency headed by an individual.

State Certification Program

The report recommends that the operational examination and supervisory responsibilities for state-chartered banks be transferred to the extent practicable to state agencies as those agencies are "certified" as having the capability to assume such responsibilties. The Federal Reserve Board would be charged with administering such certification procedures and with monitoring their performance. However, the basic criteria for certification would be determined by a majority of the Federal Reserve Board, the Federal Banking Agency, and the FDIC. While cumbersome, that procedure would help assure that the interests of each federal agency are taken into account. We believe that the concept that state regulators could potentially play a larger role in the detailed supervision and examination of state institutions, when the resources are adequate to perform that function, is valid. For many banking institutions, particularly of smaller size, duplicative examinations would be avoided. Moreover, the states would have stronger incentives to provide needed professional resources.

State banks would, in any event, continue to be subject to the substantive provisions of federal law, when applicable, and state regulatory agencies would be required, as a prerequisite for certification, to demonstrate their ability and willingness to ensure compliance by state banks with federal law.

States that desire that their regulatory agencies also be certified to supervise bank holding companies when a state bank is the lead bank would be required to adopt a law no less restrictive than the Federal Bank Holding Company Act. The Federal Reserve, as the federal regulator of those banks and bank holding companies, would maintain sufficient oversight to ensure that state banking departments were fulfilling all their commitments.

We envisage that the certification process would proceed with some flexibility, probably involving different levels of certification (and Federal Reserve participation in examinations), depending on the size and activities of the banking organization. In many states, for instance, the most rapid progress toward full reliance on state examinations would likely be with smaller and medium-sized institutions. However, states with demonstrably strong banking departments would be expected in time to assume a primary role in all but the international class institutions.

Effective administration would depend heavily on close working relationships between the regional Reserve Banks and the state authorities. The Federal Reserve Board will strongly encourage close cooperation, and is prepared to work with states in training programs for examiners and in developing common supervisory approaches.

Simplified BHC Regulation

The report calls for streamlined reporting requirements and for elimination of restrictions on the opening or relocation of bank holding company nonbanking offices. The report also would substitute a notice procedure for the current application procedures for bank holding company acquisitions and activities. These recommendations would, in part, simply codify some changes that the Federal Reserve Board has already implemented and would faciliate further simplification.

Antitrust, Securities, and Margin Responsibilities

The Task Group recommends that the competitive effects of mergers and acquisitions be reviewed exclusively by the Justice Department under normal antitrust standards, rather than, in the first instance, by the banking agencies as at present.[3] Similarly, the Securities and Exchange Commission (SEC) would assume the current responsibilities of the banking agencies to administer and enforce the disclosure and other requirements of the Securities Exchange Act of 1934 for bank securities—matters that already conform to SEC policy direction. While present procedures do not appear to have posed serious problems for the industry or the agencies, these steps toward "functional regulation" could result in some limited but useful simplification.

The report also makes certain recommendations with respect to margin requirements on stocks and options. The Board's regulations are now consistent with some of the technical recommendations.

More importantly, the Board recently sent to the Congress a comprehensive study of federal regulation of margin requirements. We have proposed that the Congress establish a general regulatory framework for setting margins on securities, on options, and on futures based on securities, possibly through a self-regulatory body with federal oversight. We would recommend that the appropriate congressional committees consider that study, and we would be glad to work with the SEC and with the Congress to prepare implementing legislation.

Deposit Insurance Reform

The Task Group recommendations include several proposals to reform the federal deposit insurance system. These recommendations include the adoption of common minimum capital standards for insurance purposes and common accounting rules by the FDIC and the FHLBB by a fixed date (such as within seven years). They also call for authority for risk-sharing for unin-

3. Financial and managerial criteria would continue to be developed and administered by the banking agencies, and competitive criteria could be overridden in the case of failing banks.

sured depositors and risk-related insurance premiums.

Equity alone would suggest that banks and thrifts should have common capital and accounting standards, especially as thrifts become more like banks in the types of activities they can and do participate in. Recently the FHLBB adopted new capital requirements designed to tighten and strengthen the net worth positions of thrift institutions in recognition of greater risk-taking by them. This would narrow somewhat the gap between capital required for banks and thrifts, but that gap is very large and should, as suggested by the report, be closed over time.

The proposals for authorizing risk-sharing and risk-related insurance premiums have been made in legislation previously proposed by the FDIC. The broader issues involved in deposit insurance reform have recently been reviewed by the Working Group of the Cabinet Council on Economic Affairs. The Federal Reserve was not a direct part of that effort, and the Board has not taken a position on their recommendations.

The Board does believe, however, that a variety of issues that have arisen with respect to deposit insurance do deserve active study and that some change would be appropriate. We also believe that the prospect of change should be approached with great care and deliberation given the sensitivity in terms of the confidence of depositors and the stability of the banking system. We would urge that these issues be approached on their merits, separate and apart from administrative reform of the regulatory framework.

CONCLUSION

The Bush Task Group Report is the most comprehensive review of the federal regulatory structure pertaining to financial markets and institutions that has been made for many years. Its main thrust and purpose is to achieve simplification by reducing overlapping jurisdiction and avoiding unnecessary regulation. As the discussion proceeded, it also became evident that certain fundamental and lasting objectives of the regulatory process, and the legitimate needs of different agencies charged with policy responsibility, inevitably posed complications for any reform plan.

In our judgment at the Federal Reserve, the report outlines a reasonable and a practical approach toward reconciling these conflicting objectives, building on experience and the strengths of the current structure. Specifically, the particular needs that we perceive as crucial to the effective conduct of monetary policy and our responsibilities for helping to ensure the stability of the financial system are respected. While other approaches are clearly conceptually possible consistent with our needs, we commend the report to you as the base for a practical legislative program.

As I emphasized at the start, however, the sense of confusion in banking and financial regulation stems largely from basic economic and technological change that has outmoded much of the substantive law that the various agencies must interpret and administer. No reshuffling of regulatory authorities will be satisfactory without resolving those substantive matters.

I believe that there is a wide area of conceptual consensus and agreement on several fronts—on what a "bank" is and should be; on the desirability of retaining a broad separation of banking and commerce; on the need to redefine a "thrift"; and on simplification of procedures under the Bank Holding Company Act. While more contentious, the time has come to reach a new consensus on such matters as the appropriate range of discretion by states in authorizing new activities for banks or bank holding companies that may conflict with safety and soundness or other basic aspects of federal policy, on the appropriate range of additional nonbanking activities for bank holding companies, and on a rational approach to interstate banking. These issues have been before the Congress for some time. They urgently need to be settled.

The Federal Reserve Board clearly has a great and continuing interest in all these issues. We stand ready to work with your subcommittee as you proceed with your examination and deliberations. □

Announcements

MODIFICATION OF SEASONAL CREDIT PROGRAM

The Federal Reserve Board has announced a two-part modification in its seasonal credit program. The changes are designed to provide further assurance that small- and medium-sized agricultural banks can meet temporary liquidity requirements that might arise in accommodating the needs of their farm borrowers over the forthcoming planting and production cycle.

While the great bulk of farm banks appear to have adequate liquidity, the modifications are designed to ensure that liquidity strains do not hamper the necessary flow of credit in various local areas. The modified program to meet seasonal liquidity needs complements loan guarantee actions taken by the administration to help assure a necessary flow of credit to agriculture.

The seasonal credit program, which has been in place for many years, provides access to discount window borrowing for institutions that demonstrate recurring financing needs related to seasonal fluctuations in their deposit flows and loan demands. The program has been modified by (1) certain changes that liberalize amounts available under the regular program and (2) addition of a temporary simplified program, which may be used as an alternative.

Modification of Regular Program

The regular seasonal program requires an institution to fund a portion of the seasonal swing in its net need for funds (computed from past and projected patterns of deposit and loan variations) from its own resources before it can borrow from the Federal Reserve. The Board has reduced the amount that a bank must fund from its own liquidity.

The formula for computing this deductible has been changed from 4 to 2 percent of the first $100 million in deposits and from 7 to 6 percent of the second $100 million in deposits, while remaining at 10 percent of deposits of more than $200 million. This change will allow a borrowing institution, especially a smaller one, to obtain a greater portion of its seasonal needs for funds from the Federal Reserve.

Also, discount officers will be taking a more flexible approach to the administration of the seasonal credit program, particularly in judging whether there are special factors under current circumstances in the farm economy that would modify evaluation of seasonal swings based on historical data. Reserve Banks will be making special efforts to acquaint depository institutions with both the regular and temporary seasonal credit facilities.

Temporary Simplified Program

The temporary simplified program will be available as an alternative through September to smaller banks actively engaged in agricultural lending and with no or limited access to the national money market. Such banks generally would have less than $200 million in deposits and would have a ratio of loans to farmers or of farm real estate to total loans greater than 17 percent (the average for the banking system of the ratio at each bank of farm loans to total loans). Banks with loan-to-deposit ratios of 60 percent or more would be eligible.

For banks that qualify for the program, credit at the discount window would be available to fund half their total loan growth in excess of 2 percent from a base level, either the average for February or for the two weeks just before submission of an application. Credit under this program may not exceed 5 percent of a bank's deposits. It is expected that credit will be used primarily to fund loans for agricultural or agricultural-related purposes.

Exceptions under the program may be made at the discretion of a Reserve Bank for banks particularly affected by agricultural credit conditions and that lack ready access to national money markets.

As a matter of policy, borrowing under this program would be repaid as the seasonal credit needs abate. In no case should such borrowing, including renewals, be outstanding beyond February 1986.

Interest on credit advanced under the special seasonal borrowing program will be set at a rate that will remain fixed during the time that the credit is outstanding. The rate was initially set at 8½ percent, a rate between the basic discount rate and the rate on extended credit that is outstanding for more than 60 days. The rate for new loans may be changed as the basic discount rate and extended credit rates are changed.

Banks may borrow under either the regular or the temporary seasonal program. They may shift between programs, but may not borrow under both at the same time.

The Board also stressed that the discount window would be available on a regular adjustment or extended credit basis when unusual demands developed in local areas as a result of the agricultural credit situation.

Suspension of Processing of Applications to Acquire Nonbank Banks

The Federal Reserve Board announced on March 15, 1985, that it is suspending further processing of pending applications from bank holding companies to acquire nonbank banks.

The Board acted as a result of the recent decision by a U.S. District Court preliminarily enjoining the Comptroller of the Currency from issuing final charters for nonbank banks. The Court's action, unless reversed or limited, eliminates the ability of bank holding companies to open nationally chartered nonbank banks.

In light of the fact that the applications can no longer be consummated, the Board has decided to suspend action on the applications during the time that the Court's injunction is in effect. If the issues raised by the District Court opinion are resolved in a manner allowing the Comptroller to grant final charters for nonbank banks, the Board would act on these applications promptly upon their refiling.

The Board also returned a similar application from Citicorp to acquire a North Carolina industrial bank, pending resolution of Citicorp's appeal of the North Carolina Banking Commissioner's decision denying Citicorp's application under state law.

Elimination of Fractional Availability Crediting Option

The Federal Reserve Board has approved a proposal to eliminate the fractional availability crediting option offered to depository institutions for the recovery of Federal Reserve interterritory check float. The Board's action will become effective September 1, 1986.

The Board took this action because experience with the fractional availability crediting option has indicated that the option would not provide for the full recovery of float from those institutions generating it.

The Board also approved a continuation of the current moratorium on permitting additional depository institutions to select this crediting option. Reserve Banks will continue to provide the fractions, on request, to depository institutions.

Amendments to Regulations G and U

The Board has adopted a technical amendment, effective April 19, 1985, to Regulations G (Securities Credit by Persons Other than Banks, Brokers, or Dealers) and U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks) to exclude face-amount certificates from the definition of "margin stock." A face-amount certificate is a security, which promises to pay an investor a fixed sum of money at a fixed future date in return for a designated payment, and is issued by an investment company that is registered under the Investment Company Act of 1940. As permitted by the Investment Company Act, face-amount certificates have built-in credit features. Also, the Board's final action allows broker–dealers to sell these instruments without being considered in violation of the credit-arranging provision of Regulation T.

CHANGES IN OFFICIAL COMMENTARIES ON REGULATIONS E AND Z

The Federal Reserve Board has published, in final form, changes in the official staff commentaries on Regulations E (Electronic Fund Transfers) and Z (Truth in Lending).

The major changes to the official staff commentary on Regulation E pertain to unauthorized transfers, specifically forced initiation, and to unsolicited issuance of personal identification numbers (PINs). Some technical changes to the commentary were also made.

The revisions to the official staff commentary to Regulation Z address such matters as the assumption provision, surcharges, discounted variable-rate disclosures, and implementation of the statutory change to the right of rescission in open-end credit.

PROPOSED ACTIONS

The Federal Reserve Board has issued for public comment revisions to Regulation B (Equal Credit Opportunity) that would simplify the regulation and update some of its provisions. Comment is requested by June 14, 1985.

The Federal Reserve Board has also issued for public comment a proposed amendment to Regulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers) that would give savings and loan associations and other lenders the same authority as banks to extend credit to employee stock ownership plans. Comment is requested by April 19.

The Board has issued for comment proposed amendments to update Regulation J (Collection of Checks and Other Items and Wire Transfers of Funds). Comment is requested by May 21.

CHANGES IN BOARD STAFF

The Board on March 11 took several steps to restructure the management of its computing and information services. These steps were designed to establish the management team and organizational structure for accomplishing the goals and reflect a new direction that places greater emphasis on the Board's computing and information services and accelerates the transition toward end-user computing.

The Board's actions include the restructuring of the current Division of Data Processing into two new divisions of distinctly separable functions—the Division of Computing Services and the Division of Information Services—and the selection of officers to manage these divisions.

The two new divisions will be organized and managed as follows:

Bruce M. Beardsley, formerly Deputy Director of the Division of Data Processing, became Director of the Division of Computing Services. Other officers in the Division are the following:

- Thomas C. Judd, Assistant Director, with responsibility for overseeing the Contingency Processing Center in Culpeper, Virginia, where he had been Manager.
- Elizabeth B. Riggs, Assistant Director, with responsibility for the Computer Operations Branch.
- Robert J. Zemel, Assistant Director, with responsibility for the Computing Systems Branch.

William R. Jones became the Director of the Division of Information Services. Mr. Jones had been the Assistant Director for the Program Improvement Project. Other officers in the Division are the following:

- Stephen R. Malphrus, Assistant Director, was formerly Assistant Staff Director for Office Automation and Technology in the Office of Staff Director for Management, and this function will transfer to the User Services and Applications Branch in the Division of Information Services.
- Richard J. Manasseri, Assistant Director, with responsibility for the Banking Systems Statistics Branch.
- William C. Schneider, Jr., Assistant Director, with responsibility for the Data Services Branch.

Charles L. Hampton, formerly Director of the Division of Data Processing, assumes the position of Senior Technical Adviser in the Office of Staff Director for Management.

PUBLICATION OF STAFF STUDY

Small Empirical Models of Exchange Market Intervention: Applications to Canada, Germany, and Japan, Staff Study 135, has been published. This study, written by Deborah J. Danker, Richard A. Haas, Dale W. Henderson, Steven A. Symansky, and Ralph W. Tryon, is the last in a series of ten studies on intervention written by members of the staffs of the U.S. Department of the Treasury and of the Federal Reserve System. They are published as Staff Studies 126–135; single copies may be obtained free of charge from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period March 1 through April 1, 1985:

Arizona
Avondale .... Columbia Bank
Ohio
Columbus .... Trustcorp Company
Texas
Waco .... Waco State Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON FEBRUARY 12–13, 1985

1. Domestic Policy Directive

The information reviewed at this meeting suggested that the rate of economic expansion strengthened in late 1984. For the fourth quarter as a whole, growth in real gross national product picked up to an annual rate of about 4 percent, according to the preliminary estimate of the Commerce Department, from about 1½ percent in the third quarter, and there was evidence of continued moderate expansion in early 1985. The pickup in growth from the third to the fourth quarter was attributable in large part to stronger domestic final demand and a reduction in the current account deficit with foreign countries after a sharp further widening of that deficit in the third quarter. Broad measures of prices and wages generally continued to rise in 1984 at rates close to those recorded in 1983.

Industrial production increased 1.0 percent in the November–December period, offsetting the declines in the preceding two months, and preliminary indications suggested a further gain in January. The December rise was broadly based, in contrast to the increase in November, which was concentrated in the automotive category. The index of industrial capacity utilization moved up to 81.9 percent in December, but remained almost 1 percentage point below its recent high in mid-1984.

Nonfarm payroll employment, adjusted for strike activity, rose more than 300,000 further in January. The largest gain occurred at retail trade establishments, but employment growth was also strong in services and in construction, where unseasonably mild weather boosted hiring in both December and early January. In manufacturing, employment rose moderately after a large gain in December, and the length of the workweek edged down but remained above the average level in the fourth quarter. Despite the continued rise in employment, the civilian unemployment rate increased slightly to 7.4 percent, as the civilian labor force grew substantially.

Retail sales rose 0.7 percent in January, continuing at about the same pace as the average for November and December. Much of the January rise was attributable to sales at automotive outlets. Sales of new domestic automobiles were at an annual rate of 8½ million units, about 1 million units higher than the average in the fourth quarter of 1984. Stores selling primarily discretionary items such as general merchandise, apparel, furniture, and appliances registered a marked decline in sales in January, after substantial increases in the final months of 1984.

The decline in housing activity that had characterized the second half of 1984 appeared to be ending as the year drew to a close. Total private housing starts, though down about 6 percent in the fourth quarter as a whole to an annual rate below 1.6 million units, edged up in the November–December period, and sales of existing homes rose somewhat over the final two months of the year.

Business fixed investment spending continued to grow in the fourth quarter, although at a less rapid pace than in the first three quarters of 1984. Shipments of nondefense capital goods increased moderately in the fourth quarter, and spending on nonresidential construction advanced substantially. In contrast, new orders for plant and equipment fell in December and over the fourth quarter as a whole.

Some imbalances in business inventories had developed during 1984, but businesses appeared to have made substantial progress toward attaining desired inventory levels, and in some sectors inventories relative to sales were quite lean.

Investment in business inventories slowed markedly in late fall, largely in response to the earlier weakness in orders and sales. In November, stocks at all manufacturing and trade establishments were little changed in real terms, after average monthly increases in the range of $20 billion to $25 billion at an annual rate during prior months in 1984.

In December, the producer price index for finished goods and the consumer price index edged up 0.1 percent and 0.2 percent respectively. During 1984 the rise in producer prices was 1.8 percent, compared with 0.6 percent in 1983, while the increase of 4 percent in consumer prices was about the same as that in the previous year. The advance in the average hourly earnings index was 3.0 percent last year, compared with 3.9 percent in 1983.

The foreign exchange value of the dollar rose about 5½ percent to a new high over the intermeeting period. After the announcement on January 17 by the G-5 Ministers of Finance and Central Bank Governors regarding coordinated intervention in exchange markets, and subsequent exchange market operations, the dollar tended to stabilize. The rise resumed in early February, apparently in association with a perception that the outlook for economic activity in the United States was improving without signs of a strengthening in inflationary pressures. The U.S. merchandise trade deficit declined sharply in December and for the fourth quarter as a whole, primarily because imports dropped substantially from the high rate in the third quarter. Nevertheless, the trade deficit for 1984 totaled nearly $108 billion, compared with $61 billion in 1983.

At its meeting on December 17–18, 1984, the Committee had adopted a directive that called for some further reduction in the degree of restraint on reserve positions. The members expected that such an approach to policy implementation would be consistent with growth of M1, M2, and M3 at annual rates of around 7, 9, and 9 percent respectively during the four-month period from November to March. Given the estimated shortfall in growth of M1 for the fourth quarter relative to the Committee's expectations at the beginning of the period, the members agreed that somewhat more rapid growth would be acceptable, particularly if the faster growth occurred in the context of sluggish expansion in economic activity and continued strength of the dollar in foreign exchange markets. The Committee also indicated that greater restraint on reserve positions might be acceptable if growth in the monetary aggregates were substantially more rapid than expected and if there were indications that economic activity and inflationary pressures were strengthening significantly. The intermeeting range for the federal funds rate was set at 6 to 10 percent.

After growing little on balance since early summer, M1 expanded at estimated annual rates of about 10½ and 9 percent respectively in December and January.[1] M2 and M3 also expanded rapidly over the two months, rising on average at annual rates estimated to be around 14 and 13½ percent respectively, considerably above the short-run objectives for the November-to-March period established at the December meeting. Relative to the Committee's longer-run objectives for the period from the fourth quarter of 1983 to the fourth quarter of 1984, M1 grew at a rate of about 5¼ percent, somewhat below the midpoint of its 4 to 8 percent range, and M2 increased at a rate of about 7¾ percent, a bit above the midpoint of its 6 to 9 percent range. M3 and domestic nonfinancial sector debt expanded at rates of about 10½ and 13½ percent respectively, above the Committee's ranges of 6 to 9 percent and 8 to 11 percent for the year. The rapid growth in total debt reflected very large government borrowing and strong private credit growth that was boosted in part by the unusual size of merger-related credit activity.

Over the December–January period, the average level of borrowing by depository institutions at the discount window declined on balance, despite a bulge around the year-end statement date, and both nonborrowed and total reserves expanded at very rapid rates. In the first part of the recent intermeeting interval, open market operations were directed toward achieving some further reduction in pressures on reserve positions. Adjustment plus seasonal borrowing at the

1. These growth rates and all subsequent data on the monetary aggregates reflect annual benchmark and seasonal factor revisions as published on February 14, 1985.

discount window, after bulging around year-end, declined to the $250 million to $300 million range over much of January. By the latter part of January, against the background of continued rapid growth in the monetary and credit aggregates and the relatively good performance of the economy, the easing process came to an end; reserves were provided more cautiously through open market operations, and borrowing rose somewhat, partly because of unexpectedly large demands for excess reserves. Reflecting variations in actual pressures on bank reserve positions, but in part in anticipation of an easing in pressures, the federal funds rate declined in the early part of the period from around 8¾ percent to the 8 to 8¼ percent area; subsequently it rose to around 8½ percent or somewhat higher. Other short-term market interest rates generally rose somewhat on balance over the intermeeting interval, while most long-term rates were roughly unchanged or a little lower.

The staff projections presented at this meeting suggested that real GNP would grow at a moderate pace in 1985. Business fixed investment was likely to expand further during the year, and anticipated gains in real disposable income were expected to support continued sizable advances in consumption expenditures. The unemployment rate was expected to edge down over the period, and the rate of increase in prices was projected to remain close to, or slightly below, that experienced in 1984.

In the Committee's discussion of the economic situation and outlook, the members agreed that continuing expansion in business activity was a likely prospect for 1985, though at a more moderate rate than in the first two years of the current cyclical upswing. As they had at previous meetings, however, members referred to persisting problems and financial strains in various sectors of the economy that constituted threats to the sustainability of the overall expansion, especially if substantial progress was not made toward reducing the massive deficit in the federal budget. Moreover, the high level of the dollar and large trade deficit were increasingly being reflected in pressures on some sectors of the economy. Most of the members expected about the same rate of inflation in 1985 as that experienced in 1984, assuming that the dollar exchange rate remained in the range of recent months, but some saw the odds as tilted in the direction of some modest further progress toward price stability.

At this meeting the members of the Committee and the Federal Reserve Bank presidents not currently serving as members presented specific forecasts of economic activity, the rate of unemployment, and average prices. For the period from the fourth quarter of 1984 to the fourth quarter of 1985, the forecasts for growth of real GNP centered on a range of 3½ to 4 percent, with an overall range of 3¼ to 4¼ percent. Forecasts of the rate of inflation, as indexed by the GNP deflator, also centered on a range of 3½ to 4 percent, and the central tendency of the forecasts for growth in nominal GNP was a range of 7½ to 8 percent. Forecasts of the rate of unemployment in the fourth quarter of 1985 varied from 6½ to 7¼ percent, but most of the members anticipated unemployment rates ranging from 6¾ to 7 percent. These forecasts were based on the Committee's objectives for growth in money and credit established at this meeting. The members also assumed that significant progress would be made toward reducing future deficits in the federal budget, thereby helping over the nearer term to moderate inflationary expectations and pressures on interest rates, and they assumed that the foreign exchange value of the dollar would fluctuate within the range experienced in recent months.

While a number of members commented during the discussion that actual growth in line with the forecasts would represent a favorable development for the third year of an economic expansion, several observed that growth might well be faster, especially in the short run. This possibility was raised by current indications of appreciable strength in both consumer and business spending and an expansive fiscal policy. It was also pointed out that a large decline in the foreign exchange value of the dollar, should it occur, would tend to stimulate domestic business activity while also adding to inflationary pressures. Several members noted their concern that strong growth in spending by the private sectors in the context of a stimulative fiscal policy could lead to some inflationary pressures, particularly as the margin of unutilized productive resources diminished, with adverse consequences for interest rates and interest-sensitive sectors of the economy and ultimately for the sustainability of the expansion itself.

While the overall expansion in economic activity was currently displaying some momentum, the members also referred to the decidedly uneven participation in the expansion of different sectors of the economy or parts of the country, including adverse conditions in agriculture and in certain sectors of industry. Circumstances and problems varied from one industry or region to another, but particular concern was expressed about the damaging impact that a rising dollar internationally was having on a number of manufacturing and extractive industries and on agriculture, with attendant financial difficulties for those sectors of the economy and related strains on the financial institutions that serviced them. Reference was also made to the overbuilding of multifamily housing and office structures in some parts of the country and to the problem loans associated with such overbuilding. Some concern was expressed about the rapid accumulation of debt by many households and businesses that rendered these borrowers more vulnerable to adverse economic developments. It was generally expected that such problems would not significantly retard overall economic expansion in the near term, but several members indicated that they were more troubled by the economic prospects for the longer run. The members agreed that the odds of prolonging the expansion would be greatly enhanced by a substantial reduction in federal budgetary deficits and the emergence of a more sustainable pattern of international transactions.

With regard to the outlook for inflation, most of the members anticipated that continuing economic expansion in line with their forecasts would probably be associated with little change in the rate of inflation during 1985. Some members were more optimistic and viewed the prospects for some decline in inflation as relatively favorable. Although the members had assumed in presenting their forecasts that the dollar would remain within its recent range of fluctuation in foreign exchange markets, they recognized that the future performance of the dollar was in fact highly uncertain.

Members who were relatively sanguine about the outlook for inflation cited the favorable trend in wages, the strong competition from abroad in many industries, the growth of productive capacity, and the widespread efforts of businesses to improve productivity. The possibility of further declines in oil prices was also cited. The removal of quotas on imports of automobiles from Japan would also help to restrain the rise in average prices, although the extent of that effect was uncertain. Members who were less optimistic about the outlook for inflation noted that unit labor costs could be expected to be under upward pressure because productivity gains would tend to diminish as the nation continued to move toward fuller utilization of its productive resources during the third year of the current expansion. One member also raised the prospect of at least some pressures from rising commodity prices in 1985.

At this meeting the Committee reviewed the 1985 growth ranges for the monetary and credit aggregates that it had tentatively set in July 1984 within the framework of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act). Those tentative ranges included growth—measured from the fourth quarter of 1984 to the fourth quarter of 1985—of 4 to 7 percent for M1, 6 to 8½ percent for M2, and 6 to 9 percent for M3. The associated range for total domestic nonfinancial debt had been provisionally set at 8 to 11 percent for 1985.

The Committee's discussion focused on whether the tentative ranges for 1985 remained appropriate in light of developments since mid-1984 and foreseeable economic and financial circumstances. There were a number of proposals for small changes in the ranges. With respect to M1, a majority of the members wanted to retain the tentative range of 4 to 7 percent, but the remaining members expressed a preference for raising the upper limit to 7½ or 8 percent. In the majority view, the tentative range provided adequate room to accommodate a desirable and sustainable rate of economic expansion and retention of that range would also serve to underscore the Committee's commitment to an anti-inflationary policy. The members who preferred a higher limit for the M1 range gave considerable emphasis to the uncertainties that surrounded both the economic outlook and the relationship between money growth and GNP. They did not necessarily disagree that the tentative range might in fact prove to be consistent with a satisfactory economic performance, but they believed that some additional leeway was desirable for use if needed.

In the course of their discussion, the members referred to evidence that the income velocity of M1—nominal GNP divided by the M1 stock—seemed to be returning to a more normal or predictable pattern. Some analysis suggested that the trend growth of M1 velocity might be somewhat lower than that experienced over much of the postwar period, reflecting in part the deregulation of deposits and other financial changes in recent years and the related prospect of a slower rate of financial innovation in the future. A number of members emphasized that such a development would imply the need for M1 growth in the upper part of the Committee's tentative range. It was also noted that the lagged effects of the interest rate declines during the latter part of 1984 were likely to depress velocity growth in the first part of 1985. Other members raised the prospect that the growth in M1 velocity might not decline as much as expected from the rate experienced in 1984 and in that event growth of M1 near the upper limit of the tentative range, or above it, would have inflationary implications. The members agreed that the trend rate of increase in M1 velocity, as well as the velocity of the other monetary aggregates, remained subject to a considerable range of uncertainty, given the still limited experience with a relatively deregulated financial environment. Under these conditions, the Committee members indicated the need to continue to judge the behavior of the monetary aggregates in light of the flow of information on business activity, inflationary pressures, and conditions in domestic credit and foreign exchange markets.

With regard to M2, most of the members indicated that they could accept an increase of ½ percentage point in the upper limit of the tentative range, although some expressed an initial preference for no change in the range. The small upward adjustment reflected the technical judgment, based upon an assessment of recent developments, that growth in M2 for the year could revert to its earlier pattern that was more in line with the growth in nominal GNP.

Most of the members also supported an increase of ½ percentage point in the upper limit of the tentative range for M3 and an increase of 1 percentage point in the provisional monitoring range for total domestic nonfinancial debt. Growth within both ranges in 1985 would represent a considerable slowing from the actual pace in 1984. Some members questioned the need for any increase in those ranges, both because of the anticipated moderation in the expansion of GNP and because the higher ranges could convey a wrong impression of the Committee's anti-inflationary policy. Nonetheless, total debt was expected to continue to grow at a faster rate than nominal GNP, reflecting further rapid expansion in the federal debt, larger than normal growth in merger and other corporate restructuring activities, and the continuing need to finance increases in spending by domestic sectors that exceeded the rise in nominal GNP, as reflected in the expected further widening of the nation's large deficit in its external trade balance.

In the course of the Committee's discussion, consideration was given to a proposal for using the midpoint of the previous year's fourth-quarter target range, rather than the actual fourth-quarter outcome, as the base for the following year's target range. This issue had been discussed in some detail at the previous meeting of the Committee. No support was expressed in favor of such an approach, although the members recognized that in some circumstances such an alternative might be appropriate. In setting its objectives for a current year, the Committee already took into account the prior year's monetary developments and their implications for the evolving relationship between money and GNP. It was generally felt that employing the midpoint of the previous year's target range as the base for the current year's target would have the disadvantage of introducing a degree of rigidity in the decisionmaking process; it would impose a base that was decided upon many months before under possibly quite different circumstances. In the current situation, such problems were particularly evident for M3 and total credit whose levels at the end of 1984 were well above their long-run ranges; use of a previously targeted fourth-quarter base would therefore imply either a wrenching slowdown in actual growth for 1985 or adoption of very high target ranges for growth in 1985.

The members also noted that the levels of the monetary aggregates at the start of the year were all above the target ranges under consideration, as those ranges were conventionally illustrated, because monetary growth had been relatively rapid in late 1984 and early 1985. No member expressed concern about this development, since it was contemplated that monetary growth would slow as the year progressed and expansion for the year as a whole would be consistent with the target ranges. With reference to the Humphrey–Hawkins testimony, the pictorial representation of the targets as "cones" would be supplemented by other lines to indicate that the Committee was not concerned about variations in money growth outside the relatively narrow portion of the cones early in the year.

At the conclusion of the Committee's discussion, a majority of the members indicated that they favored or found acceptable a policy that included retention of the tentative range for M1, increases of ½ percentage point in the upper limits of the tentative ranges for M2 and M3, and an increase of 1 percentage point in the provisional monitoring range for total domestic nonfinancial debt. The members indicated that it might be appropriate for growth in the aggregates to be in the upper part of their ranges for the year, depending on developments with respect to velocity and provided that inflationary pressures remained subdued. In keeping with the Committee's usual procedures under the Humphrey–Hawkins Act, the ranges would be reviewed at midyear against the background of economic and financial developments.

The following paragraph relating to the longer-run ranges was approved:

> The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at this meeting to establish ranges for monetary growth of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3 for the period from the fourth quarter of 1984 to the fourth quarter of 1985. The associated range for total domestic nonfinancial debt was set at 9 to 12 percent for the year 1985. The Committee agreed that growth in the monetary aggregates in the upper part of their ranges for 1985 may be appropriate, depending on developments with respect to velocity and provided that inflationary pressures remain subdued.

Votes for this action: Messrs. Volcker, Corrigan, Boykin, Gramley, Mrs. Horn, Messrs. Partee, Rice, Ms. Seger, and Mr. Balles. Votes against this action: Messrs. Boehne, Martin, and Wallich. (Mr. Balles voted as an alternate).

Messrs. Boehne and Martin dissented because they preferred a somewhat higher upper boundary for the M1 range in order to provide enough leeway, if needed, to accommodate a satisfactory rate of economic expansion. In their view, the additional leeway was desirable because of the uncertainties surrounding the outlook for velocity, and it took account of the favorable outlook for inflation and the continuing financial strains in some sectors of the economy. Mr. Boehne also noted that M1 growth in 1984 was in the lower part of the Committee's range.

Mr. Wallich dissented because he wanted to retain the ranges for the broad monetary aggregates that were tentatively adopted in July 1984. In his view those ranges provided adequate room for fostering a sustainable rate of economic expansion. They were more consistent with the Committee's long-run objective of bringing down inflation, and raising them might be misinterpreted by the market as a weakening of policy in that regard.

In the Committee's discussion of policy implementation for the weeks immediately ahead, all of the members indicated their support of an approach directed toward maintaining the reserve conditions characteristic of recent weeks. Such an approach was thought likely to be associated with reduced growth in the monetary aggregates over the balance of the first quarter, although growth for the quarter as a whole would probably exceed the Committee's longer-run ranges for the year. That approach was reinforced by the current strength of the dollar in the exchange markets and the sense that the outlook for the economy and prices did not appear to signal a need for a change.

With regard to M1, the members referred to an analysis, which suggested that expansion in this aggregate should moderate as the lagged effects of earlier declines in market interest rates on the demand for money balances dissipated. With respect to the outlook for the broader aggregates, the members viewed appreciably slower growth as a reasonable expectation, partly because of the prospect that inflows of funds to money market deposit accounts and to money market mutual funds would moderate as the interest paid on such accounts was brought into better alignment with short-term market rates. Indeed, evidence of such a development was already apparent with respect to money market mutual funds. Additionally, the expansion in M3 might be held down by continued moderation in the issuance of large-denomination certificates of deposit by commercial banks.

Despite the prospects for more moderate growth in the monetary aggregates, some members were concerned that such growth might not slow sufficiently over the period ahead and that some firming of reserve conditions might be needed to foster a desirable rate of monetary expansion. They found the current approach to policy implementation appropriate for the present, but they did not want to rule out the possible need for some modest firming over the weeks ahead. Several members indicated that the degree of any firming should remain fairly limited even if money growth was above expectations for a time because they were concerned about the adverse impact that a substantial rise in market interest rates over the near term could have on the exchange market situation and on interest- or trade-sensitive sectors of the economy and ultimately on the economic expansion itself. Members concluded that evaluation of the desirability for firming should take account of the strength of the dollar in exchange markets as well as the business outlook and inflationary pressures and that any firming of reserve conditions over the weeks ahead should be undertaken in a limited and gradual manner. Accordingly, relatively rapid monetary growth would not automatically call for more reserve restraint if it occurred in the context of emerging weakness in business conditions and a strong dollar in the foreign exchange markets. The members also agreed on the possibility of some easing in reserve conditions, but in the view of at least some of the members, any potential need for easing seemed less likely, given the recent strength of the monetary aggregates and the performance of the economy.

At the conclusion of the Committee's discussion, all of the members indicated their acceptance of a directive that called for maintaining the degree of reserve pressure that had prevailed in recent weeks. The members agreed that modest increases in reserve restraint would be sought if growth in M1 appeared to be exceeding an annual rate of about 8 percent and M2 and M3 a rate of around 10 to 11 percent during the period from December to March, particularly if such monetary expansion was associated with satisfactory growth in business activity and diminishing pressures in exchange markets. The members also agreed that lesser restraint on reserve positions would be acceptable in the event of substantially slower growth in the monetary aggregates, especially against the background of sluggish growth in economic activity and continued strength of the dollar in foreign exchange markets. It was agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 6 to 10 percent.

The following directive, embodying the Committee's longer-run ranges and its short-run operating instructions, was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that real GNP expanded at a moderate pace in the fourth quarter, reflecting some strengthening in late 1984 after several months of considerably reduced growth, and there was evidence of continued moderate expansion in early 1985. Total retail sales rose in January at about the same pace as the average for November and December, while the decline in housing starts appears to have ended. Industrial production and nonfarm payroll employment increased appreciably in the November–December period and nonfarm payroll employment rose substantially further in January. The civilian unemployment rate rose slightly in January to 7.4 percent. Information on business spending suggests less rapid expansion in outlays for fixed investment, following exceptional growth earlier; businesses also appear to have made substantial progress in adjusting their inventories. During 1984 broad measures of prices generally increased at rates close to those recorded in 1983, and the index of average hourly earnings rose somewhat more slowly.

The foreign exchange value of the dollar against a trade-weighted average of major foreign currencies has continued to appreciate strongly since mid-December. After the announcement on January 17 by the G-5 Ministers of Finance and Central Bank Governors regarding coordinated intervention in exchange markets, and subsequent operations, the dollar's rise moderated somewhat. The merchandise trade deficit declined sharply in December and for the fourth quarter as a whole, primarily because of a large drop in imports from the high rate in the third quarter. Nevertheless, the deficit for the full year 1984 was substantially higher than in 1983.

After growing little on balance since early summer, M1 expanded at a rapid pace in late 1984 and early 1985. The broader aggregates also expanded rapidly in recent months. For the period from the fourth quarter of 1983 to the fourth quarter of 1984, M1 grew at a rate of about 5¼ percent, somewhat below the midpoint of the Committee's range for the year, and M2 increased at a rate of about 7¾ percent, a bit above the midpoint of its longer-run range. Both M3 and total domestic nonfinancial debt expanded at rates above the Committee's ranges for the year, reflecting very large government borrowing and strong private credit growth, boosted in part by the unusual size of merger-related credit activity. Short-term interest rates have risen somewhat on balance since the December meeting of the Committee, but long-term rates are about unchanged to a little lower. On December 21, the Federal Reserve approved a reduction in the discount rate from 8½ to 8 percent.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at this meeting to establish ranges for monetary growth of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3 for the period from the fourth quarter of 1984 to the fourth quarter of 1985. The associated range for total domestic nonfinancial debt was set at 9 to 12 percent for the year 1985. The Committee agreed that growth in the monetary aggregates in the upper part of their ranges for 1985 may be appropriate, depending on developments with respect to velocity and provided that inflationary pressures remain subdued.

The Committee understood that policy implementation would require continuing appraisal of the relationships not only among the various measures of money and credit but also between those aggregates and nominal GNP, including evaluation of conditions in domestic credit and foreign exchange markets.

In the implementation of policy for the immediate future, taking account of the progress against inflation, remaining uncertainties in the business outlook, and the strength of the dollar in the exchange markets, the Committee seeks to maintain reserve conditions characteristic of recent weeks. Should growth in M1 appear to be exceeding an annual rate of around 8 percent and M2 and M3 a rate of around 10 to 11 percent during the period from December to March, modest increases in reserve pressures would be sought, particularly if business activity is rising at a satisfactory rate and exchange market pressures diminish. Lesser restraint on reserve positions would be acceptable in the event of substantially slower growth in the monetary aggregates, particularly in the context of sluggish growth in economic activity and continued strength of the dollar in foreign exchange markets. 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 short-run operational paragraph: Messrs. Volcker, Corrigan, Boehne, Boykin, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Ms. Seger, Messrs. Wallich and Balles. Votes against this action: None. (Mr. Balles voted as an alternate).

2. *Authorization for Domestic Open Market Operations*

At this meeting the Committee voted to increase from $4 billion to $6 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 for the intermeeting period ending with the close of business on March 26, 1985.

Votes for this action: Messrs. Volcker, Corrigan, Boehne, Boykin, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Ms. Seger, Messrs. Wallich and Balles. Votes against this action: None. (Mr. Balles voted as an alternate).

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that substantial net purchases of securities were likely to be necessary over the upcoming intermeeting interval in order to offset the estimated absorption of reserves stemming from technical factors including changes in currency in circulation, vault cash, and required reserves. □

Legal Developments

AMENDMENTS TO REGULATIONS B, E, M, AND Z

The Board of Governors is making technical amendments to its Regulation B (Equal Credit Opportunity), Regulation E (Electronic Fund Transfers), Regulation M (Consumer Leasing), and Regulation Z (Truth in Lending) to indicate that The Department of Transportation has assumed the enforcement responsibilities for the regulation previously carried out by the Civil Aeronautics Board.

Effective March 4, 1985, the Board amends 12 C.F.R. Part 202 (Regulation B) as follows:

Part 202—Equal Credit Opportunity

1. In section 202.1(b)(1), remove the words "Civil Aeronautics Board" and insert, in their place, the words "Secretary of Transportation."
2. In Appendix A, remove the words "Creditors Subject to Civil Aeronautics Board" and the address of that agency, and insert, in their place, the words "Air Carriers" and the following address:

Assistant General Counsel for Aviation
Enforcement and Proceedings
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Effective March 4, 1985, the Board amends 12 C.F.R. Part 205 (Regulation E) as follows:

Part 205—Electronic Fund Transfers

1. In section 205.13(a)(1), remove the words "Civil Aeronautics Board" and insert, in their place, the words "Secretary of Transportation."
2. In Appendix B, remove the words "Creditors Subject to Civil Aeronautics Board" and the address of that agency, and insert, in their place, the words "Air Carriers" and the following address:

Assistant General Counsel for Aviation
Enforcement and Proceedings
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Effective March 4, 1985, the Board amends 12 C.F.R. Part 213 (Regulation M) as follows:

Part 213—Consumer Leasing

1. In Appendix D, remove the words "Creditors Subject to Civil Aeronautics Board" and the address of that agency, and insert, in their place, the words "Air Carriers" and the following address:

Assistant General Counsel for Aviation
Enforcement and Proceedings
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Effective March 4, 1985, the Board amends 12 C.F.R. Part 226 (Regulation Z) as follows:

Part 226—Truth in Lending

1. In Appendix I, remove the words "Creditors Subject to Civil Aeronautics Board" and the address of that agency, and insert, in their place, the words "Air Carriers" and the following address:

Assistant General Counsel for Aviation
Enforcement and Proceedings
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

AMENDMENTS TO REGULATIONS G, T, AND U

The Board of Governors is amending the definition of "margin stock" in Regulations G and U so as to make it clear that the definition does not include face-amount certificates as defined in 15 U.S.C. 80a-2(a)(15) and, the "arranging" provision of Regulation T to reflect that a broker-dealer selling these instruments would not be considered to be violating that provision. Although the changes are being made effective April 19, 1985, comments will be received until that date and appropriate modifications, if any, will be made in response to comments.

Effective April 19, 1985, the Board amends 12 C.F.R. Part 207 as follows:

Part 207—Securities Credit by Persons Other Than Banks, Brokers, or Dealers

* * * * *

Section 207.2—Definitions

* * * * *

(i) "Margin stock means:

(1) any equity security registered or having unlisted trading privileges on a national securities exchange;
(2) any OTC margin stock;
(3) any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS Security);
(4) any debt security convertible into a margin stock or carrying a warrant or right to subscribe to or purchase a margin stock;
(5) any warrant or right to subscribe to or purchase a margin stock; or
(6) any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 78c(a)(12)); or

(i) a company licensed under the Small Business Investment Company Act of 1958, as amended (12 U.S.C. 661); or
(ii) A company which has at least 95 per cent of its assets continuously invested in exempted securities (as defined in 15 U.S.C. 78c(a)(12)); or
(iii) a company which issues face-amount certificates as defined in 15 U.S.C. 80a-2(a)(15), but only with respect of such securities.

Effective April 19, 1985, the Board amends 12 C.F.R. Part 220, Regulation T, as follows:

Part 220—Credit by Brokers and Dealers

* * * * *

Section 220.13—Arranging for Loans by Others

A creditor may not arrange for the extension or maintenance of credit to or for any customer by any person upon terms and conditions other than those upon which the creditior may itself extend or maintain credit under the provisions of this part, except that this limitation shall not apply to credit arranged for a customer which does not violate parts 207 and 221 of this chapter and results solely from;

(a) investment banking services, provided by the creditor to the customer, including, but not limited to, underwritings, private placements, and advice and other services in connection with exchange offers, mergers, or acquisitions, except for underwritings that involve the public distribution of an equity security with installment or other deferred payment provisions; or

(b) the sales of nonmargin securities (including securities with installment or other deferred payment provisions) if the sale is exempted from the registration requirements of the Securities Act of 1933 under section 4(2) or section 4(6) of the act; or

(c) a subsequent loan or advance on a face-amount certificate as permitted under 15 U.S.C. 80a-28(d).

Effective April 19, 1985, the Board amends 12 C.F.R. Part 221, Regulation U, as follows:

Part 221—Credit by Banks for the Purpose of Purchasing or Carrying Margin Stock

Section 221.2—Definitions

* * * * *

(h) "Margin stock means:

(1) any equity security registered or having unlisted trading privileges on a national securities exchange;
(2) any OTC margin stock;
(3) any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS Security);
(4) any debt security convertible into a margin stock or carrying a warrant or right to subscribe to or purchase a margin stock;
(5) any warrant or right to subscribe to or purchase a margin stock; or
(6) any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 78c(a)(12)); other than

(i) a company licensed under the Small Business Investment Company Act of 1958, as amended (12 U.S.C. 661); or
(ii) A company which has at least 95 per cent of its assets continuously invested in exempted securities (as defined in 15 U.S.C. 78c(a)(12)); or
(iii) a company which issues face-amount certificates as defined in 15 U.S.C. 80a-2(a)(15), but only with respect of such securities.

Orders Issued Under Bank Holding Company Act, Bank Merger Act, and Service Corporation Act

Orders Issued Under Section 3 of Bank Holding Company Act

CB&T Bancshares, Inc.
Columbus, Georgia

Order Approving Acquisition of a Bank Holding Company

CB&T Bancshares, Inc., Columbus, Georgia, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire F&M Bancshares, Inc. ("Bancshares"), Leslie, Georgia, and thereby indirectly acquire Bancshares' only subsidiary, Farmers & Merchants Bank ("Bank"), Leslie, Georgia.

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3 of the Act. 49 *Federal Register* 46,199 (1984). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant is the seventh largest banking organization in Georgia with total deposits of approximately $717 million, representing 2.8 percent of statewide commercial bank deposits.[1] Bancshares is a small banking organization, controlling 0.03 percent of statewide commercial bank deposits. Upon consummation of the proposed acquisition, Applicant will remain the seventh largest banking organization in the state, and will control $724.5 million total deposits or 2.8 percent of statewide commercial bank deposits. Accordingly, the Board concludes that consummation of this acquisition would not have any significantly adverse effects on the concentration of commercial banking resources in Georgia.

Applicant is the third largest of four commercial banking organizations in the Sumter County banking market,[2] where its subsidiary bank, Sumter County Bank and Trust Company, Americus, Georgia ("Sumter Bank"), controls 21.1 percent of total deposits in commercial banks in the market.[3] Bank controls 5.6 percent of commercial bank deposits in the market and ranks last among commercial banking organizations therein. After consummation of the proposal, Applicant would control 26.7 percent of the market's total deposits in commercial banks, and its rank would remain unchanged. The Herfindahl-Hirschman Index ("HHI") in the banking market would increase by 237 points to 3444, and the market would be considered highly concentrated.[4]

Although consummation of the proposal would result in the elimination of existing competition, several factors mitigate the competitive effects of the proposal. The Board has considered Bank's small absolute and relative size. With total deposits of only $6.9 million, Bank controls less than one-tenth of one percent of statewide deposits in commercial banks, and only 5.6 percent of the market's commercial bank deposits. Moreover, the next largest commercial bank competitor in the market (Sumter Bank) controls a deposit base nearly four times as large as Bank.[5] In addition, Bank is located in a small community on the periphery of the market, which is a rural market.

The Board also has considered the presence of thrift institutions in the market as a factor in assessing the competitive effects of this proposal.[6] Two thrift institutions compete in the Sumter County banking market with combined deposits of $53.7 million, representing approximately 30.5 percent of the total market depos-

1. State banking data are as of December 31, 1983.

2. The Sumter County banking market is approximated by Sumter County, Georgia. Applicant contends that a more appropriate definition of the market would be an area encompassed within a 20-mile radius of a point equidistant between Americus and Leslie, Georgia—an area significantly larger than Sumter County. Upon a review of the information provided by Applicant, the Board continues to believe that the area approximated by Sumter County remains the relevant market for Bank's and Sumter Bank's services.

3. Unless otherwise indicated, market data are as of June 30, 1983.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that produces an increase in the HHI of more than 50 points unless other factors indicate that the merger will not substantially lessen competition. Other factors include the post-merger HHI, the increase in the HHI, changing market conditions, the financial condition of the firm to be acquired, ease of entry, nature of the product, substitute products, similarities in firms that are subject to the transaction, and increased efficiencies that may result from the transaction. As noted below, several of these factors are present in this instance.

If the increase in the HHI exceeds 100 points and the HHI substantially exceeds 1800, the Department has indicated that only in extraordinary cases will other factors establish that the merger is not likely substantially to lessen competition. The Department has voiced no objection to the instant proposal.

5. The market's three remaining commercial bank competitors hold deposits of $25.8 million, $39.2 million, and $50.1 million, respectively. These institutions control over 94 percent of total deposits in commercial banks in the market.

6. The Board previously has concluded that thrift institutions have become, or at least have the potential to become, major competitors of commercial banks. *The Chase Manhattan Corporation*, 70 Federal Reserve Bulletin 529 (1984); *NCNB Bancorporation*, 70 Federal Reserve Bulletin 225 (1984); *General Bancshares Corporation*, 69 Federal Reserve Bulletin 802 (1983); *First Tennessee National Corporation*, 69 Federal Reserve Bulletin 298 (1983).

its.[7] These thrifts are authorized to provide consumer loans, NOW accounts and commercial real estate loans, and to engage in certain additional commercial lending. Based upon the number, size, and market shares of these institutions in the Sumter County market, the Board has concluded that thrift institutions exert a significant competitive influence in the Sumter County banking market.[8]

After consideration of these factors in the context of the specific facts of this case, the Board concludes that consummation of this proposal would not have any significantly adverse effects on existing competition in the Sumter County banking market. Thus, competitive effects are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant, Bancshares, and the combined organization are consistent with approval of the proposal. Bank's affiliation with Applicant will allow it to take advantage of Applicant's technical expertise in such areas as marketing, product development, investment advisory counseling services, mortgage lending, commercial and consumer credit, data processing, automated banking, accounting and auditing. As a branch of Sumter Bank, Bank will immediately be provided with all of the services currently available to Sumter Bank.[9] Thus, considerations relating to the convenience and needs of the communities to be served also are consistent with approval of the application.

Based upon the foregoing and all the facts of record, the Board has determined that consummation of the transaction would be consistent with the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, pursuant to delegated authority.

7. Thrift data are as of June 30, 1983. Thrifts rank as the market's second and fifth largest depository institutions. Bank remains the smallest depository institution even after thrifts are included in the market.

8. If 50 percent of the deposits held by thrift institutions in the Sumter County banking market were included in the calculation of market concentration, Applicant would hold 17.3 percent of market deposits, Bank would hold 4.6 percent of total deposits, and their combined market share would be 21.9 percent. The HHI would rise by 159 points to 2405.

9. Upon consummation of the proposal, Applicant intends to merge Bank into its existing bank subsidiary in the market and operate it under the name, and as a branch, of Sumter Bank.

By order of the Board of Governors, effective March 4, 1985.

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

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

Columbian Corporation
Topeka, Kansas

Order Approving Formation of a Bank Holding Company

Columbian Corporation, Topeka, Kansas, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1841(a)(1)) to become a bank holding company by acquiring all of the voting shares of Topeka Bank Shares, Topeka, Kansas ("Topeka"), a bank holding company within the meaning of the Act, and thereby indirectly acquire Topeka Bank and Trust, Topeka, Kansas ("Bank").

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

Applicant currently is an insurance holding company controlled by members of the Sam McCaffree family ("McCaffree family"), which engages in the sale and underwriting of title insurance, the sale of home warranty insurance, and mortgage servicing activities through ten subsidiaries. The activities of all ten subsidiaries are impermissible for bank holding companies under section 4 of the Act (12 U.S.C. § 1843). Applicant has committed to divest all ten subsidiaries prior to consummation of this proposal.

Upon consummation of this proposal, Applicant would become the 173rd largest commercial banking organization in Kansas, controlling one bank with total deposits of $29.5 million, representing less than 0.2 percent of total deposits in commercial banks in Kansas.[1] Applicant is affiliated with Columbian Financial Corporation, Topeka, Kansas ("Columbian Financial"), a bank holding company within the meaning of the Act, through common control by the McCaffree family. Columbian Financial is the 553rd largest commercial banking organization in Kansas, controlling

1. Banking data are as of December 31, 1983.

one bank with total deposits of $5 million, representing less than 0.1 percent of total deposits in commercial banks in Kansas. Applicant and Columbian Financial together would be the 136th largest commercial banking organization in Kansas, controlling total deposits of $34.5 million, representing 0.2 percent of total deposits in commercial banks in the state. Consummation of this proposal would have no significant effect on the concentration of banking resources in Kansas.

Both Topeka and Columbian Financial compete in the Topeka banking market.[2] Topeka is the seventh largest of 16 commercial banking organizations in the banking market, controlling 3.2 percent of total deposits in commercial banks in the market. Columbian Financial is the smallest commercial banking organization in the market, controlling 0.5 percent of total deposits in commercial banks in the market. Upon consummation of the transaction, Applicant and Columbian Financial together would be the seventh largest commercial banking organization in the market, controlling 3.7 percent of the total deposits in commercial banks in the market.

The Topeka banking market is considered to be moderately concentrated, with a four-firm concentration ratio of 70 percent and a Herfindahl–Hirschman Index ("HHI") of 1656.[3] Upon consummation of this proposal, the four-firm concentration ratio would remain unchanged and the HHI would increase by 3 points to 1659. Accordingly, the Board concludes that consummation of this proposal would have no significant adverse effect on existing competition.

Where principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the bank holding company proposal before it, also considers and analyzes the financial and managerial resources and future prospects of the entire banking organization under the Board's Capital Adequacy Guidelines.[4] Based upon such an analysis in this case, the financial and managerial resources and future prospects of Applicant, Topeka, Columbian Financial, and their subsidiary banks are generally satisfactory, especially in light of certain commitments made by Applicant in connection with this application. Applicant has proposed no new services for Applicant or its subsidiary bank. However, the record contains no evidence that the banking needs of the community to be served are not being met. Accordingly, factors relating to the convenience and needs of the community to be served are consistent with approval.

Based on the foregoing and other facts of record, the Board has concluded that approval of the application is consistent with the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 13, 1985.

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

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

First American Bancshares, Inc.
New Orleans, Louisiana

First National Bankshares, Inc.
Houma, Louisiana

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

First American Bancshares, Inc., New Orleans, Louisiana ("First American"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act, 12 U.S.C. § 1842(a)(1), to become a bank holding company by acquiring 95.1 percent of the voting shares of the American Bank and Trust Company, New Orleans, Louisiana ("Bank"). First National Bankshares, Inc., Houma, Louisiana ("First National"), a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 50 percent of First American.

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

2. The Topeka banking market is defined as the Topeka Ranally Metro Area.
3. Under the Department of Justice's revised Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market with a post-merger HHI between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is unlikely to challenge a merger that produces an increase in the HHI of less than 100 points, as in this case.
4. *Capital Adequacy Guidelines*, 12 C.F.R. § 225, Appendix A.

received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

First National is the 27th largest commercial banking organization in Louisiana, controlling one bank with total deposits of $222.3 million, representing less than 1 percent of the total deposits in commercial banks in the state.[1] First American is a nonoperating Louisiana corporation organized for the purpose of becoming a bank holding company by acquiring Bank. Bank is the 19th largest commercial bank in Louisiana, with total deposits of $334.4 million, representing 1.2 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, First National would control total deposits of $556.7 million, representing approximately 2 percent of total deposits in commercial banks in the state, and it would become the ninth largest commercial banking organization in the state. Consummation of these proposals would have no significant effect on the concentration of banking resources in Louisiana.

Bank is the 6th largest commercial banking organization in the New Orleans banking market and controls approximately 4.7 percent of the deposits in commercial banks therein.[2] First National is the second largest commercial banking organization in the Houma banking market and controls one bank with deposits of $207.5 million, representing 31.1 percent of the market's deposits.[3] Neither First National, First American, nor any of their principals are associated with any other banking organization in the relevant banking markets. Accordingly, no existing competition would be eliminated as a result of this proposal. The Board has also concluded that consummation of this proposal would not result in any significant adverse effects on probable future competition in any market.

The financial and managerial resources of First National, its subsidiary, First American, and Bank are considered consistent with approval of this proposal. First American and First National plan on expanding Bank's international activities and on making Bank a more active competitor in the market. Accordingly, considerations relating to the convenience and needs of the community to be served are consistent with approval.

Based on the foregoing and other facts of record, including the commitments submitted by the applicants and their principals, the Board has determined that these applications would be in the public interest and that the applications should be approved. These transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 13, 1985.

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

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

1. Banking data are as of December 31, 1983.
2. The New Orleans banking market is approximated by the New Orleans MSA.
3. The Houma banking market is defined as Terrebone Parish, Louisiana.

F.N.B. Corporation
Hermitage, Pennsylvania

Order Approving Acquisition of a Stock Savings and Loan Association

F.N.B. Corporation, Hermitage, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), and section 225.25(b)(1) of the Board's Regulation Y (12 C.F.R. § 225.25(b)(1)), to acquire all of the shares of Metropolitan Savings Bank of Youngstown, Youngstown, Ohio ("Metropolitan"), a state-chartered savings and loan association insured by the Ohio Deposit Guaranty Fund. Upon consummation of the proposed acquisition, Applicant will engage through Metropolitan in the activity of operating a savings and loan association. Although the Board has not added the operation of a thrift institution to the list of activities specified in section 225.25(b) of Regulation Y as generally permissible for bank holding companies, the Board has determined in several individual cases that the operation of a thrift institution is closely related to banking.[1]

As a result of amendments to the BHC Act contained in the Garn–St Germain Depository Institutions

1. *American Fletcher Corp.*, 60 FEDERAL RESERVE BULLETIN 868 (1974); *D.H. Baldwin & Co.*, 63 FEDERAL RESERVE BULLETIN 280 (1977); *Interstate Financial Corp.*, 68 FEDERAL RESERVE BULLETIN 316 (1982); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 656 (1982); *Old Stone Corporation*; 69 FEDERAL RESERVE BULLETIN 812 (1983). A recent Board staff study of thrift institutions supports the view that operating a thrift institution is closely related to banking. Bank Holding Company Acquisitions of Thrift Institutions. September 1981.

Act of 1982, section 4(c)(8) of the BHC Act provides that the Board may dispense with the notice and hearing requirements of section 4(c)(8) with regard to the acquisition of a thrift institution if the Board finds that an emergency exists that requires immediate action and the primary federal regulator of the institution concurs in this finding. (12 U.S.C. § 1843(c)(8); 12 C.F.R. § 225.23(i)). Metropolitan is a thrift institution as that term is defined in section 2(i) of the BHC Act. On the basis of information provided by the Ohio Superintendent of Building and Loan Associations and other facts of record, the Board finds that an emergency exists that requires immediate action on this application. Since Metropolitan does not have a federal regulator, the Board has determined that no further action is necessary to authorize the Board to dispense with notice and opportunity for hearing.

As noted above, this application has been filed under section 4(c)(8) of the BHC Act as a nonbanking activity. The BHC Act defines a "bank" as an institution that accepts deposits that the depositor has a legal right to withdraw on demand and that is engaged in the business of making commercial loans. (12 U.S.C. § 1841(c)).

Metropolitan is, and will continue to be after the proposed acquisition, a "thrift institution" as that term is defined in section 2(i) of the BHC Act. (12 U.S.C. § 1841(i)). Prior to obtaining FSLIC insurance, Metropolitan will not make commercial loans, and subsequent to obtaining such insurance, will exercise only those powers permitted to federally chartered savings and loan associations. Thus, the acquisition of Metropolitan qualifies as a nonbanking acquisition, and after Metropolitan has obtained FSLIC insurance, it may be retained by Applicant as a nonbanking institution under the provisions of the Garn–St Germain Act, which provide that any institution that is insured by FSLIC is exempt from the definition of bank in the BHC Act. In this regard, Metropolitan must obtain the approval of the FSLIC to obtain FSLIC deposit insurance, and Applicant must register with the Federal Home Loan Bank Board under, and comply with, the provisions of the Savings and Loan Holding Company Act. Thus, the Board concludes that this application may properly be considered under section 4 of the Act as a nonbanking application.

Applicant controls two bank subsidiaries, both of which are located in Pennsylvania, and has $447.9 million in total assets.[2] Applicant also operates a consumer finance subsidiary, which has four offices located in the Youngstown, Ohio banking market. Metropolitan, a stock savings and loan association, controls $192.5 million in assets and operates in the Youngstown, Ohio banking market.

In view of the fact that Applicant's bank subsidiaries and Metropolitan operate in separate banking markets and there is no significant amount of direct competition between them, consummation of the proposed acquisition would not have a significant effect on existing competition in any relevant market. In view of the relatively small size of Metropolitan, and the number of potential entrants into its markets, the Board finds that this acquisition would not have any significant adverse effect on potential competition. Similarly, the overlapping share of the consumer finance market controlled by Applicant and Metropolitan is insignificant in comparison with the total market volume. Moreover, there are a large number of competitors in the consumer finance market and elimination of Applicant or Metropolitan as a competitor would not have any significant adverse effects. Indeed, the proposed acquisition would have a substantial beneficial impact on competition by ensuring the continued operation of Metropolitan as a viable institution.

Section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) authorizes a bank holding company to acquire a nonbank company where the activities of the nonbank company are determined by the Board to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Act provides that the Board may make such determinations by order or by regulation. As earlier stated, the Board has determined previously that the operation of a thrift institution is closely related to banking, and reaffirms that determination in this Order.

With respect to the "proper incident" requirement, section 4(c)(8) of the Act requires the Board to consider whether the performance of the activity by an affiliate of a holding company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

In 1977, the Board considered the general question whether savings and loan association ("S&L") activities are a proper incident to banking. At that time, the Board determined that, as a general matter, S&L activities are not a proper incident to banking because the potential adverse effects of generally allowing affiliations of banks and S&Ls were then sufficiently strong to outweigh any public benefits that might result in individual cases. (*D.H. Baldwin & Co.* 63 FEDERAL RESERVE BULLETIN 280 (1977)).

2. All banking data are as of December 31, 1984.

Because of the considerations elaborated in *D.H. Baldwin & Co.*, the Board has not been prepared to permit bank holding companies to acquire thrift institutions on a general basis. However, the Board has consistently regarded the BHC Act as authorizing the Board to permit such an acquisition, and the Board has approved several such proposals involving failing thrift institutions on the basis that any adverse effects of bank/thrift affiliations would be overcome by the public benefits of preserving the failing thrift institution.[3] In addition, Congress has recognized the need to allow bank holding companies to acquire failing federally insured thrift institutions in the Garn–St Germain Act.

The Board has reexamined, in the context of this application, the general adverse factors cited in the Board's 1977 *D.H. Baldwin* decision, including regulatory conflict, erosion of institutional rivalry, and the potential for undermining interstate banking prohibitions. The Board has also considered the adverse factors that might be associated with this particular application,[4] including the potential for unfair competition, conflicts of interests, financial risks, diversion of funds, and participation in impermissible activities.

In view of the unique circumstances that led to the closing of Metropolitan and other privately insured institutions by the Governor of Ohio, the emergency legislation recently enacted by the Ohio legislature to remedy the problems faced by these institutions and their depositors,[5] the need for a prompt solution in this case, and the other considerations detailed below, the Board has determined that there are substantial benefits to the public associated with preserving Metropolitan as a thrift competitor sufficient to outweigh the generalized adverse effects found by the Board in the *D.H. Baldwin* case.

The Board considers Applicant's acquisition of Metropolitan to be a substantial and compelling public benefit in that Applicant will provide Metropolitan with sufficient new capital funds to enable Metropolitan to continue its operations and to remain a viable competitor. The record establishes that Applicant has the financial and managerial resources and commitment to serving the convenience and needs of the public to achieve this result. The acquisition will preserve a competitor in the markets served by Metropolitan, thus ensuring the continuation of services by Metropolitan to its customers and protecting the interests of Metropolitan's depositors.

The affiliation of Applicant and Metropolitan is not likely to result in unfair competition. To guard against possible adverse effects of affiliation in this case between a banking organization and a savings and loan association, including the potential for unfair competition and diversion of funds, the Board has relied on the following commitments offered by Applicant:

1. Applicant will operate Metropolitan as a savings and loan association having as its primary purpose the provision of residential housing credit. Metropolitan will limit its activities to those currently permitted to federal savings and loan associations under the Home Owners' Loan Act, but shall not engage in any activity prohibited to bank holding companies and their subsidiaries under section 4(c)(8) of the Bank Holding Company Act. These limitations will apply to Metropolitan's wholly owned service corporation, which shall have two years from the date of this Order to complete the divestiture of its impermissible real estate development projects.
2. Metropolitan will not establish or operate a remote service unit at any location outside Ohio.
3. Metropolitan will not establish or operate branches at locations not permissible for national or state banks located in Ohio.[6]
4. Metropolitan will be operated as a separate, independent, profit-oriented corporate entity and shall not be operated in tandem with any other subsidiary of Applicant. Applicant and Metropolitan will limit their operations to effect this condition, and will observe the following conditions:
   a. No banking or other subsidiary of Applicant will link its deposit-taking activities to accounts at Metropolitan in a sweeping arrangement or similar arrangement.
   b. Neither Applicant nor any of its subsidiaries will solicit deposits or loans for Metropolitan, nor shall Metropolitan solicit deposits or loans for any other subsidiary of Applicant.
5. Applicant will not change Metropolitan's name in any manner that might confuse the public regarding Metropolitan's status as a nonbank thrift institution.
6. Metropolitan will not convert its charter to that of a national or state commercial bank without the Board's prior approval.

3. *Interstate Financial Corp., supra; Citicorp, supra; Old Stone Corporation, supra.*
4. As stated above, the Board has examined the competitive effects associated with this particular application and has concluded that there are no significant adverse effects associated with the proposed acquisition.
5. Ohio Am. Sub. S.B. No. 119 § 8 (March 19, 1985).

6. The Federal Reserve Bank of Cleveland is hereby delegated authority to act on applications by Applicant to open additional offices of Metropolitan under section 225.25(b)(1) of Regulation Y. (12 C.F.R. § 225.25(b)(1)).

7. To the extent necessary to insure independent operation of Metropolitan and prevent the improper diversion of funds, there shall be no transactions between Metropolitan and Applicant or any of its subsidiaries without the prior approval of the Federal Reserve Bank of Cleveland. This limitation encompasses the transfer, purchase, sale or loan of any assets or liabilities, but does not include infusions of capital from Applicant, the payment of dividends by Metropolitan to Applicant, or the sale of residential real estate loans from Metropolitan to any subsidiary of Applicant.
8. F.N.B. Corporation will cooperate with Metropolitan in applying for and obtaining FSLIC insurance.

The Board concludes that consummation of the proposal, subject to the commitments set out above, may reasonably be expected not to result in conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects.

Based upon the foregoing and other facts and circumstances reflected in the record, the Board has determined that the acquisition of Metropolitan by Applicant would result in substantial and compelling public benefits that are sufficient to outweigh any adverse effects that may reasonably be expected to result from this proposal, including any potential adverse effects of the affiliation of a commercial banking organization with a thrift institution. Accordingly, the application is approved subject to the commitments described in this Order, and the record of this application.

The Board's decision is further subject to the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b), 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, or to prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder. The transaction shall be made not later than three months after the effectve date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland pursuant to authority hereby delegated.

By order of the Board of Governors, effective March 22, 1985.

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

WILLIAM W. WILES
Secretary of the Board

[SEAL]

Founders Bancorporation, Inc.
Oklahoma City, Oklahoma

Order Approving Merger of Bank Holding Companies

Founders Bancorporation, Inc., Oklahoma City, Oklahoma, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval pursuant to section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with Commerce Bancshares, Inc., Oklahoma City, Oklahoma ("Commerce"), also a bank holding company, and thereby indirectly acquire Commerce Bank, The Village, Oklahoma ("Commerce Bank"). At the time of the merger of Applicant and Commerce, Applicant's subsidiary bank, Founders Bank & Trust Company, Oklahoma City, Oklahoma ("Founders Bank"), and Commerce Bank will merge and continue under Founders Bank's name and charter.[1]

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

Applicant and Commerce are both controlled by the Charles A. Vose family ("Vose family"). The Vose family was instrumental in chartering Commerce Bank in 1962 and acquired control of Founders Bank in 1970. Accordingly, this proposal represents a reorganization of existing ownership interests. The family also controls four other commercial banking organizations, all in Oklahoma.

Applicant is the 18th largest commercial banking organization in Oklahoma, controlling one bank with total deposits of $157.3 million, representing 0.6 percent of total deposits in commercial banks in Oklahoma.[2] Commerce is the 43rd largest banking organization in Oklahoma, controlling one bank with total deposits of $96.4 million, representing 0.4 percent of total deposits in commercial banks in Oklahoma. Upon consummation of this proposal, Applicant would become the eighth largest commercial banking organization in the state, controlling total deposits of $253.7 million, representing 1.0 percent of total deposits in commercial banks in the state. Applicant, togeth-

1. On January 10, 1985, the FDIC approved the application pursuant to the Bank Merger Act (12 U.S.C. § 1828), of Founders Bank to merge with Commerce Bank.
2. Banking data are as of December 31, 1983, unless otherwise indicated.

er with its four affiliated commercial banking organizations, would be the third largest commercial banking organization in Oklahoma, controlling 8.2 percent of total deposits in commercial banks in the state. Banking resources in Oklahoma are not highly concentrated, with the four largest commercial banking organizations in the state controlling only 28.5 percent of total deposits in commercial banks in the state. Accordingly, consummation of this proposal would not result in any significant increase in the concentration of banking resources in Oklahoma.

Both Applicant and Commerce compete in the Oklahoma City banking market.[3] Applicant is the ninth largest commercial banking organization in the banking market, controlling 1.8 percent of total deposits in commercial banks in the market. Commerce is the 18th largest commercial banking organization in the banking market, controlling 1.1 percent of total deposits in commercial banks in the market. Upon consummation, Applicant would be the sixth largest commercial banking organization in the market, controlling 2.9 percent of total deposits in commercial banks in the market. Applicant is also affiliated with two other commercial banking organizations located in the Oklahoma City banking market. Applicant and the two affiliated banking organizations located in the banking market would become the largest commercial banking organization in the market, controlling total deposits of $2.1 billion, representing 24.8 percent of total deposits in commercial banks in the market.

In analyzing the competitive effects of a proposal such as this one, involving banking organizations located in the same market and under common control, the Board considers the competitive effects of the transaction whereby common control of the institutions was established.[4] In 1970, prior to its acquisition of Founders Bank, the Vose family controlled three commercial banks, including Commerce Bank. Together, these institutions constituted the second largest commercial banking organization in the market, controlling total deposits of $427.3 million, representing 24.4 percent of total deposits in commercial banks in the market.[5] Founders Bank was the 20th largest commercial banking organization in the market, controlling total deposits of $13.8 million, representing 0.8 percent of total deposits in commercial banks in the market. Upon acquisition of Founders, the combined banking organization controlled by the Vose family became the largest commercial banking organization in the market, controlling total deposits of $441.1 million, representing 25.2 percent of total deposits in commercial banks in the market.

The Oklahoma City banking market was considered to be moderately concentrated in 1970, with a four-firm concentration ratio of 63.7 percent and a Herfindahl–Hirschman Index ("HHI") of 1390.[6] Upon acquisition of Founders Bank by the Vose family, the four-firm concentration ratio increased by 0.8 percent to 64.5 percent and the HHI increased by 39 points to 1429. Accordingly, the Board concludes that the acquisition of Founders Bank in 1970 had no significant adverse effect on existing competition.

Where principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the bank holding company proposal before it, also considers and analyzes the financial and managerial resources and future prospects of the entire banking organization under the Board's Capital Adequacy Guidelines.[7] Based upon such an analysis in this case, the financial and managerial resources and future prospects of Applicant, Commerce, their subsidiary banks and their affiliated banking organizations are consistent with approval, especially in light of certain commitments made by Applicant in connection with this application. Applicant has proposed no new services for Applicant or its subsidiary bank. However, the record contains no evidence that the banking needs of the community to be served are not being met. Accordingly, factors relating to the convenience and needs of the community to be served are consistent with approval.

Based on the foregoing and other facts of record, the Board has concluded that approval of the application is consistent with the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 1, 1985.

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

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

3. The Oklahoma City banking market is defined as the Oklahoma City Ranally Metro Area.
4. *See Mid-Nebraska Bancshares, Inc. v. Board of Governors*, 627 F.2d 26 (D.C. Cir., 1980).
5. Banking data for 1970 are as of December 31, 1970.
6. Under the Department of Justice's revised Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market with a post-merger HHI between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is unlikely to challenge a merger that produces an increase in the HHI of less than 100 points, as in this case.
7. *Capital Adequacy Guidelines*, 12 C.F.R. § 225, Appendix A.

Green Mountain Financial Services Corporation Wilmington, Delaware

Order Approving Formation of a Bank Holding Company

Green Mountain Financial Services Corporation, Wilmington, Delaware, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring up to 38 percent of the voting shares of Green Mountain Bank, Winhall Township, Vermont ("Bank").

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

Applicant is a nonoperating corporation with no subsidiaries, formed for the purpose of acquiring Bank. Bank is the 23rd largest commercial banking organization in Vermont, with total deposits of $13.6 million, representing approximately 4 percent of total deposits in commercial banks in the state.[1] Principals of Applicant are also principals of Bank. Accordingly, this proposal represents a restructuring of ownership interests in Bank.

Bank operates in the Bennington banking market,[2] where it is the smallest of six commercial banks in the market, controlling 4.8 percent of total deposits in commercial banks therein. Principals of Applicant are not affiliated with any other depository organization in this market. Consummation of this proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval.

The financial and managerial resources of Applicant and Bank are consistent with approval of this application. Although Applicant has proposed no new services for Bank upon acquisition, there is no evidence that the banking needs of the community to be served are not being met. Accordingly, considerations relating to the convenience and needs of the communities to be served are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that approval of the application would be consistent with the public interest and that the application should be and hereby is approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 25, 1985.

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

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

1. Banking data are as of December 31, 1984.
2. The Bennington banking market is defined as Bennington County and the town of Danby in Rutland County, Vermont, and Stanford and Readsboro townships in Massachusetts.

The Long-Term Credit Bank of Japan, Limited Tokyo, Japan

Order Approving Formation of Bank Holding Company

The Long-Term Credit Bank of Japan, Limited, Tokyo, Japan has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("BHC Act") to become a bank holding company by expanding the activities of its wholly owned, limited-purpose trust company, LTCB Trust Company, New York, New York ("Company"), to include making commercial loans and taking demand deposits, thereby operating Company as a "bank" as defined under section 2(c) of the BHC Act (12 U.S.C. § 1841(c)).

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

Applicant, a publicly owned company with total assets equivalent to approximately $70 billion,[1] ranks as the second largest of three long-term credit banks and the tenth largest private bank in Japan.[2] Applicant

1. Banking data are as of September 30, 1984.
2. Applicant's principal activity is the extension to Japanese industries of long-term credit in the form of secured loans, discounts and guarantees, obtained primarily from the issuance of yen-denominated debentures. Long-term credit banks may accept deposits from financial institutions and their own clients but not from the general public, and are also permitted under Japanese law to underwrite and sell central and local government bonds and government-guaranteed bonds.

is the 23rd largest bank worldwide. Applicant operates 17 branches in Japan, and operates foreign branches in London and Singapore. In the United States, Applicant operates a branch in New York, its home state, and an agency in Los Angeles, which have total assets of $4.1 billion and $1.0 billion, respectively.[3] Applicant has merchant bank subsidiaries in Hong Kong and Switzerland and a finance subsidiary in the Netherlands Antilles.

Applicant proposes to convert Company, with assets of $18.3 million, to an FDIC-insured commercial bank ("Bank").[4] Bank will serve the Metropolitan New York banking market[5] by extending credit services to the corporate market, and by lending primarily to U.S. public utilities, subsidiaries of Japanese companies, and U.S.-Japanese joint ventures. In addition, Bank will continue to offer corporate trust services. In view of the *de novo* status of Bank, and based upon the facts of record, the Board concludes that the proposed transaction will have no adverse effect on competition. Accordingly, competitive considerations are consistent with approval of this application.

Section 3(c) of the Act requires in every case that the Board consider the financial resources of the applicant and the bank to be acquired. In this case, the Board noted that the primary capital ratio of Applicant is below the minimum capital guidelines established by the Board for U.S. multinational bank holding companies. On previous occasions, however, the Board has determined that certain factors could mitigate its concerns regarding a foreign banking organization's failure to comply with the minimum capital guidelines. The Board notes that Applicant will establish Bank *de novo*, which initially will be small in relation to Applicant, and will be strongly capitalized.[6]

Based on these and other facts of record, the Board concludes that Applicant's financial and managerial factors are consistent with approval of the application. As Bank's size increases, the Board will expect Applicant to maintain Bank among the more strongly capitalized banking organizations of comparable size in the United States. In view of these and other facts of record, the Board finds that considerations relating to banking factors are consistent with approval of the application.

The Board has also determined that considerations relating to the convenience and needs of the community to be served are consistent with approval. Based upon the foregoing and other facts of record, the Board has determined that consummation of the transaction would be consistent with the public interest and that, subject to certain conditions, the application should be and hereby is approved. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to delegated authority.

By order of the Board of Governors, effective March 25, 1985.

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

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

Orders Issued Under Section 4 of Bank Holding Company Act

First Security Corporation
Salt Lake City, Utah

Order Approving Application to Engage De Novo in General Insurance Agency Activities

First Security Corporation, Salt Lake City, Utah, 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 "BHC Act"), has applied under section 4(c)(8) of the Act (12 U.S.C. § 1843 (c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. 225.23(a)(1)) for approval to engage *de novo*, through its subsidiary, First Security Insurance, Inc., in general insurance agency activities in the state of Utah.

Notice of the application, affording interested persons an opportunity to submit comments, was duly published (50 *Federal Register* 3977 (1985)). The time for filing comments has expired and the Board has considered this application and all comments received

3. Applicant selected New York as its home state pursuant to Section 5 of the IBA (12 U.S.C. § 3103). Unless otherwise indicated, all banking data are as of December 31, 1984.

4. On January 3, 1985, the New York State Banking Department approved Applicant's proposal. An application with the FDIC to obtain insurance for Bank is pending.

5. The Metropolitan New York banking market is defined to include New York City, Nassau, Westchester, Rockland, Putnam and western Suffolk Counties in New York; portions of Bergen and Hudson Counties in New Jersey; and a portion of Fairfield County in Connecticut.

6. *See, e.g., The Commercial Bank of Korea, Ltd.*, 70 FEDERAL RESERVE BULLETIN 36 (1984) (where the Board approved the establishment of a bank holding company despite a primary capital ratio below the minimum required of U.S. multinational bank holding companies because the bank was to be established *de novo*, was strongly capitalized, and was small in relation to Commercial Bank of Korea's total assets).

in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with consolidated assets of $5.1 billion,[1] controls four subsidiary banks and is the largest commercial banking organization in Utah. Applicant proposes to expand the activities of its insurance agency subsidiary, First Security Insurance, Inc., to include the sale of all types of personal and commercial insurance, including, but not limited to, property and casualty insurance and life insurance. Applicant will also expand by offering these services to the general public as well as to customers of Applicant's lending subsidiaries.

Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("the Garn Act") amended section 4(c)(8) of the BHC Act to provide that insurance agency, brokerage, and underwriting activities are not "closely related to banking" and thus are not permissible activities for bank holding companies, unless the activities are included within one of seven specific exemptions (A through G) contained in section 4(c)(8). Applicant claims it is authorized to operate a general insurance agency engaged in the sale of all types of personal and commercial insurance under exemption G, which authorizes insurance agency activities for those bank holding companies engaged in insurance agency activities with Board approval prior to 1971. Unless Applicant's proposal qualifies under this exemption, the operation of a general insurance agency as proposed by Applicant is not a permissible activity under section 4(c)(8) of the BHC Act.[2]

Applicant was engaged in the operation of a general insurance agency from 1931 through 1959 when it spun this general insurance agency off to a separate corporation controlled by Applicant's shareholders. Applicant has also been engaged in the sale of credit-related insurance through a subsidiary bank since 1959. In 1969, Applicant received approval from the Board, under the provisions of the Bank Holding Company Act of 1956, as amended, to acquire an insurance agency subsidiary, First Security Insurance, Inc., which engaged in the sale of credit life and disability insurance, credit accident insurance, decreasing term mortgage insurance, and property damage insurance to customers of Applicant.[3] Applicant has been engaged in the sale of such credit-related insurance through this insurance agency subsidiary on a continuous basis since receiving Board approval in 1969. Applicant, therefore, is one of 16 active companies with grandfather rights under exemption G.

Applicant now seeks approval to expand its insurance agency activities through the operation in Utah of a general insurance agency engaged in the sale of all types of personal and commercial insurance to the general public as well as to Applicant's customers. Applicant did not sell insurance other than credit-related insurance pursuant to Board approval prior to 1971. Nevertheless, the Board has determined in its Order involving *First Wisconsin Corporation*, 71 FEDERAL RESERVE BULLETIN 171 (1985), that bank holding companies that qualify under exemption G are authorized to engage in general insurance agency activities and thus to sell various types of insurance they were not selling with Board approval prior to 1971.[4]

The Board found this conclusion is supported by the language of exemption G and by a reading of exemption G in the context of the other exemptions, particularly exemption D. The Board also relied upon the limited scope of exemption G, which affects only 16 bank holding companies. Finally, the Board based its conclusion to allow all qualifying companies to engage in general insurance agency activities on a reading of exemption G in the context of the Board's pre-1971 orders by which exemption G eligibility is defined. For these reasons, as set forth more completely in its decision in its Order in *First Wisconsin Corporation, supra*, the Board concludes that Applicant may engage in general insurance agency activities under exemption G.

There is no evidence in the record indicating that consummation of Applicant's proposal would result in any undue concentration of resources, adverse effects on competition, conflicts of interests, unsound banking practices, or any other adverse effects. Applicant will provide an additional source for insurance that is particularly convenient for its customers and an additional source for special types of insurance that may not otherwise be generally available. It will engage in the sale of new types of insurance *de novo*, and it has indicated that it will act affirmatively to ensure compliance with all laws and regulations prohibiting tie-ins. Applicant will explicitly inform its subsidiary bank

1. All banking data are as of December 31, 1984, unless otherwise indicated.

2. Applicant does not qualify under the other relevant exemptions, including exemption C, which allows general insurance agency activities by bank holding companies in towns with a population not exceeding 5,000, and exemption F, which permits general insurance agency activities (except the sale of life insurance) by small bank holding companies with consolidated assets of less than $50 million.

3. 55 FEDERAL RESERVE BULLETIN 667 (1969).

4. The Board has previously interpreted exemption G to permit bank holding companies qualifying under exemption G to engage in the sale of insurance "without restriction on location" and thus without regard to where such companies may have engaged in the sale of insurance prior to 1971. *Norwest Corporation*, 70 FEDERAL RESERVE BULLETIN 235 (1984).

customers that they need not purchase insurance from Applicant in order to obtain credit or other bank services. Accordingly, the Board has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) of the BHC Act is favorable.

Based upon the foregoing and other facts of record, the application is hereby approved. This determination is subject to the conditions set forth in section 225.23(b) of Regulation Y (12 C.F.R. § 225.23(b)) and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective March 11, 1985.

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

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

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

Oxford Agency, Inc.
Oxford, Nebraska

Order Approving Applications to Form a Bank Holding Company and Engage in General Insurance Agency Activities

Oxford Agency, Inc., Oxford, Nebraska ("Applicant"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring all of the voting stock of Security State Bank, Oxford, Nebraska ("Bank").

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 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23 (a)(2)) to acquire the assets of Oxford Insurance Agency ("Agency") and thereby to engage directly in the activities of a general insurance agency in a community with a population of less than 5,000 persons. This activity has been determined by the Board to be closely related to banking under section 225.25(b)(8)(ii) of Regulation Y (12 C.F.R. § 225.25(b)(8)(ii)).

Notice of these applications, affording an opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (50 *Federal Register* 1274 (1985)). 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) (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant, a non-operating corporation with no subsidiaries, was organized for the purposes of acquiring Bank and of operating as a general insurance agency. Upon acquisition of Bank (total deposits of $10.5 million), Applicant would control the 291st largest of 474 banking organizations in Nebraska, and would hold less than 0.1 percent of total deposits in commercial banks in the state.[1] Consummation of the transaction would not have any significant adverse effects upon the concentration of banking resources in the state.

Bank is the fourth largest of seven banks in the Furnas County banking market, controlling 11.9 percent of deposits in commercial banks in the market.[2] Neither Applicant nor any of its principals is a principal of any other banking organization in the market. Thus, consummation of the proposal would not appear to have any adverse effects upon competition or increase the concentration of banking resources in any relevant area.

The financial and managerial resources of Applicant and Bank are considered generally satisfactory and the prospects for each appear favorable. Although Applicant proposes to incur debt in connection with its proposal, it appears that Applicant will be able to service its debt while maintaining required capital within the Board's guidelines.[3] Although consummation of the proposal would effect no changes in the services offered by Bank, considerations relating to

1. All deposit data are as of December 31, 1983, unless otherwise noted.

2. The Furnas County banking market is approximated by Furnas County, Nebraska.

3. The Board has analyzed the financial factors of this proposal under the Board's "Policy Statement for Assessing Financial Factors in the Formation of Small One-Bank Holding Companies," 66 FEDERAL RESERVE BULLETIN 320 (1980), as amended by the Board's "Capital Adequacy Guidelines," 68 FEDERAL RESERVE BULLETIN 33 (1982). The guidelines in the policy statement were developed in order to facilitate the transfer of ownership of small, community banks, thereby promoting service to the convenience and needs of the community.

the convenience and needs of the community to be served are consistent with approval. Accordingly, the Board has determined that consummation of the transaction would be in the public interest and that the application to acquire Bank should be approved.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to engage in the activities of a general insurance agency in a community with a population not exceeding 5,000. Applicant proposes to acquire all of the operating assets of Agency, a general insurance agency which conducts its business in the building occupied by Bank in Oxford, Nebraska, a town of approximately 1,100 persons. Following consummation of this acquisition, Applicant would engage directly in general insurance agency activities. This proposal would assure the residents of the Oxford area of the continued availability of a convenient source of insurance agency services, a factor which the Board regards as being in the public interest. There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of this application.

Based on the foregoing and other 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. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 22, 1985.

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

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

Legal Developments continued on next page.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During March 1985 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551

Section 3

Applicant	Bank(s)	Board action (effective date)
FirstBank Holding Company of Colorado, Lakewood, Colorado FirstBank Holding Company, Lakewood, Colorado	FirstBank of Breckenridge, N.A., Summit County, Colorado	March 7, 1985
Liberty United Banccorp, Inc., Louisville, Kentucky	CF Bancorp, Inc., Louisville, Kentucky Citizens State Bank, Owensboro, Kentucky	February 27, 1985
Society Corporation, Cleveland, Ohio	Scioto Bank, Columbus, Ohio	March 22, 1985
TexAm Bancshares, Inc., Bridge City, Texas	Bridge City State Bank, Bridge City, Texas Peoples State Bank, Shepherd, Texas	March 1, 1985
United Bankshares, Inc., Parkersburg, West Virginia	The First National Bank of Ripley, Ripley, West Virginia	March 26, 1985

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
American Bankshares, Inc., War, West Virginia	The Security Bank, Fairmont, West Virginia	Richmond	February 22, 1985
ANB Corporation, Muncie, Indiana	American National Bank and Trust Company of Muncie, Muncie, Indiana	Chicago	February 15, 1985
Andover Banc Shares, Inc., Wichita, Kansas	National Bank of Andover, Andover, Kansas	Kansas City	March 1, 1985
Bank of New Hampshire Corporation, Manchester, New Hampshire	Strafford National Bank, Dover, New Hampshire	Boston	March 22, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
The Bank of New Mexico Holding Company, Albuquerque, New Mexico	The Bank of Northern New Mexico, Las Vegas, New Mexico	Kansas City	March 19, 1985
Banterra Corp., Eldorado, Illinois	Egypt Bancorp, Inc., Marion, Illinois	St. Louis	March 15, 1985
Barnett Banks of Florida, Inc., Jacksonville, Florida	Cawthon State Bank, Defuniak Springs, Florida	Atlanta	March 14, 1985
Bement Bancshares, Inc., Bement, Illinois	The American Bank, Cerro Gordo, Illinois First National Bank of Ivesdale, Ivesdale, Illinois	Chicago	March 1, 1985
Carlisle Bancshares, Inc., Little Rock, Arkansas	Grand Prairie Bancshares, Inc., Carlisle, Arkansas Citizens Bank and Trust, Carlisle, Arkansas	St. Louis	March 1, 1985
Citibancshares, Inc., Muskogee, Oklahoma	Citibanc Holding Co., Inc., Muskogee, Oklahoma City Bank, Muskogee, Oklahoma	Kansas City	March 5, 1985
Citizens Bancshares, Inc., Walnut, Illinois	Citizens First State Bank of Walnut, Walnut, Illinois	Chicago	March 22, 1985
Comprehensive Investment Company, Coon Rapids, Iowa	The Farmers State Bank, Bayard, Iowa	Chicago	February 27, 1985
Cromwell Financial Corp., Cromwell, Indiana	The Cromwell State Bank, Cromwell, Indiana	Chicago	March 6, 1985
Dahlonega Bancorp, Inc., Dahlonega, Georgia	The Bank of Ellijay, Ellijay, Georgia	Atlanta	March 8, 1985
Egypt Bancorp, Inc., Marion, Illinois	Bank of Egypt, Marion, Illinois	St. Louis	March 15, 1985
Evangeline Bancshares, Inc., Ville Platte, Louisiana	The Evangeline Bank and Trust Company, Ville Platte, Louisiana	Atlanta	March 15, 1985
F & M Bancorporation, Inc., Kaukauna, Wisconsin	WCB Corporation, Omro, Wisconsin Winnebago County Bank, Omro, Wisconsin	Chicago	March 18, 1985
Farmers Banc, Inc., Tipton, Indiana	Farmers Loan and Trust Company, Tipton, Indiana	Chicago	February 27, 1985
FBC Bancshares, Inc., Lakeview, Ohio	The Farmers Banking Company, N.A., Lakeview, Ohio	Cleveland	March 7, 1985
The First BancCrossville, Inc., Crossville, Tennessee	The First National Bank of Crossville, Crossville, Tennessee	Atlanta	March 1, 1985
First Bankers Corporation of Florida, Pompano Beach, Florida	The First Bankers of Seminole County, N.A., Longwood, Florida	Atlanta	March 20, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Berne Financial Corporation, Berne, Indiana	First Bank of Berne, Berne, Indiana	Chicago	March 5, 1985
First City Bancshares, Inc., New Orleans, Louisiana	First City Bank, New Orleans, Louisiana	Atlanta	March 8, 1985
First Community Financial Corporation, Mifflintown, Pennsylvania	The First National Bank of Mifflintown, Mifflintown, Pennsylvania	Philadelphia	March 8, 1985
First National Bancshares, Inc., Jacksonville, Florida	First National Bank of Jacksonville, Jacksonville, Florida	Atlanta	March 15, 1985
First State Capital Corporation, Lineville, Alabama	First State Bank of Lineville, Lineville, Alabama	Atlanta	February 27, 1985
First Union Bancorp, Denver, Colorado	First Union National Bank of Colorado, Denver, Colorado	Kansas City	March 1, 1985
FM Bancorp, Inc., Paxton, Illinois	Farmers-Merchants National Bank of Paxton, Paxton, Illinois	Chicago	March 11, 1985
FNB Bancshares, Inc., Lake Providence, Louisiana	The First National Bank of Lake Providence, Lake Providence, Louisiana	Dallas	March 1, 1985
Founders Bank Corporation, Scottsdale, Arizona	Founders Bank of Arizona, Scottsdale, Arizona	San Francisco	March 5, 1985
Fulda Bancorporation, Inc., Fulda, Minnesota	Fulda State Bank, Fulda, Minnesota	Minneapolis	February 19, 1985
GHW Associates, Hackensack, New Jersey	First Inter-County Bank of New York, New York, New York	New York	March 25, 1985
Greater Texas Bancshares, Inc., Georgetown, Texas	National Bank of Oak Hill, Austin, Texas	Dallas	March 1, 1985
Hill City, Inc., Hill City, Kansas	The Farmers and Merchants Bank of Hill City, Hill City, Kansas	Kansas City	March 11, 1985
Home National Corporation, Thorntown, Indiana	The Home National Bank of Thorntown, Thorntown, Indiana	Chicago	March 13, 1985
Horizon Bankshares, Inc., Fort Worth, Texas	The National Bank of Texas at Fort Worth, Fort Worth, Texas	Dallas	March 6, 1985
Iowa National Bankshares Corp., Waterloo, Iowa	Midway Bank & Trust, Cedar Falls, Iowa	Chicago	March 8, 1985
Kisco Financial Corporation, Miami, Florida	Kislak National Bank, North Miami, Florida	Atlanta	March 4, 1985
Lafayette Bancorporation, Lafayette, Indiana	The Lafayette Bank and Trust Company, Lafayette, Indiana	Chicago	March 21, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Logan County BancShares, Inc., Logan, West Virginia	Logan Bank & Trust Company, Logan, West Virginia Bank of Chapmanville, Chapmanville, West Virginia	Richmond	March 22, 1985
Louisiana Bancshares, Inc., Baton Rouge, Louisiana	The State National Corp., New Iberia, Louisiana	Atlanta	March 11, 1985
McHugh Investment Company, Murdock, Nebraska	Corn Growers State Bank, Murdock, Nebraska	Kansas City	March 21, 1985
Macon-Atlanta Bancorp., Inc., Macon, Missouri	Macon-Atlanta State Bank, Macon, Missouri	St. Louis	March 5, 1985
The Marine Corporation, Milwaukee, Wisconsin	The Citizens National Bank of Stevens Point, Stevens Point, Wisconsin	Chicago	March 7, 1985
Marion County Bancshares, Inc., Hamilton, Alabama	First National Bank of Hamilton, Hamilton, Alabama	Atlanta	March 5, 1985
Martinsburg Bancorp, Inc., Martinsburg, Missouri	Martinsburg Bank, Martinsburg, Missouri	St. Louis	March 13, 1985
Mercantile Bancorporation, Inc., St. Louis, Missouri	Bank of Poplar Bluff Bancshares, Poplar Bluff, Missouri Bank of Marble Hill, Marble Hill, Missouri	St. Louis	March 13, 1985
Merchants Bancorp, Inc., Aurora, Illinois	The Bank of Boulder Hill, Montgomery, Alabama	Chicago	March 15, 1985
Metamora Bancorp, Inc., Metamora, Ohio	The Metamora State Bank, Metamora, Ohio	Cleveland	March 21, 1985
Mustang Financial Corporation, Rio Vista, Texas	Johnson County Bank, N.A., Cleburne, Texas	Dallas	March 1, 1985
Olde Windsor Bancorp, Inc., Windsor, Connecticut	Windsor Bank and Trust Company, Windsor, Connecticut	Boston	March 11, 1985
Omnibancorp, Denver, Colorado	Omnibank Kiowa County, N.A., Eads, Colorado	Kansas City	February 22, 1985
Palmer Bancorp, Inc., Danville, Illinois	Palmer-American National Bank of Danville, Danville, Illinois	Chicago	March 19, 1985
Penn Bancshares, Inc., Pennsville, New Jersey	The Pennsville National Bank, Pennsville, New Jersey	Philadelphia	February 28, 1985
Peoples Financial Corporation, Biloxi, Mississippi	The Peoples Bank of Biloxi, Biloxi, Mississippi	Atlanta	March 13, 1985
Princeton Bancshares, Inc., Princeton, Minnesota	Princeton State Bank, Princeton, Minnesota	Minneapolis	March 1, 1985
Provident Bancorp, Inc., Dallas, Texas	Provident Bank-Denton, Denton, Texas	Dallas	March 1, 1985
Seconn Holding Company, Waterford, Connecticut	The Bank of Southeastern Connecticut, Waterford, Connecticut	Boston	March 11, 1985
Security Acadia Bancshares, Inc., Rayne, Louisiana	Rayne State Bank and Trust Company, Rayne, Louisiana	Atlanta	March 5, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Security Bancorp, Inc., Southgate, Michigan	Imlay City State Bank, Imlay City, Michigan	Chicago	February 26, 1985
Security Bancorp, Inc., San Antonio, Texas	Security Bank East, N.A., San Antonio, Texas	Dallas	March 18, 1985
Skiatook Bancshares, Inc., Skiatook, Oklahoma	Exchange Bancshares, Inc., Skiatook, Oklahoma The Exchange Bank, Skiatook, Oklahoma	Kansas City	March 15, 1985
Southwest Financial Corporation, Evergreen Park, Illinois	Hickory Creek Bank of New Lenox, New Lenox, Illinois	Chicago	March 13, 1985
Stebbins Bancshares, Inc., Creston, Ohio	Stebbins National Bank of Creston, Creston, Ohio	Cleveland	February 27, 1985
Stone Oak Bankshares, Inc., San Antonio, Texas	Stone Oak National Bank, San Antonio, Texas	Dallas	March 1, 1985
Texas First Financial Corporation, Dallas, Texas	Dallas International Bank, Dallas, Texas	Dallas	February 26, 1985
Texico Bancshares Corporation, Texico, Illinois	Texico State Bank, Texico, Illinois	St. Louis	March 15, 1985
United City Corporation, Plano, Texas	First National Bank, DeSota, Texas	Dallas	March 4, 1985
Victoria Bankshares, Inc., Victoria, Texas	First Schulenburg Financial Corporation, Schulenburg, Texas First National Bank of Schulenburg, Schulenburg, Texas	Dallas	March 22, 1985
Victoria Bankshares, Inc., Victoria, Texas	Nolte Bancshares, Inc., Seguin, Texas The Nolte National Bank of Seguin, Seguin, Texas	Dallas	March 18, 1985
Woodson Bancshares, Inc., Woodson, Texas	First State Bank, Woodson, Texas	Dallas	March 21, 1985

Section 4

Applicant	Nonbanking company	Reserve Bank	Effective date
Atlantic Bancorporation, Jacksonville, Florida, *et al.*	Interchange Group, Inc., Orlando, Florida	Atlanta	March 4, 1985
Comprehensive Investment Company, Coon Rapids, Iowa	Siedhoff Insurance Agency, Bayard, Iowa	Chicago	March 20, 1985

Section 4—Continued

Applicant	Nonbanking company	Reserve Bank	Effective date
The 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 Marine Midland National Corporation, Buffalo, New York	First Leasing Corporation, San Leandro, California	New York	March 12, 1985
Montgomery County Financial Corporation, Independence, Kansas	Sale of credit related insurance	Kansas City	March 21, 1985
NCNB Corporation, Charlotte, North Carolina	Florida Interchange Group, Inc., Orlando, Florida	Richmond	March 1, 1985
NS&T Bankshares, Incorporated, Washington, D.C.	Franklin Mortgage Corporation, Fairfax, Virginia	Richmond	March 22, 1985
Phillips Insurance Agency, Inc., Newport, Minnesota	Ronald P. Raleigh Insurance Agency, Tripoli, Wisconsin	Minneapolis	March 15, 1985
PT Invesment Corporation, Pawtucket, Rhode Island	Firestone Financial Corp., Newton Centre, Massachusetts	Boston	March 19, 1985
SouthTrust Corporation, Birmingham, Alabama	Finance South, Inc., Florala, Alabama	Atlanta	March 4, 1985
Sovran Financial Corpoation, Norfolk, Virginia	Sovran Life Insurance Company, Norfolk, Virginia Security Atlantic Life Insurance Company, Norfolk, Virginia	Richmond	March 20, 1985

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Flint Hills Financial Services Corporation, Leawood, Kansas	The Americus State Bank, Americus, Kansas sale of general insurance	Kansas City	March 14, 1985
Colt Investments, Inc., Leawood, Kansas	Flint Hills Financial Services, Leawood, Kansas sale of general insurance	Kansas City	March 14, 1985

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.

Dimension Financial Corporation v. Board of Governors, No. 84-1274 (U.S., filed Feb. 6, 1985).

Citicorp v. Board of Governors, No. 85-4009 (2d Cir., filed Jan. 15, 1985).

Citicorp v. Board of Governors, No. 84-4173 (2d Cir., filed Dec. 31, 1984).

Florida Bankers Association v. Board of Governors, Nos. 84-3883, 84-3884 (2d Cir., filed Dec. 21, 1984).

Florida Department of Banking v. Board of Governors, No. 84-3831 (11th Cir., filed Nov. 30, 1984).

Florida Department of Banking v. Board of Governors, No. 84-3832 (11th Cir., filed Nov. 30, 1984).

Citicorp v. Board of Governors, No. 84-754 (U.S., filed Oct. 12, 1984).

David Bolger Revocable Trust v. Board of Governors, No. 84-4141 (2d Cir., filed Aug. 31, 1984).

Citicorp v. Board of Governors, No. 84-4121 (2d Cir., filed Aug. 27, 1984).

Seattle Bancorporation v. Board of Governors, No. 84-7535 (9th Cir., filed Aug. 15, 1984).

Bank of New York Co., Inc. v. Board of Governors, No. 84-4091 (2d Cir., filed June 14, 1984).

Citicorp v. Board of Governors, No. 84-4081 (2d Cir., filed May 22, 1984).

Lamb v. Pioneer First Federal Savings and Loan Association, No. C84-702 (D. Wash., filed May 8, 1984).

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

Florida Bankers Association v. Board of Governors, No. 84-3269 and No. 84-3270 (11th Cir., filed Apr. 20, 1984).

Northeast Bancorp, Inc. v. Board of Governors, No. 84-363 (U.S., filed Mar. 27, 1984).

De Young v. Owens, et al., No. SC 9782-20-6 (D., N. Dist., Iowa, filed Mar. 8, 1984).

Huston v. Board of Governors, No. 84-1361 (8th Cir., filed Mar. 20, 1984); and No. 84-1084 (8th Cir., filed Jan. 17, 1984).

State of Ohio v. Board of Governors, No. 84-1270 (10th Cir., filed Jan. 30, 1984).

Ohio Deposit Guarantee Fund v. Board of Governors, No. 84-1257 (10th Cir., filed Jan. 28, 1984).

Colorado Industrial Bankers Association v. Board of Governors, No. 84-1122 (10th Cir., filed Jan. 27, 1984).

Financial Institutions Assurance Corp. v. Board of Governors, No. 84-1101 (4th Cir., filed Jan. 27, 1984).

First Bancorporation v. Board of Governors, No. 84-1011 (10th Cir., filed Jan. 5, 1984).

Oklahoma Bankers Association v. Federal Reserve Board, No. 83-2591 (10th Cir., filed Dec. 13, 1983).

The Committee for Monetary Reform v. Board of Governors, No. 84-5067 (D.C. Cir., filed June 16, 1983).

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

A. G. Becker, Inc. v. Board of Governors, No. 80-2614 (D.C. Cir., filed Oct. 14, 1980), and No. 80-2730 (D.C. Cir., filed Oct. 14, 1980).

Directors of Federal Reserve Banks and Branches

The following list presents directors of Federal Reserve Banks and Branches as of March 31, 1985, and shows the class of directorship, the principal business affiliation, and the date the term expires for each director. Each Reserve Bank has nine members on its board of directors: three Class A and three Class B directors elected by the stockholding member banks, and three Class C directors appointed by the Board of Governors of the Federal Reserve System. Directors are chosen without discrimination as to race, creed, color, sex, or national origin.

Class A directors represent the stockholding member banks in each Federal Reserve District. Class B and Class C directors represent the public and are chosen with due, but not exclusive, consideration to the interests of agriculture, commerce, industry, services, labor, and consumers; they may not be officers, directors, or employees of any bank. In addition, Class C directors may not be stockholders of any bank.

For election of Class A and Class B directors, the Board of Governors classifies the member banks of each Federal Reserve District into three groups of similar capitalization. Each group then elects one Class A and one Class B director. The Board of Governors designates one Class C director as chairman of the board of directors and Federal Reserve Agent of each District Bank, and another as deputy chairman.

Federal Reserve Branches have either five or seven directors, a majority of whom are appointed by the board of directors of the parent Reserve Bank; the others are appointed by the Board of Governors. One of the directors appointed by the Board is designated annually as chairman of the board of that Branch in a manner the Federal Reserve Bank prescribes.

In the following list, note 1 denotes a chairman of the board; note 2, a deputy chairman; and note 3, a director whose service began in 1985.

DISTRICT 1—BOSTON

Term expires Dec. 31

Class A

William W. Treat	President, Bank Meridian, N.A., Hampton, New Hampshire	1985
William S. Edgerly	Chairman and President, State Street Bank and Trust Company, Boston, Massachusetts	1986
Homer B. Ellis, Jr.[3]	President, Factory Point National Bank, Manchester Center, Vermont	1987

Class B

Matina S. Horner	President, Radcliffe College, Cambridge, Massachusetts	1985
Richard M. Oster[3]	President and Chief Executive Officer, Cookson America, Inc., Providence, Rhode Island	1986
George N. Hatsopoulos	Chairman of the Board and President, Thermo Electron Corporation, Waltham, Massachusetts	1987

Class C

Thomas I. Atkins[2]	Attorney, Brooklyn, New York	1985
Michael J. Harrington	Harrington Company, Peabody, Massachusetts	1986
Joseph A. Baute[1]	Chairman and Chief Executive Officer, Markem Corporation, Keene, New Hampshire	1987

DISTRICT 2—NEW YORK

Class A

		Term expires Dec. 31
Alfred Brittain III	Chairman of the Board, Bankers Trust Company, New York, New York	1985
T. Joseph Semrod	Chairman of the Board, United Jersey Bank, Hackensack, New Jersey	1986
Robert W. Moyer[3]	President and Chief Executive Officer, Wilber National Bank, Oneonta, New York	1987

Class B

William S. Cook	President and Chief Executive Officer, Union Pacific Corporation, New York, New York	1985
John R. Opel	Chairman of the Board, International Business Machines Corporation, Armonk, New York	1986
John F. Welch, Jr.[3]	Chairman of the Board, General Electric Company, Fairfield, Connecticut	1987

Class C

John Brademas[1]	President, New York University, New York, New York	1985
Clifton R. Wharton, Jr.[2]	Chancellor, State University of New York System, Albany, New York	1986
Virginia A. Dwyer[3]	Senior Vice President–Finance, American Telephone and Telegraph Company, New York, New York	1987

—BUFFALO BRANCH

Appointed by Federal Reserve Bank

William Balderston III	President and Chief Executive Officer, Chase Lincoln First Bank, N.A., Rochester, New York	1985
Donald I. Wickham	President, Tri-Way Farms, Inc., Stanley, New York	1985
Herbert Fort	President, The Bath National Bank, Bath, New York	1986
Ross B. Kenzie[3]	Chairman of the Board, Goldome FSB, Buffalo, New York	1987

Appointed by Board of Governors

M. Jane Dickman[1]	Partner, Touche Ross & Co., Buffalo, New York	1985
Laval S. Wilson	Superintendent, Rochester City School District, Rochester, New York	1986
Joseph Yantomasi[3]	Western New York Area Director, United Auto Workers, Buffalo, New York	1987

DISTRICT 3—PHILADELPHIA

Class A

JoAnne Brinzey	Chief Executive Officer and Cashier, The First National Bank at Gallitzin, Gallitzin, Pennsylvania	1985
John H. Walther	Chairman of the Board, New Jersey National Bank, Pennington, New Jersey	1986
Ronald H. Smith[3]	President and Chief Executive Officer, CCNB Bank, N.A., New Cumberland, Pennsylvania	1987

DISTRICT 3—Continued

Class B

Name		Term expires Dec. 31
Eberhard Faber IV	Chairman of the Board and Chief Executive Officer, Eberhard Faber, Inc., Wilkes-Barre, Pennsylvania	1985
Carl E. Singley	Dean and Professor of Law, Temple University Law School, Philadelphia, Pennsylvania	1986
Charles F. Seymour[3]	Chairman and Chief Executive Officer, Jackson-Cross Company, Philadelphia, Pennsylvania	1987

Class C

Nevius M. Curtis[2]	Chairman and Chief Executive Officer, Delmarva Power & Light Company, Wilmington, Delaware	1985
Robert M. Landis[1]	Partner, Dechert, Price and Rhoads, Philadelphia, Pennsylvania	1986
George E. Bartol III	Chairman of the Board, Hunt Manufacturing Company, Philadelphia, Pennsylvania	1987

DISTRICT 4—CLEVELAND

Class A

William A. Stroud	President, First-Knox National Bank, Mount Vernon, Ohio	1985
J. David Barnes	Chairman and Chief Executive Officer, Mellon Bank, Pittsburgh, Pennsylvania	1986
Raymond D. Campbell	President and Chief Executive Officer, Independent State Bank of Ohio, Columbus, Ohio	1987

Class B

John W. Kessler	President, John W. Kessler Company, Columbus, Ohio	1985
John R. Hall	Chairman of the Board and Chief Executive Officer, Ashland Oil, Inc., Ashland, Kentucky	1986
Richard D. Hannan	Chairman of the Board and President, Mercury Instruments, Inc., Cincinnati, Ohio	1987

Class C

Lewis R. Smoot, Sr.	President and Chief Executive Officer, The Sherman R. Smoot Company, Columbus, Ohio	1985
W. H. Knoell[1]	President and Chief Executive Officer, Cyclops Corporation, Pittsburgh, Pennsylvania	1986
E. Mandell de Windt[2]	Chairman of the Board, Eaton Corporation, Cleveland, Ohio	1987

—CINCINNATI BRANCH

Appointed by Federal Reserve Bank

Clement L. Buenger	President and Chief Executive Officer, The Fifth Third Bank, Cincinnati, Ohio	1985
Vernon J. Cole	Executive Vice President and Chief Executive Officer, Harlan National Bank, Harlan, Kentucky	1986
Sherrill Cleland	President, Marietta College, Marietta, Ohio	1987
Jerry L. Kirby[3]	Chairman of the Board, President, and Chief Executive Officer, Citizens Federal Savings and Loan Association, Dayton, Ohio	1987

DISTRICT 4—Continued

—CINCINNATI BRANCH—Continued

Appointed by Board of Governors

		Term expires Dec. 31
Vacancy		1985
Robert E. Boni[1]	President and Chief Executive Officer, Armco Inc., Middletown, Ohio	1986
Don Ross	Owner, Dunreath Farm, Lexington, Kentucky	1987

—PITTSBURGH BRANCH

Appointed by Federal Reserve Bank

A. Dean Heasley	President and Chief Executive Officer, Century National Bank & Trust Co., Rochester, Pennsylvania	1985
G. R. Rendle	President and Chief Executive Officer, Gallatin National Bank, Uniontown, Pennsylvania	1986
Charles L. Fuellgraf, Jr.[3]	Chief Executive Officer, Fuellgraf Electric Company, Butler, Pennsylvania	1987
James S. Pasman, Jr.	Vice Chairman, Aluminum Company of America, Pittsburgh, Pennsylvania	1987

Appointed by Board of Governors

Robert S. Kaplan	Professor of Industrial Administration, Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pennsylvania	1985
Milton G. Hulme, Jr.[1]	President and Chief Executive Officer, Mine Safety Appliances Company, Pittsburgh, Pennsylvania	1986
Milton A. Washington	President and Chief Executive Officer, Allegheny Housing Rehabilitation Corporation, Pittsburgh, Pennsylvania	1987

DISTRICT 5—RICHMOND

Class A

Willard H. Derrick	President and Chief Executive Officer, Sandy Spring National Bank and Savings Institution, Sandy Spring, Maryland	1985
Robert S. Chiles, Sr.	President and Chief Executive Officer, Greensboro National Bank, Greensboro, North Carolina	1986
Robert F. Baronner[3]	President and Chief Executive Officer, One Valley Bancorp of West Virginia, Inc. and Kanawha Valley Bank, N.A., Charleston, West Virginia	1987

Class B

George Dean Johnson, Jr.	Partner, Johnson, Smith, Hibbard, Cleveland, Wildman and Dennis, Spartanburg, South Carolina	1985
Thomas B. Cookerly	President, Broadcast Division, Allbritton Communications, Washington, D.C.	1986
Floyd D. Gottwald, Jr.[3]	Chairman and Chief Executive Officer, Ethyl Corporation, Richmond, Virginia	1987

DISTRICT 5—Continued

Class C

		Term expires Dec. 31
Robert A. Georgine[2]	President, Building and Construction Trades Department, AFL–CIO, Washington, D.C.	1985
Leroy T. Canoles, Jr.[1]	President, Kaufman and Canoles, Norfolk, Virginia	1986
Vacancy		1987

—BALTIMORE BRANCH

Appointed by Federal Reserve Bank

Howard I. Scaggs	Chairman of the Board, American National Building and Loan Association, Baltimore, Maryland	1985
Hugh D. Shires	Senior Vice President (Retired), The First National Bank of Maryland, Baltimore, Maryland	1985
Charles W. Hoff III	President and Chief Executive Officer, Farmers and Mechanics National Bank, Frederick, Maryland	1986
Raymond V. Haysbert, Sr.[3]	President and Chief Executive Officer, Parks Sausage Company, Baltimore, Maryland	1987

Appointed by Board of Governors

Edward H. Covell	President, The Covell Company, Easton, Maryland	1985
Robert L. Tate[1]	Chairman, Tate Industries, Baltimore, Maryland	1986
Vacancy		1987

—CHARLOTTE BRANCH

Appointed by Federal Reserve Bank

J. Donald Collier	President and Chief Executive Officer, First National Bank, Orangeburg, South Carolina	1985
James G. Lindley[3]	Chairman and Chief Executive Officer, South Carolina National Bank, Columbia, South Carolina	1985
John A. Hardin	Chairman of the Board and President, First Federal Savings and Loan Association, Rock Hill, South Carolina	1986
James M. Culberson, Jr.[3]	President and Chairman, The First National Bank of Randolph County, Asheboro, North Carolina	1987

Appointed by Board of Governors

G. Alex Bernhardt	President, Bernhardt Industries, Inc., Lenoir, North Carolina	1985
Wallace J. Jorgenson[1]	President, Jefferson-Pilot Broadcasting Company, Charlotte, North Carolina	1986
Robert L. Albright[3]	President, Johnson C. Smith University, Charlotte, North Carolina	1987

DISTRICT 6—ATLANTA

Class A

		Term expires Dec. 31
Dan B. Andrews	President, First National Bank, Dickson, Tennessee	1985
Mary W. Walker	President, The National Bank of Walton County, Monroe, Georgia	1986
E. B. Robinson, Jr.[3]	Chairman and Chief Executive Officer, Deposit Guaranty National Bank, Jackson, Mississippi	1987

Class B

Bernard F. Sliger	President, Florida State University, Tallahassee, Florida	1985
Harold B. Blach, Jr.	President, Blach's Inc., Birmingham, Alabama	1986
Horatio C. Thompson	President, Horatio Thompson Investments, Inc., Baton Rouge, Louisiana	1987

Class C

John H. Weitnauer, Jr.[1]	Chairman and Chief Executive Officer, Richway, Atlanta, Georgia	1985
Bradley Currey, Jr.[2]	President, Rock-Tenn Company, Norcross, Georgia	1986
Jane C. Cousins	President and Chief Executive Officer, Merrill Lynch Realty/Cousins, Miami, Florida	1987

—BIRMINGHAM BRANCH

Appointed by Federal Reserve Bank

G. Mack Dove	President, AAA Cooper Transportation Company, Dothan, Alabama	1985
Grady Gillam	Chairman, AmSouth Bank, Gadsden, Alabama	1985
Charles L. Peery	Chairman, The First National Bank of Florence, Florence, Alabama	1986
Willard L. Hurley[3]	Chairman and Chief Executive Officer, First Alabama Bancshares, Inc., Birmingham, Alabama	1987

Appointed by Board of Governors

Martha A. McInnis[1]	Executive Vice President, EnviroSouth, Inc., Montgomery, Alabama	1985
Vacancy		1986
A. G. Trammell[3]	President, Alabama Labor Council, AFL–CIO, Birmingham, Alabama	1987

—JACKSONVILLE BRANCH

Appointed by Federal Reserve Bank

George C. Boone, Jr.	President and Chief Executive Officer, Security First Federal Savings and Loan Association, Daytona Beach, Florida	1985
E. F. Keen, Jr.	Vice Chairman, NCNB Bancorporation, Bradenton, Florida	1985
John D. Uible	Chairman and Chief Executive Officer, Florida National Banks of Florida, Inc., Jacksonville, Florida	1986
Joel R. Wells, Jr.[3]	President and Chief Executive Officer, Sun Banks, Inc., Orlando, Florida	1987

DISTRICT 6—Continued

—JACKSONVILLE BRANCH—Continued

Appointed by Board of Governors

		Term expires Dec. 31
E. William Nash, Jr.[1]	President, South Central Operations, The Prudential Insurance Company of America, Jacksonville, Florida	1985
JoAnn Doke Smith	Co-Owner, Smith Brothers, Micanopy, Florida	1986
Andrew A. Robinson[3]	Dean, College of Education and Human Services, University of North Florida, Jacksonville, Florida	1987

—MIAMI BRANCH

Appointed by Federal Reserve Bank

D. S. Hudson, Jr.	Chairman, First National Bank and Trust Company of Stuart, Stuart, Florida	1985
Robert L. Kester	Vice Chairman, Barnett Bank of South Florida, N.A., Pompano Beach, Florida	1986
James P. Hermes[3]	President and Chief Executive Officer, Bank of the Islands, Sanibel, Florida	1987
Robert D. Rapaport	Principal, The Rapaport Companies, Palm Beach, Florida	1987

Appointed by Board of Governors

Sue McCourt Cobb	Attorney, Greenberg, Traurig, Askew, Hoffman, Lipoff, Rosen, and Quentel, P.A., Miami, Florida	1985
Eugene E. Cohen[1]	Chief Financial Officer and Treasurer, Howard Hughes Medical Institute, Coconut Grove, Florida	1986
Robert D. Apelgren[3]	Vice President, Sugar Cane Growers Cooperative of Florida, Inc., Pahokee, Florida	1987

—NASHVILLE BRANCH

Appointed by Federal Reserve Bank

Samuel H. Howard	Vice President and Treasurer, Hospital Corporation of America, Nashville, Tennessee	1985
Owen G. Shell, Jr.	President and Chief Executive Officer, First American National Bank of Nashville, Nashville, Tennessee	1985
Robert W. Jones	Chairman and President, First National Bank, McMinnville, Tennessee	1986
Will A. Hildreth[3]	President and Chief Executive Officer, First National Bank of Loudon County, Lenoir City, Tennessee	1987

Appointed by Board of Governors

Condon S. Bush[1]	President, Bush Brothers & Company, Dandridge, Tennessee	1985
Patsy R. Williams	Partner, Rhyne Lumber Company, Newport, Tennessee	1986
C. Warren Neel	Dean, College of Business Administration, The University of Tennessee, Knoxville, Tennessee	1987

DISTRICT 6—Continued

—NEW ORLEANS BRANCH

Appointed by Federal Reserve Bank

		Term expires Dec. 31
Philip K. Livingston	Vice Chairman, President and Chief Executive Officer, Citizens National Bank, Hammond, Louisiana	1985
Tom Burkett Scott, Jr.	President and Chief Executive Officer, Unifirst Bank for Savings, F.A., Jackson, Mississippi	1985
Carl E. Jones, Jr.	President, Chairman and Chief Executive Officer, Merchants National Bank of Mobile, Mobile, Alabama	1986
James G. Boyer[3]	Chairman, President and Chief Executive Officer, Gulf National Bank at Lake Charles, Lake Charles, Louisiana	1987

Appointed by Board of Governors

Sharon A. Perlis	President, Sharon A. Perlis Law Corporation, Metairie, Louisiana	1985
Leslie B. Lampton[1]	President, Ergon, Inc., Jackson, Mississippi	1986
Roosevelt Steptoe	Professor of Economics, Southern University, Baton Rouge Campus, Baton Rouge, Louisiana	1987

DISTRICT 7—CHICAGO

Class A

Patrick E. McNarny	President, First National Bank of Logansport, Logansport, Indiana	1985
Ollie Jay Tomson	President, The Citizens National Bank of Charles City, Charles City, Iowa	1986
Barry F. Sullivan[3]	Chairman of the Board, First National Bank of Chicago, Chicago, Illinois	1987

Class B

Mary Garst	Manager, Cattle Division, Garst Company, Coon Rapids, Iowa	1985
Leon T. Kendall	Chairman and Chief Executive Officer, Mortgage Guaranty Insurance Corporation, Milwaukee, Wisconsin	1986
Edward D. Powers[3]	President and Chief Executive Officer, Mueller Company, Decatur, Illinois	1987

Class C

Stanton R. Cook[1]	President, Tribune Company, Chicago, Illinois	1985
Robert J. Day[2]	President and Chief Operating Officer, USG Corporation, Chicago, Illinois	1986
Marcus Alexis[3]	Chairman, Department of Economics, Northwestern University, Evanston, Illinois	1987

DISTRICT 7—Continued

—DETROIT BRANCH

Appointed by Federal Reserve Bank

		Term expires Dec. 31
Charles T. Fisher III	Chairman and President, National Bank of Detroit, Detroit, Michigan	1985
Ronald D. Story	President, The Ionia County National Bank of Ionia, Ionia, Michigan	1986
Richard Gillett[3]	Chairman, Old Kent Financial Corporation and Old Kent Bank and Trust Company, Grand Rapids, Michigan	1987
Thomas R. Ricketts	Chairman and President, Standard Federal Savings and Loan Association, Troy, Michigan	1987

Appointed by Board of Governors

Russell G. Mawby[1]	President and Trustee, W. K. Kellogg Foundation, Battle Creek, Michigan	1985
Karl D. Gregory	Professor, Management and Economic Consultant, School of Economics and Management, Oakland University, Rochester, Michigan	1986
Robert E. Brewer	Executive Vice President–Finance, K Mart Corporation, Troy, Michigan	1987

DISTRICT 8—ST. LOUIS

Class A

Donald L. Hunt	President, First National Bank of Marissa, Marissa, Illinois	1985
Clarence C. Barksdale	Chairman of the Board, Centerre Bank, N.A., St. Louis, Missouri	1986
H. L. Hembree III[3]	Chairman of the Board and Chief Executive Officer, Arkansas Best Corporation, Fort Smith, Arkansas	1987

Class B

Robert J. Sweeney	President and Chief Executive Officer, Murphy Oil Corporation, El Dorado, Arkansas	1985
Frank A. Jones, Jr.	President, Dietz Forge Company, Memphis, Tennessee	1986
Jesse M. Shaver, Jr.	President, JMS Corporation, Louisville, Kentucky	1987

Class C

Robert L. Virgil, Jr.	Dean, School of Business, Washington University, St. Louis, Missouri	1985
Mary P. Holt[2]	President, Clothes Horse, Little Rock, Arkansas	1986
W. L. Hadley Griffin[1]	Chairman of the Executive Committee, Brown Group, Inc., St. Louis, Missouri	1987

DISTRICT 8—Continued

—LITTLE ROCK BRANCH

Appointed by Federal Reserve Bank

		Term expires Dec. 31
D. Eugene Fortson	Chairman and Chief Executive Officer, Worthen Bank and Trust Company, N.A., Little Rock, Arkansas	1985
William H. Kennedy, Jr.	Chairman of the Executive Committee, National Bank of Commerce of Pine Bluff, Pine Bluff, Arkansas	1986
Wilbur P. Gulley, Jr.	Chairman of the Board and Chief Executive Officer, Savers Federal Savings and Loan Association, Little Rock, Arkansas	1987
W. Wayne Hartsfield[3]	President and Chief Executive Officer, First National Bank, Searcy, Arkansas	1987

Appointed by Board of Governors

Shirley J. Pine	Professor, Department of Communicative Disorders, University of Arkansas at Little Rock, Little Rock, Arkansas	1985
Richard V. Warner	Group Vice President, Wood Products Group, Potlatch Corporation, Warren, Arkansas	1986
Sheffield Nelson[1]	Partner, House, Wallace, Nelson and Jewell, P.A., Little Rock, Arkansas	1987

—LOUISVILLE BRANCH

Appointed by Federal Reserve Bank

Allan S. Hanks	President, The Anderson National Bank of Lawrenceburg, Lawrenceburg, Kentucky	1985
Frank B. Hower, Jr.	Chairman and Chief Executive Officer, Liberty National Bank and Trust Company of Louisville, Louisville, Kentucky	1986
John E. Darnell, Jr.	Chairman of the Board, The Owensboro National Bank, Owensboro, Kentucky	1987
R. I. Kerr, Jr.	Chairman of the Board, President, and Chief Executive Officer, Great Financial Federal, Louisville, Kentucky	1987

Appointed by Board of Governors

Henry F. Frigon[1]	President and Chief Operating Officer, BATUS, Inc., Louisville, Kentucky	1985
William C. Ballard, Jr.	Executive Vice President, Finance and Administration, Humana, Inc., Louisville, Kentucky	1986
Raymond M. Burse[3]	President, Kentucky State University, Frankfort, Kentucky	1987

—MEMPHIS BRANCH

Appointed by Federal Reserve Bank

William H. Brandon, Jr.	President, First National Bank of Phillips County, Helena, Arkansas	1985
Wayne W. Pyeatt	President, Memphis Fire Insurance Company, Memphis, Tennessee	1986
Edgar H. Bailey	Chairman and Chief Executive Officer, Leader Federal Savings and Loan Association, Memphis, Tennessee	1987
John P. Dulin[3]	President, First Tennessee Bank, Memphis, Tennessee	1987

DISTRICT 8—Continued

—MEMPHIS BRANCH—Continued

Appointed by Board of Governors

		Term expires Dec. 31
Patricia W. Shaw	President and Chief Executive Officer, Universal Life Insurance Company, Memphis, Tennessee	1985
Donald B. Weis[1]	President, Tamak Transportation Corporation, West Memphis, Arkansas	1986
G. Rives Neblett	Attorney, Neblett, Bobo, Chapman, and Heaton, Shelby, Mississippi	1987

DISTRICT 9—MINNEAPOLIS

Class A

Curtis W. Kuehn	President, The First National Bank in Sioux Falls, Sioux Falls, South Dakota	1985
Burton P. Allen, Jr.	President, First National Bank, Milaca, Minnesota	1986
Thomas M. Strong[3]	President and Chief Executive Officer, Citizens State Bank, Ontonagon, Michigan	1987

Class B

Richard L. Falconer	District Manager, Northwestern Bell, Bismarck, North Dakota	1985
Harold F. Zigmund	Chairman, Blandin Paper Company, Grand Rapids, Minnesota	1986
William L. Mathers	President, Mathers Land Company, Inc., Miles City, Montana	1987

Class C

Sister Generose Gervais	Administrator, St. Mary's Hospital, Rochester, Minnesota	1985
John B. Davis, Jr.[2]	Interim Executive Director, Children's Theatre Company and School, Minneapolis, Minnesota	1986
William G. Phillips[1]	Chairman, International Multifoods, Minneapolis, Minnesota	1987

—HELENA BRANCH

Appointed by Federal Reserve Bank

Roger H. Ulrich	President, First State Bank, Malta, Montana	1985
Dale W. Anderson[3]	President and Chief Executive Officer, Norwest Bank Great Falls, N.A., Great Falls, Montana	1986
Seabrook Pates	President and Chief Executive Officer, Midland Implement Company, Inc., Billings, Montana	1986

Appointed by Board of Governors

Gene J. Etchart[1]	Past President, Hinsdale Livestock Company, Glasgow, Montana	1985
Marcia S. Anderson[3]	President, Bridger Canyon Stallion Station, Inc., Bozeman, Montana	1986

DISTRICT 10—KANSAS CITY

Class A

		Term expires Dec. 31
Howard K. Loomis	President, The Peoples Bank, Pratt, Kansas	1985
Wayne D. Angell	Chairman of the Board, The First State Bank of Pleasanton, Pleasanton, Kansas	1986
Donald D. Hoffman	Chairman of the Board, Central Bank of Denver, Denver, Colorado	1987

Class B

Ralph F. Cox	Chief Operating Officer–Resources, and Director, Atlantic Richfield Company, Denver, Colorado	1985
Richard D. Harrison	Chairman and Chief Executive Officer, Fleming Companies, Inc., Oklahoma City, Oklahoma	1986
Duane C. Acker	President, Kansas State University, Manhattan, Kansas	1987

Class C

Irvine O. Hockaday, Jr.[1]	Executive Vice President and Member of the Office of the Chairman, Hallmark Cards, Inc., Kansas City, Missouri	1985
Vacancy		1986
Robert G. Lueder[2]	Chairman of the Board, Lueder Construction Company, Omaha, Nebraska	1987

—DENVER BRANCH

Appointed by Federal Reserve Bank

George S. Jenks	President and Chief Executive Officer, Sunwest Financial Services, Inc., Albuquerque, New Mexico	1985
Kenneth C. Naramore	Chairman of the Board and Chief Executive Officer, Stockmen's Bank and Trust Company, Gillette, Wyoming	1986
Roger L. Reisher	Co-Chairman, FirstBank Holding Company of Colorado, Lakewood, Colorado	1986
Junius F. Baxter[3]	President and Chairman, Midland-Western Federal Savings, Denver, Colorado	1987

Appointed by Board of Governors

Anthony W. Williams	President, Williams, Turner & Holmes, P.C., Grand Junction, Colorado	1985
James C. Wilson[3]	President and Chief Executive Officer, Rocky Mountain Energy, Broomfield, Colorado	1986
James E. Nielson[1]	President and Chief Executive Officer, JN Incorporated, Cody, Wyoming	1987

—OKLAHOMA CITY BRANCH

Appointed by Federal Reserve Bank

William H. Crawford	President and Chief Executive Officer, First National Bank and Trust Company, Frederick, Oklahoma	1985
William O. Alexander	President and Chief Executive Officer, Continental Federal Savings & Loan Association, Oklahoma City, Oklahoma	1986
Marcus R. Tower	Vice Chairman of the Board and Chairman of the Credit Policy Committee, Bank of Oklahoma, N.A., Tulsa, Oklahoma	1986

DISTRICT 10—Continued

—OKLAHOMA CITY BRANCH—Continued

Appointed by Board of Governors

		Term expires Dec. 31
Patience S. Latting[1]	Oklahoma City, Oklahoma	1985
John F. Snodgrass	President and Trustee, Samuel Roberts Noble Foundation, Inc., Ardmore, Oklahoma	1986

—OMAHA BRANCH

Appointed by Federal Reserve Bank

William W. Cook, Jr.	President, The Beatrice National Bank and Trust Company, Beatrice, Nebraska	1985
Charles H. Thorne	Chairman of the Board and Chief Executive Officer, First Federal Savings and Loan Association of Lincoln, Lincoln, Nebraska	1985
Donald J. Murphy	Director, Norwest Bank Omaha, N.A., Omaha, Nebraska	1986

Appointed by Board of Governors

Kenneth L. Morrison[1]	President, Morrison-Quirk Grain Corporation, Hastings, Nebraska	1985
Janice D. Stoney[3]	Vice President, Northwestern Bell Telephone Company, Omaha, Nebraska	1986

DISTRICT 11—DALLAS

Class A

John P. Gilliam	Chairman of the Board and Chief Executive Officer, First National Bank in Valley Mills, Valley Mills, Texas	1985
Miles D. Wilson	Chairman of the Board and Chief Executive Officer, The First National Bank of Bellville, Bellville, Texas	1986
Gene Edwards[3]	Chairman of the Board, First Amarillo Bancorporation, Inc., Amarillo, Texas	1987

Class B

Robert Ted Enloe III	President, Lomas & Nettleton Financial Corporation, Dallas, Texas	1985
Kent Gilbreath	Associate Dean, Hankamer School of Business, Baylor University, Waco, Texas	1986
Robert L. Pfluger[3]	Rancher, San Angelo, Texas	1987

Class C

Robert D. Rogers[1]	President and Chief Executive Officer, Texas Industries, Inc., Dallas, Texas	1985
Hugh G. Robinson[3]	Vice President for Real Estate Development, Southland Corporation, Dallas, Texas	1986
Bobby R. Inman[2]	Chairman of the Board, President, and Chief Executive Officer, Microelectronics and Computer Technology Corporation, Austin, Texas	1987

DISTRICT 11—Continued

—EL PASO BRANCH

Appointed by Federal Reserve Bank

		Term expires Dec. 31
Hector Holguin[3]	Founder and Chairman, Holguin Corporation, El Paso, Texas	1985
David L. Stone	President, The Portales National Bank, Portales, New Mexico	1986
Tony A. Martin	Chairman of the Board, First City National Bank of Midland, Midland, Texas	1987
Gerald W. Thomas	President Emeritus and Professor of Animal Range Science, Center for International Programs, New Mexico State University, Las Cruces, New Mexico	1987

Appointed by Board of Governors

Peyton Yates	President, Yates Drilling Company, Artesia, New Mexico	1985
John Sibley[1]	President, Delaware Mountain Enterprises, Carlsbad, New Mexico	1986
Mary Carmen Saucedo	Associate Superintendent, Central Area Office, El Paso Independent School District, El Paso, Texas	1987

—HOUSTON BRANCH

Appointed by Federal Reserve Bank

Will E. Wilson	Chairman of the Executive Committee, First City National Bank of Beaumont, Beaumont, Texas	1985
Marcella D. Perry	President and Chief Executive Officer, Heights Savings Association, Houston, Texas	1986
Thomas B. McDade	Vice Chairman, Texas Commerce Bancshares, Inc., Houston, Texas	1987
David E. Sheffield[3]	President and Chief Executive Officer, First Victoria National Bank, Victoria, Texas	1987

Appointed by Board of Governors

Robert T. Sakowitz[1]	Chairman of the Board and President, Sakowitz, Inc., Houston, Texas	1985
Walter M. Mischer, Jr.[3]	President, The Mischer Corporation, Houston, Texas	1986
Andrew L. Jefferson, Jr.[3]	Attorney, Jefferson, Mims, and Plummer, Houston, Texas	1987

—SAN ANTONIO BRANCH

Appointed by Federal Reserve Bank

George Brannies	Chairman of the Board and President, The Mason National Bank, Mason, Texas	1985
C. Ivan Wilson	Chairman of the Board and Chief Executive Officer, First City Bank of Corpus Christi, Corpus Christi, Texas	1986
Joe D. Barbee	President and Chief Executive Officer, Barbee-Neuhaus Implement Company, Weslaco, Texas	1987
Robert T. Rork[3]	Chairman of the Board and Chief Executive Officer, RepublicBank San Antonio, N.A., San Antonio, Texas	1987

DISTRICT 11—Continued

—SAN ANTONIO BRANCH—Continued

Appointed by Board of Governors

		Term expires Dec. 31
Robert F. McDermott[1]	Chairman of the Board and President, United Services Automobile Association, San Antonio, Texas	1985
Lawrence L. Crum	Professor of Banking and Finance, The University of Texas at Austin, Austin, Texas	1986
Ruben M. Garcia[3]	President, Modern Machine Shop, Inc., Laredo, Texas	1987

DISTRICT 12—SAN FRANCISCO

Class A

Spencer F. Eccles	Chairman, President, and Chief Executive Officer, First Security Corporation, Salt Lake City, Utah	1985
Rayburn S. Dezember	Chairman, Central Pacific Corporation, Bakersfield, California	1986
Donald J. Gehb[3]	President and Chief Executive Officer, Alameda First National Bank, Alameda, California	1987

Class B

Togo W. Tanaka	Chairman, Gramercy Enterprises, Inc., Los Angeles, California	1985
John C. Hampton	Chairman and President, Willamina Lumber Company, Portland, Oregon	1986
George H. Weyerhaeuser	President and Chief Executive Officer, Weyerhaeuser Company, Tacoma, Washington	1987

Class C

Carolyn S. Chambers	President, Chambers Cable Co., Inc., Eugene, Oregon	1985
Fred W. Andrew[2]	Chairman, President, and Chief Executive Officer, Superior Farming Company, Bakersfield, California	1986
Alan C. Furth[1]	Vice Chairman, Santa Fe Southern Pacific Corporation and President, Southern Pacific Company, San Francisco, California	1987

—LOS ANGELES BRANCH

Appointed by Federal Reserve Bank

Bram Goldsmith	Chairman and Chief Executive Officer, City National Bank, Beverly Hills, California	1985
William L. Tooley	Chairman, Tooley and Company, Investment Builders, Los Angeles, California	1985
Harvey J. Mitchell	President and Chief Executive Officer, Escondido National Bank, Escondido, California	1986
Robert R. Dockson	Chairman and Chief Executive Officer, CalFed, Inc., Los Angeles, California	1987

Appointed by Board of Governors

Thomas R. Brown, Jr.	Chairman of the Board, Burr-Brown Corporation, Tucson, Arizona	1985
Lola M. McAlpin-Grant	Attorney, Inglewood, California	1986
Richard C. Seaver[1,3]	President, Hydril Company, Los Angeles, California	1987

DISTRICT 12—Continued

—PORTLAND BRANCH

		Term expires Dec. 31
Appointed by Federal Reserve Bank		
Herman C. Bradley, Jr.	President and Chief Executive Officer, Tri-County Banking Company, Junction City, Oregon	1985
William S. Naito	Vice President, Norcrest China Company, Portland, Oregon	1986
John A. Elorriaga	Chairman of the Board and Chief Executive Officer, United States National Bank of Oregon, Portland, Oregon	1987
G. Dale Weight[3]	Chairman and Chief Executive Officer, Benjamin Franklin Savings and Loan Association, Portland, Oregon	1987
Appointed by Board of Governors		
G. Johnny Parks	Northwest Regional Director, International Longshoremen's & Warehousemen's Union, Portland, Oregon	1985
Paul E. Bragdon[1]	President, Reed College, Portland, Oregon	1986
Sandra A. Suran[3]	Partner, Suran and Company, Beaverton, Oregon	1987

—SALT LAKE CITY BRANCH

Appointed by Federal Reserve Bank		
John A. Dahlstrom	Chairman of the Board, Tracy-Collins Bank and Trust Company, Salt Lake City, Utah	1985
Fred C. Humphreys	Chairman, President and Chief Executive Officer, The Idaho First National Bank and Moore Financial Group, Boise, Idaho	1985
Albert C. Gianoli	President and Chairman of the Board, First National Bank of Ely, Ely, Nevada	1986
Lela M. Ence	Executive Director, University of Utah Alumni Association, Salt Lake City, Utah	1987
Appointed by Board of Governors		
Vacancy		1985
Robert N. Pratt	President, Moriah Enterprises, Inc., Bountiful, Utah	1986
Don M. Wheeler[1,3]	President, Wheeler Machinery Company, Salt Lake City, Utah	1987

—SEATTLE BRANCH

Appointed by Federal Reserve Bank		
William W. Philip	Chairman of the Board and President, Puget Sound National Bank, Tacoma, Washington	1985
Lonnie G. Bailey	Executive Vice President, Farmers & Merchants Bank of Rockford, Spokane, Washington	1986
John N. Nordstrom	Co-Chairman of the Board, Nordstrom, Inc., Seattle, Washington	1987
William S. Randall[3]	President and Chief Executive Officer, First Interstate Bank of Washington, N.A., Seattle, Washington	1987
Appointed by Board of Governors		
Byron I. Mallott	President and Chief Executive Officer, Sealaska Corporation, Juneau, Alaska	1985
Carol A. Birkholz	Managing Partner, Laventhol & Horwath, Seattle, Washington	1986
John W. Ellis[1]	President and Chief Executive Officer, Puget Sound Power & Light Company, Bellevue, Washington	1987

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

MONEY STOCK AND BANK CREDIT

POLICY INSTRUMENTS

FEDERAL RESERVE BANKS

MONETARY AND CREDIT AGGREGATES

COMMERCIAL BANKING INSTITUTIONS

WEEKLY REPORTING COMMERCIAL BANKS

FINANCIAL MARKETS

FEDERAL FINANCE

Securities Markets and Corporate Finance

Real Estate

Consumer Installment Credit

Flow of Funds

Domestic Nonfinancial Statistics

Selected Measures

International Statistics

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1984				1984			1985	
	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.	Feb.
Reserves of depository institutions[2]									
1 Total	7.7	8.6	6.8	−.7	−12.1	11.3	18.8	31.1	19.7
2 Required	5.3	10.3	6.6	−1.5	−12.1	9.1	14.0	35.2	15.4
3 Nonborrowed	9.0	−10.8	−44.6	30.7	32.6	66.3	72.6	94.4	23.8
4 Monetary base[3]	9.5	7.0	7.2	3.9	−.4	7.6	8.0	8.0	12.3
Concepts of money, liquid assets, and debt[4]									
5 M1	6.2	6.5	4.5	3.2[r]	−7.0[r]	12.0	10.2[r]	9.0	14.1
6 M2	7.2	7.1	6.8	9.0	5.5	14.0	13.1[r]	13.6[r]	10.5
7 M3	9.2	10.5	9.5	11.0	9.9[r]	14.2	14.4[r]	10.1[r]	7.9
8 L	11.1[r]	12.4[r]	12.2[r]	9.3	7.0	9.9	11.9	n.a.	n.a.
9 Debt	13.1	13.1	12.4[r]	12.5[r]	11.8[r]	14.7[r]	14.2[r]	12.8	n.a.
Nontransaction components									
10 In M2[5]	7.5	7.2	7.6	10.8	9.4[r]	14.6	14.1[r]	15.1[r]	9.4
11 In M3 only[6]	18.2	24.9	20.3	18.9	27.3[r]	15.0[r]	18.8[r]	−3.1[r]	−2.5
Time and savings deposits									
Commercial banks									
12 Savings[7]	−11.6	−6.7	−5.6	−10.4	−11.4	−10.6	−11.6	−9.8	−2.0
13 Small-denomination time[8]	9.5	13.1	13.4	6.9	4.4	4.4	7.8	−8.1[r]	−8.4
14 Large-denomination time[9,10]	7.4	21.8	19.3	12.2[r]	24.2	1.8[r]	3.6[r]	−9.5[r]	9.1
Thrift institutions									
15 Savings[7]	−5.7	−.7	−6.7	−6.6[r]	−5.7[r]	−5.7[r]	−6.5[r]	7.2	8.6
16 Small-denomination time	13.0	13.4	17.0	14.8	15.9	10.8	11.4	−3.1[r]	−6.0
17 Large-denomination time[9]	52.3	48.1	38.1	31.3	38.2	42.9	39.0	20.5	2.3
Debt components[4]									
18 Federal	16.6	13.1	14.7	15.6	12.9	20.0	17.7	16.3	n.a.
19 Nonfederal	12.1	13.1	11.8	11.6[r]	11.5[r]	13.1[r]	13.1[r]	11.7	n.a.
20 Total loans and securities at commercial banks[11]	11.9	11.0	9.1	9.2[r]	6.5	13.0[r]	9.7[r]	6.4	12.6

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1984	1985		1985						
	Dec.	Jan.	Feb.	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**183,925**	**182,763**	**180,077**	**183,752**	**179,274**	**179,901**	**180,153**	**179,550**	**179,690**	**180,318**
2 U.S. government securities[1]	159,474	159,619	157,221	161,411	156,368	157,296	156,272	156,656	157,641	157,589
3 Bought outright	159,010	158,152	155,848	158,645	156,368	156,858	155,135	155,694	154,608	157,589
4 Held under repurchase agreements	464	1,467	1,373	2,766	0	438	1,137	962	3,033	0
5 Federal agency obligations	8,462	8,526	8,565	8,640	8,389	8,440	8,515	8,692	8,628	8,372
6 Bought outright	8,389	8,389	8,378	8,389	8,389	8,389	8,389	8,382	8,372	8,372
7 Held under repurchase agreements	73	137	187	251	0	51	126	310	256	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	3,040	1,567	1,278	1,200	784	1,167	1,642	1,095	994	1,354
10 Float	1,499	1,203	1,248	664	1,606	877	1,460	720	959	1,624
11 Other Federal Reserve assets	11,450	11,848	11,765	11,836	12,127	12,122	12,265	12,387	11,468	11,380
12 Gold stock	11,096	11,095	11,094	11,095	11,095	11,095	11,095	11,094	11,094	11,094
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	16,388	16,453	16,501	16,448	16,462	16,474	16,478	16,492	16,506	16,520
ABSORBING RESERVE FUNDS										
15 Currency in circulation	181,720	180,036	178,273	180,592	178,689	177,310	177,657	178,479	178,700	178,134
16 Treasury cash holdings	511	526	550	524	528	534	538	549	556	555
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	3,406	3,875	4,344	3,463	3,300	4,946	5,015	4,797	3,819	4,038
18 Foreign	247	219	223	211	223	212	203	210	236	229
19 Service-related balances and adjustments	1,676	1,961	1,191	1,884	2,074	1,612	1,982	1,590	1,886	1,693
20 Other	450	479	533	420	387	574	653	521	508	466
21 Other Federal Reserve liabilities and capital	6,370	6,200	6,061	6,319	6,222	6,166	6,040	6,008	6,026	6,182
22 Reserve balances with Federal Reserve Banks[2]	21,648	21,634	21,115	22,500	20,027	20,734	20,257	19,599	20,176	21,253

Factors	End-of-month figures			Wednesday figures						
	1984	1985		1985						
	Dec.	Jan.	Feb.	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**186,384**	**177,890**	**181,786**	**185,645**	**178,913**	**179,161**	**180,050**	**182,424**	**182,216**	**178,271**
24 U.S. government securities[1]	160,850	154,555	159,632	163,153	156,030	155,418	155,562	157,651	158,072	155,501
25 Bought outright	159,223	154,555	157,124	158,733	156,030	155,418	155,562	157,651	154,743	155,501
26 Held under repurchase agreements	1,627	0	2,508	4,420	0	0	0	0	3,329	0
27 Federal agency obligations	8,777	8,389	8,752	8,644	8,389	8,389	8,389	8,372	8,676	8,372
28 Bought outright	8,389	8,389	8,372	8,389	8,389	8,389	8,389	8,372	8,372	8,372
29 Held under repurchase agreements	388	0	380	255	0	0	0	0	304	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	3,577	2,139	2,329	1,125	764	1,910	1,055	1,613	1,168	1,939
32 Float	833	502	−56	584	1,661	1,120	2,645	2,189	2,885	588
33 Other Federal Reserve assets	12,347	12,305	11,129	12,139	12,069	12,324	12,399	12,599	11,415	11,871
34 Gold stock	11,096	11,095	11,093	11,095	11,095	11,095	11,095	11,094	11,094	11,093
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	16,418	16,476	16,532	16,460	16,474	16,476	16,490	16,504	16,518	16,532
ABSORBING RESERVE FUNDS										
37 Currency in circulation	183,796	177,569	178,416	179,800	178,161	177,291	178,112	178,779	178,934	178,130
38 Treasury cash holdings	513	535	557	527	534	535	545	556	555	557
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	5,316	5,349	3,308	3,331	4,399	2,963	5,618	3,974	3,916	3,099
40 Foreign	253	244	332	198	224	238	211	268	244	223
41 Service-related balances and adjustments	1,126	1,164	1,226	1,143	1,158	1,157	1,164	1,164	1,213	1,213
42 Other	867	560	461	421	366	650	597	479	473	452
43 Other Federal Reserve liabilities and capital	5,952	5,964	5,863	6,208	5,972	5,956	5,840	5,860	5,926	5,963
44 Reserve balances with Federal Reserve Banks[2]	20,693	18,694	23,866	26,190	20,286	22,560	20,166	23,559	23,185	20,877

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1982	1983	1984	1984					1985	
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Reserve balances with Reserve Banks[1]	24,939	21,138	21,738	19,270	20,143	20,099	20,843	21,738	21,577r	20,417
2 Total vault cash[2]	20,392	20,755	22,316	21,688	21,232	21,875	21,827	22,316	23,044	23,927
3 Vault cash used to satisfy reserve requirements[3]	17,049	17,908	18,958	17,995	17,900	18,413	18,392r	18,958	19,547	19,856
4 Surplus vault cash[4]	3,343	2,847	3,358	3,694	3,333	3,462	3,434r	3,358	3,497	4,071
5 Total reserves[5]	41,853	38,894	40,696	37,264	38,043	38,512	39,235	40,696	41,125r	40,273
6 Required reserves	41,353	38,333	39,843	36,575	37,415	37,892	38,542	39,843	40,380r	39,374
7 Excess reserve balances at Reserve Banks[6]	500	561	853	689	628	620	693	853	745r	899
8 Total borrowings at Reserve Banks	697	774	3,186	8,017	7,242	6,017	4,617	3,186	1,395	1,289
9 Seasonal borrowings at Reserve Banks	33	96	113	346	319	299	212	113	62	71
10 Extended credit at Reserve Banks[7]	187	2	2,604	7,043	6,459	5,057	3,837	2,604	1,050	803
	Biweekly averages of daily figures for weeks ending									
	1984				1985					
	Nov. 7	Nov. 21	Dec. 5	Dec. 19	Jan. 2	Jan. 16	Jan. 30	Feb. 13	Feb. 27p	Mar. 13p
11 Reserve balances with Reserve Banks[1]	20,566	20,734	21,184	21,584	22,171	22,819	20,375	19,924	20,734	22,382
12 Total vault cash[2]	20,577	20,748	21,196	21,596	22,129	22,819	20,379	24,893	23,203	21,518
13 Vault cash used to satisfy reserve requirements[3]	17,949	18,661	18,320	18,547	19,701	22,089	23,828	20,624	19,270	18,094
14 Surplus vault cash[4]	3,456	3,456	3,385	3,120	19,703	19,002	19,995	4,269	3,933	3,424
15 Total reserves[5]	38,526	39,409	39,516	40,143	41,832	41,820	40,374	40,548	40,003	40,476
16 Required reserves	37,949	38,800	38,602	39,617	40,625	41,187	39,590	39,537	39,198	39,726
17 Excess reserve balances at Reserve Banks[6]	577	610	914	526	1,207	634	785	1,012	806	751
18 Total borrowings at Reserve Banks	5,373	4,476	4,251	3,231	2,691	1,631	976	1,369	1,174	1,865
19 Seasonal borrowings at Reserve Banks	265	204	184	115	81	58	63	60	81	69
20 Extended credit at Reserve Banks[7]	4,184	3,888	3,488	2,774	2,038	1,371	593	988	603	1,224

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

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1985 week ending Monday								
	Jan. 21	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25	Mar. 4	Mar. 11	Mar. 18
One day and continuing contract									
1 Commercial banks in United States	60,571	56,740	60,129	61,359	61,529	58,363	60,758	62,875	59,617
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	27,149	27,503	29,148	30,114	29,116	27,655	25,753	27,269	26,391
3 Nonbank securities dealers	7,290	8,643	8,335	7,484	8,404	9,055	8,973	8,992	9,082
4 All other	26,087	28,150	28,217	28,931	30,655	32,282	32,281	30,605	29,390
All other maturities									
5 Commercial banks in United States	8,652	7,475	7,644	8,178	8,472	8,468	8,633	8,916	9,354
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	8,072	7,315	7,010	7,200	6,981	7,715	8,068	8,282	8,401
7 Nonbank securities dealers	7,503	7,038	6,936	7,534	7,507	7,772	7,600	7,540	8,366
8 All other	9,588	7,776	8,241	8,605	8,998	8,707	9,010	8,753	8,946
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	28,438	28,298	29,664	25,960	28,703r	26,434	26,737	24,922	26,777
10 Nonbank securities dealers	5,952	6,535	6,871	6,087	6,137	6,117	6,883	6,410	6,505

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]						Effective date for current rates
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		
	Rate on 3/27/85	Effective date	Previous rate	Rate on 3/27/85	Previous rate	Rate on 3/27/85	Previous rate	Rate on 3/27/85	Previous rate	
Boston	8	12/24/84	8½	8	8½	9	9½	10	10½	12/24/84
New York		12/24/84								12/24/84
Philadelphia		12/24/84								12/24/84
Cleveland		12/24/84								12/24/84
Richmond		12/24/84								12/24/84
Atlanta		12/24/84								12/24/84
Chicago		12/24/84								12/24/84
St. Louis		12/24/84								12/24/84
Minneapolis		12/24/84								12/24/84
Kansas City		12/24/84								12/24/84
Dallas		12/24/84								12/24/84
San Francisco	8	12/24/84	8½	8	8½	9	9½	10	10½	12/24/84

Range of rates in recent years[2]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1978— July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981— May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
In effect Mar. 27, 1985	8	8

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act		Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date		Percent	Effective date
Net demand[2]			*Net transaction accounts*[7,8]		
$0 million–$2 million	7	12/30/76	$0–$29.8 million	3	1/1/85
$2 million–$10 million	9½	12/30/76	Over $29.8 million	12	1/1/85
$10 million–$100 million	11¾	12/30/76			
$100 million–$400 million	12¾	12/30/76	*Nonpersonal time deposits*[9]		
Over $400 million	16¼	12/30/76	By original maturity		
			Less than 1½ years	3	10/6/83
Time and savings[2,3]			1½ years or more	0	10/6/83
Savings	3	3/16/67			
			Eurocurrency liabilities		
Time[4]			All types	3	11/13/80
$0 million–$5 million, by maturity					
30–179 days	3	3/16/67			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			
Over $5 million, by maturity					
30–179 days	6	12/12/74			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect Mar. 31, 1985		In effect Mar. 31, 1985	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	5¼	12/31/80	5¼	12/31/80
3 Negotiable order of withdrawal accounts of $1,000 or more[2]	....	1/5/83	....	1/5/83
4 Money market deposit account[2]	(3)	12/14/82	(3)	12/14/82
Time accounts				
5 7–31 days of less than $1,000[4]	5½	1/1/84	5½	9/1/82
6 7–31 days of $1,000 or more[2]	....	1/5/83	....	1/5/83
7 More than 31 days	....	10/1/83	....	10/1/83

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

2. Effective Dec. 1, 1983, IRA/Keogh (HR10) Plan accounts are not subject to minimum deposit requirements. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000.

3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average maintenance balance requirements was lowered to $1,000. 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 $1,000, 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.

4. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000. Deposits of less than $1,000 issued to governmental units continue to be subject to an interest rate ceiling of 8 percent.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1982	1983	1984	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,067	18,888	20,036	0	187	3,249	507	4,463	3,410	0
2 Gross sales	8,369	3,420	8,557	897	1,491	71	1,300	0	0	2,668
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,000	2,400	7,700	600	800	0	2,200	0	0	1,600
Others within 1 year										
5 Gross purchases	312	484	1,126	0	0	600	0	146	182	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	17,295	18,887	16,354	428	3,811	872	896	1,348	771	596
8 Exchange	−14,164	−16,553	−20,840	−2,606	−2,274	0	−1,497	−3,363	−966	−625
9 Redemptions	0	87	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,797	1,896	1,638	0	0	0	0	830	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−14,524	−15,533	−13,709	−345	−3,811	−872	−896	594	−771	−596
13 Exchange	11,804	11,641	16,039	2,606	1,443	0	1,497	1,763	966	625
5 to 10 years										
14 Gross purchases	388	890	536	0	0	0	0	335	0	0
15 Gross sales	0	0	300	0	0	0	0	0	0	100
16 Maturity shift	−2,172	−2,450	−2,371	−83	52	0	0	−1,893	0	0
17 Exchange	2,128	2,950	2,750	0	500	0	0	850	0	0
Over 10 years										
18 Gross purchases	307	383	441	0	0	0	0	164	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−601	−904	−275	0	−52	0	0	−49	0	0
21 Exchange	234	1,962	2,052	0	332	0	0	750	0	0
All maturities										
22 Gross purchases	19,870	22,540	23,476	0	0	3,849	507	5,938	3,591	0
23 Gross sales	8,369	3,420	7,553	897	187	71	1,300	0	0	2,768
24 Redemptions	3,000	2,487	7,700	600	800	0	2,200	0	0	1,600
Matched transactions										
25 Gross sales	543,804	578,591	808,986	81,799	79,087	52,893	89,689	51,904	63,674	66,668
26 Gross purchases	543,173	576,908	810,432	81,143	78,842	55,776	85,884	55,516	61,537	66,367
Repurchase agreements										
27 Gross purchases	130,774	105,971	139,441	14,830	4,992	26,040	0	12,063	3,888	20,225
28 Gross sales	130,286	108,291	139,019	14,830	166	30,867	0	12,063	2,261	21,852
29 Net change in U.S. government securities	8,358	12,631	8,908	−2,154	2,478	1,835	−6,798	9,549	3,080	−6,295
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	189	292	256	1	5	1	14	90	0	0
Repurchase agreements										
33 Gross purchases	18,957	8,833	1,205	958	381	3,743	0	698	506	1,463
34 Gross sales	18,638	9,213	817	958	12	4,112	0	698	119	1,851
35 Net change in federal agency obligations	130	−672	132	−1	364	−370	−14	−90	388	388
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	1,285	−1,062	−418	0	0	0	0	0	0	0
37 **Total net change in System Open Market Account**	**9,773**	**10,897**	**6,116**	**−2,155**	**2,842**	**1,465**	**−6,811**	**9,459**	**3,468**	**−6,683**

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		
	1985					1984	1985	
	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27	Dec.	Jan.	Feb.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,095	11,095	11,094	11,094	11,093	11,096	11,095	11,093
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	495	514	527	537	555	436	497	551
Loans								
4 To depository institutions	1,910	1,055	1,613	1,168	1,939	3,577	2,139	2,329
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	8,389	8,389	8,372	8,372	8,372	8,389	8,389	8,372
8 Held under repurchase agreements	0	0	0	304	0	388	0	380
U.S. government securities								
Bought outright								
9 Bills	67,330	67,474	69,563	66,655	67,413	71,035	66,467	69,036
10 Notes	65,137	65,137	65,137	64,644	64,644	65,237	65,137	64,644
11 Bonds	22,951	22,951	22,951	23,444	23,444	22,951	22,951	23,444
12 Total bought outright[1]	155,418	155,562	157,651	154,743	155,501	159,223	154,555	157,124
13 Held under repurchase agreements	0	0	0	3,329	0	1,627	0	2,508
14 Total U.S. government securities	155,418	155,562	157,651	158,072	155,501	160,850	154,555	159,632
15 **Total loans and securities**	**165,717**	**165,006**	**167,636**	**167,916**	**165,812**	**173,204**	**165,083**	**170,713**
16 Cash items in process of collection	7,205	9,373	7,893	12,398	6,814	5,498	6,161	6,241
17 Bank premises	570	570	570	570	571	568	570	571
Other assets								
18 Denominated in foreign currencies[2]	3,642	3,704	3,746	3,750	3,790	3,597	3,631	3,498
19 All other[3]	8,112	8,125	8,283	7,095	7,510	8,167	8,104	7,060
20 **Total assets**	**201,454**	**203,005**	**204,367**	**207,978**	**200,763**	**207,184**	**199,759**	**204,345**
LIABILITIES								
21 Federal Reserve notes	161,845	162,681	163,359	163,508	162,710	168,327	162,125	162,992
Deposits								
22 To depository institutions	23,717	21,330	24,723	24,398	22,090	21,818	19,858	25,092
23 U.S. Treasury—General account	2,963	5,618	3,974	3,916	3,099	5,316	5,349	3,308
24 Foreign—Official accounts	238	211	268	244	223	253	244	332
25 Other	650	597	479	473	452	865	560	461
26 **Total deposits**	**27,568**	**27,756**	**29,444**	**29,031**	**25,864**	**28,252**	**26,011**	**29,193**
27 Deferred availability cash items	6,085	6,728	5,704	9,513	6,226	4,653	5,659	6,297
28 Other liabilities and accrued dividends[4]	2,359	2,283	2,236	2,284	2,321	2,700	2,355	2,463
29 **Total liabilities**	**197,857**	**199,448**	**200,743**	**204,336**	**197,121**	**203,932**	**196,150**	**200,945**
CAPITAL ACCOUNTS								
30 Capital paid in	1,635	1,650	1,661	1,664	1,669	1,626	1,639	1,669
31 Surplus	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626
32 Other capital accounts	336	281	337	352	347	0	344	105
33 **Total liabilities and capital accounts**	**201,454**	**203,005**	**204,367**	**207,978**	**200,763**	**207,184**	**199,759**	**204,345**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	116,856	115,854	116,226	117,145	116,415	122,134	116,649	116,519
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	193,598	193,509	193,693	194,259	194,549	193,867	193,440	194,635
36 LESS: Held by bank	31,753	30,828	30,334	30,751	31,839	25,540	31,315	31,643
37 Federal Reserve notes, net	161,845	162,681	163,359	163,508	162,710	168,327	162,125	162,992
Collateral held against notes net:								
38 Gold certificate account	11,095	11,095	11,094	11,094	11,093	11,096	11,095	11,093
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	146,132	146,968	147,647	147,796	146,999	152,613	146,412	147,281
42 **Total collateral**	**161,845**	**162,681**	**163,359**	**163,508**	**162,710**	**168,327**	**162,125**	**162,992**

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

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1985					1984	1985	
	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27	Dec. 31	Jan. 31	Feb. 28
1 Loans—Total	1,910	1,055	1,599	1,168	1,939	3,577	2,139	2,329
2 Within 15 days	1,905	1,035	1,589	1,164	1,936	3,547	2,125	2,320
3 16 days to 90 days	5	20	10	4	3	30	14	9
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	155,418	155,562	157,651	158,072	155,501	160,850	154,555	159,632
10 Within 15 days[1]	3,479	8,611	11,234	10,191	4,207	4,254	3,249	5,276
11 16 days to 90 days	34,846	29,697	29,240	32,350	33,057	37,396	32,498	33,214
12 91 days to 1 year	45,788	45,921	45,843	43,430	46,136	47,795	47,474	49,056
13 Over 1 year to 5 years	37,072	37,100	37,101	36,859	36,859	37,072	37,101	36,844
14 Over 5 years to 10 years	14,000	14,000	14,000	14,546	14,546	14,100	14,000	14,546
15 Over 10 years	20,233	20,233	20,233	20,696	20,696	20,233	20,233	20,696
16 Federal agency obligations—Total	8,389	8,389	8,372	8,676	8,372	8,777	8,389	8,752
17 Within 15 days[1]	97	17	82	485	234	575	97	615
18 16 days to 90 days	681	755	682	582	514	521	755	514
19 91 days to 1 year	1,718	1,724	1,748	1,748	1,739	1,665	1,644	1,738
20 Over 1 year to 5 years	4,248	4,262	4,229	4,230	4,222	4,350	4,248	4,222
21 Over 5 years to 10 years	1,246	1,232	1,232	1,232	1,264	1,267	1,246	1,264
22 Over 10 years	399	399	399	399	399	399	399	399

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.	Feb.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves**[2]	**32.10**	**34.28**	**36.14**	**38.71**	**38.24**	**38.39**	**38.14**	**37.76**	**38.11**	**38.71**	**39.71r**	**40.37**
2 Nonborrowed reserves	31.46	33.65	35.36	35.52	32.32	30.37	30.90	31.74	33.50	35.52	38.32	39.08
3 Nonborrowed reserves plus extended credit[3]	31.61	33.83	35.37	38.13	37.32	37.41	37.36	36.80	37.33	38.13	39.37	39.88
4 Required reserves	31.78	33.78	35.58	37.86	37.63	37.70	37.52	37.14	37.42	37.86	38.97	39.47
5 Monetary base[4]	158.10	170.14	185.49	198.74	194.62	195.78	196.25	196.18	197.43	198.74	200.07	202.12
	Not seasonally adjusted											
6 **Total reserves**[2]	**32.82**	**35.01**	**36.86**	**40.13**	**37.85**	**37.70**	**37.88**	**37.95**	**38.69**	**40.13**	**40.70r**	**39.88**
7 Nonborrowed reserves	32.18	34.37	36.09	36.94	31.93	29.68	30.64	31.94	34.07	36.94	39.31	38.59
8 Nonborrowed reserves plus extended credit[3]	32.33	34.56	36.09	39.55	36.94	36.72	37.10	36.99	37.91	39.55	40.36	39.39
9 Required reserves	32.50	34.51	36.30	39.28	37.24	37.01	37.25	37.33	37.99	39.28	39.96	38.98
10 Monetary base[4]	160.94	173.17	188.76	202.02	195.90	196.11	196.07	196.13	198.22	202.02	200.93	199.55
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**41.92**	**41.85**	**38.89**	**40.70**	**37.47**	**37.26**	**38.04**	**38.51**	**39.23**	**40.70**	**41.12r**	**40.27**
12 Nonborrowed reserves	41.29	41.22	38.12	37.51	31.55	29.25	30.80	32.50	34.62	37.51	39.73	38.98
13 Nonborrowed reserves plus extended credit[3]	41.44	41.41	38.12	40.09	36.39	36.29	37.29	37.37	38.54	40.09	40.88	39.83
14 Required reserves	41.61	41.35	38.33	39.84	36.86	36.57	37.41	37.89	38.54	39.84	40.38	39.37
15 Monetary base[4]	170.47	180.52	192.36	202.59	195.52	195.68	196.23	196.69	198.77	202.59	201.35	199.95

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1984 Nov.	1984 Dec.	1985 Jan.[r]	1985 Feb.
				Seasonally adjusted				
1 M1	441.9	480.5	525.4	558.5[r]	553.8[r]	558.5[r]	562.7	569.3
2 M2	1,796.6	1,965.3	2,196.3	2,371.4[r]	2,345.9	2,371.7	2,398.3	2,419.3
3 M3	2,236.7	2,460.3	2,710.4	2,995.2[r]	2,959.8[r]	2,995.2[r]	3,020.5	3,040.3
4 L	2,598.4	2,868.7	3,178.7	3,544.0	3,509.1	3,544.0	n.a.	n.a.
5 Debt[2]	4,323.8	4,710.1	5,224.6	5,937.6	5,868.3[r]	5,937.6	6,000.8	n.a.
M1 components								
6 Currency[2]	124.0	134.1	148.0	158.7	157.9	158.7	159.4	160.6
7 Travelers checks[3]	4.3	4.3	4.9	5.2	5.1	5.2	5.3	5.3
8 Demand deposits[4]	236.2	239.7	243.7	248.6	246.8	248.6	249.1	251.7
9 Other checkable deposits[5]	77.4	102.4	128.9	145.9[r]	144.1	145.9[r]	148.9	151.7
Nontransactions components								
10 In M2[6]	1,354.6	1,484.8	1,670.9	1,812.9	1,791.9	1,812.9	1,835.7	1,850.1
11 In M3 only[7]	440.2	495.0	514.1	623.8[r]	614.2[r]	623.8[r]	622.2	620.9
Savings deposits[9]								
12 Commercial Banks	159.7	164.9	134.6	122.6	123.8	122.6	121.6	121.4
13 Thrift institutions	186.1	197.2	178.2	165.9[r]	166.8[r]	165.9[r]	166.9	168.1
Small denomination time deposits[9]								
14 Commerical Banks	349.6	382.2	353.1	387.0	384.5	387.0	384.4	381.7
15 Thrift institutions	477.7	474.7	440.0	498.1	493.4	498.1	496.8	494.3
Money market mutual funds								
16 General purpose and broker/dealer	150.6	185.2	138.2	167.7[r]	162.0[r]	167.7[r]	172.2	175.4
17 Institution-only	36.2	48.4	43.2	62.7	58.3	62.7	65.0	62.2
Large denomination time deposits[10]								
18 Commercial Banks[11]	247.3	261.8	225.1	264.4	263.6[r]	264.4	262.3	264.3
19 Thrift institutions	54.3	66.1	100.4	152.4	147.6	152.4	155.0	155.3
Debt components								
20 Federal debt	830.1	991.4	1,173.1	1,367.1	1,347.2[r]	1,367.1	1,385.6	n.a.
21 Non-federal debt	3,493.7	3,718.7	4,051.6	4,570.5	4,521.0[r]	4,570.5	4,615.2	n.a.
				Not seasonally adjusted				
22 M1	452.3	491.9	537.9[r]	570.4[r]	555.9[r]	570.4[r]	568.2	558.5
23 M2	1,798.7	1,967.4	2,198.1	2,376.3[r]	2,343.8[r]	2,376.3[r]	2,403.6	2,412.6
24 M3	2,242.7	2,466.6	2,716.5	3,002.3[r]	2,960.3[r]	3,002.3[r]	3,024.2	3,033.6
25 L	2,605.6	2,876.5	3,189.4	3,545.7	3,509.2	3,509.2	n.a.	n.a.
26 Debt[2]	4,323.8	4,710.1	5,218.5	5,931.0	5,855.9[r]	5,855.9	5,992.3	n.a.
M1 components								
27 Currency[2]	126.1	136.4	150.5	160.9	158.7	160.9	158.3	158.6
28 Travelers checks[3]	4.1	4.1	4.6	4.9	4.8	4.9	4.9	5.0
29 Demand deposits[4]	243.6	247.3	251.6	257.4	248.9	257.4	254.9	244.9
30 Other checkable deposits[5]	78.5	104.1	131.3	147.2[r]	143.4[r]	147.2[r]	150.1	150.0
Nontransactions components								
31 M2[6]	1,346.3	1,475.5	1,660.2	1,805.9	1,787.9[r]	1,805.9	1,835.4	1,854.4
32 M3 only[7]	444.1	499.2	518.4	626.0[r]	616.5[r]	626.0[r]	620.6	620.7
Money market deposit accounts								
33 Commercial banks	n.a.	26.3	230.0	267.1	257.1	267.1	280.4	289.3
34 Thrift institutions	n.a.	16.6	145.9	148.1[r]	145.5	148.1[r]	153.3	159.1
Savings deposits[8]								
35 Commercial Banks	157.5	162.1	132.0	121.4	122.7	121.4	121.1	120.4
36 Thrift institutions	184.7	195.5	176.5	164.8[r]	166.0[r]	164.8[r]	165.7	166.5
Small denomination time deposits[9]								
37 Commercial Banks	347.7	380.1	351.0	387.6	387.1	387.6	386.0	383.8
38 Thrift institutions	475.6	472.4	437.6	498.8	496.8	498.8	501.6	498.2
Money market mutual funds								
39 General purpose and broker/dealer	150.6	185.2	138.2	167.7[r]	162.0[r]	167.7[r]	172.2	175.4
40 Institution-only	36.2	48.4	43.2	62.7	58.3	62.7	65.0	62.2
Large denomination time deposits[10]								
41 Commercial Banks[11]	252.1	266.2	228.5	265.9	263.6	265.9[r]	263.1	263.8
42 Thrift institutions	54.3	66.2	100.7	151.6	148.1	151.6	154.5	155.3
Debt components								
43 Federal debt	830.1	991.4	1,170.2	1,364.7	1,343.0	1,364.7	1,383.1	n.a.
44 Non-federal debt	3,943.7	3,718.7	4,048.3	4,566.3	4,512.9[r]	4,566.3	4,609.2	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1982[1]	1983[1]	1984[1]	1984					1985
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	80,858.7	90,914.4	109,642.3	128,141.9	124,117.4	142,907.3	134,016.3	137,512.0	140,678.6
2 Major New York City banks	34,108.1	37,932.9	47,769.4	57,096.5	55,591.4	67,488.7	60,992.8	62,341.0	64,474.7
3 Other banks	46,966.5	52,981.5	61,873.1	71,045.4	68,526.0	75,418.5	73,023.5	75,171.0	76,203.9
4 ATS-NOW accounts[3]	761.0	1,036.2	1,405.5	1,851.9	1,640.6	1,698.6	1,678.5	1,677.5	1,552.0
5 Savings deposits[4]	679.6	720.3	741.4	694.5	566.8	597.2	579.1	486.0	501.3
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	285.8	324.2	379.7	436.7	424.5	486.8	448.2	453.4	468.6
7 Major New York City banks	1,116.7	1,287.6	1,528.0	1,834.6	1,822.5	2,199.6	1,917.5	1,903.0	2,008.6
8 Other banks	185.9	211.1	240.9	270.9	261.7	286.9	273.3	277.8	284.2
9 ATS-NOW accounts[3]	14.4	14.5	15.6	18.3	16.2	16.9	16.5	16.3	14.6
10 Savings deposits[4]	4.1	4.5	5.4	5.6	4.6	4.9	4.7	4.0	4.2
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	81,197.9	91,031.8	109,517.6	133,844.2	120,120.8	141,249.5	131,791.6	140,166.0	148,880.1
12 Major New York City banks	34,032.0	38,001.0	47,707.4	59,743.8	54,329.0	64,790.2	61,148.7	64,498.9	68,203.1
13 Other banks	47,165.9	53,030.9	64,310.2	74,100.3	65,791.8	76,459.2	70,643.0	75,667.1	80,677.0
14 ATS-NOW accounts[3]	737.6	1,027.1	1,397.0	1,629.4	1,523.7	1,665.7	1,524.8	1,625.4	1,838.9
15 MMDA[5]	....	....	567.4	888.2	821.6	901.1	819.7	899.7	1,103.9
16 Savings deposits[4]	672.9	720.0	742.0	680.3	543.1	616.2	538.7	470.6	544.7
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	286.4	325.0	379.9	465.7	408.9	479.9	438.8	447.1	486.0
18 Major New York City banks	1,114.2	1,295.7	1,510.0	2,008.0	1,786.4	2,120.7	1,944.6	1,910.8	2,025.9
19 Other banks	186.2	211.5	240.5	287.6	249.8	289.9	262.7	270.5	295.9
20 ATS-NOW accounts[3]	14.0	14.4	15.5	16.4	15.2	16.6	14.9	15.4	17.1
21 MMDA[5]	....	....	2.8	3.7	3.4	3.7	3.2	3.4	4.0
22 Savings deposits[4]	4.1	4.5	5.4	5.5	4.5	5.1	4.4	3.9	4.6

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

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1984 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	1985 Jan.r	Feb.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**1,599.6**	**1,612.9**	**1,629.8**	**1,636.6**	**1,652.6**	**1,662.1**	**1,674.9**	**1,682.8**	**1,701.1**	**1,714.8**	**1,724.0**	**1,742.0**
2 U.S. government securities	261.0	257.6	257.3	253.7	256.4	257.1	258.0	257.0	259.4	260.2	260.1	265.7
3 Other securities	142.3	142.1	140.5	139.7	139.5	140.8	141.9	141.5	141.1	139.9	142.5	141.2
4 Total loans and leases[2]	1,196.3	1,213.2	1,232.0	1,243.2	1,256.7	1,264.2	1,275.0	1,284.3	1,300.6	1,314.7	1,321.4	1,335.2
5 Commercial and industrial	432.2	438.5	448.0	452.2	455.0	458.1	460.0	463.0	467.1	468.1	468.5	473.8
6 Bankers acceptances held[3]	5.6	5.2	5.8	5.8	6.5	6.1	5.7	5.9	6.2	5.4	5.1	6.3
7 Other commercial and industrial	426.6	433.2	442.2	446.3	448.5	451.9	454.3	457.1	460.8	462.7	463.4	467.5
8 U.S. addressees[4]	414.3	420.8	430.2	434.7	436.8	440.3	443.2	446.5	450.5	453.1	453.7	457.4
9 Non-U.S. addressees[4]	12.3	12.4	12.0	11.7	11.6	11.6	11.1	10.6	10.3	9.6	9.7	10.2
10 Real estate	342.9	347.2	350.7	354.7	358.3	361.2	364.8	367.7	371.8	375.6	377.9	381.9
11 Individual	221.1	224.9	229.0	233.0	236.3	238.5	241.3	243.5	246.7	251.0	254.6	257.7
12 Security	29.6r	29.6	30.1	28.6r	28.0	26.1	28.8	30.3	30.2	31.5	31.9	31.6
13 Nonbank financial institutions	30.2	30.5r	31.4	31.4	31.4	30.8r	31.2r	31.1	31.2	31.4	31.4	30.9
14 Agricultural	40.0	40.1	40.3	40.4	40.6	40.5	40.7	40.6	40.5	40.3	40.2	40.2
15 State and political subdivisions	35.6r	36.6r	37.4	38.7	40.1	40.9	41.5	41.0	41.9	43.8	46.5	46.4
16 Foreign banks	12.8	12.7	12.3	12.3	12.2	12.0	11.5	11.4	11.7	11.4	11.3	11.4
17 Foreign official institutions	9.1	8.9	8.9	8.9	9.3	9.4	9.0	8.6	8.4	8.3	7.9	7.9
18 Lease financing receivables	13.8	14.0	14.1	14.3	14.5	14.8	15.0	15.1	15.3	15.5	15.6	15.8
19 All other loans	29.0r	30.2r	29.8	29.0r	31.1	31.9	31.3	32.0r	35.9	37.7	35.5	37.6
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**1,596.5**	**1,613.7**	**1,626.6**	**1,637.6**	**1,646.7**	**1,656.1**	**1,673.3**	**1,684.0**	**1,701.9**	**1,725.8**	**1,732.0**	**1,740.1**
21 U.S. government securities	263.1	263.0	259.4	257.2	256.2	255.5	255.8	254.1	255.3	256.9	260.0	266.6
22 Other securities	142.5	141.8	141.1	139.4	138.2	140.4	141.3	140.9	141.2	141.5	143.4	141.4
23 Total loans and leases[2]	1,190.9	1,209.0	1,226.1	1,241.0	1,252.4	1,260.2	1,276.3	1,289.0	1,305.5	1,327.4	1,328.6	1,332.1
24 Commercial and industrial	431.8	438.7	446.8	450.9	454.3	456.1	459.9	463.8	467.3	471.2	470.4	473.3
25 Bankers acceptances held[3]	5.5	5.3	5.7	6.0	6.4	5.9	5.6	5.8	6.1	5.8	5.2	6.1
26 Other commercial and industrial	426.3	433.4	441.0	444.8	447.9	450.1	454.3	458.0	461.2	465.3	465.2	467.2
27 U.S. addressees[4]	414.4	421.7	429.5	433.5	436.2	438.5	443.0	447.0	450.2	454.8	455.4	457.5
28 Non-U.S. addressees[4]	11.8	11.7	11.6	11.3	11.7	11.6	11.3	11.1	11.0	10.6	9.8	9.7
29 Real estate	341.9	346.0	349.8	354.1	357.7	361.4	365.9	368.9	372.8	376.2	378.5	381.5
30 Individual	219.3	222.9	227.2	231.3	234.7	238.3	242.4	245.3	248.4	254.0	257.1	257.4
31 Security	29.0	29.6r	28.9	28.5	26.6	25.4	27.7	30.2r	31.7	35.2	33.0	30.8
32 Nonbank financial institutions	30.2	30.7	31.2	31.4	31.4	30.9r	31.3r	31.1	31.1	31.5	31.4	30.7
33 Agricultural	39.0	39.4	40.2	40.9	41.3	41.4	41.5	41.2	40.6	40.0	39.6	39.4
34 State and political subdivisions	35.6r	36.6r	37.4	38.7	40.1	40.9	41.5	41.0	41.9	43.8	46.5	46.4
35 Foreign banks	12.6	12.3	12.0	11.8	12.0	11.7	11.7	11.8	12.0	12.0	11.6	11.4
36 Foreign official institutions	9.1	8.9	8.9	8.9	9.3	9.4	9.0	8.6	8.4	8.3	7.9	7.9
37 Lease financing receivables	14.0	14.0	14.1	14.3	14.4	14.7	14.9	15.0	15.1	15.5	15.8	16.0
38 All other loans	28.4r	29.8r	29.8r	30.3	30.5	30.0	30.7	32.3	36.0	39.7	36.7	37.4

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

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

3. Includes nonfinancial commercial paper held.

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

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1984										1985	
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Total nondeposit funds												
1 Seasonally adjusted[2]	98.9	102.1	109.1	99.4	100.3	103.5	106.5	107.9	112.0	108.6r	102.2	113.6
2 Not seasonally adjusted	101.3	105.0	113.8	101.8	99.9	105.7	107.0	109.6	117.5	111.1	104.6	117.1
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	135.8	135.7	137.4	133.2	134.5	139.3	141.6	141.4	145.0	140.5	138.7	146.7
4 Not seasonally adjusted	138.1	138.7	142.1	135.7	134.0	141.5	142.1	143.1	150.5	143.1	141.1	150.2
5 Net balances due to foreign-related institutions, not seasonally adjusted	-36.8	-33.5	-28.2	-33.9r	-34.2r	-35.8r	-35.1r	-33.5r	-33.1r	-32.0r	-36.5	-33.1
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-34.8	-33.1	-29.8	-32.9r	-33.1r	-35.0r	-35.2r	-34.2r	-32.7r	-31.4r	-34.9	-31.8
7 Gross due from balances	73.8	73.6	73.5	73.8	71.2	72.8	71.5	69.8	68.3	69.0	71.4	70.6
8 Gross due to balances	38.9	40.4	43.6	40.9	38.1	37.7	36.3	35.6	35.6	37.6	36.5	38.8
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	-1.8	-0.3	1.6	-0.9r	-1.0	-0.7	0.1	0.7	-0.4r	-0.6r	-1.6	-1.3
10 Gross due from balances	50.2	49.6	49.7	50.7	51.9	51.6	51.7	50.8	50.7	52.0	52.9	54.0
11 Gross due to balances	48.3	49.2	51.2	49.7	50.8	50.8	51.8	51.5	50.4	51.4	51.3	52.7
Security RP borrowings												
12 Seasonally adjusted[6]	80.1	80.9	79.6	76.1	77.5	79.9	81.4	82.0	84.0	81.1	82.3	90.1
13 Not seasonally adjusted	79.9	81.3	81.9	76.0	74.6	79.6	79.4	81.2	87.0	81.1	82.2	91.1
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	16.1	15.6	13.4	14.1	12.8	13.1	16.0	8.0	17.3	16.1	14.7	13.0
15 Not seasonally adjusted	17.5	16.5	12.8	12.4	11.9	10.3	17.5	11.0	10.4	12.5	18.5	15.8
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	289.3	292.2	302.2	309.9	314.8	314.2	315.4	321.4	323.0	325.8	324.8	325.2
17 Not seasonally adjusted	290.1	290.1	300.2	309.0	313.7	315.6	316.8	322.2	322.9	327.3	325.6	324.9

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. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

NOTE. These data also appear in the Board's G.10 (411) release. For address see inside front cover.

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

Billions of dollars

Account	1983	1984								1985	
	Dec.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	Jan.r	Feb.
All Commercial Banking Institutions[1]											
1 Loans and securities	1,680.6[2]	1,756.9	1,764.1	1,765.3	1,784.5	1,798.9	1,822.7	1,822.7	1,864.0	1,854.5	1,874.4
2 Investment securities	7.4	382.0	381.2	378.2	376.2	377.3	375.2	374.4	377.5	381.3	382.2
3 U.S. government securities	6.1	247.7	248.2	246.5	243.5	243.5	241.2	240.4	242.5	244.8	247.9
4 Other	1.3	134.4	133.0	131.7	132.7	133.8	134.0	133.9	134.9	136.4	134.3
5 Trading account assets	.0	18.8	14.6	15.7	20.0	20.9	22.5	21.9	22.9	24.2	27.6
6 Total loans	1,249.3[2]	1,356.1	1,368.3	1,371.4	1,388.4	1,400.6	1,424.9	1,426.4	1,463.7	1,449.1	1,464.6
7 Interbank loans	111.4[2]	124.7	122.8	118.6	127.1	123.3	126.1	122.6	126.9	125.3	128.7
8 Loans excluding interbank	1,137.9[2]	1,231.4	1,245.5	1,252.8	1,261.2	1,277.3	1,298.8	1,303.8	1,336.8	1,323.8	1,335.9
9 Commercial and industrial	419.4	447.3	452.9	454.4	455.2	459.9	467.7	468.7	476.8	470.6	477.3
10 Real estate	332.4r	350.3	354.6	356.8	361.8	366.7	369.8	374.4	377.7	380.5	382.5
11 Individual	217.6r	228.4	232.8	235.2	240.0	243.4	247.1	249.6	255.5	257.6	258.1
12 All other	168.5[2]	205.4	205.2	206.5	204.2	207.3	214.2	211.1	226.8	215.1	218.0
13 Total cash assets	219.6	202.5	185.6	179.1	177.3	176.0	188.0	188.4	201.9	187.8	189.2
14 Reserves with Federal Reserve Banks	23.5	18.6	19.1	19.4	17.4	.8	18.1	20.4	20.5	20.9	19.6
15 Cash in vault	23.4	22.3	21.8	21.6	22.2	21.6	21.4	23.9	23.3	21.9	21.8
16 Cash items in process of collection	73.2	76.4	63.7	60.2	60.7	63.2	70.2	66.5	75.9	66.9r	68.7
17 Demand balances at U.S. depository institutions	99.5	34.8	30.8	29.3	29.5	31.2	32.0	30.9	34.5	30.9	32.3
18 Other cash assets		50.4	50.1	48.6	47.5	59.3	46.3	46.7	47.7	47.3	46.7
19 Other assets	193.6	200.1	205.9	205.4	204.7	215.3	215.7	204.2	210.9	205.8	209.1
20 Total assets/total liabilities and capital	**2,093.8**	**2,159.5**	**2,155.5**	**2,149.7**	**2,166.5**	**2,190.2**	**2,226.3**	**2,215.3**	**2,276.7**	**2,248.1**	**2,272.7**
21 Deposits	1,508.9	1,541.3	1,532.9	1,535.5	1,539.0	1,549.9	1,578.9	1,578.2	1,631.2	1,604.5	1,617.9
22 Transaction deposits	374.6[2]	462.6	445.9	441.4	440.0	442.3	462.7	453.1	491.1	456.9	459.4
23 Savings deposits	457.2[2]	371.6	369.5	368.5	365.1	364.9	371.1	378.1	386.3	400.0	406.8
24 Time deposits	677.1	707.2	717.4	725.6	734.0	742.7	745.0	747.0	753.8	747.5	751.8
25 Borrowings	273.2[2]	292.8	292.8	292.0	301.5	307.1	314.3	298.8	304.1	306.7	309.0
26 Other liabilities	164.4[2]	187.8	187.9	182.0	183.8	187.0	189.2	193.5	195.2	188.4	196.8
27 Residual (assets less liabilities)	147.3[2]	137.6	141.9	140.2	142.1	146.2	144.0	144.8	146.2	148.6	149.0
Memo											
28 U.S. government securities (including trading account)	254.1[2]	260.1	256.5	255.6	255.1	255.5	256.3	255.2	256.9	261.8	269.4
29 Other securities (including trading account)	177.2[2]	140.7	139.3	138.3	141.0	142.7	141.5	141.1	143.4	143.6	140.4
Domestically Chartered Commercial Banks[3]											
30 Loans and securities	1,591.3[2]	1,663.2	1,671.0	1,676.7	1,688.4	1,708.0	1,728.5	1,726.7	1,765.4	1,759.5	1,774.6
31 Investment securities	n.a.	375.3	374.5	371.2	369.1	370.0	367.9	367.5	370.5	374.0	374.9
32 U.S. government securities	n.a.	242.5	243.1	241.4	238.5	238.5	236.1	235.8	237.9	240.0	243.1
33 Other	n.a.	132.8	131.4	129.8	130.7	131.5	131.8	131.6	132.6	134.0	131.7
34 Trading account assets	n.a.	18.8	14.6	15.7	20.0	20.9	22.5	21.9	22.9	24.2	27.6
35 Total loans	1,167.4[2]	1,269.2	1,281.8	1,289.8	1,299.4	1,317.0	1,338.0	1,337.3	1,372.1	1,361.3	1,372.1
36 Interbank loans	87.0[2]	96.2	94.7	95.2	97.6	100.0	103.3	96.1	102.8	100.6	101.0
37 Loans excluding interbank	1,080.4[2]	1,172.9	1,187.1	1,194.6	1,201.8	1,217.1	1,234.7	1,241.2	1,269.3	1,260.7	1,271.1
38 Commercial and industrial	381.3[2]	407.4	412.9	414.0	414.5	418.8	423.0	424.7	430.2	426.2	432.0
39 Real estate	327.2	346.1	350.5	353.1	358.0	362.4	365.5	369.1	372.1	374.9	377.1
40 Individual	217.4	228.3	232.6	235.1	239.8	243.2	246.9	249.4	255.3	257.4	257.9
41 All other	154.6[2]	191.1	191.1	192.4	189.6	192.6	199.3	198.0	211.7	202.2	204.1
42 Total cash assets	207.0	190.7	173.2	166.7	165.9	164.0	176.6	176.8	190.3	175.7	177.8
43 Reserves with Federal Reserve Banks	19.9	17.4	18.4	18.0	16.7	.1	17.1	19.7	19.2	20.2	18.7
44 Cash in vault	23.4	22.3	21.8	21.6	22.2	21.6	21.4	23.9	23.3	21.9	21.8
45 Cash items in process of collection	73.0	76.3	63.5	60.1	60.5	63.0	69.9	66.3	75.7	66.7	68.5
46 Demand balances at U.S. depository institutions	90.8	33.5	29.4	27.9	28.2	29.7	30.7	29.4	32.9	29.5	31.0
47 Other cash assets		41.3	40.1	39.2	38.3	49.6	37.5	37.5	39.3	37.5	37.9
48 Other assets	150.4	139.0	141.5	138.9	140.6	145.6	147.9	139.7	142.1	137.5	138.8
49 Total assets/total liabilities and capital	**1,948.7**	**1,992.9**	**1,985.7**	**1,982.3**	**1,995.0**	**2,017.6**	**2,053.1**	**2,043.2**	**2,097.8**	**2,072.6**	**2,091.2**
50 Deposits	1,468.1	1,501.7	1,492.5	1,495.4	1,500.3	1,510.9	1,539.1	1,538.0	1,587.8	1,561.8	1,573.7
51 Transaction deposits	368.5[2]	456.2	439.6	434.8	433.7	435.9	456.2	446.8	484.5	450.6	452.9
52 Savings deposits	456.6[2]	370.7	368.6	367.5	364.2	363.9	370.1	377.1	385.2	398.9	405.6
53 Time deposits	643.0	674.9	684.3	693.1	702.4	711.1	712.8	714.1	718.1	712.3	715.2
54 Borrowings	214.1[2]	232.5	229.6	228.0	236.0	243.5	251.3	240.9	243.1	246.5	247.0
55 Other liabilities	122.3[2]	123.9	124.4	121.5	119.3	119.7	120.5	122.3	123.5	118.5	124.3
56 Residual (assets less liabilities)	144.1[2]	134.8	139.1	137.4	139.3	143.4	142.1	142.0	143.4	145.8	146.2

1. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.
2. Data are not comparable with those of later dates. See the Announcements section of the March 1985 Bulletin for a description of the differences.
3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

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

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

Millions of dollars, Wednesday figures

Account	1985								
	Jan. 16r	Jan. 23r	Jan. 30r	Feb. 6r	Feb. 13r	Feb. 20	Feb. 27	Mar. 6	Mar. 13
1 Cash and balances due from depository institutions	101,126	90,655	90,836	88,256	93,172	105,784	90,922	91,714	94,036
2 **Total loans, leases and securities, net**	**826,749**	**814,822**	**817,895**	**820,785**	**823,236**	**827,540**	**828,529**	**830,362**	**829,862**
3 *U.S. Treasury and government agency*	82,199	82,843	83,912	86,224	85,711	90,052	91,519	91,955	90,326
4 Trading account	15,085	15,845	17,019	17,807	17,610	20,290	21,500	22,233	20,417
5 Investment account, by maturity	67,114	66,998	66,892	68,417	68,102	69,762	70,020	69,722	69,910
6 One year or less	20,888	20,480	20,348	20,186	20,187	19,958	20,318	21,653	21,687
7 Over one through five years	32,678	33,073	33,158	34,799	34,476	37,044	36,711	35,002	35,036
8 Over five years	13,548	13,446	13,387	13,432	13,438	12,760	12,991	13,066	13,186
9 Other securities	48,974	48,901	48,997	48,501	48,084	47,953	47,400	47,341	46,868
10 Trading account	3,770	3,654	3,952	3,845	3,551	3,571	3,166	3,248	3,248
11 Investment account	45,204	45,247	45,045	44,656	44,533	44,382	44,235	44,093	43,620
12 States and political subdivisions, by maturity	40,676	40,694	40,522	40,089	39,978	39,833	39,683	39,518	39,044
13 One year or less	5,363	5,402	5,192	5,298	5,340	5,329	5,252	5,245	4,922
14 Over one year	35,313	35,291	35,330	34,791	34,638	34,503	34,431	34,273	34,121
15 Other bonds, corporate stocks, and securities	4,528	4,553	4,523	4,567	4,554	4,550	4,552	4,574	4,577
16 Other trading account assets	2,726	3,438	3,201	3,495	3,435	3,238	2,956	2,965	3,047
17 *Federal funds sold*[1]	58,733	49,260	52,092	48,462	51,402	49,624	49,087	47,357	51,504
18 To commercial banks	42,589	34,326	36,676	32,514	36,888	34,637	33,724	31,169	35,205
19 To nonbank brokers and dealers in securities	11,255	11,237	11,664	11,608	10,403	10,619	11,048	11,698	11,514
20 To others	4,889	3,697	3,752	4,341	4,111	4,368	4,315	4,490	4,785
21 Other loans and leases, gross[2]	650,447	646,744	646,145	650,685	651,136	653,250	654,197	657,481	654,948
22 Other loans, gross[2]	637,627	633,907	633,330	637,827	638,275	640,265	641,040	644,320	641,742
23 Commercial and industrial[2]	250,656	249,053	249,235	251,337	251,338	252,392	253,284	255,650	254,929
24 Bankers acceptances and commercial paper	3,073	3,038	3,296	3,780	3,945	3,844	3,928	4,404	4,138
25 All other	247,583	246,015	245,939	247,557	247,393	248,548	249,356	251,247	250,791
26 U.S. addressees	241,885	240,324	240,305	241,901	241,781	242,854	243,642	245,488	245,074
27 Non-U.S. addressees	5,698	5,691	5,634	5,656	5,612	5,694	5,714	5,759	5,717
28 Real estate loans[2]	161,246	161,512	161,963	162,234	162,850	163,037	163,485	163,859	164,340
29 To individuals for personal expenditures	114,789	114,688	114,876	114,584	114,699	114,861	115,329	115,520	115,708
30 To depository and financial institutions	40,944	40,787	40,101	42,116	42,052	41,107	40,823	40,234	39,422
31 Commercial banks in the United States	10,038	10,175	10,121	11,549	11,361	10,931	11,203	10,750	9,968
32 Banks in foreign countries	6,008	6,403	5,923	6,276	6,410	6,092	5,838	5,797	5,814
33 Nonbank depository and other financial institutions	24,899	24,208	24,057	24,290	24,280	24,084	23,782	23,686	23,641
34 For purchasing and carrying securities	15,618	13,883	13,192	13,595	13,187	14,019	13,638	14,920	13,802
35 To finance agricultural production	6,942	6,902	6,905	6,872	6,893	6,886	6,882	6,982	6,995
36 To states and political subdivisions	29,520	29,418	29,508	29,328	29,186	29,394	29,382	29,337	29,405
37 To foreign governments and official institutions	3,812	3,726	3,796	3,745	3,851	3,720	3,967	3,649	3,616
38 All other	14,100	13,938	13,754	14,015	14,220	14,849	14,249	14,168	13,526
39 Lease financing receivables	12,819	12,837	12,814	12,857	12,860	12,985	13,157	13,162	13,205
40 Less: Unearned income	5,304	5,308	5,310	5,263	5,260	5,263	5,294	5,243	5,274
41 Loan and lease reserve[2]	11,026	11,057	11,143	11,320	11,272	11,314	11,337	11,493	11,556
42 Other loans and leases, net[2]	634,117	630,379	629,692	634,102	634,604	636,673	637,565	640,745	638,117
43 All other assets	134,512	131,645	129,845	131,026	132,105	129,575	131,168	130,895	128,477
44 **Total assets**	**1,062,387**	**1,037,122**	**1,038,576**	**1,040,067**	**1,048,514**	**1,062,900**	**1,050,619**	**1,052,971**	**1,052,376**
45 Demand deposits	198,444	186,198	184,629	184,622	188,258	197,228	185,246	185,067	182,062
46 Individuals, partnerships, and corporations	151,542	140,781	139,377	139,190	145,248	148,928	140,344	140,674	142,069
47 States and political subdivisions	5,376	5,902	5,136	5,778	4,684	5,515	4,901	5,171	4,424
48 U.S. government	3,760	3,034	2,768	2,212	1,617	1,897	2,713	2,286	1,156
49 Depository institutions in United States	22,242	20,998	20,973	21,849	20,951	25,266	22,190	22,104	20,434
50 Banks in foreign countries	5,823	6,495	6,187	5,961	6,131	6,366	5,740	5,391	5,143
51 Foreign governments and official institutions	809	830	1,040	1,152	922	821	744	736	666
52 Certified and officers' checks	8,891	8,157	9,148	8,479	8,705	8,435	8,613	8,704	8,170
53 Transaction balances other than demand deposits	36,797	35,108	34,690	36,574	35,848	35,957	35,476	37,409	36,687
54 Nontransaction balances	460,123	459,764	459,596	459,936	460,162	460,247	462,490	462,802	462,350
55 Individuals, partnerships and corporations	426,375	425,884	425,100	425,448	424,923	425,008	426,435	427,492	426,851
56 States and political subdivisions	21,547	21,687	22,104	22,243	22,825	22,919	23,344	22,948	23,154
57 U.S. government	464	454	450	447	447	445	421	453	353
58 Depository institutions in the United States	8,602	8,677	8,912	8,915	8,996	8,957	9,334	9,125	9,242
59 Foreign governments, official institutions and banks	3,135	3,062	3,029	2,882	2,970	2,917	2,955	2,784	2,750
60 Liabilities for borrowed money	199,741	192,874	195,657	193,727	197,187	200,277	197,161	197,212	199,272
61 Borrowings from Federal Reserve Banks	846	510	1,555	862	1,369	780	1,544	1,200	5,521
62 Treasury tax-and-loan notes	10,284	14,859	15,650	7,462	8,269	9,147	10,360	3,693	2,168
63 All other liabilities for borrowed money[3]	188,611	177,505	178,452	185,403	187,549	190,350	185,258	192,319	191,584
64 Other liabilities and subordinated note and debentures	94,920	90,931	91,638	92,260	93,898	96,227	97,526	97,188	98,626
65 **Total liabilities**	**990,024**	**964,874**	**966,209**	**967,119**	**975,354**	**989,936**	**977,899**	**979,679**	**978,996**
66 Residual (total assets minus total liabilities)[4]	72,362	72,247	72,366	72,948	73,159	72,963	72,720	73,292	73,379
Memo									
67 Total loans and leases (gross) and investments adjusted[5]	790,452	786,686	787,550	793,304	791,519	798,550	800,233	805,179	801,520
68 Total loans and leases (gross) adjusted[2,5]	656,553	651,503	651,440	655,084	654,288	657,307	658,357	662,919	661,279
69 Time deposits in amounts of $100,000 or more	158,138	157,692	156,976	156,178	156,123	155,711	157,194	157,026	156,673
70 Loans sold outright to affiliates—total[6]	2,933	2,898	2,785	2,717	2,811	2,841	2,822	2,828	2,847
71 Commercial and industrial	1,959	1,940	1,900	1,861	1,872	1,910	1,880	1,886	1,918
72 Other	975	958	884	856	939	931	942	942	929
73 Nontransaction savings deposits (including MMDAs)	171,865	172,473	173,479	174,532	174,885	175,747	176,386	176,744	176,471

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27	March 6	March 13
1 Cash and balances due from depository institutions	26,265r	23,913r	24,150r	22,551r	26,683r	27,586	22,661	21,904	24,355
2 **Total loans, leases and securities, net**[1]	**173,469r**	**168,262r**	**168,335r**	**169,791r**	**171,345r**	**173,601**	**174,709**	**174,882**	**176,690**
Securities									
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	9,769	9,717	9,649	11,209	10,499	12,756	13,243	13,207	13,335
6 One year or less	1,963	1,638	1,619	1,556	1,658	1,764	2,200	2,256	2,257
7 Over one through five years	5,708	6,092	6,083	7,745	6,944	9,683	9,631	9,447	9,447
8 Over five years	2,097	1,986	1,947	1,907	1,897	1,309	1,412	1,504	1,631
9 Other securities[2]	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......
11 Investment account	9,863	9,900	9,830	9,720	9,655	9,592	9,571	9,522	9,254
12 States and political subdivisions, by maturity	9,030	9,067	8,985	8,861	8,800	8,729	8,715	8,677	8,360
13 One year or less	1,302	1,288	1,116	1,251	1,253	1,239	1,229	1,219	995
14 Over one year	7,728	7,779	7,869	7,609	7,547	7,490	7,486	7,458	7,365
15 Other bonds, corporate stocks and securities	833	833	844	859	855	862	856	845	894
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......
Loans and leases									
17 Federal funds sold[3]	21,986	18,199	19,570	17,860	20,214r	20,598	20,884	19,281	22,388
18 To commercial banks	12,842	10,141	11,798	9,407	12,478	12,728	12,713	10,979	13,590
19 To nonbank brokers and dealers in securities	6,153	6,004	5,505	5,830	5,353r	5,228	5,487	5,398	5,812
20 To others	2,991	2,055	2,268	2,623	2,383	2,642	2,684	2,904	2,986
21 Other loans and leases, gross	136,624r	135,227r	134,080r	135,825r	135,793r	135,496	135,885	137,768	136,653
22 Other loans, gross	134,537r	133,140r	132,046r	133,769r	133,729r	133,352	133,599	135,490	134,386
23 Commercial and industrial	62,232r	61,208r	61,005r	61,355r	61,362r	60,954	61,373	62,359	61,852
24 Bankers acceptances and commercial paper	661	649	681	991	1,121	1,008	969	1,071	902
25 All other	61,571r	60,560r	60,324r	60,364r	60,240r	59,946	60,404	61,288	60,950
26 U.S. addressees	60,911r	59,896r	59,669r	59,732r	59,594r	59,303	59,750	60,634	60,293
27 Non-U.S. addressees	660	664	655	632	646	643	654	653	656
28 Real estate loans	24,550	24,443	24,583	24,732	24,781r	24,719	24,989	25,162	25,328
29 To individuals for personal expenditures	16,079	16,058	15,985	16,042	16,026	16,057	16,053	16,084	16,125
30 To depository and financial institutions	11,604r	12,311r	11,500r	12,738r	12,450r	12,200	11,896	11,946	11,550
31 Commercial banks in the United States	1,978	2,474	2,111	2,788	2,403r	2,346	2,510	2,588	2,167
32 Banks in foreign countries	2,108	2,489	2,062	2,295	2,297r	2,137	1,894	1,896	1,956
33 Nonbank depository and other financial institutions	7,518r	7,348r	7,327r	7,655r	7,750r	7,717	7,492	7,462	7,427
34 For purchasing and carrying securities	6,958	6,095	6,284	6,372	6,446	6,473	6,388	7,537	7,014
35 To finance agricultural production	390	380	380	387	386	389	383	418	410
36 To states and political subdivisions	8,223	8,093	8,052	7,926	7,732r	7,897	7,884	7,840	7,910
37 To foreign governments and official institutions	823	791	819	799	917r	811	1,045	794	769
38 All other	3,678r	3,759r	3,438r	3,417r	3,629r	3,853	3,587	3,350	3,429
39 Lease financing receivables	2,087	2,088	2,034	2,056	2,064	2,144	2,286	2,277	2,267
40 LESS: Unearned income	1,489r	1,485r	1,488r	1,472r	1,472r	1,478	1,500	1,472	1,490
41 Loan and lease reserve	3,284r	3,296r	3,306r	3,351r	3,344r	3,363	3,374	3,424	3,450
42 Other loans and leases, net	131,851r	130,446r	129,286r	131,002r	130,976r	130,655	131,010	132,871	131,713
43 All other assets[4]	68,486r	68,723r	67,383r	68,259r	68,871r	70,046	70,073	70,962	67,673
44 **Total assets**	**268,220r**	**260,898r**	**259,868r**	**260,600r**	**266,899r**	**271,232**	**267,443**	**267,748**	**268,719**
Deposits									
45 Demand deposits	50,482	49,050r	48,920r	46,257r	50,468r	49,593	47,565	45,784	44,703
46 Individuals, partnerships, and corporations	34,828	33,580r	32,554r	31,290r	34,964r	34,137	32,122	31,334	31,476
47 States and political subdivisions	1,032	832	838	1,014	815	834	733	785	687
48 U.S. government	731	318	684	389	378	237	637	321	166
49 Depository institutions in the United States	4,941	4,841	4,690	4,330	4,813r	5,033	5,077	4,647	4,197
50 Banks in foreign countries	4,413	5,056	4,672	4,383r	4,556r	4,764	4,235	3,976	3,829
51 Foreign governments and official institutions	574	617	804	953	726r	631	576	551	485
52 Certified and officers' checks	3,962	3,805	4,676	3,898	4,216	3,957	4,184	4,169	3,862
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	3,967	3,752	3,748	3,872	3,854	3,787	3,756	3,888	3,830
54 Nontransaction balances	85,239r	84,967r	84,767r	84,413r	84,011r	84,471	85,226	85,200	84,581
55 Individuals, partnerships and corporations	77,265r	77,020r	76,771r	76,500r	75,959r	76,312	76,761	77,145	76,478
56 States and political subdivisions	3,792	3,800	3,820	3,802	3,905	3,979	4,084	4,008	4,037
57 U.S. government	59	63	77	84	83	81	70	70	69
58 Depository institutions in the United States	2,420r	2,435r	2,480r	2,494r	2,445r	2,504	2,678	2,488	2,537
59 Foreign governments, official institutions and banks	1,702r	1,649r	1,619r	1,532r	1,620r	1,596	1,632	1,489	1,460
60 Liabilities for borrowed money	63,420r	60,705r	59,718r	63,740r	64,418r	67,959	65,645	67,925	68,606
61 Borrowings from Federal Reserve Banks	......	......	......	......	500	......	425	......	2,776
62 Treasury tax-and-loan notes	2,658	3,538	3,711	1,686	2,298	2,497	2,894	875	524
63 All other liabilities for borrowed money[5]	60,762r	57,167r	56,007r	62,054r	61,620r	65,462	62,326	67,050	65,306
64 Other liabilities and subordinated note and debentures	41,897r	39,304r	39,549r	38,855r	40,669r	41,997	41,943	41,321	43,442
65 **Total liabilities**	**245,006r**	**237,778r**	**236,703r**	**237,137r**	**243,421r**	**247,807**	**244,135**	**244,120**	**245,163**
66 Residual (total assets minus total liabilities)[6]	23,214	23,120	23,165	23,463	23,478	23,425	23,308	23,628	23,556
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	163,422r	160,429r	159,220r	162,418r	161,280r	163,369	164,360	166,211	165,874
68 Total loans and leases (gross) adjusted[7]	143,790r	140,812r	139,741r	141,490r	141,126r	141,021	141,546	143,481	143,285
69 Time deposits in amounts of $100,000 or more	34,672	34,301	33,760	33,293	33,139	33,367	33,520	33,612	33,420

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27	March 6	March 13
1 Cash and due from depository institutions	6,652	6,455	6,949	6,424r	7,422	6,372	6,445r	6,583	6,484
2 Total loans and securities	43,407	44,018	44,208	43,752	45,040	45,143	46,259	45,386	44,208
3 U.S. Treasury and govt. agency securities	4,093	3,966	4,070	4,195	4,022	4,040	4,050	3,610	3,445
4 Other securities	1,356	1,350	1,367	1,390	1,390	1,380	1,404	1,553	1,471
5 Federal funds sold[1]	3,326	3,844	4,487	3,353	5,070	4,397	5,390	4,788	4,564
6 To commercial banks in the United States	3,018	3,530	4,074	2,958	4,629	3,993	4,987	4,382	4,118
7 To others	308	314	413	395	442	404	403	406	446
8 Other loans, gross	34,631	34,858	34,284	34,814	34,558	35,326	35,415	35,435	34,727
9 Commercial and industrial	19,790	20,202	20,033	20,365r	20,248	20,470	20,412	20,068	19,940
10 Bankers acceptances and commercial paper	1,360r	1,489r	1,509r	1,766	1,733	1,900	1,759	1,794	1,843
11 All other	18,430r	18,713r	18,524r	18,600r	18,515	18,569	18,652	18,274	18,096
12 U.S. addressees	17,235r	17,561r	17,410r	17,477r	17,369	17,434	17,456	16,962	16,861
13 Non-U.S. addressees	1,195	1,152	1,114	1,122	1,146	1,135	1,196	1,311	1,236
14 To financial institutions	10,779	10,837	10,427	10,524	10,484	10,968	11,158	11,405	11,013
15 Commercial banks in the United States	8,460	8,634	8,296	8,106	8,233	8,722	8,914	9,142	8,855
16 Banks in foreign countries	1,422	1,327	1,310	1,328	1,432	1,344	1,322	1,243	1,262
17 Nonbank financial institutions	897	876	822	1,090	819	902	923	1,021	896
18 To foreign govts. and official institutions	694	667	688	670	666	650	702	654	653
19 For purchasing and carrying securities	1,193	968	914	1,118	1,001	1,015	978	1,142	960
20 All other	2,175	2,184	2,222	2,137r	2,158	2,223	2,165	2,167	2,161
21 Other assets (claims on nonrelated parties)	18,888	18,837	18,787	18,850	19,020	18,786	19,355	19,233	19,119
22 Net due from related institutions	11,473	10,562	10,292	11,016	10,646	11,112	11,130	11,004	9,871
23 Total assets	80,420	79,873	80,236	80,042r	82,128	81,413	83,189	82,206	79,681
24 Deposits or credit balances due to other than directly related institutions	24,045	23,924	24,036r	23,921r	24,315	24,103	24,973	25,221	25,024
25 Credit balances	137	136	118	129	193	140	232	146	130
26 Demand deposits	1,651	1,492	1,580	1,628r	1,892	1,680	1,627	1,779	1,644
27 Individuals, partnerships, and corporations	837	749	799	880r	821	916	850	888	822
28 Other	815	743	780	748	1,072	764	777	890	822
29 Time and savings deposits	22,257	22,296	22,338r	22,164r	22,229	22,283	23,115	23,297	23,249
30 Individuals, partnerships, and corporations	18,128	18,142	18,208	18,125r	18,105	18,111	18,701	18,893	18,949
31 Other	4,129	4,154	4,129r	4,039	4,124	4,172	4,414	4,404	4,300
32 Borrowings from other than directly related institutions	29,672	28,270	27,765r	29,146	30,499	29,653	28,874	28,427	27,122
33 Federal funds purchased[2]	12,113	11,538	11,419r	12,361	12,675	12,017	10,742	10,542	9,851
34 From commercial banks in the United States	9,927	8,828	8,926	9,549	9,940	9,365	8,396	7,964	7,516
35 From others	2,187	2,709	2,494r	2,812	2,735	2,652	2,346	2,578	2,335
36 Other liabilities for borrowed money	17,559	16,732	16,345	16,786	17,824	17,636	18,132	17,885	17,270
37 To commercial banks in the United States	16,002	15,190	14,955	15,452	16,407	16,216	16,687	16,434	15,920
38 To others	1,556	1,543	1,390	1,334	1,417	1,420	1,445	1,451	1,351
39 Other liabilities to nonrelated parties	20,242	20,343	20,335	20,311	20,329	20,332	20,875	20,899	20,866
40 Net due to related institutions	6,459	7,336	8,101	6,663r	6,984	7,325	8,466	7,659	6,669
41 Total liabilities	80,420	79,873	80,236	80,042r	82,128	81,413	83,189	82,206	79,681
MEMO									
42 Total loans (gross) and securities adjusted[3]	31,929	31,854	31,838	32,688	32,179	32,428	32,358	31,862	31,234
43 Total loans (gross) adjusted[3]	26,479	26,537	26,401	27,102	26,767	27,008	26,904	26,700	26,318

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

1. Includes securities purchased under agreements to resell.
2. Includes securities sold under agreements to repurchase.
3. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

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

Billions of dollars, estimated daily-average balances

Type of holder	Commercial banks									
	1979[2] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983		1984			
					Sept.	Dec.	Mar.	June	Sept.r	Dec.
1 **All holders—Individuals, partnerships, and corporations**	**302.3**	**315.5**	**288.9**	**291.8**	**280.3**	**293.5**	**279.3**	**285.8**	**284.7**	**304.5**
2 Financial business	27.1	29.8	28.0	35.4	32.1	32.8	31.7	31.7	31.3	33.0
3 Nonfinancial business	157.7	162.8	154.8	150.5	150.2	161.1	150.3	154.9	154.8	166.3
4 Consumer	99.2	102.4	86.6	85.9	77.9	78.5	78.1	78.3	78.4	81.7
5 Foreign	3.1	3.3	2.9	3.0	2.9	3.3	3.3	3.4	3.3	3.6
6 Other	15.1	17.2	16.7	17.0	17.1	17.8	15.9	17.4	16.8	19.9
	Weekly reporting banks									
	1979[3] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983		1984			
					Sept.	Dec.[4]	Mar.	June	Sept.	Dec.
7 **All holders—Individuals, partnerships, and corporations**	**139.3**	**147.4**	**137.5**	**144.2**	**136.3**	**146.2**	**139.2**	**145.3**	**145.3**	**157.1**
8 Financial business	20.1	21.8	21.0	26.7	23.6	24.2	23.5	23.6	23.7	25.3
9 Nonfinancial business	74.1	78.3	75.2	74.3	72.9	79.8	76.4	79.7	79.2	87.1
10 Consumer	34.3	35.6	30.4	31.9	28.1	29.7	28.4	29.9	29.8	30.5
11 Foreign	3.0	3.1	2.8	2.9	2.8	3.1	3.2	3.2	3.2	3.4
12 Other	7.8	8.6	8.0	8.4	8.9	9.3	7.7	8.9	9.3	10.9

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. 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. 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.
4. In January 1984 the weekly reporting panel was revised; it now includes 168 banks. Beginning with March 1984, estimates are constructed on the basis of 92 sample banks and are not comparable with earlier data. Estimates in billions of dollars for December 1983 based on the newly weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1979[1] Dec.	1980 Dec.	1981 Dec.	1982 Dec.[2]	1983 Dec.	1984[3] Aug.	1984[3] Sept.	1984[3] Oct.	1984[3] Nov.	1984[3] Dec.	1985 Jan.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**112,803**	**124,374**	**165,829**	**166,436r**	**188,312r**	**221,174r**	**225,127r**	**228,194r**	**235,363r**	**239,117r**	**245,322**
Financial companies[4]											
Dealer-placed paper[5]											
2 Total	17,359	19,599	30,333	34,605r	44,622r	50,900r	52,543r	54,527r	55,176r	56,917r	59,713
3 Bank-related (not seasonally adjusted)	2,784	3,561	6,045	2,516	2,441	2,010	1,959	2,060	1,996	2,035	2,137
Directly placed paper[6]											
4 Total	64,757	67,854	81,660	84,393r	96,918r	108,630r	107,537r	105,379r	109,419r	110,474r	113,101
5 Bank-related (not seasonally adjusted)	17,598	22,382	26,914	32,034	35,566	43,665	41,066	38,112	40,185	42,105	43,046
6 Nonfinancial companies[7]	30,687	36,921	53,836	47,437r	46,772r	61,644	65,047r	68,288r	70,768r	71,726r	72,508
	Bankers dollar acceptances (not seasonally adjusted)[8]										
7 **Total**	**45,321**	**54,744**	**69,226**	**79,543**	**78,309**	**79,779**	**77,928**	**75,740**	**75,179**	**75,470**	**72,532**
Holder											
8 Accepting banks	9,865	10,564	10,857	10,910	9,355	10,743	11,065	10,534	10,397	10,256	9,991
9 Own bills	8,327	8,963	9,743	9,471	8,125	8,823	8,729	8,960	9,113	9,065	8,818
10 Bills bought	1,538	1,601	1,115	1,439	1,230	1,920	2,336	1,574	1,284	1,191	1,173
Federal Reserve Banks											
11 Own account	704	776	195	1,480	418	0	0	0	0	0	0
12 Foreign correspondents	1,382	1,791	1,442	949	729	632	686	658	615	671	679
13 Others	33,370	41,614	56,731	66,204	68,225	68,404	66,177	64,548	64,781	64,167	61,862
Basis											
14 Imports into United States	10,270	11,776	14,765	17,683	15,649	17,647	17,196	16,256	16,433	16,975	16,757
15 Exports from United States	9,640	12,712	15,400	16,328	16,880	15,871	15,985	16,312	15,849	15,859	15,477
16 All other	25,411	30,257	39,060	45,531	45,781	46,260	44,746	43,172	42,897	42,635	40,297

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
3. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
4. 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.
5. Includes all financial company paper sold by dealers in the open market.
6. As reported by financial companies that place their paper directly with investors.
7. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
8. Beginning October 1984, the number of respondents in the bankers acceptance survey will be reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1983—Jan. 11	11.00	1984—Sept. 27	12.75	1983—Jan.	11.16	1984—Mar.	11.21
Feb. 28	10.50	Oct. 17	12.50	Feb.	10.98	Apr.	11.93
Aug. 8	11.00	29	12.00	Mar.	10.50	May	12.39
		Nov. 9	11.75	Apr.	10.50	June	12.60
1984—Mar. 19	11.50	28	11.25	May	10.50	July	13.00
Apr. 5	12.00	Dec. 20	10.75	June	10.50	Aug.	13.00
May 8	12.50			July	10.50	Sept.	12.97
June 25	13.00	1985—Jan. 15	10.50	Aug.	10.89	Oct.	12.58
				Sept.	11.00	Nov.	11.77
				Oct.	11.00	Dec.	11.06
				Nov.	11.00		
				Dec.	11.00	1985—Jan.	10.61
						Feb.	10.50
				1984—Jan.	11.00		
				Feb.	11.00		

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1982	1983	1984	1984		1985		1985, week ending				
				Nov.	Dec.	Jan.	Feb.	Feb. 1	Feb. 8	Feb. 15	Feb. 22	Mar. 1
MONEY MARKET RATES												
1 Federal funds[1,2]	12.26	9.09	10.23	9.43	8.38	8.35	8.50	8.45	8.59	8.44	8.57	8.40
2 Discount window borrowing[1,2,3]	11.02	8.50	8.80	8.83	8.37	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Commercial paper[4,5]												
3 1-month	11.83	8.87	10.05	9.01	8.39	7.99	8.46	8.14	8.40	8.46	8.50	8.55
4 3-month	11.89	8.88	10.10	9.03	8.44	8.03	8.54	8.14	8.41	8.51	8.59	8.75
5 6-month	11.89	8.89	10.16	9.06	8.55	8.15	8.69	8.22	8.48	8.63	8.74	9.05
Finance paper, directly placed[4,5]												
6 1-month	11.64	8.80	9.97	8.92	8.25	7.95	8.42	8.12	8.36	8.43	8.42	8.54
7 3-month	11.23	8.70	9.73	8.83	8.12	7.81	8.25	7.86	8.09	8.28	8.28	8.48
8 6-month	11.20	8.69	9.65	8.82	8.09	7.82	8.20	7.86	8.05	8.18	8.28	8.41
Bankers acceptances[5,6]												
9 3-month	11.89	8.90	10.14	9.00	8.45	8.01	8.55	8.11	8.39	8.48	8.66	8.80
10 6-month	11.83	8.91	10.19	9.02	8.54	8.11	8.69	8.18	8.43	8.60	8.79	9.13
Certificates of deposit, secondary market[7]												
11 1-month	12.04	8.96	10.17	9.09	8.47	8.05	8.50	8.15	8.43	8.47	8.54	8.62
12 3-month	12.27	9.07	10.37	9.18	8.60	8.14	8.69	8.23	8.56	8.64	8.77	8.91
13 6-month	12.57	9.27	10.68	9.39	8.85	8.45	9.04	8.49	8.78	8.95	9.16	9.47
14 Eurodollar deposits, 3-month[8]	13.12	9.56	10.73	9.50	8.90	8.37	9.05	8.49	8.91	8.99	9.09	9.35
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	10.61	8.61	9.52	8.61	8.06	7.76	8.27	7.92	8.17	8.21	8.31	8.47
16 6-month	11.07	8.73	9.76	8.81	8.28	8.00	8.39	8.09	8.28	8.29	8.42	8.70
17 1-year	11.07	8.80	9.92	9.01	8.60	8.33	8.56	8.35	8.47	8.47	8.58	8.84
Auction average[10]												
18 3-month	10.686	8.63	9.58	8.79	8.16	7.76	8.22	7.76	8.16	8.20	8.15	8.36
19 6-month	11.084	8.75	9.80	8.99	8.36	8.03	8.34	7.97	8.30	8.28	8.25	8.53
20 1-year	11.099	8.86	9.91	9.10	8.38	8.39	8.46	....	....	....	8.46	....
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	12.27	9.57	10.89	9.82	9.33	9.02	9.29	9.03	9.18	9.19	9.30	9.61
22 2-year	12.80	10.21	11.65	10.65	10.18	9.93	10.17	9.86	10.03	10.02	10.19	10.53
23 2-½-year[13]	....	....	....	....	....	....	....	10.05	....	10.25	....	10.45
24 3-year	12.92	10.45	11.89	10.90	10.56	10.43	10.55	10.34	10.42	10.40	10.56	10.91
25 5-year	13.01	10.80	12.24	11.33	11.07	10.93	11.13	10.76	10.99	11.00	11.17	11.47
26 7-year	13.06	11.02	12.40	11.49	11.45	11.27	11.44	11.04	11.28	11.30	11.50	11.78
27 10-year	13.00	11.10	12.44	11.57	11.50	11.38	11.51	11.15	11.37	11.37	11.57	11.83
28 20-year	12.92	11.34	12.48	11.66	11.64	11.58	11.70	11.31	11.50	11.58	11.81	12.06
29 30-year	12.76	11.18	12.39	11.56	11.52	11.45	11.47	11.21	11.31	11.32	11.54	11.80
Composite[14]												
30 Over 10 years (long-term)	12.23	10.84	11.99	11.25	11.21	11.15	11.35	10.92	11.09	11.19	11.51	11.77
State and local notes and bonds												
Moody's series[15]												
31 Aaa	10.88	8.80	9.61	9.78	9.54	9.08	8.98	8.80	8.85	8.90	9.10	9.05
32 Baa	12.48	10.17	10.38	10.47	10.45	10.16	10.05	9.90	9.95	10.00	10.15	10.10
33 *Bond Buyer* series[16]	11.66	9.51	10.10	10.17	9.95	9.51	9.65	9.37	9.52	9.64	9.71	9.71
Corporate bonds												
Seasoned issues[17]												
34 All industries	14.94	12.78	13.49	12.88	12.74	12.64	12.66	12.47	12.54	12.57	12.71	12.93
35 Aaa	13.79	12.04	12.71	12.29	12.13	12.08	12.13	11.85	11.95	12.01	12.21	12.47
36 Aa	14.41	12.42	13.31	12.66	12.50	12.43	12.49	12.29	12.37	12.43	12.55	12.69
37 A	15.43	13.10	13.74	13.09	12.92	12.80	12.80	12.59	12.69	12.72	12.84	13.06
38 Baa	16.11	13.55	14.19	13.48	13.40	13.26	13.23	13.13	13.14	13.13	13.21	13.51
39 A-rated, recently-offered utility bonds[18]	15.49	12.73	13.81	12.98	12.88	12.78	12.76	12.59	12.68	12.60	12.95	13.18
MEMO: Dividend/price ratio[19]												
40 Preferred stocks	12.53	11.02	11.59	11.36	11.21	11.13	10.88	10.99	10.97	10.83	10.77	10.94
41 Common stocks	5.81	4.40	4.64	4.61	4.68	4.51	4.30	4.31	4.31	4.25	4.30	4.32

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1982	1983	1984	1984							1985	
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.93	92.63	92.46	88.28	87.08	94.49	95.68	95.09	95.85	94.85	99.11	104.73
2 Industrial	78.18	107.45	108.01	104.04	102.29	111.20	112.18	110.44	110.91	109.05	113.99	120.71
3 Transportation	60.41	89.36	85.63	79.29	76.72	86.86	86.88	86.82	87.37	88.00	94.88	101.76
4 Utility	39.75	47.00	46.44	43.65	44.17	46.69	47.47	49.02	49.93	50.58	51.95	53.44
5 Finance	71.99	95.34	89.28	80.75	79.03	87.92	91.59	92.94	95.28	95.29	101.34r	109.58
6 Standard & Poor's Corporation (1941–43 = 10)[1]	119.71	160.41	160.50	153.12	151.08	164.42	166.11	164.82	166.27	164.48	171.61	180.88
7 American Stock Exchange[2] (Aug. 31, 1973 = 100)	141.31	216.48	207.96	201.24	192.82	207.90	214.50	210.39	209.47	202.28	211.82	228.40
Volume of trading (thousands of shares)												
8 New York Stock Exchange	64,617	85,418	91,084	85,920	79,156	109,892	93,108	91,676	83,692	89,032	121,545	115,489
9 American Stock Exchange	5,283	8,215	6,107	5,071	5,141	7,477	5,967	5,587	6,008	7,254	9,130	10,010
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers[3]**	**13,325**	**23,000**	**22,470**	**23,450**	**22,980**	**22,810**	**22,800**	**22,330**	**22,350**	**22,470**	**22,090**	**22,970**
11 Margin stock	12,980	22,720	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
12 Convertible bonds	344	279	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Subscription issues	1	1	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Free credit balances at brokers[4]												
14 Margin-account	5,735	6,620	7,015	6,430	6,430	6,855	6,690	6,580	6,699	7,015	6,770	6,680
15 Cash-account	8,390	8,430	10,215	8,305	8,125	8,185	8,315	8,650	8,420	10,215	9,725r	9,840
	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**	**100.0**
By equity class (in percent)[5]												
17 Under 40	21.0	41.0	46.0	50.0	52.0	40.0	42.0	44.0	47.0	46.0	35.0	36.0
18 40–49	24.0	22.0	18.0	19.0	17.0	22.0	22.0	21.0	19.0	18.0	19.0	20.0
19 50–59	24.0	16.0	16.0	12.0	12.0	16.0	15.0	14.0	13.0	16.0	20.0	18.0
20 60–69	14.0	9.0	9.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	11.0	11.0
21 70–79	9.0	6.0	5.0	6.0	5.0	6.0	6.0	6.0	6.0	5.0	7.0	8.0
22 80 or more	8.0	6.0	6.0	5.0	6.0	7.0	6.0	6.0	6.0	6.0	8.0	8.0
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)[6]**	**35,598**	**58,329**	**75,840**	**69,410**	**70,588**	**71,840**	**72,350**	**71,914**	**73,904**	**75,840**	**79,600**	**81,830**
Distribution by equity status (percent)												
24 Net credit status	62.0	63.0	59.0	56.0	57.0	58.0	58.0	59.0	59.0	59.0	59.0	59.0
Debt status, equity of												
25 60 percent or more	29.0	28.0	29.0	30.0	30.0	31.0	31.0	30.0	29.0	29.0	30.0	31.0
26 Less than 60 percent	9.0	9.0	11.0	14.0	13.0	11.0	11.0	11.0	12.0	11.0	10.0	10.0

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. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. 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	1982	1983	1984										1985
			Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Savings and loan associations												
1 **Assets**	**707,646**	**773,417**	**797,849**	**808,264**	**825,557**	**840,682**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,643**
2 Mortgages	483,614	494,789	503,509	510,670	519,628	528,172	535,814	540,644	550,129	552,516	556,229	555,277	558,241
3 Cash and investment securities[1]	85,438	104,274	109,477	106,863	110,033	109,752	108,456	108,820	112,350	112,023	114,879	125,358	119,309
4 Other	138,594	174,354	184,863	190,731	195,896	202,758	206,510	210,624	215,163	217,088	216,588	221,814	221,093
5 **Liabilities and net worth**	**707,646**	**773,417**	**797,849**	**808,264**	**825,557**	**840,682**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,643**
6 Savings capital	567,961	634,455	656,650	660,663	670,666	681,947	687,817	691,704	704,558	708,846	714,780	724,301	730,699
7 Borrowed money	97,850	92,127	94,113	98,275	103,119	108,417	110,238	114,747	121,329	119,305	117,775	126,169	114,850
8 FHLBB	63,861	52,626	50,663	51,951	53,485	56,558	57,115	60,178	63,627	63,412	63,383	64,207	63,152
9 Other	33,989	39,501	43,450	46,324	49,634	51,859	53,123	54,569	57,702	55,893	54,392	61,962	51,698
10 Loans in process[2]	9,934	21,117	22,969	23,938	24,761	25,726	26,122	26,773	27,141	26,754	26,683	26,959	26,540
11 Other	15,602	15,968	15,548	17,524	19,832	17,586	19,970	20,599	18,050	19,894	21,302	17,215	18,431
12 Net worth[3]	26,233	30,867	31,538	31,802	31,940	32,732	32,755	33,038	33,705	33,582	33,839	34,764	34,663
13 MEMO: Mortgage loan commitments outstanding[4]	18,054	32,996	39,867	41,732	45,274	44,878	43,878	41,182	40,089	38,530	37,856	34,841	33,324
	Mutual savings banks[5]												
14 **Assets**	**174,197**	**193,535**	**197,178**	**198,000**	**200,087**	**198,864**	**199,128**	**200,722**	**201,445**	**203,274**	**204,455**	**203,828**	**204,835**
Loans													
15 Mortgage	94,091	97,356	98,472	99,017	99,881	99,433	100,091	101,211	101,621	102,704	102,953	102,872	103,394
16 Other	16,957	19,129	21,971	22,531	22,907	23,198	23,213	24,068	24,535	24,486	24,930	24,956	25,747
Securities													
17 U.S. government[6]	9,743	15,360	15,772	15,913	16,404	15,448	15,457	15,019	14,965	15,295	14,925	14,633	14,616
18 State and local government	2,470	2,177	2,067	2,033	2,024	2,037	2,037	2,055	2,052	2,080	2,077	2,077	2,054
19 Corporate and other[7]	36,161	43,580	43,547	43,122	43,200	42,479	42,682	42,632	42,605	43,003	43,366	42,936	43,349
20 Cash	6,919	6,263	5,040	5,008	5,031	5,452	4,896	4,981	4,795	4,605	4,805	4,945	4,141
21 Other assets	7,855	9,670	10,309	10,376	10,640	10,817	10,752	10,756	10,872	11,101	11,399	11,409	11,534
22 **Liabilities**	**174,197**	**193,535**	**197,178**	**198,000**	**200,087**	**198,864**	**199,128**	**200,722**	**·201,445**	**203,274**	**204,455**	**203,828**	**204,835**
23 Deposits	155,196	172,665	176,044	175,875	176,253	174,972	174,823	176,085	177,345	178,624	180,142	180,559	181,013
24 Regular[8]	152,777	170,135	173,385	173,010	173,310	171,858	171,740	172,990	174,296	175,727	177,196	177,362	177,904
25 Ordinary savings	46,862	38,554	37,866	37,329	37,147	36,322	35,511	34,787	34,564	34,221	34,008	33,732	33,420
26 Time	96,369	95,129	97,339	96,920	97,236	97,168	98,410	101,270	102,934	104,151	104,913	104,689	104,067
27 Other	2,419	2,530	2,659	2,865	2,943	3,114	3,083	3,095	3,049	2,897	2,946	3,197	3,109
28 Other liabilities	8,336	10,154	10,390	11,211	12,861	12,999	13,269	13,604	12,979	13,853	13,367	12,501	12,962
29 General reserve accounts	9,235	10,368	10,373	10,466	10,554	10,404	10,495	10,498	10,488	10,459	10,508	10,500	10,613
30 MEMO: Mortgage loan commitments outstanding[9]	1,285	2,387	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Life insurance companies												
31 **Assets**	**588,163**	**654,948**	**665,836**	**671,259**	**673,518**	**679,449**	**684,573**	**694,082**	**699,996**	**705,827**	**712,271**	**720,807**	
Securities													
32 Government	36,499	50,752	52,504	52,828	53,422	53,970	54,688	56,263	57,552	59,825	62,678	64,683	
33 United States[10]	16,529	28,636	31,056	31,358	31,706	32,066	32,654	33,886	35,586	37,594	40,288	41,970	
34 State and local	8,664	9,986	9,259	9,192	9,239	9,213	9,236	9,357	9,221	9,344	9,385	9,757	
35 Foreign[11]	11,306	12,130	12,189	12,278	12,477	12,691	12,798	13,020	12,745	12,887	13,005	12,956	
36 Business	287,126	322,854	331,631	334,634	334,151	338,508	341,802	348,614	350,512	352,059	354,815	354,902	n.a.
37 Bonds	231,406	257,986	268,446	271,296	273,212	276,902	281,113	283,673	285,543	287,607	291,021	290,731	
38 Stocks	55,720	64,868	63,185	63,338	60,939	61,606	60,689	64,941	64,969	64,452	63,794	64,171	
39 Mortgages	141,989	150,999	151,445	152,373	152,968	153,845	154,299	155,438	155,802	156,064	156,691	157,283	
40 Real estate	20,264	22,234	23,034	23,237	23,517	23,792	24,019	24,117	24,685	24,947	25,467	25,985	
41 Policy loans	52,961	54,063	54,254	54,365	54,399	54,430	54,441	54,517	54,551	54,574	54,571	54,610	
42 Other assets	48,571	54,046	52,968	53,822	55,061	54,904	55,324	55,133	56,894	58,358	58,049	63,344	
	Credit unions[12]												
43 **Total assets/liabilities and capital**	**69,585**	**81,961**	**85,789**	**86,594**	**88,350**	**90,276**	**90,145**	**90,503**	**91,651**	**91,619**	**92,521**	**93,036**	**94,646**
44 Federal	45,493	54,482	57,569	58,127	59,636	61,316	61,163	61,500	62,107	61,935	62,690	63,205	64,505
45 State	24,092	27,479	28,220	28,467	28,714	28,960	28,982	29,003	29,544	29,684	29,831	29,831	30,141
46 Loans outstanding	43,232	50,083	52,269	53,247	54,437	55,915	57,286	58,802	59,874	60,483	62,170	62,561	62,662
47 Federal	27,948	32,930	34,510	35,286	36,274	37,547	38,490	39,578	40,310	40,727	41,762	42,337	42,220
48 State	15,284	17,153	17,759	17,961	18,163	18,368	18,796	19,224	19,564	19,756	20,408	20,224	20,442
49 Savings	62,990	74,739	78,487	79,413	80,702	82,578	82,402	82,135	83,172	83,129	84,000	84,348	86,047
50 Federal (shares)	41,352	49,889	52,905	53,587	54,632	56,261	56,278	56,205	56,734	56,655	57,302	57,539	58,820
51 State (shares and deposits)	21,638	24,850	25,582	25,826	26,070	26,317	26,124	25,930	26,438	26,474	26,698	26,809	27,227

1.37 Continued

Account	1982	1983	1984										1985
			Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	FSLIC-insured federal savings banks												
52 **Assets**	**6,859**	**64,969**	**75,555**	**77,374**	**78,952**	**81,310**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**
53 Mortgages	3,353	38,698	44,708	45,900	46,791	48,084	49,996	52,039	48,841	51,554	55,861	57,429	57,667
54 Cash and investment securities[1]	......	10,436	12,552	12,762	12,814	13,071	13,184	13,331	12,867	13,615	14,826	16,001	15,378
55 Other	......	15,835	18,295	18,712	19,347	20,155	20,809	21,839	20,466	22,574	23,849	25,129	25,702
56 **Liabilities and net worth**	**6,859**	**64,969**	**75,555**	**77,374**	**78,952**	**81,310**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**
57 Savings and capital	5,877	53,227	61,433	62,495	63,026	64,364	66,227	68,443	65,079	70,080	76,167	79,572	80,091
58 Borrowed money	......	7,477	9,213	9,707	10,475	11,489	12,060	12,863	11,828	11,935	11,937	12,798	12,372
59 FHLBB	......	4,640	5,232	5,491	5,900	6,538	6,897	7,654	6,600	6,867	7,041	7,515	7,361
60 Other	......	2,837	3,981	4,216	4,575	4,951	5,163	5,209	5,228	5,068	4,896	5,283	5,011
61 Other	......	1,157	1,360	1,548	1,747	1,646	1,807	1,912	1,610	1,896	2,259	1,903	1,982
62 Net worth[3]	......	3,108	3,549	3,624	3,704	3,811	3,895	3,991	3,657	3,832	4,173	4,286	4,302
MEMO													
63 Loans in process[2]	98	1,264	1,669	1,716	1,787	1,839	1,901	1,895	1,505	1,457	1,689	1,738	1,685
64 Mortgage loan commitments outstanding[4]	......	2,151	3,253	3,714	3,763	3,583	3,988	3,860	2,970	2,925	3,298	3,234	3,510

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Beginning in 1982, loans in process are classified as contra-assets and are not included in total liabilities and net worth. Total assets are net of loans in process.
3. Includes net undistributed income accrued by most associations.
4. Excludes figures for loans in process.
5. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
6. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
7. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.
8. Excludes checking, club, and school accounts.
9. 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.
10. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
11. Issues of foreign governments and their subdivisions and bonds of the *International Bank for Reconstruction and Development.*
12. As of June 1982, data include only federal or federally insured state credit unions serving natural perons.

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Calendar year 1983 H1	Calendar year 1983 H2	Calendar year 1984 H1	Calendar year 1984 Dec.	Calendar year 1985 Jan.	Calendar year 1985 Feb.
U.S. budget									
1 Receipts[1]	617,766	600,562	666,457	306,331	306,584	341,808	62,404	70,454	54,021
2 Outlays[1]	728,375	795,917	841,800	396,477	406,849	420,700	77,583	76,838	74,851
3 Surplus, or deficit (−)	−110,609	−195,355	−175,343	−90,146	−100,265	−78,892	−15,179	−6,384	−20,830
4 Trust funds	5,456	23,056	30,565	22,680	7,745	18,080	8,426	−188	2,313
5 Federal funds[2,3]	−116,065	−218,410	−205,908	−112,822	−108,005	−96,971	−23,606	−6,198	−23,140
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,142	−10,404	−7,277	−5,418	−3,199	−2,813	142	−840	0
7 Other[3,4]	−3,190	−1,953	−2,719	−528	−1,206	−838	475	−789	−421
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−127,940	−207,711	−185,339	−96,094	−104,670	−84,884	−14,563	−8,013	−21,251
Source of financing									
9 Borrowing from the public	134,993	212,425	170,817	102,538	84,020	80,592	24,055	12,675	15,994
10 Cash and monetary assets (decrease, or increase (−))[4]	−11,911	−9,889	5,636	−9,664	−16,294	−3,127	−10,490	−7,969	9,094
11 Other[5]	4,858	5,176	8,885	3,222	4,358	7,418	998	3,307	4,033
MEMO									
12 Treasury operating balance (level, end of period)	29,164	37,057	37,057	27,997r	11,817r	13,567r	17,649	26,502	17,160
13 Federal Reserve Banks	10,975	16,557	16,557	19,442	3,661r	4,397r	5,316	5,349	3,308
14 Tax and loan accounts	18,189	20,500	20,500	8,764r	8,157r	9,170r	12,333	21,153	13,852

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
3. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; Rural Telephone Bank; and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
4. Includes U.S. Treasury operating cash accounts; SDRs; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" *Treasury Bulletin*, and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1983	Fiscal year 1984	Calendar year						
			1982	1983		1984	1984	1985	
			H2	H1	H2	H1	Dec.	Jan.	Feb.
RECEIPTS									
1 **All sources**	**600,563**	**666,457**	**286,337**	**306,331**	**305,122**	**341,808**	**62,404**	**70,454**	**54,021**
2 Individual income taxes, net	288,938	295,955	145,676	144,551	147,663	144,691	27,054	37,852	23,769
3 Withheld	266,010	279,345	131,567	135,531	133,768	140,657	25,979	24,778	23,127
4 Presidential Election Campaign Fund	36	35	5	30	6	29	0	0	1
5 Nonwithheld	83,586	81,346	20,041	63,014	20,703	61,463	2,003	12,642	1,683
6 Refunds	60,692	64,771	5,938	54,024	6,815	57,458	929	−433	1,041
Corporation income taxes									
7 Gross receipts	61,780	74,179	25,660	33,522	31,064	40,328	12,351	4,373	2,673
8 Refunds	24,758	17,286	11,467	13,809	8,921	10,045	820	1,594	919
9 Social insurance taxes and contributions, net	209,001	241,902	94,277	110,520	100,832	131,372	18,127	23,394	23,080
10 Payroll employment taxes and contributions[1]	179,010	203,476	85,064	90,912	88,388	106,436	17,328	21,661	19,433
11 Self-employment taxes and contributions[2]	6,756	8,709	177	6,427	398	7,667	0	602	664
12 Unemployment insurance	18,799	25,138	6,856	10,984	8,714	14,942	397	1,328	2,615
13 Other net receipts[3]	4,436	4,580	2,180	2,197	2,290	2,329	403	406	362
14 Excise taxes	35,300	37,361	16,555	16,904	19,586	18,304	2,907	3,267	2,585
15 Customs deposits	8,655	11,370	4,299	4,010	5,079	5,576	922	1,085	842
16 Estate and gift taxes	6,053	6,010	3,444	2,883	3,050	3,102	469	605	504
17 Miscellaneous receipts[4]	15,594	16,965	7,890	7,751	7,811	8,481	1,395	1,471	1,488
OUTLAYS									
18 **All types**	**795,917**	**841,800**	**390,847**	**396,477**	**406,849**	**420,700**	**77,583**	**76,838**	**74,851**
19 National defense	210,461	227,405	100,419	105,072	108,967	114,639	20,156	19,367	19,785
20 International affairs	8,927	13,313	4,406	4,705	6,117	5,426	1,297	1,254	884
21 General science, space, and technology	7,777	8,271	3,903	3,486	4,216	3,981	692	654	715
22 Energy	4,035	2,464	2,058	2,073	1,533	1,080	278	369	215
23 Natural resources and environment	12,676	12,677	6,941	5,892	6,933	5,463	1,253	1,082	786
24 Agriculture	22,173	12,215	13,259	10,154	5,278	7,129	2,881	3,372	2,054
25 Commerce and housing credit	4,721	5,198	2,244	2,164	2,648	2,572	1,043	−737	−805
26 Transportation	21,231	24,705	10,686	9,918	13,323	10,616	2,055	2,053	1,505
27 Community and regional development	7,302	7,803	4,187	3,124	4,327	3,154	627	589	438
28 Education, training, employment, social services	25,726	26,616	12,186	12,801	13,246	13,445	2,089	2,547	2,628
29 Health	28,655	30,435	39,072	41,206	42,150	15,748	2,677	2,822	2,778
30 Social security and medicare	223,311	235,764	133,779	143,001			20,640	20,930	20,583
31 Income security	106,211	96,714			135,579	65,212	10,704	11,600	10,220
32 Veterans benefits and services	24,845	25,640	13,240	11,334	13,621	12,849	2,393	928	2,218
33 Administration of justice	5,014	5,616	2,373	2,522	2,628	2,807	491	585	453
34 General government	4,991	4,836	2,323	2,434	2,479	2,462	569	244	699
35 General-purpose fiscal assistance	6,287	6,577	3,153	3,124	3,290	2,943	21	1,250	116
36 Net interest[6]	89,774	111,007	44,948	42,358	47,674	53,729	10,085	10,440	11,820
37 Undistributed offsetting receipts[7]	−21,424	−15,454	−8,332	−8,887	−7,262	−7,333	−2,368	−2,513	−2,238

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. *Old-age, disability, and hospital insurance.*
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. In accordance with the Social Security Amendments Act of 1983, the Treasury now provides social security and medicare outlays as a separate function. Before February 1984, these outlays were included in the income security and health functions.
6. Net interest function includes interest received by trust funds.
7. 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 1985*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1982	1983				1984			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**1,201.9**	**1,249.3**	**1,324.3**	**1,381.9**	**1,415.3**	**1,468.3**	**1,517.2**	**1,576.7**	**1,667.4**
2 Public debt securities	1,197.1	1,244.5	1,319.6	1,377.2	1,410.7	1,463.7	1,512.7	1,572.3	1,663.0
3 Held by public	987.7	1,043.3	1,090.3	1,138.2	1,174.4	1,223.9	1,255.1	1,309.2	1,373.4
4 Held by agencies	209.4	201.2	229.3	239.0	236.3	239.8	257.6	264.1	289.6
5 Agency securities	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.5
6 Held by public	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4
7 Held by agencies	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,197.9**	**1,245.3**	**1,320.4**	**1,378.0**	**1,411.4**	**1,464.5**	**1,513.4**	**1,573.0**	**1,663.7**
9 Public debt securities	1,196.5	1,243.9	1,319.0	1,376.6	1,410.1	1,463.1	1,512.1	1,571.7	1,662.4
10 Other debt[1]	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,290.2	1,290.2	1,389.0	1,389.0	1,490.0	1,490.0	1,520.0	1,573.0	1,823.8

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1980	1981	1982	1983	1984			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**930.2**	**1,028.7**	**1,197.1**	**1,410.7**	**1,463.7**	**1,512.7**	**1,572.3**	**1,663.0**
By type								
2 Interest-bearing debt	928.9	1,027.3	1,195.5	1,400.9	1,452.1	1,501.1	1,559.6	1,660.6
3 Marketable	623.2	720.3	881.5	1,050.9	1,097.7	1,126.6	1,176.6	1,247.4
4 Bills	216.1	245.0	311.8	343.8	350.2	343.3	356.8	374.4
5 Notes	321.6	375.3	465.0	573.4	604.9	632.1	661.7	705.1
6 Bonds	85.4	99.9	104.6	133.7	142.6	151.2	158.1	167.9
7 Nonmarketable[1]	305.7	307.0	314.0	350.0	354.4	374.5	383.0	413.2
8 State and local government series	23.8	23.0	25.7	36.7	38.1	39.9	41.4	44.4
9 Foreign issues[2]	24.0	19.0	14.7	10.4	9.9	8.8	8.8	9.1
10 Government	17.6	14.9	13.0	10.4	9.9	8.8	8.8	9.1
11 Public	6.4	4.1	1.7	.0	.0	.0	.0	.0
12 Savings bonds and notes	72.5	68.1	68.0	70.7	71.6	72.3	73.1	73.3
13 Government account series[3]	185.1	196.7	205.4	231.9	234.6	253.2	259.5	286.2
14 Non-interest-bearing debt	1.3	1.4	1.6	9.8	11.6	11.6	12.7	2.3
By holder[4]								
15 U.S. government agencies and trust funds	192.5	203.3	209.4	236.3	239.8	257.6	263.1	289.6
16 Federal Reserve Banks	121.3	131.0	139.3	151.9	150.8	152.9	155.0	160.9
17 Private investors	616.4	694.5	848.4	1,022.6	1,073.0	1,102.2	1,154.1	1,212.5
18 Commercial banks	112.1	111.4	131.4	188.8	189.8	182.3	183.0	185.5[p]
19 Money market funds	3.5	21.5	42.6	22.8	19.4	14.9	13.6	26.0
20 Insurance companies	24.0	29.0	39.1	56.7	57.1[p]	61.6[p]	58.6[p]	73.9[p]
21 Other companies	19.3	17.9	24.5	39.7	42.6	45.3	47.7[p]	50.2[p]
22 State and local governments	87.9	104.3	127.8	155.1	162.9[p]	165.0[p]	n.a.	n.a.
Individuals								
23 Savings bonds	72.5	68.1	68.3	71.5	72.2	72.9	73.7	74.5
24 Other securities	44.6	42.7	48.2	61.9	64.0	69.3	73.8	70.8
25 Foreign and international[5]	129.7	136.6	149.5	166.3	166.3	171.5	175.5	193.1[p]
26 Other miscellaneous investors[6]	122.8	163.0	217.0	259.8	298.7	319.4	n.a.	n.a.

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

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

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

Item	1982r	1983	1984	1984 Dec.	1985 Jan.	1985 Feb.	1985 week ending Wednesday Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
Immediate delivery[1]												
1 U.S. government securities	64,531	42,135	52,784	58,110	71,679	71,196	73,930r	77,407r	73,661	67,530	69,375	77,026
By maturity												
2 Bills	36,790	22,393	26,038	28,202	32,185	33,261	36,657r	30,631r	34,025	31,579	35,788	33,660
3 Other within 1 year	1,620	708	1,305	2,027	1,758	1,639	1,619	1,495	1,595	1,390	1,744	1,740
4 1–5 years	12,543	8,758	11,734	14,964	17,673	17,347	17,571	22,698r	20,896	12,679	16,415	19,850
5 5–10 years	7,112	5,279	7,607	7,914	12,049	10,319	11,354	13,298r	9,079	9,142	8,202	14,207
6 Over 10 years	6,466	4,997	6,099	5,003	8,014	8,630	6,729r	9,286	8,067	12,740	7,226	7,568
By type of customer												
7 U.S. government securities dealers	3,539	2,257	2,920	3,981	4,288	4,349	4,482	3,902	4,088	4,987	4,090	4,272
8 U.S. government securities brokers	31,453	21,045	25,581	24,767	32,617	33,790	32,603	35,300	35,552	31,895	32,198	36,129
9 All others[2]	30,041	18,832	24,283	29,362	34,774	33,057	36,845r	38,206r	34,020	30,649	33,088	36,624
10 Federal agency securities	8,282	5,576	7,843	8,499	9,846	9,435	10,328	9,495	8,353	9,914	11,552	8,897
11 Certificates of deposit	10,001	4,333	4,947	4,380	5,428	4,544	4,870	4,092	5,123	4,292	3,929	4,651
12 Bankers acceptances	5,004	2,642	3,244	3,376	3,756	3,206	3,762	3,009	3,332	3,245	2,860	3,348
13 Commercial paper	15,190	8,036	10,018	10,882	10,780	9,946	10,414	10,132	11,093	9,575	10,066	9,277
Futures transactions[3]												
14 Treasury bills	10,086	6,655	6,947	4,686	5,510	7,116	4,789	6,470	7,514	8,005	5,891	7,203
15 Treasury coupons	2,977	2,501	4,503	4,605	5,147	6,067	4,356	6,159	5,199	5,995	5,353	7,204
16 Federal agency securities	520	265	262	131	155	127	167	136	125	133	218	117
Forward transactions[4]												
17 U.S. government securities	1,670	1,493	1,362	1,423	1,042	1,551	1,035	1,268r	2,062	1,610	1,188	1,619
18 Federal agency securities	1,960	1,646	2,839	3,355	3,538	3,288	4,082	2,560	2,474	3,435	4,373	3,293

1. Before 1981, data for immediate transactions include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

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

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

Item	1982r	1983r	1984	1984	1985		1985 week ending Wednesday				
				Dec.	Jan.	Feb.	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
	Positions										
Net immediate[1]											
1 U.S. government securities	13,663	10,701	5,543	18,358	14,111r	13,585	13,244	11,859	11,337	13,921	15,724
2 Bills	7,297	8,020	5,504	13,871	11,629	12,441	12,526	12,201	10,506	12,771	13,495
3 Other within 1 year	972	394	63	−416	−111	851	100	357	713	852	1,132
4 1–5 years	3,256	1,778	2,159r	7,452	5,685	3,054	5,468	4,821	3,763	1,904	2,136
5 5–10 years	−318	−78	−1,119	−2,122	−4,024	−2,898	−4,930	−4,352	−4,200	−2,547	−1,434
6 Over 10 years	2,026	528	−1,174	−565	823r	48	−15	−1,257	469	862	294
7 Federal agency securities	4,145	7,232	15,294	18,471	19,429	19,606	20,934	21,007	20,007	18,846	18,803
8 Certificates of deposit	5,532	5,839	7,369r	9,155	10,251r	9,487	9,701	10,154	9,775	9,274	8,935
9 Bankers acceptances	2,832	3,332	3,874	4,329	4,839	4,725	4,824	4,819	4,812	4,974	4,381
10 Commercial paper	3,317	3,159	3,788r	5,694	4,880	5,226	5,435	5,677	5,037	5,274	5,118
Futures positions											
11 Treasury bills	−2,507	−4,125	−4,525r	−10,668	−13,133	−2,549	−12,052	−9,301	−4,995	−1,485	2,306
12 Treasury coupons	−2,303	−1,032	1,795r	808	1,336r	3,143	2,218r	2,755	2,964	3,136	3,391
13 Federal agency securities	−224	171	233r	−10	−55	−9	108	216	171	−87	−255
Forward positions											
14 U.S. government securities	−788	−1,936	−1,643	−2,188	−845	−1,742	−803	−1,178	−1,877	−2,486	−1,486
15 Federal agency securities	−1,432	−3,561	−9,204	−8,294	−6,990	−8,156	−6,326	−7,899	−8,340	−8,156	−8,001
	Financing[2]										
Reverse repurchase agreements[3]											
16 Overnight and continuing	26,754	29,099	44,078	52,222	57,000	59,989	55,697	59,293	58,024	62,073	59,690
17 Term agreements	48,247	52,493	68,357	75,532	72,387	71,570	69,193	71,218	73,032	70,585	71,618
Repurchase agreements[4]											
18 Overnight and continuing	49,695	57,946	75,717	89,419	93,727	96,535	93,269	94,194	93,827	96,337	100,117
19 Term agreements	43,410	44,410	57,047	67,185	63,188	62,327	62,840	62,587	64,499	61,539	60,975

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. Prior to 1984, securities owned, and hence dealer positions, do not include all securities acquired under reverse RPs. After January 1984, immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. 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, that is, 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.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1981	1982	1983	1984					1985
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **Federal and federally sponsored agencies**	**221,946**	**237,085**	**239,716**	**263,642**	**267,399**	**259,330**	**260,015p**	**261,294p**	**260,770p**
2 Federal agencies	31,806	33,055	33,940	34,497	34,754	35,012	35,078	35,145	35,235
3 Defense Department[1]	484	354	243	162	153	149	146	142	133
4 Export-Import Bank[2,3]	13,339	14,218	14,853	15,606	15,733	15,721	15,721	15,882	15,882
5 Federal Housing Administration[4]	413	288	194	146	140	139	138	133	132
6 Government National Mortgage Association participation certificates[5]	2,715	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,538	1,471	1,404	1,337	1,337	1,337	1,337	1,337	1,337
8 Tennessee Valley Authority	13,115	14,365	14,970	15,030	15,160	15,450	15,520	15,435	15,535
9 United States Railway Association[6]	202	194	111	51	51	51	51	51	51
10 Federally sponsored agencies[7]	190,140	204,030	205,776	229,145	232,645	224,318	224,937p	226,149p	225,535p
11 Federal Home Loan Banks	54,131	55,967	48,930	62,116	65,616	66,126	66,230	65,085	64,705
12 Federal Home Loan Mortgage Corporation	5,480	4,524	6,793	9,068	8,950	n.a.	n.a.	n.a.	n.a.
13 Federal National Mortgage Association[8]	58,749	70,052	74,594	79,921	80,123	80,357	81,119	83,720	84,612
14 Farm Credit Banks	71,359	71,896	72,409	73,352	73,131	72,859	72,267	71,255	70,642
15 Student Loan Marketing Association	421	1,591	3,050	4,688	4,824	5,143	5,321	5,369	5,576
MEMO									
16 **Federal Financing Bank debt**[9]	**110,698**	**126,424**	**135,791**	**144,063**	**144,836**	**144,978**	**145,174**	**145,217**	**146,034**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	12,741	14,177	14,789	15,563	15,690	15,690	15,690	15,852	15,852
18 Postal Service[6]	1,288	1,221	1,154	1,087	1,087	1,087	1,087	1,087	1,087
19 Student Loan Marketing Association	5,400	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	11,390	12,640	13,245	13,305	13,435	13,725	13,795	13,710	13,810
21 United States Railway Association[6]	202	194	111	51	51	51	51	51	51
Other Lending[10]									
22 Farmers Home Administration	48,821	53,261	55,266	59,196	59,511	59,021	58,801	58,971	59,066
23 Rural Electrification Administration	13,516	17,157	19,766	20,742	20,587	20,694	20,889	20,693	20,653
24 Other	12,740	22,774	26,460	29,119	29,475	29,710	29,861	29,853	30,515

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

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984[r] May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues, new and refunding**[1]	**79,138**	**86,421**	**105,000**	**7,323**	**7,680**	**7,537**	**11,726**	**7,967**	**12,506**	**13,225**	**16,448**
Type of issue											
2 General obligation	21,094	21,566	26,420	2,438	2,857	1,919	1,781	1,433	3,758	2,668	2,076
3 U.S. government loans[2]	225	96	n.a.	3	3	3	5	9	7	7	n.a.
4 Revenue	58,044	64,855	78,580	4,885	4,823	5,618	9,945	6,534	8,748	10,557	14,372
5 U.S. government loans[2]	461	253	n.a.	13	15	18	21	23	28	36	n.a.
Type of issuer											
6 State	8,438	7,140	9,519	497	447	465	2,157	596	1,109	805	716
7 Special district and statutory authority	45,060	51,297	62,403	3,990	4,313	5,121	7,321	5,202	7,076	7,079	10,944
8 Municipalities, counties, townships, school districts	25,640	27,984	33,087	2,836	2,920	1,951	2,248	2,169	4,330	5,341	4,788
9 **Issues for new capital, total**	**74,804**	**72,441**	**92,547**	**6,024**	**6,959**	**6,592**	**10,749**	**7,454**	**11,096**	**12,069**	**15,143**
Use of proceeds											
10 Education	6,482	8,099	7,499	987	877	466	627	333	748	989	634
11 Transportation	6,256	4,387	7,394	428	464	118	423	590	1,018	2,136	1,196
12 Utilities and conservation	14,259	13,588	16,612	1,685	1,195	385	1,015	2,013	2,782	504	2,933
13 Social welfare	26,635	26,910	29,425	1,227	2,239	3,728	4,823	3,018	3,495	3,590	3,211
14 Industrial aid	8,349	7,821	15,897	429	463	884	1,055	679	1,493	3,751	6,198
15 Other purposes	12,822	11,637	15,720	1,268	1,721	1,011	2,806	821	1,560	1,099	971

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

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
1 **All issues**[1,2]	**84,638**	**98,948**	**95,986**[r]	**7,401**	**7,641**[r]	**10,917**	**7,758**[r]	**12,350**	**11,931**	**6,940**	**7,294**
2 **Bonds**	**54,076**	**47,369**	**73,357**[r]	**5,180**	**6,309**[r]	**8,863**	**6,225**[r]	**10,403**	**9,524**	**5,918**	**5,739**
Type of offering											
3 Public	44,278	47,369	73,357[r]	5,180	6,309[r]	8,863	6,225[r]	10,403	9,524	5,918	5,739
4 Private placement	9,798	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	12,822	7,842	14,438[r]	1,440	950	2,484	1,614[r]	2,989	1,447	1,741	1,326
6 Commercial and miscellaneous	5,442	5,186	8,745	536	875	776	576	988	1,198	555	144
7 Transportation	1,491	1,039	1,272	225	40	183	200	161	19	110	297
8 Public utility	12,327	7,241	6,754	475	650	765	758	1,150	555	575	309
9 Communication	2,390	3,159	2,407	0	31	0	0	240	1,557	169	375
10 Real estate and financial	19,604	22,900	39,741	2,504	3,763	4,654	3,076	4,875	4,749	2,768	3,288
11 **Stocks**[3]	**30,562**	**51,579**	**22,628**	**2,221**	**1,332**	**2,054**	**1,533**	**1,947**	**2,407**	**1,022**	**1,555**
Type											
12 Preferred	5,113	7,213	4,118	244	209	334	155	555	655	91	170
13 Common	25,449	44,366	18,510	1,977	1,123	1,720	1,378	1,392	1,752	931	1,385
Industry group											
14 Manufacturing	5,649	14,135	4,054	584	204	258	212	712	227	137	172
15 Commercial and miscellaneous	7,770	13,112	6,277	316	382	558	378	489	1,025	112	234
16 Transportation	709	2,729	589	1	28	0	87	16	66	71	0
17 Public utility	7,517	5,001	1,624	282	136	44	92	146	150	66	225
18 Communication	2,227	1,822	419	11	0	123	9	69	3	26	271
19 Real estate and financial	6,690	14,780	9,665	1,027	582	1,071	755	515	936	610	653

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Data for 1983 include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1983	1984r	1984							1985
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.r	Jan.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	84,345	107,469	8,343	7,488	8,956	8,156	9,517	9,458	10,006	19,035
2 Redemptions of own shares[3]	57,100	76,147	6,156	5,777	6,497	6,185	6,766	6,343	8,948	9,183
3 Net sales	27,245	31,322	2,187	1,711	2,459	1,971	2,751	3,115	1,058	9,852
4 Assets[4]	113,599	137,126	115,034	115,481	128,209	129,657	131,539	132,709	137,126	151,547
5 Cash position[5]	8,343	11,978	11,907	11,620	12,698	13,221	11,417	11,518	11,978	12,656
6 Other	105,256	125,148	103,127	103,861	115,511	116,436	120,122	121,191	125,148	138,891

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1982	1983	1984r	1983				1984			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4r
1 Corporate profits with inventory valuation and capital consumption adjustment	159.1	225.2	286.2	179.1	216.7	245.0	260.0	277.4	291.1	282.8	293.5
2 Profits before tax	165.5	203.2	236.2	161.7	198.2	227.4	225.5	243.3	246.0	224.8	230.6
3 Profits tax liability	60.7	75.8	90.0	59.1	74.8	84.7	84.5	92.7	95.8	83.1	88.3
4 Profits after tax	104.8	127.4	146.2	102.6	123.4	142.6	141.1	150.6	150.2	141.7	142.3
5 Dividends	69.2	72.9	80.5	71.1	71.7	73.3	75.4	77.7	79.9	81.3	83.1
6 Undistributed profits	35.6	54.5	65.6	31.4	51.7	69.3	65.6	72.9	70.2	60.3	59.2
7 Inventory valuation	-9.5	-11.2	-5.6	-4.3	-12.1	-19.3	-9.2	-13.5	-7.3	-.2	-1.6
8 Capital consumption adjustment	3.1	33.2	55.7	21.7	30.6	36.9	43.6	47.6	52.3	58.3	64.5

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1978	1979	1980	1981	1982	1983		1984		
						Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**1,043.7**	**1,214.8**	**1,327.0**	**1,418.4**	**1,432.7**	**1,522.8**	**1,557.3**	**1,600.6**	**1,630.6**	**1,667.3**
2 Cash	105.5	118.0	126.9	135.5	147.0	150.5	165.8	159.3	155.0	150.6
3 U.S. government securities	17.2	16.7	18.7	17.6	22.8	27.0	30.6	35.1	36.7	32.3
4 Notes and accounts receivable	388.0	459.0	506.8	532.0	519.2	565.0	577.8	596.9	612.4	628.0
5 Inventories	431.8	505.1	542.8	583.7	578.6	597.3	599.3	623.1	633.3	662.5
6 Other	101.1	116.0	131.8	149.5	165.2	183.0	183.7	186.3	193.2	194.0
7 **Current liabilities**	**669.5**	**807.3**	**889.3**	**970.0**	**976.8**	**1,026.6**	**1,043.0**	**1,079.0**	**1,111.9**	**1,143.0**
8 Notes and accounts payable	383.0	460.8	513.6	546.3	543.0	559.4	577.9	584.1	604.6	624.7
9 Other	286.5	346.5	375.7	423.7	433.8	467.2	465.2	495.0	507.3	518.4
10 **Net working capital**	**374.3**	**407.5**	**437.8**	**448.4**	**455.9**	**496.3**	**514.3**	**521.6**	**518.6**	**524.3**
11 MEMO: Current ratio[1]	1.559	1.505	1.492	1.462	1.467	1.483	1.493	1.483	1.466	1.459

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry[1]	1982	1983	1984	1983				1984			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
1 **Total nonfarm business**	**282.71**	**269.22**	**307.59**	**261.71**	**261.16**	**270.05**	**283.96**	**293.15**	**302.70**	**313.11**	**321.40**
Manufacturing											
2 Durable goods industries	56.44	51.78	63.02	50.74	48.48	53.06	54.85	58.94	60.20	65.44	67.49
3 Nondurable goods industries	63.23	59.75	67.99	59.12	60.31	58.06	61.50	63.84	67.46	69.06	71.60
Nonmanufacturing											
4 Mining	15.45	11.83	12.90	12.03	10.91	11.93	12.43	13.95	12.13	12.61	12.92
Transportation											
5 Railroad	4.38	3.92	5.32	3.35	3.64	4.07	4.63	4.41	5.64	5.80	5.41
6 Air	3.93	3.77	3.02	4.09	4.10	3.57	3.32	2.77	2.98	3.16	3.18
7 Other	3.64	3.50	4.57	3.60	3.14	3.36	3.91	4.28	4.33	4.69	4.98
Public utilities											
8 Electric	33.40	34.99	34.72	33.97	34.86	35.84	35.31	35.74	35.30	34.64	33.19
9 Gas and other	8.55	7.00	9.45	7.64	6.62	6.38	7.37	7.87	9.30	10.11	10.51
10 Commercial and other[2]	93.68	92.67	106.61	87.17	89.10	93.79	100.62	101.35	105.35	107.61	112.12

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

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1978	1979	1980	1981	1982	1983 Q3	1983 Q4	1984 Q1	1984 Q2	1984 Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	52.6	65.7	73.6	85.5	89.5	92.3	92.8	96.9	99.6	103.4
2 Business	63.3	70.3	72.3	80.6	81.0	86.8	95.2	101.1	104.2	103.2
3 Total	116.0	136.0	145.9	166.1	170.4	179.0	188.0	198.0	203.8	206.6
4 LESS: Reserves for unearned income and losses	15.6	20.0	23.3	28.9	30.5	30.1	30.6	31.9	33.4	34.7
5 Accounts receivable, net	100.4	116.0	122.6	137.2	139.8	148.9	157.4	166.1	170.4	171.9
6 Cash and bank deposits	3.5									
7 Securities	1.3	24.9[1]	27.5	34.2	39.7	45.0	45.3	47.1	48.1	49.1
8 All other	17.3									
9 **Total assets**	**122.4**	**140.9**	**150.1**	**171.4**	**179.5**	**193.9**	**202.7**	**213.2**	**218.5**	**220.9**
LIABILITIES										
10 Bank loans	6.5	8.5	13.2	15.4	18.6	17.0	19.1	14.7	15.3	16.0
11 Commercial paper	34.5	43.3	43.4	51.2	45.8	49.7	53.6	58.4	62.0	60.1
Debt										
12 Short-term, n.e.c.	8.1	8.2	7.5	9.6	8.7	8.7	11.3	12.2	15.0	15.1
13 Long-term, n.e.c.	43.6	46.7	52.4	54.8	63.5	66.2	65.4	68.7	67.6	71.2
14 Other	12.6	14.2	14.3	17.8	18.7	24.4	27.1	29.8	29.0	29.2
15 Capital, surplus, and undivided profits	17.2	19.9	19.4	22.8	24.2	27.9	26.2	29.4	29.6	29.2
16 **Total liabilities and capital**	**122.4**	**140.9**	**150.1**	**171.4**	**179.5**	**193.9**	**202.7**	**213.2**	**218.5**	**220.9**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Jan. 31, 1985[1]	Changes in accounts receivable 1984 Nov.	Changes 1984 Dec.	Changes 1985 Jan.	Extensions 1984 Nov.	Extensions 1984 Dec.	Extensions 1985 Jan.	Repayments 1984 Nov.	Repayments 1984 Dec.	Repayments 1985 Jan.
1 **Total**	**137,953**	**1,860**	**2,969**	**4,368**	**24,946**	**27,088**	**28,010**	**23,086**	**24,119**	**23,642**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	11,294	39	−20	−25	771	720	720	732	740	745
3 Business, industrial, and farm equipment	20,312	215	477	−218	1,337	1,491	1,254	1,122	1,014	1,472
Wholesale financing										
4 Automotive	19,001	349	1,295	1,096	8,616	9,898	10,165	8,267	8,603	9,069
5 Equipment	4,677	43	−82	157	617	573	711	574	655	554
6 All other	6,408	142	212	147	1,702	1,690	1,824	1,560	1,478	1,677
Leasing										
7 Automotive	12,989	271	377	623	757	917	1,121	486	540	498
8 Equipment	36,459	554	453	928	1,328	1,528	1,767	774	1,075	839
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,250	133	226	1,659	8,753	9,285	9,475	8,620	9,059	7,816
10 All other business credit	10,563	114	31	1	1,065	986	973	951	955	972

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1982	1983	1984	1984					1985	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	94.6	92.8	96.8	94.3	97.4	98.4	99.5	102.6	94.8	100.1
2 Amount of loan (thousands of dollars)	69.8	69.5	73.7	71.8	72.5	74.0	75.2	76.9	71.4r	75.7
3 Loan/price ratio (percent)	76.6	77.1	78.7	78.1	77.3	78.2	77.9	77.9	77.9r	77.8
4 Maturity (years)	27.6	26.7	27.8	28.0	27.6r	27.6	27.5	28.0	27.7r	28.4
5 Fees and charges (percent of loan amount)[2]	2.95	2.40	2.64	2.82	2.63	2.58	2.54	2.65	2.65r	2.62
6 Contract rate (percent per annum)	14.47	12.20	11.87	11.89	12.03	12.27	12.27	12.05	11.77r	11.70
Yield (percent per annum)										
7 FHLBB series[3]	15.12	12.66	12.37	12.43	12.53	12.77	12.75	12.55	12.27r	12.19
8 HUD series[4]	15.79	13.43	13.80	14.24	13.98	13.59	13.20	13.05	12.88	13.06
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	15.30	13.11	13.81	14.21	13.99	13.43	12.90	12.99	13.01	13.27
10 GNMA securities[6]	14.68	12.25	13.13	13.56	13.36	13.09	12.71	12.54	12.26	12.23
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	66,031	74,847	83,339	84,193	84,851	85,539	86,416	87,940	89,353	90,369
12 FHA/VA-insured	39,718	37,393	35,148	34,938	34,844	34,791	34,752	34,711	34,602	34,553
13 Conventional	26,312	37,454	48,191	49,255	50,006	50,749	51,664	53,229	54,751	55,816
Mortgage transactions (during period)										
14 Purchases	15,116	17,554	16,721	820	1,145	1,087	1,297	1,962	1,943	1,559
15 Sales	2	3,528	978	0	0	0	0	0	0	0
Mortgage commitments[7]										
16 Contracted (during period)	22,105	18,607	21,007	1,227	1,142	1,638	2,150	2,758	1,230	1,895
17 Outstanding (end of period)	7,606	5,461	6,384	6,332	6,235	6,656	5,916	6,384	5,678	5,665
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,131	5,996	n.a.	9,331	9,447	9,726	9,900			
19 FHA/VA	1,027	974	n.a.	901	896	891	886			
20 Conventional	4,102	5,022	n.a.	8,431	8,551	8,835	9,014			
Mortgage transactions (during period)										
21 Purchases	23,673	23,089	n.a.	1,821	1,262	2,864	2,241	n.a.	n.a.	n.a.
22 Sales	24,170	19,686	n.a.	1,570	1,137	2,573	1,961			
Mortgage commitments[9]										
23 Contracted (during period)	28,179	32,852	n.a.	3,130	3,440	2,663	4,158			
24 Outstanding (end of period)	7,549	16,964	n.a.	23,639	22,013	25,676	27,550			

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1982	1983	1984	1983	1984			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**1,658,450**	**1,827,563**	**2,030,930**	**1,827,563**	**1,874,489**	**1,934,437**	**1,987,182**	**2,030,930**
2 1- to 4-family	1,110,315	1,219,145	1,349,951	1,219,145	1,250,678	1,287,537	1,320,500	1,349,951
3 Multifamily	140,063	150,149	163,977	150,149	153,655	158,349	161,960	163,977
4 Commercial	301,362	348,958	406,139	348,958	360,540	377,974	393,600	406,139
5 Farm	106,710	109,311	110,863	109,311	109,616	110,577	111,122	110,863
6 Major financial institutions	1,024,680	1,110,165	1,247,106	1,110,165	1,138,931	1,183,480	1,221,779	1,247,106
7 Commercial banks[1]	301,272	328,323	374,186	328,323	340,797	353,946	365,386	374,186
8 1- to 4-family	173,804	181,300	197,944	181,300	185,530	190,706	194,933	197,944
9 Multifamily	16,480	18,288	21,142	18,288	20,005	20,670	21,412	21,142
10 Commercial	102,553	119,411	144,623	119,411	125,550	132,447	138,774	144,623
11 Farm	8,435	9,324	10,477	9,324	9,712	10,123	10,267	10,477
12 Mutual savings banks	97,805	136,054	160,761	136,054	143,180	147,517	150,462	160,761
13 1- to 4-family	66,777	96,569	114,364	96,569	101,868	105,063	106,944	114,364
14 Multifamily	15,305	17,785	20,190	17,785	18,441	18,752	19,138	20,190
15 Commercial	15,694	21,671	26,176	21,671	22,841	23,672	24,349	26,176
16 Farm	29	29	31	29	30	30	31	31
17 Savings and loan associations	483,614	494,789	554,868	494,789	503,509	528,172	550,129	554,868
18 1- to 4-family	393,323	390,883	431,132	390,883	397,017	414,087	429,101	431,132
19 Multifamily	38,979	42,552	48,274	42,552	43,553	45,951	47,861	48,274
20 Commercial	51,312	61,354	75,462	61,354	62,939	68,134	73,167	75,462
21 Life insurance companies	141,989	150,999	157,291	150,999	151,445	153,845	155,802	157,291
22 1- to 4-family	16,751	15,319	14,218	15,319	14,917	14,437	14,204	14,218
23 Multifamily	18,856	19,107	18,881	19,107	19,083	19,028	18,828	18,881
24 Commercial	93,547	103,831	111,692	103,831	104,890	107,796	110,149	111,692
25 Farm	12,835	12,742	12,500	12,742	12,555	12,584	12,621	12,500
26 Federal and related agencies	138,138	147,370	157,826	147,370	150,784	152,669	153,407	157,826
27 Government National Mortgage Association	4,227	3,395	2,500	3,395	2,900	2,715	2,389	2,500
28 1- to 4-family	676	630	597	630	618	605	594	597
29 Multifamily	3,551	2,765	1,903	2,765	2,282	2,110	1,795	1,903
30 Farmers Home Administration	1,786	2,141	1,800	2,141	2,094	1,344	738	1,800
31 1- to 4-family	783	1,159	449	1,159	1,005	281	206	449
32 Multifamily	218	173	124	173	303	463	126	124
33 Commercial	377	409	652	409	319	81	113	652
34 Farm	408	400	575	400	467	519	293	575
35 Federal Housing and Veterans Administration	5,228	4,894	4,782	4,894	4,832	4,753	4,801	4,782
36 1- to 4-family	1,980	1,893	2,007	1,893	1,956	1,894	1,967	2,007
37 Multifamily	3,248	3,001	2,775	3,001	2,876	2,859	2,834	2,775
38 Federal National Mortgage Association	71,814	78,256	87,940	78,256	80,975	83,243	84,850	87,940
39 1- to 4-family	66,500	73,045	82,175	73,045	75,770	77,633	79,175	82,175
40 Multifamily	5,314	5,211	5,765	5,211	5,205	5,610	5,675	5,765
41 Federal Land Banks	50,350	51,052	50,679	51,052	51,004	51,136	51,182	50,679
42 1- to 4-family	3,068	3,000	2,948	3,000	2,982	2,958	2,954	2,948
43 Farm	47,282	48,052	47,731	48,052	48,022	48,178	48,228	47,731
44 Federal Home Loan Mortgage Corporation	4,733	7,632	10,125	7,632	8,979	9,478	9,447	10,125
45 1- to 4-family	4,686	7,559	9,425	7,559	8,847	8,931	8,841	9,425
46 Multifamily	47	73	700	73	132	547	606	700
47 Mortgage pools or trusts[2]	216,654	285,073	331,019	285,073	296,481	305,051	317,548	331,019
48 Government National Mortgage Association	118,940	159,850	179,873	159,850	166,261	170,893	175,770	179,873
49 1- to 4-family	115,831	155,801	175,089	155,801	161,943	166,415	171,095	175,089
50 Multifamily	3,109	4,049	4,784	4,049	4,318	4,478	4,675	4,784
51 Federal Home Loan Mortgage Corporation	42,964	57,895	70,417	57,895	59,376	61,267	63,964	70,417
52 1- to 4-family	42,560	57,273	69,817	57,273	58,776	60,636	63,352	69,817
53 Multifamily	404	622	600	622	600	631	612	600
54 Federal National Mortgage Association[3]	14,450	25,121	36,215	25,121	28,354	29,256	32,888	36,215
55 1- to 4-family	14,450	25,121	35,965	25,121	28,354	29,256	32,730	35,965
56 Multifamily	n.a.	n.a.	250	n.a.	n.a.	n.a.	158	250
57 Farmers Home Administration	40,300	42,207	44,514	42,207	42,490	43,635	44,926	44,514
58 1- to 4-family	20,005	20,404	21,578	20,404	20,573	21,331	21,595	21,578
59 Multifamily	4,344	5,090	5,835	5,090	5,081	5,081	5,618	5,835
60 Commercial	7,011	7,351	7,403	7,351	7,456	7,764	7,844	7,403
61 Farm	8,940	9,362	9,698	9,362	9,380	9,459	9,869	9,698
62 Individual and others[4]	278,978	284,955	294,979	284,955	288,293	293,237	294,448	294,979
63 1- to 4-family[5]	189,121	189,189	192,243	189,189	190,522	193,304	192,809	192,243
64 Multifamily	30,208	31,433	32,754	31,433	31,776	32,169	32,622	32,754
65 Commercial	30,868	34,931	40,131	34,931	36,545	38,080	39,204	40,131
66 Farm	28,781	29,402	29,851	29,402	29,450	29,684	29,813	29,851

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. 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 estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

Holder, and type of credit	1981	1982	1983	1984							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Amounts outstanding (end of period)										
1 **Total**	**335,691**	**355,849**	**396,082**	**418,080**	**427,565**	**435,367**	**443,537**	**450,131**	**455,318**	**463,516**	**477,014**
By major holder											
2 Commercial banks	147,622	152,490	171,978	186,668	191,519	195,265	199,654	202,452	204,582	206,635	212,391
3 Finance companies	89,818	98,693	102,862	102,967	104,460	106,219	106,881	108,437	109,289	111,196	112,548
4 Credit unions	45,953	47,253	53,471	58,517	59,893	61,151	62,679	63,808	64,716	66,528	67,858
5 Retailers[2]	31,348	32,735	35,911	33,730	34,206	34,022	34,294	34,426	34,802	36,000	39,873
6 Savings and loans	12,410	15,823	21,615	24,915	25,837	26,767	27,918	28,868	29,756	30,857	31,905
7 Gasoline companies	4,403	4,063	4,131	4,020	4,289	4,472	4,452	4,328	4,205	4,132	4,108
8 Mutual savings banks	4,137	4,792	6,114	7,263	7,361	7,471	7,659	7,812	7,968	8,168	8,331
By major type of credit											
9 Automobile	125,331	131,086	142,449	152,225	155,937	159,649	162,038	164,361	166,028	168,095	169,951
10 Commercial banks	58,081	59,555	67,557	75,787	78,018	80,103	81,786	82,706	83,620	84,326	85,501
11 Indirect paper	34,375	34,755	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Direct loans	23,706	23,472	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Credit unions	21,975	22,596	25,574	27,988	28,646	29,248	29,979	30,519	30,953	31,820	32,456
14 Finance companies	45,275	48,935	49,318	48,450	49,273	50,298	50,273	51,136	51,455	51,949	51,994
15 Revolving	64,500	69,998	80,823	82,436	84,598	85,588	87,788	89,742	91,017	93,468	101,067
16 Commercial banks	32,880	36,666	44,184	47,936	49,374	50,358	52,313	54,258	55,276	56,641	60,549
17 Retailers	27,217	29,269	32,508	30,480	30,935	30,758	31,023	31,156	31,536	32,695	36,410
18 Gasoline companies	4,403	4,063	4,131	4,020	4,289	4,472	4,452	4,328	4,205	4,132	4,108
19 Mobile home	17,958	22,254	23,680	24,104	24,427	24,751	25,178	25,482	25,484	25,686	25,892
20 Commercial banks	10,187	9,605	9,842	9,573	9,621	9,681	9,711	9,761	9,627	9,613	9,610
21 Finance companies	4,494	9,003	9,365	9,434	9,528	9,612	9,786	9,857	9,890	9,892	9,901
22 Savings and loans	2,788	3,143	3,906	4,478	4,644	4,811	5,018	5,189	5,282	5,477	5,663
23 Credit unions	489	503	567	619	634	647	663	675	685	704	718
24 Other	127,903	132,511	149,130	159,315	162,603	165,379	168,533	170,546	172,789	176,267	180,104
25 Commercial banks	46,474	46,664	50,395	53,372	54,506	55,123	55,844	55,727	56,059	56,055	56,731
26 Finance companies	40,049	40,755	44,179	45,083	45,659	46,309	46,822	47,444	47,944	49,355	50,653
27 Credit unions	23,490	24,154	27,330	29,910	30,613	31,256	32,037	32,614	33,078	34,004	34,684
28 Retailers	4,131	3,466	3,403	3,250	3,271	3,264	3,271	3,270	3,266	3,305	3,463
29 Savings and loans	9,622	12,680	17,709	20,437	21,193	21,956	22,900	23,679	24,474	25,380	26,242
30 Mutual savings banks	4,137	4,792	6,114	7,263	7,361	7,471	7,659	7,812	7,968	8,168	8,331
	Net change (during period)[3]										
31 **Total**	**18,217**	**17,886**	**40,233**	**10,233**	**7,825**	**7,106**	**5,998**	**4,283**	**6,275**	**7,950**	**6,948**
By major holder											
32 Commercial banks	607	4,442	19,488	6,065	3,835	3,192	2,631	1,384	2,756	2,483	3,028
33 Finance companies	13,062	4,504	4,169	1,304	1,353	1,402	1,111	1,204	1,191	1,718	796
34 Credit unions	1,913	1,298	6,218	1,453	962	1,566	844	686	1,216	1,990	1,130
35 Retailers[2]	1,103	651	3,176	476	471	−101	206	132	103	336	635
36 Savings and loans	1,682	2,290	5,792	979	1,069	847	1,124	769	823	1,143	1,121
37 Gasoline companies	−65	−340	68	46	89	−40	−51	−135	90	102	−11
38 Mutual savings banks	−85	251	1,322	−90	46	240	133	243	96	178	249
By major type of credit											
39 Automobile	8,495	4,898	11,363	3,689	2,897	3,422	1,777	1,317	2,357	2,724	2,066
40 Commercial banks	−3,455	−9	8,002	2,807	1,907	1,852	1,150	434	1,057	1,019	1,275
41 Indirect paper	−858	225	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
42 Direct loans	−2,597	−234	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
43 Credit unions	914	622	2,978	695	461	750	405	327	581	955	537
44 Finance companies	11,033	3,505	329	187	529	820	222	556	719	750	254
45 Revolving	4,467	4,365	10,825	2,817	1,569	640	1,314	1,324	1,496	1,714	1,571
46 Commercial banks	3,115	3,808	7,518	2,298	1,047	764	1,159	1,323	1,279	1,289	1,001
47 Retailers	1,417	897	3,239	473	433	−84	206	136	127	323	581
48 Gasoline companies	−65	−340	68	46	89	−40	−51	−135	90	102	−11
49 Mobile home	1,049	609	1,426	302	454	462	573	318	−216	−29	−29
50 Commercial banks	−186	−508	237	−50	10	31	4	4	−91	−1	29
51 Finance companies	749	471	430	156	258	185	346	150	−210	−232	−252
52 Savings and loans	466	633	763	183	174	230	214	157	72	184	181
53 Credit unions	20	14	64	13	12	16	9	7	13	20	13
54 Other	4,206	3,224	16,619	3,425	2,905	2,582	2,334	1,324	2,638	3,541	3,340
55 Commercial banks	1,133	372	3,731	1,010	871	545	318	−377	511	176	723
56 Finance companies	1,280	528	3,424	961	566	397	543	498	682	1,200	794
57 Credit unions	975	662	3,176	745	489	800	430	352	622	1,015	580
58 Retailers	−314	−246	−63	3	38	−17	0	−4	−24	13	54
59 Savings and loans	1,217	1,657	5,029	796	895	617	910	612	751	959	940
60 Mutual savings banks	−85	251	1,322	−90	46	240	133	243	96	178	249

▲ These data have not been revised this month due to revisions that were not available at time of publication.

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. For 1982 and earlier, net change equals extensions, seasonally adjusted less liquidations, seasonally adjusted. Beginning 1983, net change equals outstandings, seasonally adjusted less outstandings of the previous period, seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, $80.7 billion at the end of 1981, $85.9 billion at the end of 1982, and $96.9 billion at the end of 1983.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1982	1983	1984	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	16.82	13.92	13.71	n.a.	14.08	n.a.	n.a.	13.91	n.a.	n.a.
2 24-month personal	18.64	16.50	16.47	n.a.	16.75	n.a.	n.a.	16.63	n.a.	n.a.
3 120-month mobile home[2]	18.05	16.08	15.58	n.a.	15.72	n.a.	n.a.	15.60	n.a.	n.a.
4 Credit card	18.51	18.78	18.77	n.a.	18.81	n.a.	n.a.	18.82	n.a.	n.a.
Auto finance companies										
5 New car	16.15	12.58	14.62	14.68	15.01	15.16	15.18	15.24	15.24	15.11
6 Used car	20.75	18.74	17.85	17.77	17.99	18.10	18.19	18.30	18.34	17.88
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.9	45.9	48.3	48.6	49.2	49.5	49.7	50.0	50.2	50.7
8 Used car	37.0	37.9	39.7	39.8	39.8	39.9	39.9	39.9	39.8	41.3
Loan-to-value ratio										
9 New car	85	86	88	88	88	89	88	89	89	90
10 Used car	90	92	92	92	93	93	93	93	93	93
Amount financed (dollars)										
11 New car	8,178	8,787	9,333	9,377	9,409	9,402	9,449	9,577	9,707	9,654
12 Used car	4,746	5,033	5,691	5,763	5,753	5,792	5,826	5,900	5,975	5,951

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1979	1980	1981	1982	1983	1984	1982 H1	1982 H2	1983 H1	1983 H2	1984 H1	1984 H2
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**715.3**	**358.1**	**450.1**	**448.9**	**563.8**	**697.9**	**732.6**
By sector and instrument												
2 U.S. government	37.4	79.2	87.4	161.3	186.6	198.8	104.1	218.4	222.0	151.1	177.4	220.2
3 Treasury securities	38.8	79.8	87.8	162.1	186.7	199.0	105.5	218.8	222.1	151.2	177.6	220.3
4 Agency issues and mortgages	−1.4	−.6	−.5	−.9	−.1	−.2	−1.4	−.4	−.1	−.1	−.2	−.1
5 Private domestic nonfinancial sectors	348.6	265.4	293.1	242.8	339.8	516.5	254.0	231.7	266.9	412.7	520.5	512.4
6 Debt capital instruments	211.2	192.0	159.1	158.9	239.3	288.4	140.7	177.2	214.4	264.2	280.4	296.4
7 Tax-exempt obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
8 Corporate bonds	17.3	26.7	21.8	18.7	15.7	32.2	12.0	25.3	23.0	8.4	24.1	40.3
9 Mortgages	163.6	135.1	114.6	86.5	167.3	201.5	84.8	88.2	128.6	206.0	218.3	184.8
10 Home mortgages	120.0	96.7	76.0	52.5	108.7	128.9	53.6	51.3	83.8	133.6	140.9	116.9
11 Multifamily residential	7.8	8.8	4.3	5.5	8.4	13.8	5.1	5.8	2.8	13.9	17.1	10.4
12 Commercial	23.9	20.2	24.6	23.6	47.3	57.3	19.7	27.5	40.3	54.3	58.5	56.1
13 Farm	11.8	9.3	9.7	5.0	2.9	1.6	6.5	3.5	1.6	4.1	1.8	1.3
14 Other debt instruments	137.5	73.4	134.0	83.9	100.5	228.1	113.2	54.6	52.5	148.5	240.2	216.1
15 Consumer credit	45.4	6.3	26.7	21.0	51.3	100.6	20.6	21.4	35.9	66.6	103.0	98.2
16 Bank loans n.e.c.	51.2	36.7	54.7	55.5	27.3	71.5	69.0	42.0	13.3	41.2	83.2	59.7
17 Open market paper	11.1	5.7	19.2	−4.1	−1.2	23.8	10.0	−18.2	−10.6	8.3	31.5	16.0
18 Other	29.7	24.8	33.4	11.5	23.1	32.3	13.6	9.4	13.9	32.3	22.4	42.1
19 By borrowing sector	348.6	265.4	293.1	242.8	339.8	516.5	254.0	231.7	266.9	412.7	520.5	512.4
20 State and local governments	17.6	17.2	6.2	31.3	36.7	33.0	24.1	38.5	41.9	31.6	18.9	47.0
21 Households	179.3	122.1	127.5	94.5	175.4	241.6	94.7	94.3	134.8	216.0	236.6	246.6
22 Farm	21.4	14.4	16.3	7.6	4.3	2.2	9.6	5.6	.8	7.9	.6	3.8
23 Nonfarm noncorporate	34.4	33.7	40.2	39.5	63.9	76.3	36.6	42.3	50.1	77.6	86.1	66.5
24 Corporate	96.0	78.1	102.9	70.0	59.5	163.5	89.0	51.0	39.3	79.6	178.3	148.6
25 Foreign net borrowing in United States	20.2	27.2	27.2	15.7	18.9	1.7	10.2	21.2	15.3	22.5	19.2	−15.7
26 Bonds	3.9	.8	5.4	6.7	3.8	2.7	2.4	11.0	4.6	2.9	1.1	4.4
27 Bank loans n.e.c.	2.3	11.5	3.7	−6.2	4.9	−6.2	−7.6	−4.7	11.3	−1.5	−6.0	−6.3
28 Open market paper	11.2	10.1	13.9	10.7	6.0	.4	12.5	9.0	−4.6	16.5	18.9	−18.1
29 U.S. government loans	2.9	4.7	4.2	4.5	4.3	4.8	3.0	6.0	3.9	4.6	5.3	4.4
30 **Total domestic plus foreign**	**406.2**	**371.8**	**407.6**	**419.8**	**545.3**	**717.0**	**368.3**	**471.4**	**504.2**	**586.3**	**717.1**	**717.0**
						Financial sectors						
31 **Total net borrowing by financial sectors**	**82.4**	**62.9**	**84.1**	**69.0**	**90.7**	**126.5**	**84.2**	**53.8**	**74.0**	**107.3**	**121.0**	**131.9**
By instrument												
32 U.S. government related	47.9	44.8	47.4	64.9	67.8	74.2	60.0	69.7	66.2	69.4	69.1	79.2
33 Sponsored credit agency securities	24.3	24.4	30.5	14.9	1.4	30.0	22.4	7.5	−4.1	6.9	30.8	29.2
34 Mortgage pool securities	23.1	19.2	15.0	49.5	66.4	44.2	36.8	62.2	70.3	62.5	38.3	50.0
35 Loans from U.S. government	.6	1.2	1.9	.4	......	......	.8	......	......	......	......	......
36 Private financial sectors	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
37 Corporate bonds	7.8	7.1	−.8	2.5	17.1	14.5	−2.5	7.6	15.2	18.9	14.9	14.1
38 Mortgages	*	−.1	−.5	.1	*	*	.1	.1	*	*	*	*
39 Bank loans n.e.c.	−.5	−.9	.9	1.9	−.2	.9	3.2	.6	−2.5	2.2	.1	1.7
40 Open market paper	18.0	4.8	20.9	−1.2	13.0	21.2	12.3	−14.7	7.2	18.8	21.2	21.1
41 Loans from Federal Home Loan Banks	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
By sector												
42 Sponsored credit agencies	24.8	25.6	32.4	15.3	1.4	30.0	23.2	7.5	−4.1	6.9	30.8	29.2
43 Mortgage pools	23.1	19.2	15.0	49.5	66.4	44.2	36.8	62.2	70.3	62.5	38.3	50.0
44 Private financial sectors	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
45 Commercial banks	1.6	.5	.4	1.2	.5	2.7	.7	1.7	.8	.2	4.8	.6
46 Bank affiliates	6.5	6.9	8.3	1.9	8.6	10.8	9.7	−5.8	6.1	11.1	20.0	1.5
47 Savings and loan associations	12.6	7.4	15.5	2.5	−2.7	20.1	14.3	−9.3	−10.0	4.5	18.2	21.9
48 Finance companies	16.5	5.8	12.8	−.9	17.0	19.5	*	−1.9	11.4	22.7	9.6	29.4
49 REITs	−1.3	−2.2	.2	.1	.2	.1	.1	.1	.2	.2	.1	.1
						All sectors						
50 **Total net borrowing**	**488.7**	**434.7**	**491.8**	**488.8**	**635.9**	**843.5**	**452.5**	**525.1**	**578.2**	**693.6**	**838.1**	**848.9**
51 U.S. government securities	84.8	122.9	133.0	225.9	254.4	273.1	163.5	288.3	288.4	220.5	246.7	299.5
52 State and local obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
53 Corporate and foreign bonds	29.0	34.6	26.4	27.8	36.5	49.4	11.8	43.8	42.8	30.3	40.1	58.8
54 Mortgages	163.5	134.9	113.9	86.5	167.2	201.5	84.8	88.2	128.5	206.0	218.2	184.7
55 Consumer credit	45.4	6.3	26.7	21.0	51.3	100.6	20.6	21.4	35.9	66.6	103.0	98.2
56 Bank loans n.e.c.	52.9	47.3	59.3	51.2	32.0	66.2	64.6	37.9	22.1	41.9	77.3	55.1
57 Open market paper	40.3	20.6	54.0	5.4	17.8	45.3	34.8	−23.9	−8.0	43.6	71.5	19.0
58 Other loans	42.4	37.8	55.8	17.2	20.3	52.8	28.5	5.9	5.7	35.0	43.4	62.2
						External corporate equity funds raised in United States						
59 **Total new share issues**	**−3.8**	**22.2**	**−4.1**	**35.3**	**67.8**	**−29.8**	**23.3**	**47.2**	**83.5**	**52.0**	**−43.3**	**−16.4**
60 Mutual funds	.1	5.2	6.3	18.4	32.8	38.1	12.5	24.3	36.8	28.9	39.0	37.2
61 All other	−3.9	17.1	−10.4	16.9	34.9	−67.9	10.9	22.9	46.8	23.1	−82.3	−53.6
62 Nonfinancial corporations	−7.8	12.9	−11.5	11.4	28.3	−72.1	7.0	15.8	38.2	18.4	−84.5	−59.6
63 Financial corporations	3.2	2.1	.8	4.0	2.7	3.0	3.9	4.1	2.8	2.5	2.9	3.2
64 Foreign shares purchased in United States	.8	2.1	.3	1.5	4.0	1.1	−.1	3.0	5.7	2.2	−.7	2.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1979	1980	1981	1982	1983	1984	1982		1983		1984	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**715.3**	**358.1**	**450.1**	**488.9**	**563.8**	**697.9**	**732.6**
By public agencies and foreign												
2 Total net advances	75.2	97.0	97.7	109.1	117.1	142.6	100.8	117.3	119.7	114.6	123.7	161.5
3 U.S. government securities	−6.3	15.7	17.2	18.0	27.6	35.8	9.7	26.2	40.5	14.6	33.4	38.2
4 Residential mortgages	35.8	31.7	23.5	61.0	76.1	56.5	47.6	74.4	80.1	72.0	52.0	61.1
5 FHLB advances to savings and loans	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
6 Other loans and securities	36.5	42.4	40.9	29.3	20.5	34.6	32.4	26.2	11.1	29.9	22.6	46.6
Total advanced, by sector												
7 U.S. government	19.0	23.7	24.1	16.0	9.7	16.7	14.8	17.1	9.1	10.3	6.1	27.2
8 Sponsored credit agencies	53.0	45.6	48.2	65.3	69.5	71.8	61.8	68.7	68.2	70.7	73.0	70.6
9 Monetary authorities	7.7	4.5	9.2	9.8	10.9	8.4	3.8	15.7	15.6	6.2	17.1	−.3
10 Foreign	−4.6	23.2	16.3	18.1	27.1	45.7	20.4	15.8	26.8	27.4	27.5	64.0
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.9	44.8	47.4	64.9	67.8	74.2	60.0	69.7	66.2	69.4	69.1	79.2
12 Foreign	20.2	27.2	27.2	15.7	18.9	1.7	10.2	21.2	15.3	22.5	19.2	−15.7
Private domestic funds advanced												
13 Total net advances	379.0	319.6	357.3	375.6	495.9	648.6	327.5	423.8	450.8	541.1	662.5	634.7
14 U.S. government securities	91.1	107.2	115.8	207.9	226.9	237.3	153.7	262.0	247.8	205.9	213.2	261.3
15 State and local obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
16 Corporate and foreign bonds	18.5	19.3	18.8	14.8	14.6	17.4	−.1	29.6	22.9	6.3	18.0	16.9
17 Residential mortgages	91.9	73.7	56.7	−3.2	40.9	86.1	11.0	−17.4	6.4	75.5	105.9	66.2
18 Other mortgages and loans	156.3	96.2	159.5	103.2	150.2	268.9	130.2	76.3	98.7	201.7	303.2	234.7
19 LESS: Federal Home Loan Bank advances	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	313.9	281.5	323.4	285.6	376.7	541.9	274.4	296.7	323.2	430.1	522.2	561.6
21 Commercial banking	123.1	100.6	102.3	107.2	136.1	176.1	99.9	114.5	121.6	150.6	192.8	159.4
22 Savings institutions	56.5	54.5	27.8	31.3	136.8	147.7	25.2	37.4	128.9	144.6	157.0	138.4
23 Insurance and pension funds	85.9	94.3	97.4	108.8	98.8	113.2	111.4	106.3	89.5	108.1	95.6	130.8
24 Other finance	48.5	32.1	96.0	38.3	5.0	104.9	37.9	38.6	−16.8	26.8	76.7	133.1
25 Sources of funds	313.9	281.5	323.4	285.6	376.7	541.9	274.4	296.7	323.2	430.1	522.2	561.6
26 Private domestic deposits and RPs	137.4	169.6	211.9	174.7	203.5	283.9	147.6	201.9	192.7	214.2	277.0	290.7
27 Credit market borrowing	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
28 Other sources	142.0	93.9	74.8	106.7	150.4	205.8	102.6	110.8	122.8	177.9	193.2	218.3
29 Foreign funds	27.6	−21.7	−8.7	−26.7	22.1	20.8	−28.3	−25.1	−14.2	58.5	15.7	25.9
30 Treasury balances	.4	−2.6	−1.1	6.1	−5.3	3.8	−2.0	14.1	10.1	−20.8	.9	6.8
31 Insurance and pension reserves	72.8	83.9	90.4	104.6	99.2	108.2	111.4	97.8	90.0	108.4	107.6	108.9
32 Other, net	41.2	34.2	−5.9	22.8	34.4	72.9	21.5	24.1	36.8	31.9	69.0	76.8
Private domestic nonfinancial investors												
33 Direct lending in credit markets	99.6	56.1	70.6	94.2	142.1	159.0	77.3	111.0	135.3	148.9	192.3	125.7
34 U.S. government securities	52.5	24.6	29.3	37.4	88.7	114.0	35.3	39.5	95.9	81.4	139.4	88.6
35 State and local obligations	9.9	7.0	10.5	34.4	42.5	31.8	30.1	38.7	52.7	32.3	21.5	42.1
36 Corporate and foreign bonds	−1.4	−5.7	−8.1	−5.2	2.0	−6.2	−17.7	7.3	−1.7	5.7	7.8	−20.1
37 Open market paper	8.6	−3.1	2.7	−.1	3.9	1.0	3.5	−3.7	−8.1	15.9	3.0	−1.0
38 Other	30.0	33.3	36.3	27.8	5.0	18.4	26.2	29.3	−3.4	13.5	20.7	16.2
39 Deposits and currency	146.8	181.1	221.9	181.9	222.6	294.6	152.1	211.7	214.5	230.7	290.2	299.0
40 Currency	8.0	10.3	9.5	9.7	14.3	14.2	6.7	12.7	14.8	13.8	17.7	10.7
41 Checkable deposits	18.3	5.2	18.0	15.7	21.7	16.4	1.9	29.5	48.0	−4.7	36.6	−3.9
42 Small time and savings accounts	59.3	82.9	47.0	138.2	219.1	148.0	83.2	193.1	278.6	159.7	124.9	171.2
43 Money market fund shares	34.4	29.2	107.5	24.7	−44.1	47.2	39.4	10.0	−84.0	−4.2	30.2	64.2
44 Large time deposits	18.8	45.8	36.9	−7.7	−7.5	69.8	21.9	−37.3	−61.0	45.9	80.0	59.7
45 Security RPs	6.6	6.5	2.5	3.8	14.3	2.4	1.1	6.6	11.0	17.5	5.3	−.5
46 Deposits in foreign countries	1.5	1.1	.5	−2.5	4.8	−3.4	−2.2	−2.9	7.0	2.7	−4.5	−2.3
47 **Total of credit market instruments, deposits and currency**	**246.5**	**237.2**	**292.5**	**276.1**	**364.7**	**453.6**	**229.4**	**322.7**	**349.8**	**379.6**	**482.5**	**424.8**
48 Public holdings as percent of total	18.5	26.1	24.0	26.0	21.5	19.9	27.4	24.9	23.7	19.5	17.2	22.5
49 Private financial intermediation (in percent)	82.8	88.1	90.5	76.0	76.0	83.5	83.8	70.0	71.7	79.5	78.8	88.5
50 Total foreign funds	23.0	1.5	7.6	−8.6	49.2	66.5	−7.9	−9.3	12.6	85.9	43.1	89.9
MEMO: Corporate equities not included above												
51 **Total net issues**	**−3.8**	**22.2**	**−4.1**	**35.3**	**67.8**	**−29.8**	23.3	**47.2**	**83.5**	**52.0**	**−43.3**	**−16.4**
52 Mutual fund shares	.1	5.2	6.3	18.4	32.8	38.1	12.5	24.3	36.8	28.9	39.0	37.2
53 Other equities	−3.9	17.1	−10.4	16.9	34.9	−67.9	10.9	22.9	46.8	23.1	−82.3	−53.6
54 Acquisitions by financial institutions	12.9	24.9	20.1	39.2	57.5	19.4	11.0	67.3	75.9	39.2	7.6	31.3
55 Other net purchases	−16.7	−2.7	−24.2	−3.9	10.2	−49.2	12.3	−20.1	7.6	12.8	−50.8	−47.6

NOTES BY LINE NUMBER.
1. Line 1 of table 1.58.
2. *Sum of lines 3–6 or 7–10.*
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1982	1983	1984	1984							1985	
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.^{r}	Jan.^{r}	Feb.
1 **Industrial production**	**138.6**	**147.6**	**166.3^{r}**	**164.4**	**165.9**	**166.0**	**165.0**	**164.4**	**164.8^{r}**	**165.0**	**165.5**	**164.7**
Market groupings												
2 Products, total	141.8	149.2	164.7^{r}	165.3	167.4	167.2	166.4	166.9	167.7^{r}	168.3	168.5	167.9
3 Final, total	141.5	147.1	162.7^{r}	163.1	165.2	165.1	164.6	165.2	166.2^{r}	167.0	167.2	166.7
4 Consumer goods	142.6	151.7	161.7^{r}	163.0	163.8	162.5	161.6	161.6	162.6^{r}	162.5	162.9	161.9
5 Equipment	139.8	140.8	164.1	163.3	167.0	168.7	168.9	170.1	171.2	173.1	173.2	173.2
6 Intermediate	143.3	156.6	172.3^{r}	173.5	175.8	175.1	173.0	173.4	173.1^{r}	173.1	173.4	172.2
7 Materials	133.7	145.2	161.2^{r}	162.9	163.5	164.0	162.8	160.4	160.4^{r}	159.9	160.9	159.9
Industry groupings												
8 Manufacturing	137.6	148.2	164.8^{r}	165.7	167.3	167.6	166.6	166.2	166.6^{r}	166.9	167.0	166.3
Capacity utilization (percent)[1]												
9 Manufacturing	71.1	75.2	81.6	82.2	82.9	82.8	82.2	81.7	81.6^{r}	81.5	81.4	80.8
10 Industrial materials industries	70.1	75.2	82.0	82.9	83.1	83.3	82.4	81.0	80.9	80.4	80.7	80.1
11 Construction contracts (1977 = 100)[2]	111.0	138.0	150.0	148.0	152.0	151.0	144.0	146.0	158.0	148.0	n.a.	n.a.
12 Nonagricultural employment, total[3]	136.1	137.0	143.1	143.1	143.4	143.6	144.1	144.6	145.1	145.4	145.9	146.1
13 Goods-producing, total	102.2	100.4	106.8	107.1	107.5	107.7	107.3	107.6	107.8	108.4	108.7	108.1
14 Manufacturing, total	96.6	95.1	100.7	100.9	101.3	101.4	100.9	101.2	101.4	101.8	101.8	101.4
15 Manufacturing, production-worker	89.1	87.9	94.0	94.3	94.6	94.8	94.0	94.3	94.4	94.8	94.9	94.4
16 Service-producing	154.7	157.1	163.0	162.8	163.1	163.4	164.2	164.9	165.6	165.7	166.3	166.9
17 Personal income, total	410.3	435.6	478.1^{r}	477.2	480.6	483.5	487.0	488.8^{r}	491.7^{r}	493.9	497.0	498.6
18 Wages and salary disbursements	367.4	388.6	422.5	422.6	424.4	425.5	428.4	428.8	432.6	436.7	438.6	440.6
19 Manufacturing	285.5	294.7	323.6	323.1	324.4	326.2	325.7	326.7	330.0	333.2	334.2	333.4
20 Disposable personal income[4]	398.0	427.1	470.3^{r}	469.1	472.5	475.5	479.1	480.6^{r}	482.9^{r}	484.5	487.9	489.2
21 Retail sales[5]	326.0	373.0	412.0^{r}	416.8^{r}	411.0^{r}	410.4^{r}	414.1^{r}	416.4^{r}	421.3^{r}	422.3	423.2	429.4
Prices[6]												
22 Consumer	289.1	298.4	311.1	310.7	311.7	313.0	314.5	315.3	315.3	315.5	316.1	317.4
23 Producer finished goods	280.7	285.2	291.2	290.9	292.3	291.3	289.5^{r}	291.5^{r}	292.3	292.4	292.7	292.5

1. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
2. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
3. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
4. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
5. Based on Bureau of Census data published in *Survey of Current Business*.
6. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1982	1983	1984	1984						1985	
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**174,450**	**176,414**	**178,602**	**178,669**	**178,821**	**179,005**	**179,181**	**179,353**	**179,524**	**179,600**	**179,742**
2 Labor force (including Armed Forces)[1]	112,383	113,749	115,763	116,097	115,867	116,006	116,241	116,292	116,682	117,091	117,310
3 Civilian labor force	110,204	111,550	113,544	113,868	113,629	113,764	114,016	114,074	114,464	114,875	115,084
Employment											
4 Nonagricultural industries[2]	96,125	97,450	101,685	102,044	101,884	102,075	102,480	102,598	102,888	103,071	103,345
5 Agriculture	3,401	3,383	3,321	3,333	3,264	3,319	3,169	3,334	3,385	3,320	3,340
Unemployment											
6 Number	10,678	10,717	8,539	8,491	8,481	8,370	8,367	8,142	8,191	8,484	8,399
7 Rate (percent of civilian labor force)	9.7	9.6	7.5	7.5	7.5	7.4	7.3	7.1	7.2	7.4	7.3
8 Not in labor force	62,067	62,665	62,839	62,572	62,954	62,999	62,940	63,061	62,842	62,509	62,432
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**89,566**	**90,138**	**94,166**	**94,350**	**94,523**	**94,807**	**95,157**	**95,497**[r]	**95,681**	**95,993**	**96,112**
10 Manufacturing	18,781	18,497	19,589	19,696	19,725	19,616	19,686	19,718	19,801	19,805	19,728
11 Mining	1,128	957	999	1,007	1,017	1,020	1,012	1,009	1,000	995	988
12 Contract construction	3,905[r]	3,940	4,315	4,356	4,356	4,374	4,382	4,396	4,457	4,532	4,480
13 Transportation and public utilities	5,082	4,958	5,169	5,175	5,202	5,213	5,225	5,226	5,249	5,257	5,264
14 Trade	20,457	20,804	21,790	21,811	21,839	21,930	22,080	22,267	22,267	22,377	22,491
15 Finance	5,341	5,467	5,665	5,676	5,679	5,684	5,705	5,725	5,749	5,760	5,790
16 Service	19,036	19,665	20,666	20,701	20,748	20,861	20,964	21,030	21,095	21,231	21,331
17 Government	15,837	15,851	15,973	15,928	15,957	16,109	16,103	16,126[r]	16,063	16,036	16,040

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1983 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1984				1984				1984			
	Q1	Q2	Q3	Q4r	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4r
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Total industry**	**159.8**	**163.1**	**165.6**	**164.7**	**198.4**	**199.7**	**201.1**	**202.4**	**80.5**	**81.7**	**82.4**	**81.4**
2 Mining	124.2	125.1	129.0		165.7	165.9	166.1	166.3	75.0	75.4	77.7	74.7
3 Utilities	179.2	183.1	181.1	82.7	213.8	215.3	216.8	218.3	83.8	85.0	83.5	83.7
4 **Manufacturing**	**161.0**	**164.4**	**167.2**	**166.7**	**199.5**	**201.0**	**202.5**	**204.0**	**80.7**	**81.8**	**82.5**	**81.6**
5 Primary processing	160.5	162.5	162.2	159.9	196.5	197.2	198.0	198.7	81.7	82.4	81.9	80.5
6 Advanced processing	161.7	165.2	169.7	169.7	201.1	203.0	204.9	206.8	80.3	81.4	82.8	82.0
7 **Materials**	**158.8**	**162.1**	**163.4**	**160.2**	**194.7**	**195.9**	**197.2**	**198.4**	**81.6**	**82.7**	**82.9**	**80.8**
8 Durable goods	157.6	162.0	164.6	162.2	197.1	198.3	199.5	200.8	79.9	81.7	82.5	80.7
9 Metal materials	97.3	100.3	97.2	91.2	139.1	138.5	137.9	137.3	70.0	72.4	70.5	66.4
10 Nondurable goods	183.7	186.6	185.7	181.6	221.8	223.4	225.2	226.9	82.8	83.5	82.5	80.1
11 Textile, paper, and chemical	193.2	195.9	194.9	189.9	234.2	236.2	238.2	240.3	82.5	82.9	81.8	79.1
12 Paper	165.8	168.5	171.0	168.1	168.5	169.5	170.5	171.5	98.4	99.4	100.3	98.0
13 Chemical	236.7	240.4	238.4	234.1	302.3	305.2	308.0	310.9	78.3	78.8	77.4	75.3
14 Energy materials	131.2	132.4	133.1	129.2	155.8	156.4	157.0	157.6	84.2	84.6	84.8	82.0

Series	Previous cycle[1]		Latest cycle[2]		1984	1984							1985	
	High	Low	High	Low	Jan.	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	Jan.r	Feb.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.4**	**71.1**	**87.3**	**69.6**	**80.1**	**82.1**	**82.7**	**82.5**	**81.9**	**81.4**	**81.4**	**81.3**	**81.4**	**80.7**
16 Mining	91.8	86.0	88.5	69.6	75.4	76.6	78.3	77.3	77.4	74.3	75.1	74.8	75.3	73.5
17 Utilities	94.9	82.0	86.7	79.0	84.8	85.4	84.1	83.3	83.2	82.9	84.6	83.5	84.6	84.4
18 **Manufacturing**	**87.9**	**69.0**	**87.5**	**68.8**	**80.1**	**82.2**	**82.8**	**82.8**	**82.0**	**81.7**	**81.6**	**81.5**	**81.4**	**80.8**
19 Primary processing	93.7	68.2	91.4	66.2	80.6	82.6	82.3	82.1	81.5	81.2	80.6	79.7	80.3	80.0
20 Advanced processing	85.5	69.4	85.9	70.0	80.0	81.9	83.0	83.1	82.4	81.8	82.0	82.3	82.1	81.4
21 **Materials**	**92.6**	**69.3**	**88.9**	**66.6**	**80.6**	**82.9**	**83.1**	**83.2**	**82.4**	**81.0**	**80.9**	**80.4**	**80.7**	**80.1**
22 Durable goods	91.4	63.5	88.4	59.8	78.5	82.0	82.5	82.9	82.2	81.3	80.8	80.2	80.5	79.7
23 Metal materials	97.8	68.0	95.4	46.2	67.3	72.1	70.8	70.8	69.8	67.6	66.7	65.0	65.6	67.1
24 Nondurable goods	94.4	67.4	91.7	70.7	81.9	83.3	83.0	82.9	81.5	80.5	80.2	79.5	79.3	78.4
25 Textile, paper, and chemical	95.1	65.4	92.3	68.6	81.5	82.6	82.5	82.4	80.5	79.7	79.1	78.4	78.3	77.5
26 Paper	99.4	72.4	97.9	86.3	99.3	99.8	101.5	99.7	99.7	98.7	97.2	98.1	97.7	n.a.
27 Chemical	95.5	64.2	91.3	64.0	76.7	78.4	77.9	78.1	76.1	75.7	75.7	74.5	74.8	n.a.
28 Energy materials	94.5	84.4	88.9	78.5	84.4	85.0	85.3	84.7	84.3	81.0	82.1	82.7	83.9	84.0

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

Grouping	1967 proportion	1984 avg.^r	1984 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.^r	Dec.	1985 Jan.^p	Feb.^e
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**163.3**	**160.0**	**160.8**	**162.1**	**162.8**	**164.4**	**165.9**	**166.0**	**165.0**	**164.4**	**164.8**	**165.0**	**165.5**	**164.7**
2 Products	60.71	164.7	160.4	161.1	162.5	163.3	165.3	167.4	167.2	166.4	166.9	167.7	168.3	168.5	167.9
3 Final products	47.82	162.7	158.0	158.6	160.2	161.1	163.1	165.2	165.1	164.6	165.2	166.2	167.0	167.2	166.7
4 Consumer goods	27.68	161.7	159.4	160.2	161.4	161.7	163.0	163.8	162.5	161.6	161.6	162.6	162.5	162.9	161.9
5 Equipment	20.14	164.1	156.1	156.4	158.5	160.3	163.3	167.0	168.7	168.9	170.1	171.2	173.1	173.2	173.2
6 Intermediate products	12.89	172.3	169.0	170.2	171.0	171.6	173.5	175.8	175.1	173.0	173.4	173.1	173.1	173.4	172.2
7 Materials	39.29	161.2	159.4	160.4	161.5	162.0	162.9	163.5	164.0	162.8	160.4	160.4	159.9	160.9	159.9
Consumer goods															
8 Durable consumer goods	7.89	162.0	162.5	163.1	162.2	161.4	163.6	163.7	162.6	159.6	158.7	161.5	161.3	161.2	159.9
9 Automotive products	2.83	181.3	182.1	184.1	180.9	179.8	184.3	185.0	181.8	173.0	171.9	184.1	185.6	192.8	189.3
10 Autos and utility vehicles	2.03	158.1	162.2	164.1	158.4	155.9	158.7	161.1	159.2	145.6	145.0	161.5	164.7	174.1	169.9
11 Autos	1.90	135.3	140.4	142.4	134.5	132.9	136.2	138.7	134.3	121.1	123.6	138.9	142.5	151.3	144.6
12 Auto parts and allied goods	.80	240.2	232.6	234.7	238.0	240.6	249.3	245.8	239.1	242.7	240.2	241.2	238.6	240.0	238.7
13 Home goods	5.06	151.1	151.5	151.3	151.7	151.1	152.0	151.8	151.9	152.0	151.4	148.9	147.7	143.6	143.5
14 Appliances, A/C, and TV	1.40	134.3	135.1	134.4	136.1	134.0	134.9	133.4	132.3	136.4	133.5	130.5	133.1	122.3	126.1
15 Appliances and TV	1.33	137.5	138.6	138.0	138.8	136.7	138.0	136.9	135.9	140.2	136.8	133.2	136.2	124.7	.....
16 Carpeting and furniture	1.07	179.2	178.7	180.2	181.0	179.6	179.4	179.5	180.8	179.3	178.1	177.5	173.7	172.8	.....
17 Miscellaneous home goods	2.59	148.7	149.1	148.5	148.0	148.6	150.0	150.3	150.6	149.2	150.0	147.0	144.8	143.0	141.6
18 Nondurable consumer goods	19.79	161.6	158.2	159.1	161.1	161.8	162.7	163.9	162.4	162.4	162.7	163.0	163.0	163.5	162.7
19 Clothing	4.29	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
20 Consumer staples	15.50	171.6	166.9	168.0	170.2	171.6	173.2	174.5	172.7	173.1	173.8	173.9	173.7	174.0	173.7
21 Consumer foods and tobacco	8.33	160.7	156.8	157.6	160.4	161.0	161.9	162.9	161.8	162.1	162.4	161.2	162.6	.....	.....
22 Nonfood staples	7.17	184.2	178.7	180.1	181.6	183.9	186.3	188.0	185.4	185.9	187.0	188.6	186.6	186.2	185.4
23 Consumer chemical products	2.63	240.8	231.9	231.3	233.4	235.9	241.5	247.1	244.3	247.3	247.5	245.7	247.7	245.9	.....
24 Consumer paper products	1.92	145.8	140.3	141.8	144.0	145.6	147.9	151.5	148.7	146.7	146.9	148.5	147.0	147.4	.....
25 Consumer energy products	2.62	155.6	153.3	156.8	157.1	159.8	159.0	155.3	153.3	153.0	155.6	160.7	154.4	154.6	.....
26 Residential utilities	1.45	177.9	172.8	177.7	177.4	181.1	182.4	178.6	175.0	174.1	177.4	186.5	178.6	.....	.....
Equipment															
27 Business	12.63	181.0	171.9	172.1	173.5	176.5	181.1	185.5	187.6	186.4	187.3	188.4	189.9	189.5	188.8
28 Industrial	6.77	140.6	134.6	134.8	135.9	138.5	140.4	143.1	143.3	143.5	145.3	145.6	147.0	144.0	141.3
29 Building and mining	1.44	187.6	182.0	175.2	173.6	182.9	185.8	190.0	191.6	190.7	194.6	197.2	199.8	192.1	184.2
30 Manufacturing	3.85	127.4	120.9	124.2	126.2	127.4	128.6	130.1	129.7	129.8	131.0	129.9	130.9	129.4	128.0
31 Power	1.47	128.8	123.8	122.7	124.1	124.1	126.7	131.0	131.2	133.0	134.5	135.8	137.3	135.1	134.1
32 Commercial transit, farm	5.86	227.7	215.1	215.3	217.0	220.5	228.1	234.5	238.9	235.9	235.8	237.9	239.4	242.0	243.6
33 Commercial	3.26	325.2	305.9	306.9	309.6	315.5	326.3	333.4	339.2	336.5	338.5	342.1	344.7	349.9	351.1
34 Transit	1.93	115.4	110.1	109.2	108.9	109.7	115.1	120.4	124.5	121.4	117.8	118.2	119.6	119.6	122.6
35 Farm	.67	76.4	75.7	75.0	78.0	77.1	76.1	81.8	80.3	76.4	76.1	76.2	72.2	69.6	.....
36 Defense and space	7.51	135.7	129.5	130.1	133.2	133.1	133.5	135.9	136.8	139.5	141.1	142.2	144.8	145.9	147.0
Intermediate products															
37 Construction supplies	6.42	158.8	156.6	159.1	159.6	159.5	160.9	161.9	160.9	158.2	158.6	156.9	157.0	156.7	155.3
38 Business supplies	6.47	185.7	181.3	181.3	182.3	183.5	186.1	189.5	189.1	187.6	188.0	189.2	189.1	190.0	.....
39 Commercial energy products	1.14	193.5	191.6	187.0	190.0	190.8	195.3	194.9	193.3	194.5	194.8	199.8	196.1	200.8	.....
Materials															
40 Durable goods materials	20.35	161.6	158.6	159.5	161.3	161.6	163.0	164.2	165.3	164.3	162.9	162.3	161.3	162.5	161.2
41 Durable consumer parts	4.58	134.4	133.1	133.0	133.2	132.6	134.7	135.1	136.6	136.2	136.3	134.8	136.6	139.2	138.3
42 Equipment parts	5.44	212.5	204.0	206.7	210.9	210.6	214.0	218.8	220.1	219.6	216.1	216.4	215.5	214.2	210.7
43 Durable materials n.e.c.	10.34	146.9	146.0	146.3	147.7	148.6	148.7	148.3	149.2	147.7	146.7	146.0	143.8	145.6	145.3
44 Basic metal materials	5.57	101.0	103.0	103.0	105.7	104.5	104.1	103.4	102.0	99.8	97.8	95.7	92.5	94.3	.....
45 Nondurable goods materials	10.47	184.3	184.1	185.9	185.7	187.4	186.7	186.5	186.7	184.0	182.1	181.9	180.7	180.8	179.0
46 Textile, paper, and chemical materials	7.62	193.3	193.9	195.3	195.0	196.8	195.8	195.9	196.3	192.4	190.7	190.2	188.7	189.2	187.5
47 Textile materials	1.85	117.1	119.9	120.6	118.9	121.9	119.6	118.8	120.1	115.6	112.0	109.3	108.8	107.6	.....
48 Paper materials	1.62	168.1	166.8	163.5	166.7	169.2	169.5	172.8	170.0	170.3	168.9	166.7	168.6	168.3	.....
49 Chemical materials	4.15	237.3	237.6	241.1	240.0	241.1	240.2	239.3	240.6	235.3	234.5	235.5	232.3	233.8	.....
50 Containers, nondurable	1.70	175.5	173.0	176.0	175.7	176.6	176.7	176.6	175.3	175.8	174.3	176.5	177.2	174.5	.....
51 Nondurable materials n.e.c.	1.14	137.1	135.2	137.7	138.6	140.5	140.5	138.8	139.6	140.8	136.0	134.7	132.4	133.8	.....
52 Energy materials	8.48	131.4	131.0	131.3	132.1	131.9	133.2	133.7	133.0	132.7	127.6	129.4	130.7	132.7	133.0
53 Primary energy	4.65	119.5	121.3	119.6	119.5	11908	120.1	122.7	121.8	121.6	113.1	115.3	117.9	119.3	.....
54 Converted fuel materials	3.82	146.1	142.8	145.4	147.3	146.5	149.0	147.1	146.8	146.1	145.2	146.7	146.2	149.0	.....
Supplementary groups															
55 Home goods and clothing	9.35	139.4	140.3	140.1	141.0	139.8	139.6	139.7	139.6	138.9	138.3	137.2	137.0	135.3	134.1
56 Energy, total	12.23	142.4	141.4	141.9	142.8	143.3	144.5	144.0	143.0	142.8	139.8	142.7	141.8	143.7	144.0
57 Products	3.76	167.1	164.9	166.0	167.1	169.2	170.0	167.3	165.4	165.5	167.5	172.6	167.0	168.6	.....
58 Materials	8.48	131.4	131.0	131.3	132.1	131.9	133.2	133.7	133.0	132.7	127.6	129.4	130.7	132.7	133.0

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1967 proportion	1984 avg.r	1984 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.	1985 Jan.p	Feb.e
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	12.05	152.0	148.9	150.4	151.3	152.1	154.1	154.4	153.0	153.3	150.5	153.1	152.0	153.8	152.3
2 Mining	......	6.36	125.7	124.1	123.8	123.3	125.0	127.0	129.9	128.3	128.7	123.6	124.8	124.4	125.3	122.4
3 Utilities	......	5.69	181.4	176.5	180.0	182.7	182.3	184.3	181.8	180.6	180.9	180.6	184.7	182.7	185.5	185.6
4 Electric	......	3.88	205.5	200.0	204.6	207.7	206.8	209.6	205.9	204.0	204.4	203.8	209.1	205.7	209.4	209.4
5 Manufacturing	......	87.95	164.8	161.4	162.1	163.4	164.2	165.7	167.3	167.6	166.6	166.2	166.6	166.9	167.0	166.3
6 Nondurable	......	35.97	179.4	177.2	177.6	179.1	179.9	181.3	181.8	181.7	180.3	179.4	179.6	179.7	179.7	179.2
7 Durable	......	51.98	154.7	150.5	151.4	152.6	153.3	154.9	157.2	157.8	157.1	157.1	157.6	158.0	158.2	157.5
Mining																
8 Metal	10	.51	91.7	97.4	100.0	98.5	98.0	96.8	96.4	83.4	84.5	91.2	87.5	76.6	82.3	.....
9 Coal	11.12	.69	155.8	163.2	164.0	151.4	153.9	161.5	176.5	171.7	173.7	127.8	134.4	142.1	144.5	146.0
10 Oil and gas extraction	13	4.40	121.7	119.6	118.2	118.8	120.4	121.6	122.8	122.5	122.4	122.6	123.8	123.5	123.9	120.5
11 Stone and earth minerals	14	.75	145.0	133.0	135.8	140.4	144.0	147.9	151.9	153.5	154.6	147.8	147.5	146.0	145.0	.....
Nondurable manufactures																
12 Foods	20	8.75	163.2	160.0	161.2	163.1	164.2	165.1	164.9	164.7	164.3	164.0	162.9	164.0	.....	.....
13 Tobacco products	21	.67	115.2	110.9	111.8	113.3	112.8	118.3	115.1	113.8	113.1	119.5	117.4	121.5	.....	.....
14 Textile mill products	22	2.68	138.5	142.3	143.5	140.0	140.5	140.7	139.8	140.3	135.4	133.3	132.0	131.0	131.5	.....
15 Apparel products	23	3.31	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
16 Paper and products	26	3.21	174.4	176.6	173.8	172.4	174.1	174.6	176.7	176.7	177.5	173.5	173.0	173.4	172.1	171.8
17 Printing and publishing	27	4.72	169.6	164.8	165.2	166.3	167.5	169.0	172.6	173.1	170.5	172.3	174.0	173.4	173.6	173.0
18 Chemicals and products	28	7.74	228.2	224.8	225.0	228.3	227.9	231.0	232.0	231.6	230.8	228.0	230.2	229.2	228.5	.....
19 Petroleum products	29	1.79	124.4	127.6	127.0	126.8	127.9	127.5	124.7	124.3	122.6	122.9	124.0	120.3	119.0	119.5
20 Rubber and plastic products	30	2.24	331.8	318.5	323.8	328.0	334.1	341.0	341.4	341.5	338.4	338.6	332.2	333.2	334.5	.....
21 Leather and products	31	.86	59.9	63.9	63.9	63.5	61.4	60.0	60.6	59.1	57.9	55.0	55.9	56.4	53.9	.....
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	103.5	99.6	100.6	101.4	100.8	101.7	102.7	105.5	107.1	107.7	108.6	108.3	107.7	108.0
23 Lumber and products	24	1.64	148.8	145.6	149.3	151.2	146.3	148.5	146.0	148.8	149.2	152.6	152.2	150.8	152.0	.....
24 Furniture and fixtures	25	1.37	190.2	185.6	184.6	186.6	190.5	191.9	192.6	195.3	194.3	194.7	192.1	191.6	191.6	.....
25 Clay, glass, stone products	32	2.74	159.6	160.4	160.2	160.0	160.6	159.7	160.9	160.0	158.0	160.1	159.0	157.5	158.3	.....
26 Primary metals	33	6.57	95.2	98.4	97.5	99.3	98.2	97.9	94.5	94.4	94.1	92.7	91.5	88.1	90.8	92.7
27 Iron and steel	331.2	4.21	79.8	86.0	84.4	84.0	83.5	83.5	76.5	77.7	77.5	74.6	73.9	72.1	73.0	.....
28 Fabricated metal products	34	5.93	137.6	132.8	134.9	135.5	136.5	138.7	140.6	140.0	139.5	140.7	139.0	141.0	141.0	140.3
29 Nonelectrical machinery	35	9.15	181.6	170.9	171.9	174.9	178.8	182.0	186.9	189.1	187.9	187.7	188.9	189.3	189.0	187.0
30 Electrical machinery	36	8.05	217.5	209.9	212.0	214.6	214.5	216.0	221.5	221.5	222.8	222.3	222.5	225.4	221.5	220.0
31 Transportation equipment	37	9.27	137.6	135.2	135.8	134.5	135.0	137.2	140.6	141.0	137.6	137.2	141.3	143.2	145.9	146.1
32 Motor vehicles and parts	371	4.50	165.7	164.4	165.8	161.9	163.0	165.3	169.0	169.6	162.4	161.7	170.8	171.7	175.9	172.6
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	111.2	107.7	107.5	108.8	108.6	110.8	113.8	113.9	114.2	114.1	113.6	116.4	117.7	121.2
34 Instruments	38	2.11	174.2	168.6	169.7	171.0	171.8	174.5	176.7	177.4	178.5	176.5	177.5	180.3	179.2	177.5
35 Miscellaneous manufactures	39	1.51	148.9	152.0	152.3	152.1	151.5	150.8	152.4	149.2	147.0	148.3	143.5	137.7	138.6	135.9
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 Products, total	......	**507.4**	**670.1**	**656.9**	**661.8**	**661.1**	**665.9**	**671.5**	**682.4**	**678.2**	**673.6**	**674.7**	**679.1**	**681.0**	**683.8**	**680.7**
37 Final	......	390.9	517.0	505.0	509.6	509.0	514.0	518.1	525.9	522.3	519.7	521.3	525.8	527.6	528.1	529.0
38 Consumer goods	......	277.5	348.3	345.3	347.7	347.8	349.5	350.9	353.2	347.4	345.4	346.7	350.1	349.9	350.3	350.6
39 Equipment	......	113.4	168.7	159.7	161.9	161.2	164.4	167.2	172.8	174.9	174.4	174.5	175.7	177.7	177.8	178.5
40 Intermediate	......	116.6	153.2	151.9	152.2	152.2	151.9	153.4	156.5	155.9	153.8	153.5	153.3	153.4	155.7	151.6

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1981	1982	1983	1984 Apr.	1984 May	1984 June	1984 July	1984 Aug.	1984 Sept.	1984 Oct.r	1984 Nov.r	1984 Dec.r	1985 Jan.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	986	1,000	1,605	1,802	1,774	1,819	1,590	1,508	1,481	1,436	1,613	1,627	1,676
2 1-family	564	546	902	983	943	941	849	835	865	817	838	852	924
3 2-or-more-family	421	454	703	819	831	878	741	673	616	619	775	775	752
4 Started	1,084	1,062	1,703	1,949	1,787	1,837	1,730	1,590	1,669	1,564	1,600	1,630	1,841
5 1-family	705	663	1,067	1,163	1,118	1,077	996	962	1,009	979	1,043	1,112	1,065
6 2-or-more-family	379	400	635	786	669	760	734	628	660	585	557	518	776
7 Under construction, end of period[1]	682	720	1,003	1,087r	1,090r	1,098r	1,100r	1,091	1,088r	1,081	1,077	1,073	1,077
8 1-family	382	400	524	579r	585r	587r	582r	574r	568r	571	574	579	576
9 2-or-more-family	301	320	479	508r	505r	511r	518r	517	520r	510	503	495	501
10 Completed	1,266	1,005	1,390	1,661r	1,731r	1,718r	1,699r	1,681r	1,657r	1,614	1,587	1,635	1,691
11 1-family	818	631	924	996r	1,072r	1,045r	1,062r	1,035r	1,040r	972	1,001	985	1,084
12 2-or-more-family	447	374	466	665r	659r	673r	637r	646r	617r	642	586	650	607
13 Mobile homes shipped	241	240	296	287	295	298	301	302	282	302	291	282	273
Merchant builder activity in 1-family units													
14 Number sold	436	413	622	645r	617r	636r	615	557r	670r	652	596	604	620
15 Number for sale, end of period[1]	278	255	304	327r	332r	338r	340r	343r	343	346	349	356	359
Price (thousands of dollars)[2]													
Median													
16 Units sold	68.8	69.3	75.5	79.6	81.4	80.5	80.7	82.0	81.3	80.1	82.5	78.3	84.5
Average													
17 Units sold	83.1	83.8	89.9	96.2	101.9	98.8	97.1	96.9	101.3	95.7	101.4	96.3	98.5
EXISTING UNITS (1-family)													
18 Number sold	2,418	1,991	2,719	3,030r	2,970r	2,920r	2,790r	2,770r	2,730r	2,740	2,830	2,870	3,000
Price of units sold (thousands of dollars)[2]													
19 Median	66.1	67.7	69.8	72.1r	72.7r	73.4r	74.2r	73.5r	71.9r	71.9	71.9	72.1	73.8
20 Average	78.0	80.4	82.5	85.7r	85.9r	87.2r	87.9r	87.6r	85.4r	86.2	85.1	85.9	87.7
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**239,112**	**230,068**	**262,167**	**308,596**	**316,398**	**315,279**	**314,223**	**318,031**	**318,685**	**317,876**	**316,439**	**318,447**	**324,925**
22 Private	185,761	179,090	211,369	254,057	261,182	257,789	258,245	261,165	260,871	261,181	260,261	262,204	267,877
23 Residential	86,564	74,808	111,727	136,577	138,401	136,418	137,818	138,926	137,106	135,191	132,643	131,452	133,627
24 Nonresidential, total	99,197	104,282	99,642	117,480	122,781	121,371	120,427	122,239	123,765	125,990	127,618	130,752	134,250
Buildings													
25 Industrial	17,031	17,346	12,863	13,633	15,170	14,065	13,784	14,613	14,917	14,921	15,317	15,384	15,538
26 Commercial	34,243	37,281	35,787	47,352r	49,718r	48,947	48,436r	49,496	50,861r	53,536	54,634	56,779	59,636
27 Other	9,543	10,507	11,660	13,271	13,821	13,327	12,744	12,059	12,079	12,129	12,001	12,365	12,100
28 Public utilities and other	38,380	39,148	39,332	43,224r	44,072r	45,032	45,463r	46,071	45,908r	45,404	45,666	46,224	46,976
29 Public	53,346	50,977	50,798	54,539	55,216	57,490	55,979	56,866	57,814	56,695	56,179	56,242	57,047
30 Military	1,966	2,205	2,544	2,827	2,649	2,703	2,345	2,851	3,508	2,897	2,723	2,801	3,104
31 Highway	13,599	13,428	14,225	16,781	16,949	16,824	17,136	17,322	17,209	16,772	17,489	17,720	18,233
32 Conservation and development	5,300	5,029	4,822	4,518	4,356	4,492	4,520	4,520	4,890	4,599	5,044	4,598	4,825
33 Other	32,481	30,315	29,207	30,413	31,262	33,471	31,978	32,173	32,207	32,427	30,923	31,123	30,885

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C–30–76–5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Feb. 1985 (1967 = 100)[1]
	1984 Feb.	1985 Feb.	1984				1984			1985		
			Mar.	June	Sept.	Dec.	Oct.r	Nov.	Dec.	Jan.	Feb.	
CONSUMER PRICES[2]												
1 **All items**	**4.6**	**3.5**	**5.4**	**3.2**	**4.5**	**3.0**	**.3**	**.2**	**.3**	**.2**	**.3**	**317.4**
2 Food	4.5	2.4	8.4	−.5	3.9	3.7	.3	.2	.4	.2	.5	309.5
3 Energy items	3.3	−2.1	1.2	.3	.1	−.7	−.1	.1	−.2	−.8	−1.4	411.4
4 All items less food and energy	4.8	4.7	5.1	4.8	5.3	3.5	.3	.2	.3	.4	.6	309.5
5 Commodities	4.5	3.9	3.8	3.9	3.8	.9	.1	.0	.2	.5	.8	258.1
6 Services	5.0	5.3	6.0	5.2	6.2	5.0	.5	.4	.4	.4	.4	368.0
PRODUCER PRICES												
7 Finished goods	2.3	.7	6.1	−.4	.0	1.8	−.1	.3	.2	.0	−.1	292.5
8 Consumer foods	5.2	.3	15.2	−7.5	4.5	4.5	−.1	.7r	.6	−.6	−.1	275.5
9 Consumer energy	−3.9	−8.5	−5.2	5.0	−19.7	5.7	1.4	.6r	−.6	−2.4	−2.5	692.9
10 Other consumer goods	2.4	2.6	5.6	.8	2.5	.0	−.3	.1r	.2	.7	.2	250.5
11 Capital equipment	2.3	2.3	3.9	2.2	2.3	.0	−.2	.2	.0	.4	.5	299.1
12 Intermediate materials[3]	2.3	.7	4.2	2.7	−1.1	1.1	.2	.2r	−.1	.0	−.5	324.6
13 Excluding energy	2.9	1.4	4.1	2.0	.9	1.3	.2	.2r	.0	.0	−.2	305.2
Crude materials												
14 Foods	4.5	−3.8	8.9	−19.2	−1.7	12.0	−1.1	3.7r	.3	−2.4	−2.0	250.7
15 Energy	−1.7	−4.0	−1.6	4.0	.4r	−6.5r	−.2	−.9	−.6	−2.2	−.4	755.1
16 Other	14.0	−6.6	.9	14.3	−15.3	−10.7	−2.0	−.5	−.4	−1.4	−4.3	253.1

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	1982	1983	1984r	1983 Q4	1984 Q1	1984 Q2	1984 Q3	1984 Q4r
GROSS NATIONAL PRODUCT								
1 **Total**	**3,069.3**	**3,304.8**	**3,662.8**	**3,431.7**	**3,553.3**	**3,644.7**	**3,694.6**	**3,758.7**
By source								
2 Personal consumption expenditures	1,984.9	2,155.9	2,341.8	2,230.2	2,276.5	2,332.7	2,361.4	2,396.5
3 Durable goods	245.1	279.8	318.8	299.8	310.9	320.7	317.2	326.3
4 Nondurable goods	757.5	801.7	856.9	823.0	841.3	858.3	861.4	866.5
5 Services	982.2	1,074.4	1,166.1	1,107.5	1,124.4	1,153.7	1,182.8	1,203.8
6 Gross private domestic investment	414.9	471.6	637.8	540.0	623.8	627.0	662.8	637.8
7 Fixed investment	441.0	485.1	579.6	527.3	550.0	576.4	591.0	601.1
8 Nonresidential	349.6	352.9	425.7	383.9	398.8	420.8	435.7	447.7
9 Structures	142.1	129.7	150.4	136.6	142.2	150.0	151.4	157.9
10 Producers' durable equipment	207.5	223.2	275.3	247.3	256.7	270.7	284.2	289.7
11 Residential structures	91.4	132.2	153.9	143.4	151.2	155.6	155.3	153.5
12 Nonfarm	86.6	127.6	148.8	138.7	146.4	150.5	150.1	148.3
13 Change in business inventories	−26.1	−13.5	58.2	12.7	73.8	50.6	71.8	36.6
14 Nonfarm	−24.0	−3.1	49.6	14.1	60.6	47.0	63.7	27.2
15 Net exports of goods and services	19.0	−8.3	−64.2	−29.8	−51.5	−58.7	−90.6	−56.0
16 Exports	348.4	336.2	364.3	346.1	358.9	362.4	368.6	367.2
17 Imports	329.4	344.4	428.5	375.9	410.4	421.1	459.3	423.2
18 Government purchases of goods and services	650.5	685.5	747.4	691.4	704.4	743.7	761.0	780.5
19 Federal	258.9	269.7	295.4	266.3	267.6	296.4	302.0	315.7
20 State and local	391.5	415.8	452.0	425.1	436.8	447.4	458.9	464.8
By major type of product								
21 Final sales, total	3,095.4	3,318.3	3,604.6	3,419.0	3,479.5	3,594.1	3,622.8	3,722.1
22 Goods	1,276.7	1,355.7	1,542.9	1,423.9	1,498.0	1,544.8	1,549.1	1,579.8
23 Durable	499.9	555.3	655.6	607.4	632.3	647.9	654.7	687.7
24 Nondurable	776.9	800.4	887.3	816.5	865.7	896.9	894.4	892.1
25 Services	1,510.8	1,639.3	1,763.3	1,681.3	1,713.7	1,742.6	1,783.3	1,813.7
26 Structures	281.7	309.8	356.5	326.5	341.6	357.2	362.1	365.2
27 Change in business inventories	−26.1	−13.5	58.2	12.7	73.8	50.6	71.8	36.6
28 Durable goods	−18.0	−2.1	30.4	14.5	34.9	18.2	41.7	26.7
29 Nondurable goods	−8.1	−11.3	27.8	−1.7	38.9	32.4	30.1	9.9
30 **MEMO: Total GNP in 1972 dollars**	**1,480.0**	**1,534.7**	**1,639.3**	**1,572.7**	**1,610.9**	**1,638.8**	**1,645.2**	**1,662.4**
NATIONAL INCOME								
31 **Total**	**2,446.8**	**2,646.7**	**2,960.4**	**2,766.5**	**2,873.5**	**2,944.8**	**2,984.9**	**3,038.3**
32 Compensation of employees	1,864.2	1,984.9	2,173.2	2,055.4	2,113.4	2,159.2	2,191.9	2,228.1
33 Wages and salaries	1,568.7	1,658.8	1,804.1	1,715.4	1,755.9	1,793.3	1,819.1	1,848.2
34 Government and government enterprises	306.6	328.2	349.8	335.0	342.9	347.5	352.0	357.2
35 Other	1,262.2	1,331.1	1,454.2	1,380.4	1,413.0	1,445.8	1,467.1	1,490.9
36 Supplement to wages and salaries	295.5	326.2	369.0	340.0	357.4	365.9	372.8	380.0
37 Employer contributions for social insurance	140.0	153.1	173.5	157.9	169.4	172.4	174.7	177.5
38 Other labor income	155.5	173.1	195.5	182.1	188.1	193.5	198.1	202.5
39 Proprietors' income[1]	111.1	121.7	154.4	131.9	154.9	149.8	153.7	159.1
40 Business and professional[1]	89.2	107.9	126.2	114.6	122.5	126.3	126.4	129.7
41 Farm[1]	21.8	13.8	28.2	17.3	32.5	23.4	27.3	29.4
42 Rental income of persons[2]	51.5	58.3	62.5	60.4	61.0	62.0	63.0	64.1
43 Corporate profits[1]	159.1	225.2	286.2	260.0	277.4	291.1	282.8	293.5
44 Profits before tax[3]	165.5	203.2	236.2	225.5	243.3	246.0	224.8	230.6
45 Inventory valuation adjustment	−9.5	−11.2	−5.7	−9.2	−13.5	−7.3	−.2	−1.6
46 Capital consumption adjustment	3.1	33.2	55.7	43.6	47.6	52.3	58.3	64.5
47 Net interest	260.9	256.6	284.1	258.9	266.8	282.8	293.5	293.4

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1982	1983	1984r	1983	1984			
				Q4	Q1	Q2	Q3	Q4r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,584.6**	**2,744.2**	**3,012.1**	**2,836.5**	**2,920.5**	**2,984.6**	**3,047.3**	**3,096.2**
2 Wage and salary disbursements	1,568.7	1,659.2	1,804.0	1,715.4	1,755.7	1,793.1	1,819.5	1,847.6
3 Commodity-producing industries	509.3	519.3	569.3	539.0	555.9	567.0	573.3	580.9
4 Manufacturing	382.9	395.2	433.9	411.9	424.6	432.2	436.4	442.4
5 Distributive industries	378.6	398.6	432.0	413.2	419.2	429.5	436.4	443.1
6 Service industries	374.3	413.1	452.9	428.2	437.9	449.3	457.3	466.9
7 Government and government enterprises	306.6	328.2	349.8	335.0	342.8	347.3	352.4	356.7
8 Other labor income	155.5	173.1	195.5	182.1	188.1	193.5	198.1	202.5
9 Proprietors' income[1]	111.1	121.7	154.4	131.9	154.9	149.8	153.7	159.1
10 Business and professional[1]	89.2	107.9	126.2	114.6	122.5	126.3	126.4	129.7
11 Farm[1]	21.8	13.8	28.2	17.3	32.5	23.4	27.3	29.4
12 Rental income of persons[2]	51.5	58.3	62.5	60.4	61.0	62.0	63.0	64.1
13 Dividends	66.5	70.3	77.7	72.8	75.0	77.2	78.5	80.2
14 Personal interest income	366.6	376.3	433.7	388.2	403.9	425.6	449.3	456.1
15 Transfer payments	376.1	405.0	416.7	408.8	411.3	415.2	418.6	421.8
16 Old-age survivors, disability, and health insurance benefits	204.5	221.6	237.3	227.7	232.1	235.2	238.2	243.5
17 LESS: Personal contributions for social insurance	111.4	119.6	132.5	123.2	129.6	131.8	133.4	135.2
18 EQUALS: Personal income	2,584.6	2,744.2	3,012.1	2,836.5	2,920.5	2,984.6	3,047.3	3,096.2
19 LESS: Personal tax and nontax payments	404.1	404.2	435.3	407.9	418.3	430.3	440.9	451.7
20 EQUALS: Disposable personal income	2,180.5	2,340.1	2,576.8	2,428.6	2,502.2	2,554.3	2,606.4	2,644.5
21 LESS: Personal outlays	2,044.5	2,222.0	2,420.7	2,300.0	2,349.6	2,409.5	2,442.3	2,481.5
22 EQUALS: Personal saving	136.0	118.1	156.1	128.7	152.5	144.8	164.1	163.0
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,369.7	6,543.4	6,926.1	6,681.4	6,829.4	6,933.2	6,943.2	6,998.3
24 Personal consumption expenditures	4,145.9	4,302.8	4,488.7	4,386.0	4,426.5	4,502.3	4,498.4	4,527.1
25 Disposable personal income	4,555.0	4,670.0	4,939.0	4,776.0	4,865.0	4,930.0	4,965.0	4,996.0
26 Saving rate (percent)	6.2	5.0	6.1	5.3	6.1	5.7	6.3	6.2
GROSS SAVING								
27 **Gross saving**	**408.8**	**437.2**	**552.3**	**485.7**	**543.9**	**551.0**	**556.4**	**557.9**
28 Gross private saving	524.0	571.7	675.1	615.0	651.3	660.2	689.4	699.4
29 Personal saving	136.0	118.1	156.1	128.7	152.5	144.8	164.1	163.0
30 Undistributed corporate profits[1]	29.2	76.5	115.7	100.0	107.0	115.3	118.4	122.1
31 Corporate inventory valuation adjustment	-9.5	-11.2	-5.7	-9.2	-13.5	-7.3	-.2	-1.6
Capital consumption allowances								
32 Corporate	221.8	231.2	246.2	236.4	239.9	244.1	248.1	252.8
33 Noncorporate	137.1	145.9	157.0	150.0	151.8	156.0	158.8	161.5
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	-115.3	-134.5	-122.8	-129.3	-107.4	-109.2	-133.0	-141.5
36 Federal	-148.2	-178.6	-175.7	-180.5	-161.3	-163.7	-180.6	-197.3
37 State and local	32.9	44.1	53.0	51.2	53.9	54.5	47.6	55.8
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**408.3**	**437.7**	**544.4**	**480.9**	**546.1**	**542.0**	**543.4**	**546.1**
40 Gross private domestic	414.9	471.6	637.8	540.0	623.8	627.0	662.8	637.8
41 Net foreign	-6.6	-33.9	-93.4	-59.1	-77.7	-85.0	-119.4	-91.6
42 **Statistical discrepancy**	**-.5**	**.5**	**-7.9**	**-4.8**	**2.2**	**-9.0**	**-13.0**	**-11.8**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1982	1983	1984p	1983	1984			
				Q4	Q1r	Q2r	Q3	Q4p
1 Balance on current account	−9,199	−41,563	−101,647	−17,213	−19,669	−24,704	−33,599	−23,679
2 Not seasonally adjusted	....	....	....	−15,964	−18,616	−24,380	−36,190	−22,461
3 Merchandise trade balance[2]	−36,469	−61,055	−107,435	−19,407	−25,813	−25,802	−32,941	−22,879
4 Merchandise exports	211,198	200,257	220,343	51,829	53,920	54,548	55,616	56,259
5 Merchandise imports	−247,667	−261,312	−327,778	−71,236	−79,733	−80,350	−88,557	−79,138
6 Military transactions, net	195	515	−1,635	−273	−370	−404	−320	−542
7 Investment income, net[3]	27,802	23,508	18,115	5,119	7,744	3,455	2,876	4,039
8 Other service transactions, net	7,331	4,121	506	434	917	204	−352	−263
9 Remittances, pensions, and other transfers	−2,635	−2,590	−2,946	−14,127	−717	−726	−693	−811
10 U.S. government grants (excluding military)	−5,423	−6,060	−8,253	−2,398	−1,430	−1,431	−2,169	−3,223
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−6,143	−5,013	−5,460	−1,429	−2,037	−1,235	−1,440	−748
12 Change in U.S. official reserve assets (increase, −)	−4,965	−1,196	−3,130	−953	−657	−565	−799	−1,109
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−1,371	−66	−979	545	−226	−288	−271	−194
15 Reserve position in International Monetary Fund	−2,552	−4,434	−995	−1,996	−200	−321	−331	−143
16 Foreign currencies	−1,041	3,304	−1,156	498	−231	44	−197	−772
17 Change in U.S. private assets abroad (increase, −)[3]	−107,790	−43,281	−12,574	−12,461	742	−17,200	19,245	−15,362
18 Bank-reported claims	−111,070	−25,391	−7,337	−8,239	1,955	−20,612	16,871	−5,551
19 Nonbank-reported claims	6,626	−5,333	5,566	−1,671	1,659	2,120	1,787	n.a.
20 U.S. purchase of foreign securities, net	−8,102	−7,676	−4,761	−983	637	−820	−1,322	−3,257
21 U.S. direct investments abroad, net[3]	4,756	−4,881	−6,043	−1,568	−3,509	2,112	1,909	−6,554
22 Change in foreign official assets in the United States (increase, +)	3,318	5,339	2,998	6,555	−2,784	−345	−830	6,956
23 U.S. Treasury securities	5,728	6,989	4,644	2,603	−288	−310	−577	5,819
24 Other U.S. government obligations	−694	−487	12	417	−8	147	85	−212
25 Other U.S. government liabilities[4]	382	199	333	161	242	448	−153	−205
26 Other U.S. liabilities reported by U.S. banks	−1,747	433	676	3,498	−2,131	349	302	2,156
27 Other foreign official assets[5]	−351	−1,795	−2,667	−124	−599	−979	−487	−602
28 Change in foreign private assets in the United States (increase, +)[3]	91,863	76,383	89,800	27,249	18,444	40,750	3,662	26,945
29 U.S. bank-reported liabilities	65,922	49,059	27,571	22,325	8,775	20,789	−5,410	3,417
30 U.S. nonbank-reported liabilities	−2,383	−1,318	5,529	−228	4,404	4,055	−2,930	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	7,062	8,731	22,487	1,673	1,358	6,477	5,121	9,531
32 Foreign purchases of other U.S. securities, net	6,396	8,612	13,036	1,134	1,516	587	1,609	9,325
33 Foreign direct investments in the United States, net[3]	14,865	11,299	21,177	2,345	2,391	8,842	5,272	4,672
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	32,916	9,331	30,015	−1,748	5,961	3,299	13,761	6,997
36 Owing to seasonal adjustments	....	....	....	2,657	−195	−140	−2,410	2,748
37 Statistical discrepancy in recorded data before seasonal adjustment	32,916	9,331	30,015	−4,405	6,156	3,439	16,171	4,249
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−4,965	−1,196	−3,131	−953	−657	−566	−799	−1,110
39 Foreign official assets in the United States (increase, +)	2,936	5,140	2,665	6,394	−3,026	−793	−677	7,161
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	7,291	−8,639	−4,198	−1,640	−2,447	−2,170	−494	913
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	593	205	187	84	41	44	45	58

1. Seasonal factors are no longer calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.

2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.

3. Includes reinvested earnings.

4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1981	1982	1983	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	233,677	212,193	200,486	19,154	18,123	18,210	18,411	18,395	19,142	19,401
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	261,305	243,952	258,048	31,334	26,866	28,409	26,783	27,331	25,933	28,297
3 **Trade balance**	**−27,628**	**−31,759**	**−57,562**	**−12,180**	**−8,743**	**−10,199**	**−8,372**	**−8,936**	**−6,791**	**−8,896**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1981	1982	1983	1984 Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.	Feb.
1 **Total**	**30,075**	**33,958**	**33,747**	**34,760**	**34,306**	**34,570**	**34,727**	**34,934**	**34,380**	**34,284**
2 Gold stock, including Exchange Stabilization Fund[1]	11,151	11,148	11,121	11,098	11,097	11,096	11,096	11,096	11,095	11,093
3 Special drawing rights[2,3]	4,095	5,250	5,025	5,652	5,554	5,539	5,693	5,641	5,693	5,781
4 Reserve position in International Monetary Fund[2]	5,055	7,348	11,312	11,820	11,619	11,618	11,675	11,541	11,322	11,109
5 Foreign currencies[4]	9,774	10,212	6,289	6,190	6,036	6,317	6,263	6,656	6,270	6,301

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1981	1982	1983	1984 Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.	Feb.
1 Deposits	505	328	190	242	206	270	392	253	244	331
Assets held in custody										
2 U.S. Treasury securities[1]	104,680	112,544	117,670	117,130	115,678	115,542	117,433	118,267	117,330	115,179
3 Earmarked gold[2]	14,804	14,716	14,414	14,258	14,256	14,260	14,265	14,265	14,261	14,260

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1981	1982	1983	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.[p]
	All foreign countries									
1 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**465,902**	**462,486**	**454,082**	**448,360[r]**	**452,806[r]**	**452,012**	**445,367**
2 Claims on United States	63,743	91,805	115,542	118,484	117,078	114,160	109,131[r]	112,676[r]	113,210	115,280
3 Parent bank	43,267	61,666	82,026	82,885	82,437	80,035	75,575[r]	77,820[r]	77,926	79,080
4 Other banks in United States[1]	20,476	30,139	33,516	13,987	13,209[r]	13,125	12,591	13,553	13,915	13,932
5 Nonbanks[1]				21,612	21,432[r]	21,000	20,965	21,303	21,369	22,268
6 Claims on foreigners	378,954	358,493	342,689	327,298	324,474	319,375	319,097	319,462[r]	318,743	309,744
7 Other branches of parent bank	87,821	91,168	96,004	91,410	93,507	92,646	90,821	91,319	94,794	87,532
8 Banks	150,763	133,752	117,668	107,471	103,346	101,567[r]	102,254[r]	103,037	100,296	99,992
9 Public borrowers	28,197	24,131	24,517	23,291	22,654	22,568[r]	23,054[r]	22,914	22,860	22,520
10 Nonbank foreigners	112,173	109,442	107,785	105,126	104,967	102,594[r]	102,968[r]	102,192[r]	100,793	99,700
11 Other assets	20,150	19,414	18,859	20,120	20,934	20,547	20,132	20,668[r]	20,059	20,343
12 **Total payable in U.S. dollars**	**350,735**	**361,982**	**371,508**	**357,598**	**352,807**	**346,929**	**340,507[r]**	**345,523[r]**	**349,349[r]**	**343,494**
13 Claims on United States	62,142	90,085	113,436	116,145	114,754	111,677	106,505[r]	110,303[r]	111,243	112,907
14 Parent bank	42,721	61,010	80,909	81,664	81,291	78,847	74,205[r]	76,625[r]	77,046	78,154
15 Other banks in United States[1]	19,421	29,075	32,527	13,674	12,890[r]	12,769	12,338	13,355	13,745	13,733
16 Nonbanks[1]				20,807	20,573[r]	20,061	19,962	20,323[r]	20,452	21,020
17 Claims on foreigners	276,937	259,871	247,406	230,840	227,132	224,603	223,355	224,229[r]	227,336	220,186
18 Other branches of parent bank	69,398	73,537	78,431	73,653	75,969	75,509	73,472	74,606	78,356	72,507
19 Banks	122,110	106,447	93,332	82,400	77,402	76,566[r]	76,911[r]	77,083	76,840	75,865
20 Public borrowers	22,877	18,413	17,890	17,186	16,783	16,946[r]	17,302	17,359	17,148	17,072
21 Nonbank foreigners	62,552	61,474	60,977	57,601	56,978	55,582[r]	55,652[r]	55,181[r]	54,992	54,742
22 Other assets	11,656	12,026	10,666	10,613	10,921	10,649	10,647	10,991[r]	10,770	10,401
	United Kingdom									
23 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**155,643**	**154,250**	**147,696**	**147,562[r]**	**149,377[r]**	**144,377**	**146,120**
24 Claims on United States	11,823	27,354	34,433	33,697	31,691	29,333	28,952[r]	29,496[r]	27,667	28,717
25 Parent bank	7,885	23,017	29,111	27,863	26,054	23,772	23,283[r]	23,767[r]	21,854	22,230
26 Other banks in United States[1]	3,938	4,337	5,322	1,273	1,087	1,327	1,214	1,484	1,429	1,540
27 Nonbanks[1]				4,561	4,550	4,234	4,455	4,245	4,384	4,947
28 Claims on foreigners	138,888	127,734	119,280	116,740	117,255	113,299	113,524	114,270	111,828	112,340
29 Other branches of parent bank	41,367	37,000	36,565	37,728	39,313	37,499	37,638	37,401	37,953	36,423
30 Banks	56,315	50,767	43,352	40,980	39,906	39,133	38,696	39,262	37,443	39,063
31 Public borrowers	7,490	6,240	5,898	5,786	5,510	5,330	5,441	5,424	5,334	5,345
32 Nonbank foreigners	33,716	33,727	33,465	32,246	32,526	31,337	31,749	32,183	31,098	31,509
33 Other assets	6,518	5,979	5,019	5,206	5,304	5,064	5,086	5,611[r]	4,882	5,068
34 **Total payable in U.S. dollars**	**115,188**	**123,740**	**126,012**	**120,488**	**118,337**	**114,358**	**113,437[r]**	**114,895[r]**	**112,801**	**112,790**
35 Claims on United States	11,246	26,761	33,756	32,587	30,641	28,282	27,917[r]	28,604[r]	26,860	27,622
36 Parent bank	7,721	22,756	28,756	27,239	25,509	23,323	22,825[r]	23,372[r]	21,487	21,894
37 Other banks in United States[1]	3,525	4,005	5,000	1,149	950	1,195	1,113	1,437	1,363	1,496
38 Nonbanks[1]				4,199	4,182	3,764	3,979	3,795	4,010	4,232
39 Claims on foreigners	99,850	92,228	88,917	84,729	84,553	83,082	82,456	82,977	82,945	82,217
40 Other branches of parent bank	35,439	31,648	31,838	31,762	33,623	32,704	32,461	32,675	33,607	31,955
41 Banks	40,703	36,717	32,188	29,444	27,961	27,986	27,093	27,290	26,805	27,465
42 Public borrowers	5,595	4,329	4,194	4,288	3,983	3,879	4,063	4,094	4,030	4,021
43 Nonbank foreigners	18,113	19,534	20,697	19,235	18,986	18,513	18,839	18,918	18,503	18,776
44 Other assets	4,092	4,751	3,339	3,172	3,143	2,994	3,064	3,314	2,996	2,951
	Bahamas and Caymans									
45 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**147,912**	**147,319**	**144,578**	**138,798**	**141,448**	**146,641**	**141,947**
46 Claims on United States	46,546	59,403	75,309	78,252	78,882	77,013	71,750	75,522	77,150	76,713
47 Parent bank	31,643	34,653	48,720	50,285	51,384	50,078	45,480	48,070	49,303	48,732
48 Other banks in United States[1]	14,903	24,750	26,589	11,932	11,540	11,072	10,716	11,283	11,795	11,572
49 Nonbanks[1]				16,035	15,958	15,863	15,554	16,169	16,052	16,409
50 Claims on foreigners	98,057	81,450	72,868	65,620	64,263	63,545	63,010	61,996	65,575	61,469
51 Other branches of parent bank	12,951	18,720	20,626	15,567	16,093	15,639	15,117	13,837	17,682	14,447
52 Banks	55,151	42,699	36,842	32,007	30,505	30,075	30,259	30,516	30,214	29,319
53 Public borrowers	10,010	6,413	6,093	6,000	5,883	6,119	6,040	6,060	6,077	6,241
54 Nonbank foreigners	19,945	13,618	12,592	12,046	11,782	11,712	11,594	11,583	11,602	11,462
55 Other assets	4,505	4,303	3,906	4,040	4,174	4,020	4,038	3,930	3,916	3,765
56 **Total payable in U.S. dollars**	**143,743**	**139,605**	**145,641**	**141,950**	**141,139**	**138,693**	**132,834**	**136,049[r]**	**141,392**	**137,199**

1. Data for assets vis-a-vis other banks in the United States and vis-a-vis nonbanks are combined for dates prior to June 1984.

3.14 Continued

Liability account	1981	1982	1983	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.[p]
					All foreign countries					
57 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**465,902**	**462,486**	**454,082**	**448,360r**	**452,806r**	**452,012**	**445,367**
58 Negotiable CDs[2]	n.a.	n.a.	n.a.	41,297	41,656	39,866	38,520	37,915	37,725	38,804
59 To United States	137,767	179,015	188,070	155,231	152,635	147,003	139,402	138,354	146,804	143,923
60 Parent bank	56,344	75,621	81,261	78,067	77,160	75,026	74,756	70,339	78,110	75,780
61 Other banks in United States	19,197	33,405	29,453	22,365	19,693	20,120	18,913	18,575r	18,378	18,132
62 Nonbanks	62,226	69,989	77,356	54,799	55,782	51,857	45,733	49,440r	50,316	50,011
63 To foreigners	305,630	270,853	269,685	248,651	246,565	245,746	248,185	253,956	246,794	241,479
64 Other branches of parent bank	86,396	90,191	90,615	89,081	90,747	90,426	89,530	90,729	93,206	87,844
65 Banks	124,906	96,860	92,889	80,082	78,796	77,471	82,226	86,815	78,235	79,286
66 Official institutions	25,997	19,614	18,896	21,261	20,238	21,566	19,501	20,883	20,241	19,615
67 Nonbank foreigners	68,331	64,188	68,845	58,227	56,784	56,283	56,928	55,529	55,112	54,734
68 Other liabilities	19,450	19,844	19,335	20,723	21,630	21,467	22,253r	22,581r	20,689	21,161
69 **Total payable in U.S. dollars**	**364,447**	**379,270**	**388,291**	**374,735**	**370,356**	**364,247**	**356,418r**	**361,713r**	**365,626**	**358,142**
70 Negotiable CDs[2]	n.a.	n.a.	n.a.	38,990	39,610	37,629	36,102	35,608	35,227	36,295
71 To United States	134,700	175,528	184,305	150,973	148,102	142,482	135,131	134,159	142,792	140,052
72 Parent bank	54,492	73,295	79,035	75,542	74,574	72,254	72,245	67,814	75,625	73,439
73 Other banks in United States	18,883	33,040	28,936	21,749	19,019	19,457	18,259	18,026r	17,904	17,595
74 Nonbanks	61,325	69,193	76,334	53,682	54,509	50,771	44,627	48,319r	49,263	49,018
75 To foreigners	217,602	192,510	194,139	174,414	171,880	173,610	174,090	180,824	177,580	171,545
76 Other branches of parent bank	69,299	72,921	73,522	71,438	73,501	73,412	72,204	74,552	77,222	72,770
77 Banks	79,594	57,463	57,022	44,858	42,373	42,772	46,218	50,502	45,123	44,900
78 Official institutions	20,288	15,055	13,855	16,117	15,476	16,850	14,850	16,068	15,733	14,994
79 Nonbank foreigners	48,421	47,071	51,260	42,001	40,530	40,576	40,818	39,702	39,502	38,881
80 Other liabilities	12,145	11,232	9,847	10,358	10,764	10,526	11,095r	11,122r	10,027	10,250
					United Kingdom					
81 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**155,643**	**154,250**	**147,696**	**147,562r**	**149,377r**	**144,377**	**146,120**
82 Negotiable CDs[2]	n.a.	n.a.	n.a.	37,998	38,265	36,600	34,948	34,269	34,413	35,455
83 To United States	38,022	53,954	55,799	29,682	29,667	27,280	26,558	25,338	25,250	27,757
84 Parent bank	5,444	13,091	14,021	16,730	18,127	16,130	16,598	15,116	14,651	16,714
85 Other banks in United States	7,502	12,205	11,328	4,277	3,548	3,451	3,388	3,002r	3,110	3,556
86 Nonbanks	25,076	28,658	30,450	8,675	7,992	7,699	6,572	7,220r	7,489	7,487
87 To foreigners	112,255	99,567	95,847	80,261	78,469	75,901	77,985	81,217	77,424	75,039
88 Other branches of parent bank	16,545	18,361	19,038	21,459	22,252	21,536	21,023	20,846	21,631	20,199
89 Banks	51,336	44,020	41,624	31,435	30,735	28,996	32,436	34,739	30,436	31,216
90 Official institutions	16,517	11,504	10,151	11,301	10,480	10,625	9,650	10,505	10,154	9,084
91 Nonbank foreigners	27,857	25,682	25,034	16,066	15,002	14,744	14,876	15,127	15,203	14,540
92 Other liabilities	6,952	7,546	7,086	7,702	7,849	7,915	8,071r	8,553r	7,290	7,869
93 **Total payable in U.S. dollars**	**120,277**	**130,261**	**131,167**	**126,294**	**124,260**	**119,337**	**118,103r**	**119,287r**	**117,489**	**117,188**
94 Negotiable CDs[2]	n.a.	n.a.	n.a.	36,757	37,219	35,398	33,703	33,168	33,070	34,084
95 To United States	37,332	53,029	54,691	28,349	28,027	25,738	25,178	24,024	24,105	26,587
96 Parent bank	5,350	12,814	13,839	16,390	17,701	15,679	16,209	14,742	14,339	16,349
97 Other banks in United States	7,249	12,026	11,044	4,018	3,244	3,131	3,144	2,792r	2,965	3,407
98 Nonbanks	24,733	28,189	29,808	7,941	7,082	6,953	5,825	6,490r	6,801	6,831
99 To foreigners	79,034	73,477	73,279	57,495	55,337	54,590	55,482	58,163	56,923	52,954
100 Other branches of parent bank	12,048	14,300	15,403	17,472	18,384	18,175	17,600	17,562	18,294	16,940
101 Banks	32,298	28,810	29,320	18,197	16,984	16,015	18,309	20,262	18,356	17,889
102 Official institutions	13,612	9,668	8,279	9,610	8,920	9,375	8,306	9,072	8,871	7,748
103 Nonbank foreigners	21,076	20,699	20,277	12,216	11,049	11,025	11,267	11,267	11,402	10,377
104 Other liabilities	3,911	3,755	3,197	3,693	3,677	3,586	3,740r	3,932r	3,391	3,563
					Bahamas and Caymans					
105 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**147,912**	**147,319**	**144,578**	**138,798**	**141,448**	**146,641**	**141,947**
106 Negotiable CDs[2]	n.a.	n.a.	n.a.	965	905	788	878	898	615	734
107 To United States	85,759	104,425	111,299	106,338	103,915	100,682	95,084	95,831	102,804	98,657
108 Parent bank	39,451	47,081	50,980	45,098	42,373	42,064	42,850	40,516	47,161	44,303
109 Other banks in United States	10,474	18,466	16,057	16,498	14,742	15,459	14,143	14,155	13,922	13,318
110 Nonbanks	35,834	38,878	44,262	44,742	46,800	43,159	38,091	41,160	41,721	41,036
111 To foreigners	60,012	38,274	38,445	37,828	39,598	40,213	39,855	41,747	40,302	39,712
112 Other branches of parent bank	20,641	15,796	14,936	12,381	14,446	15,283	14,823	16,455	16,782	16,014
113 Banks	23,202	10,166	11,876	12,635	12,200	11,978	13,059	13,986	12,397	12,212
114 Official institutions	3,498	1,967	1,919	2,427	2,674	3,028	2,211	2,376	2,054	2,169
115 Nonbank foreigners	12,671	10,345	11,274	10,385	10,278	9,924	9,762	8,930	9,069	9,317
116 Other liabilities	3,337	2,457	2,339	2,781	2,901	2,895	2,981	2,972	2,920	2,844
117 **Total payable in U.S. dollars**	**145,284**	**141,908**	**148,278**	**143,961**	**143,294**	**140,902**	**135,143**	**137,712**	**143,420**	**138,316**

2. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1982	1983	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.[r]	1984 Dec.[p]	1985 Jan.[p]
1 Total[1]	**172,718**	**177,950**	**174,492**	**177,276**	**173,407**	**176,177**	**178,158**	**180,512**	**176,412**
By type									
2 Liabilities reported by banks in the United States[2]	24,989	25,534	25,869	26,381	24,038	26,893	25,789	26,194	23,019
3 U.S. Treasury bills and certificates[3]	46,658	54,341	51,974	54,022	54,627	55,780	59,570	59,976	56,662
U.S. Treasury bonds and notes									
4 Marketable	67,733	68,514	69,075	70,441	68,471	67,647	67,003	68,910	71,436
5 Nonmarketable[4]	8,750	7,250	6,600	5,800	5,800	5,800	5,800	5,800	5,800
6 U.S. securities other than U.S. Treasury securities[5]	24,588	22,311	20,974	20,632	20,471	20,057	19,996	19,632	19,495
By area									
7 Western Europe[1]	61,298	67,645	68,749	70,399	68,091	68,682	70,384	69,680	68,043
8 Canada	2,070	2,438	1,250	1,434	1,069	1,321	1,466	1,528	1,491
9 Latin America and Caribbean	6,057	6,248	6,993	8,170	7,053	8,109	8,894	8,643	7,406
10 Asia	96,034	92,572	90,391	90,464	90,403	91,491	90,047	93,901	92,981
11 Africa	1,350	958	970	838	897	967	1,316	1,291	1,120
12 Other countries[6]	5,909	8,089	6,139	5,971	5,894	5,607	6,051	5,469	5,371

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	1981	1982	1983	1984 Mar.	1984 June	1984 Sept.	1984 Dec.[p]
1 Banks' own liabilities	3,523	4,844	5,219	5,817	6,402	5,901	7,378
2 Banks' own claims	4,980	7,707	7,231	9,034	9,623	9,006	10,736
3 Deposits	3,398	4,251	2,731	4,024	4,280	3,696	3,925
4 Other claims	1,582	3,456	4,501	5,010	5,344	5,310	6,811
5 Claims of banks' domestic customers[1]	971	676	1,059	361	227	281	569

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	1981▲	1982	1983	1984						1985
				July	Aug.	Sept.	Oct.	Nov.r	Dec.	Jan.p
1 **All foreigners**	**243,889**	**307,056**	**369,607**	**398,282**	**396,436**	**398,598**	**388,951**	**398,481**	**405,372**	**401,059**
2 Banks' own liabilities	163,817	227,089	279,087	302,690	296,595	299,732	290,282	296,833	305,298	303,894
3 Demand deposits	19,631	15,889	17,470	16,355	16,229	17,198	16,490	17,448	19,538	18,561
4 Time deposits[1]	29,039	68,797	90,632	109,419	107,604	111,901	109,612	112,678	110,299	114,311
5 Other[2]	17,647	23,184	25,874	25,711	23,630	22,087	24,423	23,642	26,332	23,707
6 Own foreign offices[3]	97,500	119,219	145,111	151,205	149,132	148,546	139,758	143,065	149,129	147,315
7 Banks' custody liabilities[4]	80,072	79,967	90,520	95,593	99,842	98,866	98,669	101,648	100,074	97,165
8 U.S. Treasury bills and certificates[5]	55,315	55,628	68,669	71,244	74,148	73,160	73,295	76,531	75,838	73,196
9 Other negotiable and readily transferable instruments[6]	18,788	20,636	17,467	19,358	20,567	20,833	20,281	19,703	18,775	18,056
10 Other	5,970	3,702	4,385	4,990	5,127	4,873	5,094	5,414	5,460	5,913
11 **Nonmonetary international and regional organizations[7]**	**2,721**	**4,922**	**5,957**	**5,344**	**5,748**	**6,279**	**4,801**	**5,831**	**4,083**	**6,929**
12 Banks' own liabilities	638	1,909	4,632	2,612	1,960	3,305	2,053	2,779	1,644	3,571
13 Demand deposits	262	106	297	142	325	209	144	354	263	419
14 Time deposits[1]	58	1,664	3,584	2,213	1,446	2,526	1,513	2,114	1,092	2,672
15 Other[2]	318	139	750	257	189	570	396	311	288	480
16 Banks' custody liabilities[4]	2,083	3,013	1,325	2,732	3,788	2,975	2,748	3,052	2,440	3,358
17 U.S. Treasury bills and certificates	541	1,621	463	1,709	2,722	1,834	1,455	1,448	916	1,921
18 Other negotiable and readily transferable instruments[6]	1,542	1,392	862	1,023	1,067	1,140	1,292	1,604	1,524	1,429
19 Other	0	0	0	0	0	0	0	0	0	8
20 **Official institutions[8]**	**79,126**	**71,647**	**79,876**	**77,843**	**80,403**	**78,665**	**82,673**	**85,359**	**86,169**	**79,681**
21 Banks' own liabilities	17,109	16,640	19,427	18,504	18,222	16,274	19,247	18,748	19,062	16,699
22 Demand deposits	2,564	1,899	1,837	1,875	2,003	1,969	1,725	2,133	1,823	1,832
23 Time deposits[1]	4,230	5,528	7,318	8,028	8,060	7,877	8,695	9,457	9,387	8,161
24 Other[2]	10,315	9,212	10,272	8,601	8,158	6,429	8,828	7,159	7,852	6,706
25 Banks' custody liabilities[4]	62,018	55,008	60,448	59,338	62,181	62,391	63,426	66,611	67,108	62,982
26 U.S. Treasury bills and certificates[5]	52,389	46,658	54,341	51,974	54,022	54,627	55,780	59,570	59,976	56,662
27 Other negotiable and readily transferable instruments[6]	9,581	8,321	6,082	7,356	8,149	7,746	7,626	7,010	7,038	6,257
28 Other	47	28	25	9	10	18	20	31	94	63
29 **Banks[9]**	**136,008**	**185,881**	**226,887**	**249,537**	**243,552**	**246,077**	**233,654**	**238,349**	**246,823**	**243,808**
30 Banks' own liabilities	124,312	169,449	205,347	224,222	218,081	221,185	209,529	214,783	223,975	221,663
31 Unaffiliated foreign banks	26,812	50,230	60,236	73,017	68,949	72,640	69,771	71,718	74,847	74,348
32 Demand deposits	11,614	8,675	8,759	8,174	7,884	8,453	8,389	8,528	10,522	9,575
33 Time deposits[1]	8,720	28,386	37,439	48,663	46,901	49,763	46,755	47,703	47,046	48,910
34 Other[2]	6,477	13,169	14,038	16,180	14,164	14,424	14,627	15,488	17,278	15,863
35 Own foreign offices[3]	97,500	119,219	145,111	151,205	149,132	148,546	139,758	143,065	149,129	147,315
36 Banks' custody liabilities[4]	11,696	16,432	21,540	25,315	25,471	24,892	24,124	23,566	22,848	22,145
37 U.S. Treasury bills and certificates	1,685	5,809	10,178	13,022	12,766	12,234	11,828	11,409	10,927	10,512
38 Other negotiable and readily transferable instruments[6]	4,400	7,857	7,485	7,867	8,172	8,421	7,802	7,360	7,156	6,422
39 Other	5,611	2,766	3,877	4,426	4,534	4,236	4,494	4,797	4,766	5,211
40 **Other foreigners**	**26,035**	**44,606**	**56,887**	**65,558**	**66,733**	**67,576**	**67,824**	**68,942**	**68,296**	**70,640**
41 Banks' own liabilities	21,759	39,092	49,680	57,351	58,332	58,968	59,453	60,523	60,618	61,960
42 Demand deposits	5,191	5,209	6,577	6,163	6,017	6,567	6,232	6,433	6,929	6,735
43 Time deposits	16,030	33,219	42,290	50,515	51,195	51,735	52,648	53,405	52,774	54,567
44 Other[2]	537	664	813	672	1,120	665	573	685	914	658
45 Banks' custody liabilities[4]	4,276	5,514	7,207	8,207	8,401	8,609	8,372	8,419	7,678	8,680
46 U.S. Treasury bills and certificates	699	1,540	3,686	4,540	4,639	4,465	4,232	4,103	4,020	4,101
47 Other negotiable and readily transferable instruments[6]	3,265	3,065	3,038	3,111	3,180	3,525	3,560	3,730	3,058	3,948
48 Other	312	908	483	556	582	619	580	586	601	631
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,747	14,307	10,346	10,904	11,415	11,048	10,714	10,437	10,476	9,277

▲ 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.

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1981▲	1982	1983	1984						1985
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total**	**243,889**	**307,056**	**369,607**	**398,282**	**396,436**	**398,598**	**388,951**	**398,481r**	**405,372r**	**401,059**
2 **Foreign countries**	**241,168**	**302,134**	**363,649**	**392,938**	**390,688**	**392,319**	**384,151**	**392,650r**	**401,288r**	**394,129**
3 Europe	91,275	117,756	138,072	152,759	150,785	147,244	146,413	149,577r	151,734r	148,847
4 Austria	596	519	585	668	758	693	744	627	615	734
5 Belgium-Luxembourg	4,117	2,517	2,709	4,848	4,789	4,278	4,093	3,613	4,114	4,007
6 Denmark	333	509	466	429	408	341	337	434	438	452
7 Finland	296	748	531	947	489	638	407	487	418	425
8 France	8,486	8,171	9,441	12,031	11,539	11,547	11,641	11,935r	12,701	11,907
9 Germany	7,645	5,351	3,599	3,973	3,758	3,036	3,331	3,405r	3,351r	3,582
10 Greece	463	537	520	600	566	567	609	602	699	616
11 Italy	7,267	5,626	8,462	6,960	8,356	8,266	8,976	11,056	10,757	9,657
12 Netherlands	2,823	3,362	4,290	5,615	5,116	5,239	4,421	5,077	4,799	4,663
13 Norway	1,457	1,567	1,673	1,624	2,026	1,912	1,895	1,693	1,548	1,717
14 Portugal	354	388	373	440	539	434	540	552	597	620
15 Spain	916	1,405	1,603	1,825	1,971	1,984	1,905	1,873	2,082r	2,016
16 Sweden	1,545	1,390	1,799	1,833	2,095	2,008	1,945	1,839	1,604r	2,089
17 Switzerland	18,716	29,066	32,246	33,330	32,919	32,995	32,461	31,494r	31,126r	30,926
18 Turkey	518	296	467	340	354	320	557	457	584r	495
19 United Kingdom	28,286	48,172	60,683	69,767	67,976	65,445	65,384	66,944	67,894r	68,008
20 Yugoslavia	375	499	562	525	435	514	579	565	602	545
21 Other Western Europe[1]	6,541	7,006	7,403	6,539	6,114	6,247	6,062	6,387r	7,183r	5,712
22 U.S.S.R.	49	50	65	31	47	41	50	54	79	96
23 Other Eastern Europe[2]	493	576	596	435	532	738	476	481r	544r	580
24 Canada	10,250	12,232	16,026	19,221	18,170	17,536	16,767	16,549r	15,960r	16,233
25 Latin America and Caribbean	85,223	114,163	140,088	149,541	150,972	152,069	145,771	149,574r	153,292r	152,614
26 Argentina	2,445	3,578	4,038	4,439	4,411	4,384	4,484	4,607r	4,424	4,522
27 Bahamas	34,856	44,744	55,818	60,075	60,077	58,321	52,912	55,102r	56,320r	56,759
28 Bermuda	765	1,572	2,266	2,505	2,763	3,177	3,043	3,222r	2,370r	2,704
29 Brazil	1,568	2,014	3,168	4,120	4,697	4,427	4,714	4,978	5,332r	4,967
30 British West Indies	17,794	26,381	34,545	33,984	33,789	35,926	34,419	34,336	36,914r	35,202
31 Chile	664	1,626	1,842	2,176	2,070	1,874	2,052	2,185	2,001	1,944
32 Colombia	2,993	2,594	1,689	1,801	1,791	1,957	2,022	2,057	2,514	2,360
33 Cuba	9	9	8	7	7	8	8	8	10	26
34 Ecuador	434	455	1,047	845	951	931	924	1,029	1,092	912
35 Guatemala	479	670	788	811	831	810	855	884	896	920
36 Jamaica	87	126	109	116	126	180	122	110	186	194
37 Mexico	7,235	8,377	10,392	11,733	12,268	12,869	12,466	13,422r	12,691r	13,245
38 Netherlands Antilles	3,182	3,597	3,879	4,253	4,261	4,179	4,187	4,180	4,153r	4,388
39 Panama	4,857	4,805	5,924	6,664	6,506	6,811	6,578	6,847r	6,928	6,869
40 Peru	694	1,147	1,166	1,278	1,273	1,343	1,304	1,258	1,247	1,152
41 Uruguay	367	759	1,244	1,302	1,319	1,418	1,361	1,309	1,394	1,485
42 Venezuela	4,245	8,417	8,632	9,684	10,046	9,615	10,367	10,013r	10,545r	10,667
43 Other Latin America and Caribbean	2,548	3,291	3,535	3,749	3,786	3,839	3,952	4,027	4,275r	4,300
44 Asia	49,822	48,716	58,570	61,884	61,559	66,397	66,028	67,182	71,127r	67,386
China										
45 Mainland	158	203	249	644	671	876	861	844	1,153	1,078
46 Taiwan	2,082	2,761	4,051	4,891	4,799	4,970	5,041	5,355	4,976	5,098
47 Hong Kong	3,950	4,465	6,657	6,117	6,110	6,977	6,236	6,535	7,240	7,414
48 India	385	433	464	621	800	644	616	606	507r	554
49 Indonesia	640	857	997	911	1,137	939	1,339	884	1,033r	1,136
50 Israel	592	606	1,722	804	726	750	2,017	1,023	1,268	1,003
51 Japan	20,750	16,078	18,079	19,442	19,792	21,310	19,644	20,750	20,929	21,663
52 Korea	2,013	1,692	1,648	1,393	1,641	1,572	1,552	1,609	1,691	1,561
53 Philippines	874	770	1,234	976	1,084	1,020	1,097	1,252	1,396r	1,637
54 Thailand	534	629	747	779	782	741	980	1,458	1,257	1,161
55 Middle-East oil-exporting countries[3]	12,992	13,433	12,976	14,792	13,200	13,754	13,890	13,436	16,781r	15,969
56 Other Asia	4,853	6,789	9,748	10,515	10,815	12,844	12,755	13,432	12,896r	9,113
57 Africa	3,180	3,124	2,827	3,145	3,052	3,018	3,329	3,492	3,511r	3,431
58 Egypt	360	432	671	858	743	629	763	739	757	798
59 Morocco	32	81	84	128	119	136	115	117	118	120
60 South Africa	420	292	449	409	350	318	459	460	328	376
61 Zaire	26	23	87	99	101	148	141	163	153r	76
62 Oil-exporting countries[4]	1,395	1,280	620	706	775	821	998	1,034	1,189r	1,188
63 Other Africa	946	1,016	917	946	964	966	852	978	966r	872
64 Other countries	1,419	6,143	8,067	6,389	6,150	6,055	5,844	6,277	5,665	5,618
65 Australia	1,223	5,904	7,857	6,095	5,749	5,687	5,464	5,598	5,286	5,242
66 All other	196	239	210	294	401	368	379	679	379	376
67 Nonmonetary international and regional organizations	2,721	4,922	5,957	5,344	5,748	6,279	4,801	5,831	4,083	6,929
68 International	1,661	4,049	5,273	4,740	4,973	5,411	4,086	5,055	3,376	6,165
69 Latin American regional	710	517	419	431	445	488	518	593	587	600
70 Other regional[5]	350	357	265	173	330	381	196	183	120	165

▲ 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.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1981▲	1982	1983	1984						1985
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total**	**251,589**	**355,705**	**391,312**	**404,168**	**396,232**	**393,959**	**383,444**	**384,517r**	**398,611**	**386,664**
2 **Foreign countries**	**251,533**	**355,636**	**391,148**	**403,959**	**396,034**	**393,888**	**382,762**	**383,954r**	**397,936**	**385,740**
3 Europe	49,262	85,584	91,927	102,311	100,084	98,173	95,370	97,812r	97,906	95,984
4 Austria	121	229	401	636	581	572	521	532r	446	371
5 Belgium-Luxembourg	2,849	5,138	5,639	6,108	6,156	6,286	5,363	4,988r	4,768	4,521
6 Denmark	187	554	1,275	1,189	1,088	1,057	544	520	648	589
7 Finland	546	990	1,044	928	872	882	887	1,098r	896	818
8 France	4,127	7,251	8,766	9,732	9,985	9,094	8,822	9,299r	9,081	8,617
9 Germany	940	1,876	1,284	1,142	1,257	1,220	1,097	1,261	1,294	960
10 Greece	333	452	476	979	974	1,086	929	819r	817	894
11 Italy	5,240	7,560	9,018	8,331	7,832	7,803	7,820	8,854r	9,079	8,042
12 Netherlands	682	1,425	1,267	1,811	1,440	1,470	1,190	1,229	1,351	1,481
13 Norway	384	572	690	648	649	649	676	602	675	651
14 Portugal	529	950	1,114	1,503	1,433	1,387	1,346	1,262	1,243	1,167
15 Spain	2,095	3,744	3,573	3,955	3,700	3,355	3,189	3,017r	2,882	2,849
16 Sweden	1,205	3,038	3,358	2,677	2,404	2,596	2,362	2,313	2,220	2,475
17 Switzerland	2,213	1,639	1,863	1,544	1,580	1,741	2,067	2,275r	2,206	2,308
18 Turkey	424	560	812	1,210	1,145	1,132	1,145	1,097	1,130	1,232
19 United Kingdom	23,849	45,781	47,364	55,556	54,752	53,676	53,269	54,520r	55,133	54,857
20 Yugoslavia	1,225	1,430	1,718	1,817	1,857	1,888	1,868	1,866r	1,886	1,862
21 Other Western Europe[1]	211	368	477	800	732	660	660	625r	607	668
22 U.S.S.R	377	263	192	172	175	176	159	169	142	118
23 Other Eastern Europe[2]	1,725	1,762	1,598	1,573	1,471	1,442	1,454	1,467	1,402	1,505
24 Canada	9,193	13,678	16,341	18,350	16,326	16,604	16,634	15,778r	16,054	16,311
25 Latin America and Caribbean	138,347	187,969	205,491	208,404	203,465	203,001	198,372	199,058r	207,543	199,466
26 Argentina	7,527	10,974	11,749	11,381	11,021	11,108	11,014	10,983r	11,044	11,444
27 Bahamas	43,542	56,649	59,633	58,479	56,612	55,216	52,006	54,084	58,027	54,595
28 Bermuda	346	603	566	543	509	508	551	635r	592	617
29 Brazil	16,926	23,271	24,667	26,009	25,991	26,140	26,146	26,275r	26,284	25,886
30 British West Indies	21,981	29,101	35,527	38,782	35,390	36,002	34,866	33,722r	38,088	35,370
31 Chile	3,690	5,513	6,072	6,648	6,619	6,836	6,795	6,703	6,839	6,716
32 Colombia	2,018	3,211	3,745	3,490	3,444	3,438	3,343	3,406	3,499	3,369
33 Cuba	3	3	0	0	0	0	0	0	0	0
34 Ecuador	1,531	2,062	2,307	2,396	2,380	2,365	2,452	2,431	2,420	2,472
35 Guatemala[3]	124	124	129	124	130	120	141	148	158	153
36 Jamaica[3]	62	181	215	219	216	225	234	222	252	226
37 Mexico	22,439	29,552	34,802	35,306	35,016	35,602	35,364	35,288r	34,694	33,954
38 Netherlands Antilles	1,076	839	1,154	1,381	1,302	1,296	1,337	1,337	1,357	1,273
39 Panama	6,794	10,210	7,848	7,057	8,202	7,639	7,540	7,360r	7,702	6,865
40 Peru	1,218	2,357	2,536	2,487	2,401	2,397	2,416	2,358	2,384	2,388
41 Uruguay	157	686	977	961	930	934	962	990	1,088	1,052
42 Venezuela	7,069	10,643	11,287	10,836	11,137	10,982	11,029	10,994r	11,003	10,964
43 Other Latin America and Caribbean	1,844	1,991	2,277	2,306	2,165	2,191	2,175	2,123	2,112	2,119
44 Asia	49,851	60,952	67,837	64,812	65,979	66,006	62,356	61,398r	66,386	64,284
China										
45 Mainland	107	214	292	640	639	563	409	543r	710	507
46 Taiwan	2,461	2,288	1,908	1,510	1,573	1,651	1,588	1,679	1,853	1,745
47 Hong Kong	4,132	6,787	8,489	6,967	6,809	7,139	7,155	6,945r	7,364	6,800
48 India	123	222	330	323	295	354	302	381	427	300
49 Indonesia	352	348	805	952	906	886	821	797	733	708
50 Israel	1,567	2,029	1,832	1,827	1,869	1,802	1,890	1,938	2,088	1,938
51 Japan	26,797	28,379	30,354	27,727	29,005	30,601	26,862	26,421r	29,038	28,493
52 Korea	7,340	9,387	9,943	9,799	9,547	9,586	9,253	8,896	9,264	8,753
53 Philippines	1,819	2,625	2,107	2,650	2,756	2,578	2,510	2,487	2,583	2,499
54 Thailand	565	643	1,219	1,120	1,262	1,113	1,072	1,112	1,125	1,123
55 Middle East oil-exporting countries[4]	1,581	3,087	4,954	5,214	4,924	4,506	4,650	4,687r	5,075	5,005
56 Other Asia	3,009	4,943	5,603	6,081	6,396	5,227	5,844	5,512r	6,126	6,412
57 Africa	3,503	5,346	6,654	7,048	6,969	6,830	6,862	6,719	6,613	6,497
58 Egypt	238	322	747	638	613	650	674	693	728	668
59 Morocco	284	353	440	549	556	545	582	536	583	552
60 South Africa	1,011	2,012	2,634	3,307	3,281	3,152	3,140	2,960	2,795	2,790
61 Zaire	112	57	33	43	30	18	18	19	18	33
62 Oil-exporting countries[5]	657	801	1,073	1,025	996	944	938	911	839	812
63 Other	1,201	1,802	1,727	1,485	1,493	1,522	1,510	1,600	1,649	1,642
64 Other countries	1,376	2,107	2,898	3,036	3,210	3,274	3,169	3,189	3,436	3,196
65 Australia	1,203	1,713	2,256	2,481	2,582	2,673	2,508	2,487	2,760	2,490
66 All other	172	394	642	554	628	601	661	702	676	706
67 Nonmonetary international and regional organizations[6]	56	68	164	209	198	71	681	562r	674	925

▲ 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.

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 before April 1978 include claims of banks' domestic customers on foreigners.

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	1981▲	1982	1983	1984						1985
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **Total**	**287,557**	**396,015**	**426,215**	....	....	**427,985**	....	....	**431,518**	....
2 Banks' own claims on foreigners	251,589	355,705	391,312	404,168	396,232	393,959	383,444	384,517	398,611	386,664
3 Foreign public borrowers	31,260	45,422	57,569	59,797	58,477	59,617	61,361	61,443	61,087	61,093
4 Own foreign offices[1]	96,653	127,293	146,393	155,665	153,652	152,030	143,576	144,329	156,462	153,742
5 Unaffiliated foreign banks	74,704	121,377	123,837	127,239	123,716	122,482	120,873	121,258	123,820	116,896
6 Deposits	23,381	44,223	47,126	48,340	46,990	47,379	46,778	45,788	48,015	45,055
7 Other	51,322	77,153	76,711	78,899	76,725	75,103	74,094	75,469	75,805	71,842
8 All other foreigners	48,972	61,614	63,514	61,467	60,387	59,830	57,634	57,487	57,242	54,933
9 Claims of banks' domestic customers[2]	35,968	40,310	34,903	....	....	34,026	....	....	32,907	....
10 Deposits	1,378	2,491	2,969	....	....	4,575	....	....	3,380	....
11 Negotiable and readily transferable instruments[3]	26,352	30,763	26,064	....	....	23,396	....	....	23,805	....
12 Outstanding collections and other claims	8,238	7,056	5,870	....	....	6,055	....	....	5,723	....
13 MEMO: Customer liability on acceptances	29,952	38,153	37,715	....	....	38,586	....	....	36,677	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	40,369	42,499	45,856	43,291	44,488[r]	44,074[r]	42,635[r]	43,777	39,601	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	1981▲	1982	1983	1984			
				Mar.	June	Sept.	Dec.
1 **Total**	**154,590**	**228,150**	**243,715**	**238,819**	**249,646**	**240,674**	**243,246**
By borrower							
2 Maturity of 1 year or less[1]	116,394	173,917	176,158	163,567	172,144	162,914	165,547
3 Foreign public borrowers	15,142	21,256	24,039	20,453	21,018	21,059	22,059
4 All other foreigners	101,252	152,661	152,120	143,114	151,126	141,854	143,489
5 Maturity of over 1 year[1]	38,197	54,233	67,557	75,252	77,501	77,760	77,699
6 Foreign public borrowers	15,589	23,137	32,521	36,333	37,797	38,410	39,594
7 All other foreigners	22,608	31,095	35,036	38,919	39,704	39,350	38,105
By area							
Maturity of 1 year or less[1]							
8 Europe	28,130	50,500	56,117	54,393	59,666	56,769	58,382
9 Canada	4,662	7,642	6,211	6,509	6,925	5,896	5,961
10 Latin America and Caribbean	48,717	73,291	73,660	65,658	65,109	61,479	60,500
11 Asia	31,485	37,578	34,403	31,206	34,002	32,252	33,796
12 Africa	2,457	3,680	4,199	4,472	4,790	4,798	4,442
13 All other[2]	943	1,226	1,569	1,330	1,652	1,720	2,466
Maturity of over 1 year[1]							
14 Europe	8,100	11,636	13,576	13,334	12,827	11,269	9,572
15 Canada	1,808	1,931	1,857	2,038	2,203	1,801	1,884
16 Latin America and Caribbean	25,209	35,247	43,888	51,233	54,271	56,577	57,821
17 Asia	1,907	3,185	4,850	5,150	5,098	5,106	5,303
18 Africa	900	1,494	2,286	2,291	1,865	1,857	2,011
19 All other[2]	272	740	1,101	1,206	1,237	1,150	1,107

▲ 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.

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1980	1981	1982	1983				1984			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June[7]	Sept.	Dec.p
1 **Total**	**352.0**	**415.2**	**438.7**	**443.7r**	**439.9**	**431.0r**	**437.3r**	**434.2r**	**429.2r**	**409.7**	**407.6**
2 G-10 countries and Switzerland	162.1	175.5	179.7	182.5r	177.1r	168.8r	168.0	166.1r	157.8	148.1	147.5
3 Belgium-Luxembourg	13.0	13.3	13.1	13.8r	13.3	12.6	12.4	11.0	10.8	9.8	8.8
4 France	14.1	15.3	17.1	17.1	17.1	16.2	16.3	15.9	14.3	14.3	14.0
5 Germany	12.1	12.9	12.7	13.4r	12.6	11.6	11.3	11.7	11.0	10.0	9.0
6 Italy	8.2	9.6	10.3	10.2	10.5	9.9r	11.4	11.2	11.5	9.7	10.1
7 Netherlands	4.4	4.0	3.6	4.3	4.0	3.6	3.5	3.4r	3.0	3.4	3.9
8 Sweden	2.9	3.7	5.0	4.3	4.7	4.9	5.1	5.2	4.3	3.5	3.2
9 Switzerland	5.0	5.5	5.0	4.5r	4.8	4.2	4.3	4.3	4.2	3.9	4.0
10 United Kingdom	67.4	70.1	72.1	73.4r	70.8r	67.8	65.4r	65.1r	60.2	57.4	59.7
11 Canada	8.4	10.9	10.4	12.5	10.8	8.9r	8.3	8.6r	8.9	8.1	7.8
12 Japan	26.5	30.2	30.2	29.0r	28.5r	29.0r	29.9r	29.8r	29.5	27.9	27.1
13 Other developed countries	21.6	28.4	33.7	34.0	34.5	34.3	36.1	35.7	37.1	36.3	33.8
14 Austria	1.9	1.9	1.9	2.1	2.1	1.9	1.9	2.0	2.0	1.8	1.7
15 Denmark	2.3	2.3	2.4	3.3	3.4	3.3	3.4	3.4	3.1	2.9	2.2
16 Finland	1.4	1.7	2.2	2.1	2.1	1.8	2.4	2.1	2.3	1.9	1.9
17 Greece	2.8	2.8	3.0	2.9	2.9	2.9	2.8	3.0	3.3	3.2	2.9
18 Norway	2.6	3.1	3.3	3.3	3.4	3.2	3.3	3.2	3.2	3.2	3.0
19 Portugal	.6	1.1	1.5	1.4	1.4	1.4	1.5	1.4	1.7	1.6	1.4
20 Spain	4.4	6.6	7.5	7.0r	7.2	7.1r	7.1	7.1	7.3	6.9	6.5
21 Turkey	1.5	1.4	1.4	1.5	1.4	1.5	1.7	1.9	2.0	2.0	1.9
22 Other Western Europe	1.7	2.1	2.3	2.3	2.0	2.1	1.8	1.8	1.9	1.7	1.7
23 South Africa	1.1	2.8	3.7	3.6	3.9	4.7	4.7	4.8	4.7	5.0	4.5
24 Australia	1.3	2.5	4.4	4.6	4.5r	4.4	5.5	5.2	5.7	6.2	6.1
25 OPEC countries[2]	22.7	24.8	27.4	28.5	28.3	27.2	28.9	28.6	26.7	25.0	25.6
26 Ecuador	2.1	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.2
27 Venezuela	9.1	9.9	10.5	10.4	10.4	9.8	9.9	9.7	9.5	9.2	9.3
28 Indonesia	1.8	2.6	3.2	3.5	3.2	3.4	3.8	4.0	4.0	3.8	3.7
29 Middle East countries	6.9	7.5	8.7	9.3	9.5	9.1	10.0	9.8	8.4	7.4	8.2
30 African countries	2.8	2.5	2.8	3.0	3.0	2.8	3.0	3.0	2.7	2.5	2.3
31 Non-OPEC developing countries	77.4	96.3	107.1	108.1	108.8	109.8	111.6r	112.1r	112.7r	111.9	112.3
Latin America											
32 Argentina	7.9	9.4	8.9	9.0	9.4	9.5	9.5	9.5	9.2	9.1	8.7
33 Brazil	16.2	19.1	22.9	23.2	22.7	23.1	23.1	25.1	25.4	26.3	26.3
34 Chile	3.7	5.8	6.3	6.0	5.8	6.3	6.4	6.5	6.7	7.1	7.0
35 Colombia	2.6	2.6	3.1	2.9	3.2	3.2	3.2	3.1	3.0	2.9	2.9
36 Mexico	15.9	21.6	24.5	25.1	25.3	25.9	26.1	25.6	26.0r	26.1	25.8
37 Peru	1.8	2.0	2.6	2.4	2.6	2.4	2.4	2.3	2.3	2.2	2.2
38 Other Latin America	3.9	4.1	4.0	4.2	4.3	4.2	4.2	4.4r	4.0	3.9	3.9
Asia											
China											
39 Mainland	.2	.2	.2	.2	.2	.2	.3	.3	.6	.5	.7
40 Taiwan	4.2	5.1	5.3	5.1	5.1	5.2	5.3	4.9	5.3r	5.2	5.1
41 India	.3	.3	.6	.7	.7	.8	1.0	1.0	1.0	1.1	1.0
42 Israel	1.5	2.1	2.3	2.0	2.3	1.7	1.9	1.6	1.9	1.7	1.8
43 Korea (South)	7.1	9.4	10.9	10.9	10.9	10.9	11.3r	11.1	11.2	10.3	10.7
44 Malaysia	1.1	1.7	2.1	2.5	2.6	2.8	2.9	2.8	2.7	3.0	2.8
45 Philippines	5.1	6.0	6.3	6.6	6.4	6.2	6.2	6.7	6.3	5.9	6.0
46 Thailand	1.6	1.5	1.6	1.6	1.8	1.8r	2.2r	2.1r	1.9r	1.8	1.8
47 Other Asia	.6	1.0	1.1	1.4	1.2	1.0	1.0	.9	1.1	1.0	1.1
Africa											
48 Egypt	.8	1.1	1.2	1.1	1.3	1.4	1.5	1.4r	1.4	1.2	1.2
49 Morocco	.7	.7	.7	.8	.8	.8	.8	.8	.8	.8	.8
50 Zaire	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.1	2.3	2.4	2.3	2.2	2.4	2.3	2.2	1.9	1.9	2.1
52 Eastern Europe	7.4	7.8	6.2	5.7	5.8	5.3	5.3	4.9	4.9	4.5	4.5
53 U.S.S.R.	.4	.6	.3	.3	.4	.2	.2	.2	.2	.2	.1
54 Yugoslavia	2.3	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.3
55 Other	4.6	4.7	3.7	3.2	3.0	2.8	2.8	2.5	2.4	2.1	2.1
56 Offshore banking centers	47.0	63.7	66.8	68.0r	69.3r	68.7r	70.5r	70.5r	73.0r	66.5	66.8
57 Bahamas	13.7	19.0	19.0	18.6r	20.7	21.6r	21.8r	24.6	27.3r	23.7	21.6
58 Bermuda	.6	.7	.9	1.0	.8	.8	.9	.7	.7	1.0	.9
59 Cayman Islands and other British West Indies	10.6	12.4	12.9	12.6r	12.7r	10.5r	12.2r	11.2r	11.3r	10.7	11.7
60 Netherlands Antilles	2.1	3.2	3.3	3.1	2.6	4.1	4.2	3.3	3.3	3.1	3.4
61 Panama[4]	5.4	7.7	7.6	7.1	6.6	5.7	6.0	6.3	6.6r	5.7	6.8
62 Lebanon	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	8.1	11.8	13.9	15.1	14.5	15.2	15.0r	14.4	13.5	12.7	12.5
64 Singapore	5.9	8.7	9.2	10.4	11.2	10.5	10.3	10.0r	10.2	9.5	9.8
65 Others[5]	.3	.1	.0	.0	.0	.1	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	14.0	18.8	17.9	16.9	16.2	16.9	17.0	16.3r	17.3	17.3	17.2

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1980	1981	1982	1983		1984		
					Sept.	Dec.	Mar.	June	Sept.[p]
1	**Total**	**29,434**	**28,618**	**27,512**	**26,325**	**24,866**	**29,189**	**34,000**	**30,708**
2	Payable in dollars	25,689	24,909	24,280	23,546	21,918	25,968	30,815	27,910
3	Payable in foreign currencies	3,745	3,709	3,232	2,780	2,948	3,221	3,185	2,799
	By type								
4	Financial liabilities	11,330	12,157	11,066	10,900	10,349	14,165	18,327	15,854
5	Payable in dollars	8,528	9,499	8,858	9,025	8,619	12,134	16,297	14,069
6	Payable in foreign currencies	2,802	2,658	2,208	1,875	1,730	2,031	2,030	1,784
7	Commercial liabilities	18,104	16,461	16,446	15,425	14,516	15,024	15,674	14,855
8	Trade payables	12,201	10,818	9,438	8,567	7,736	7,865	7,897	6,921
9	Advance receipts and other liabilities	5,903	5,643	7,008	6,858	6,780	7,159	7,776	7,934
10	Payable in dollars	17,161	15,409	15,423	14,521	13,299	13,834	14,518	13,841
11	Payable in foreign currencies	943	1,052	1,023	904	1,218	1,190	1,155	1,014
	By area or country								
	Financial liabilities								
12	Europe	6,481	6,825	6,501	6,014	5,675	7,071	7,230	6,700
13	Belgium-Luxembourg	479	471	505	379	302	428	359	419
14	France	327	709	783	785	820	933	900	904
15	Germany	582	491	467	449	498	519	561	508
16	Netherlands	681	748	711	730	581	527	583	584
17	Switzerland	354	715	792	500	486	641	563	513
18	United Kingdom	3,923	3,565	3,102	3,014	2,839	3,790	4,013	3,471
19	Canada	964	963	746	788	768	798	735	820
20	Latin America and Caribbean	3,136	3,356	2,751	2,737	2,609	4,914	8,888	6,754
21	Bahamas	964	1,279	904	784	751	1,419	3,603	2,610
22	Bermuda	1	7	14	13	13	51	13	11
23	Brazil	23	22	28	32	32	37	25	32
24	British West Indies	1,452	1,241	1,027	1,095	1,018	2,635	4,457	3,244
25	Mexico	99	102	121	185	215	245	237	246
26	Venezuela	81	98	114	117	124	121	124	128
27	Asia	723	976	1,039	1,327	1,268	1,355	1,449	1,551
28	Japan	644	792	715	896	835	947	1,000	1,070
29	Middle East oil-exporting countries[2]	38	75	169	201	170	170	180	140
30	Africa	11	14	17	19	19	19	16	16
31	Oil-exporting countries[3]	1	0	0	0	0	0	0	0
32	All other[4]	15	24	12	15	10	9	9	13
	Commercial liabilities								
33	Europe	4,402	3,770	3,831	3,633	3,245	3,567	3,409	3,967
34	Belgium-Luxembourg	90	71	52	47	62	40	45	34
35	France	582	573	598	523	437	488	525	430
36	Germany	679	545	468	472	427	417	501	552
37	Netherlands	219	220	346	243	268	259	265	238
38	Switzerland	499	424	367	460	241	477	246	417
39	United Kingdom	1,209	880	1,027	967	732	847	794	1,133
40	Canada	888	897	1,495	1,418	1,841	1,776	1,840	1,923
41	Latin America and Caribbean	1,300	1,044	1,570	1,508	1,445	1,778	1,705	1,758
42	Bahamas	8	2	16	1	1	14	17	1
43	Bermuda	75	67	117	77	67	158	124	110
44	Brazil	111	67	60	48	44	68	31	68
45	British West Indies	35	2	32	14	6	33	5	8
46	Mexico	367	340	436	512	585	682	568	641
47	Venezuela	319	276	642	539	404	531	630	628
48	Asia	10,242	9,384	8,144	7,638	6,741	6,620	6,989	5,554
49	Japan	802	1,094	1,226	1,305	1,247	1,291	1,235	1,388
50	Middle East oil-exporting countries[2,5]	8,098	7,008	5,503	4,817	4,178	3,735	4,190	2,361
51	Africa	817	703	753	628	553	539	684	587
52	Oil-exporting countries[3]	517	344	277	231	167	243	217	251
53	All other[4]	456	664	651	600	692	743	1,046	1,067

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1980	1981	1982	1983		1984		
				Sept.	Dec.	Mar.	June	Sept.^{p}
1 **Total**	**34,482**	**36,185**	**28,725**	**32,934**	**34,547**	**32,773**	**31,322**	**29,537**
2 Payable in dollars	31,528	32,582	26,085	30,029	31,458	29,885	28,357	26,762
3 Payable in foreign currencies	2,955	3,603	2,640	2,905	3,089	2,888	2,965	2,775
By type								
4 Financial claims	19,763	21,142	17,684	22,038	23,416	21,911	20,874	19,254
5 Deposits	14,166	15,081	13,058	16,907	18,020	16,665	15,759	14,542
6 Payable in dollars	13,381	14,456	12,628	16,463	17,523	16,236	15,250	14,110
7 Payable in foreign currencies	785	625	430	445	497	428	510	432
8 Other financial claims	5,597	6,061	4,626	5,130	5,396	5,246	5,114	4,711
9 Payable in dollars	3,914	3,599	2,979	3,279	3,441	3,457	3,358	3,028
10 Payable in foreign currencies	1,683	2,462	1,647	1,851	1,955	1,788	1,756	1,683
11 Commercial claims	14,720	15,043	11,041	10,896	11,131	10,862	10,448	10,283
12 Trade receivables	13,960	14,007	9,994	9,562	9,721	9,540	9,105	8,867
13 Advance payments and other claims	759	1,036	1,047	1,334	1,410	1,321	1,343	1,416
14 Payable in dollars	14,233	14,527	10,478	10,287	10,494	10,191	9,749	9,624
15 Payable in foreign currencies	487	516	563	609	637	671	699	659
By area or country								
Financial claims								
16 Europe	6,069	4,596	4,873	6,232	6,440	6,179	6,259	5,424
17 Belgium-Luxembourg	145	43	15	25	37	30	37	15
18 France	298	285	134	135	154	175	151	162
19 Germany	230	224	178	161	159	148	161	187
20 Netherlands	51	50	97	89	71	57	158	62
21 Switzerland	54	117	107	34	38	90	61	64
22 United Kingdom	4,987	3,546	4,064	5,577	5,768	5,470	5,438	4,703
23 Canada	5,036	6,755	4,377	5,244	6,111	5,610	5,098	4,344
24 Latin America and Caribbean	7,811	8,812	7,546	9,500	9,809	9,079	8,238	8,320
25 Bahamas	3,477	3,650	3,279	3,829	4,745	3,787	3,122	3,162
26 Bermuda	135	18	32	62	96	3	5	5
27 Brazil	96	30	62	49	53	87	83	84
28 British West Indies	2,755	3,971	3,255	4,457	3,830	4,302	4,210	4,187
29 Mexico	208	313	274	315	291	279	230	232
30 Venezuela	137	148	139	137	134	130	124	128
31 Asia	607	758	698	764	764	753	963	893
32 Japan	189	366	153	257	297	309	307	376
33 Middle East oil-exporting countries[2]	20	37	15	8	4	7	8	7
34 Africa	208	173	158	151	147	144	158	160
35 Oil-exporting countries[3]	26	46	48	45	55	42	35	37
36 All other[4]	32	48	31	148	145	145	158	113
Commercial claims								
37 Europe	5,544	5,405	3,826	3,394	3,670	3,608	3,555	3,563
38 Belgium-Luxembourg	233	234	151	116	135	173	142	128
39 France	1,129	776	474	486	459	413	408	410
40 Germany	599	561	357	382	348	363	443	367
41 Netherlands	318	299	350	282	334	308	306	303
42 Switzerland	354	431	360	292	317	336	250	289
43 United Kingdom	929	985	811	738	809	787	812	888
44 Canada	914	967	633	792	829	1,061	933	1,024
45 Latin America and Caribbean	3,766	3,479	2,526	2,870	2,695	2,419	2,042	1,886
46 Bahamas	21	12	21	15	8	8	4	14
47 Bermuda	108	223	261	246	190	216	89	88
48 Brazil	861	668	258	611	493	357	310	219
49 British West Indies	34	12	12	12	7	7	8	10
50 Mexico	1,102	1,022	775	898	884	745	577	509
51 Venezuela	410	424	351	282	272	268	241	242
52 Asia	3,522	3,959	3,050	2,934	3,063	2,997	3,085	2,879
53 Japan	1,052	1,245	1,047	1,033	1,114	1,186	1,178	1,087
54 Middle East oil-exporting countries[2]	825	905	751	719	737	701	710	702
55 Africa	653	772	588	562	588	497	536	594
56 Oil-exporting countries[3]	153	152	140	131	139	132	128	135
57 All other[4]	321	461	417	344	286	280	297	338

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	1983	1984	1985 Jan.	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	69,770	60,457	5,002	3,377	7,255	4,052	4,657	4,838r	4,482	5,002
2 Foreign sales	64,360	63,394	5,700	3,946	7,399	4,892	5,398	4,752	5,049	5,700
3 **Net purchases, or sales (−)**	**5,410**	**−2,937**	**−698**	**−569**	**−144**	**−840**	**−741**	**86**	**−567**	**−698**
4 **Foreign countries**	**5,312**	**−3,052**	**−716**	**−578**	**−290**	**−909**	**−752**	**74**	**−466**	**−716**
5 Europe	3,979	−2,992	−561	−592	−410	−690	−529	−96	−359	−561
6 France	−97	−405	−20	−45	−28	−67	−37	−46	−54	−20
7 Germany	1,045	−50	−135	−38	−125	−63	−10	11	−105	−135
8 Netherlands	−109	−315	−44	−34	−19	−66	−47	−15	−29	−44
9 Switzerland	1,325	−1,490	−161	−321	−358	−335	−130	−34	−249	−161
10 United Kingdom	1,799	−664	−178	−127	146	−131	−251	11	91	−178
11 Canada	1,151	1,673	46	188	129	149	150	47	134	46
12 Latin America and Caribbean	529	493	103	−58	213	9	−89	30	67	103
13 Middle East[1]	−808	−1,998	−52	−55	−214	−207	−270	−12	−196	−52
14 Other Asia	395	−377	−264	−76	−57	−160	−92	74	−97	−264
15 Africa	42	−23	−7	−2	−5	−6	−8	−8	−6	−7
16 Other countries	24	171	19	16	54	−3	87	39	−11	19
17 **Nonmonetary international and regional organizations**	**98**	**115**	**17**	**9**	**147**	**69**	**11**	**11**	**−101**	**17**
BONDS[2]										
18 Foreign purchases	24,000	39,176	5,948	3,082	2,885	3,356	6,994	4,899	6,380	5,948
19 Foreign sales	23,097	26,030	3,106	2,503	2,030	2,035	3,060	2,556	2,901	3,106
20 **Net purchases, or sales (−)**	**903**	**13,146**	**2,843**	**579**	**855**	**1,321**	**3,934**	**2,342**	**3,479**	**2,843**
21 **Foreign countries**	**888**	**12,849**	**2,847**	**539**	**902**	**1,278**	**3,954**	**2,130**	**3,504**	**2,847**
22 Europe	909	11,669	2,636	480	502	1,004	3,956	1,950	3,314	2,636
23 France	−89	207	55	33	17	8	143	−11	24	55
24 Germany	344	1,728	70	256	181	19	606	139	182	70
25 Netherlands	51	93	9	3	16	2	22	−1	15	9
26 Switzerland	583	644	12	13	49	9	253	159	276	12
27 United Kingdom	434	8,400	2,441	−80	311	922	2,860	1,599	2,755	2,441
28 Canada	123	−71	59	−35	54	3	−3	13	14	59
29 Latin America and Caribbean	100	390	90	14	76	64	42	44	78	90
30 Middle East[1]	−1,161	−1,011	−123	−60	1	−19	−232	−45	−179	−123
31 Other Asia	865	1,862	140	138	265	223	192	169	276	140
32 Africa	0	1	11	0	1	1	0	−2	1	11
33 Other countries	52	9	35	1	3	3	0	2	0	35
34 **Nonmonetary international and regional organizations**	**15**	**297**	**−4**	**41**	**−48**	**43**	**−20**	**213**	**−24**	**−4**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,765	−1,074	−764	111	−489	−340	−318	−177	−221	−764
36 Foreign purchases	13,281	14,584	1,160	899	1,284	921	1,333	1,147	1,169	1,160
37 Foreign sales	17,046	15,658	1,924	787	1,773	1,261	1,651	1,324	1,390	1,924
38 Bonds, net purchases, or sales (−)	−3,239	−3,535	228	178	−287	−481	−1,187	−231	−1,108	228
39 Foreign purchases	36,333	57,401	5,438	4,427	5,770	4,122	4,527	6,601	5,200	5,438
40 Foreign sales	39,572	60,935	5,210	4,249	6,057	4,604	5,714	6,832	6,307	5,210
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,004**	**−4,609**	**−536**	**289**	**−777**	**−821**	**−1,505**	**−408**	**−1,328**	**−536**
42 **Foreign countries**	**−6,559**	**−4,220**	**−665**	**227**	**−613**	**−884**	**−1,470**	**−561**	**−619**	**−665**
43 Europe	−5,492	−8,546	−725	−468	−602	−962	−1,574	−707	−1,100	−725
44 Canada	−1,328	413	75	174	−7	−198	−68	−23	254	75
45 Latin America and Caribbean	1,120	2,474	206	237	127	28	217	207	104	206
46 Asia	−855	1,410	−337	331	−136	169	−30	88	−50	−337
47 Africa	141	−107	−4	−21	11	−14	−19	−16	3	−4
48 Other countries	−144	137	120	−25	−5	92	6	−110	169	120
49 **Nonmonetary international and regional organizations**	**−445**	**−389**	**−129**	**62**	**−163**	**64**	**−36**	**153**	**−709**	**129**

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	1983	1984	1985	1984						1985
			Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**88,913**	**110,352**	....	**94,862**	**101,457**	**97,664**	**100,595**	**102,791r**	**110,352**	**112,660**
2 Foreign countries[2]	83,799	100,258	....	87,909	93,486	91,755	92,847	95,139r	100,258	104,051
3 Europe[2]	35,509	46,575	....	40,375	44,365	43,653	44,448	45,223	46,575	47,086
4 Belgium-Luxembourg	16	305	....	138	171	191	218	259	305	408
5 Germany[2]	17,290	20,249	....	19,627	20,663	19,915	19,876	19,913	20,249	20,128
6 Netherlands	3,129	3,583	....	3,109	3,122	3,116	3,574	3,567	3,583	3,501
7 Sweden	847	893	....	957	905	981	980	981	893	1,042
8 Switzerland[2]	1,118	1,753	....	2,021	2,089	2,188	2,015	1,728	1,753	1,722
9 United Kingdom	8,515	13,742	....	9,443	12,301	11,988	12,729	12,974	13,742	14,147
10 Other Western Europe	4,594	6,052	....	5,087	5,122	5,275	5,056	5,803	6,052	6,137
11 Eastern Europe	0	−1	....	−1	−1	−1	−1	−1	−1	−1
12 Canada	1,301	2,827	....	1,631	1,862	2,149	2,386	2,578	2,827	2,752
13 Latin America and Caribbean	863	2,276	....	133	446	611	931	1,896r	2,276	2,425
14 Venezuela	64	78	....	75	76	79	80	88	78	82
15 Other Latin America and Caribbean	716	1,244	....	590	822	914	975	1,031r	1,244	1,242
16 Netherlands Antilles	83	955	....	−532	−452	−382	−124	777	955	1,101
17 Asia	46,008	48,384	....	45,575	46,575	45,100	44,797	45,166	48,384	51,477
18 Japan	13,892	19,954	....	15,719	16,248	16,230	17,082	18,369	19,954	20,532
19 Africa	79	12	....	88	−11	15	15	10	12	14
20 All other	38	183	....	108	250	227	271	266	183	296
21 Nonmonetary international and regional organizations	5,114	10,094	....	6,953	7,971	5,909	7,748	7,652	10,094	8,609
22 International	4,404	9,016	....	6,241	7,340	5,191	6,843	6,655	9,016	7,341
23 Latin American regional	6	6	....	6	6	6	6	6	6	6
	Transactions (net purchases, or sales (−) during period)									
24 **Total[2]**	**3,693**	**21,438**	**2,309**	**1,599**	**6,596**	**−3,799**	**2,931**	**2,197**	**7,559**	**2,309**
25 Foreign countries[2]	3,162	16,459	3,793	1,172	5,576	−1,736	1,092	2,293	5,118	3,793
26 Official institutions	779	467	2,525	177	1,366	−1,968	−823	−602	1,909	2,525
27 Other foreign[2]	2,382	15,992	1,268	994	4,210	232	1,915	2,895	3,209	1,268
28 Nonmonetary international and regional organizations	535	4,982	−1,484	428	1,020	−2,063	1,839	−96	2,442	−1,484
MEMO: Oil-exporting countries										
29 Middle East[3]	−5,419	−6,277	27	−312	−411	−144	−983	−1,284	−200	27
30 Africa[4]	−1	−101	0	0	−100	0	0	0	0	0

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Feb. 28, 1985 Per-cent	Rate on Feb. 28, 1985 Month effective	Country	Rate on Feb. 28, 1985 Per-cent	Rate on Feb. 28, 1985 Month effective	Country	Rate on Feb. 28, 1985 Per-cent	Rate on Feb. 28, 1985 Month effective
Austria	4.5	June 1984	France[1]	10.50	Feb. 1985	Norway	8.0	June 1979
Belgium	11.0	Feb. 1984	Germany, Fed. Rep. of	4.5	June 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	15.5	Jan. 1985	United Kingdom[2]	....	....
Canada	10.95	Feb. 1985	Japan	5.0	Oct. 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct. 1983	Netherlands	5.5	Feb. 1985			

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	1982	1983	1984	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.
1 Eurodollars	12.24	9.57	10.75	11.81	11.67	10.77	9.50	8.90	8.37	9.05
2 United Kingdom	12.21	10.06	9.91	11.09	10.79	10.60	9.87	9.74	11.63	13.69
3 Canada	14.38	9.48	11.29	12.41	12.20	11.99	11.09	10.41	9.70	10.63
4 Germany	8.81	5.73	5.96	6.00	5.81	6.06	5.92	5.81	5.84	6.13
5 Switzerland	5.04	4.11	4.35	4.81	5.04	5.23	5.03	4.96	5.13	5.66
6 Netherlands	8.26	5.58	6.08	6.26	6.23	6.16	5.87	5.77	5.87	6.90
7 France	14.61	12.44	11.66	11.37	11.00	10.75	10.54	10.66	10.43	10.60
8 Italy	19.99	18.95	17.08	16.50	17.28	17.13	17.13	16.86	15.82	15.79
9 Belgium	14.10	10.51	11.41	11.73	11.16	11.00	10.81	10.75	10.75	10.75
10 Japan	6.84	6.49	6.32	6.35	6.33	6.31	6.32	6.33	6.27′	6.29

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	1982	1983	1984	1984				1985	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Australia/dollar[1]	101.65	90.14	87.937	83.08	83.64	85.88	84.00	81.51	73.74
2 Austria/schilling	17.060	17.968	20.005	21.293	21.557	21.075	21.802	22.267	23.190
3 Belgium/franc	45.780	51.121	57.749	61.132	62.048	60.475	62.380	63.455	66.310
4 Brazil/cruzeiro	179.22	573.27	1841.50	2226.79	2453.64	2734.16	3008.55	3346.67	3768.17
5 Canada/dollar	1.2344	1.2325	1.2953	1.3145	1.3189	1.3168	1.3201	1.3240	1.3547
6 China, P.R./yuan	1.8978	1.9809	2.3308	2.5469	2.6488	2.6785	2.7953	2.8160	2.8347
7 Denmark/krone	8.3443	9.1483	10.354	10.9753	11.090	10.824	11.126	11.330	11.807
8 Finland/markka	4.8086	5.5636	6.0007	6.2783	6.3726	6.2653	6.4563	6.6368	6.8616
9 France/franc	6.5793	7.6203	8.7355	9.3041	9.4108	9.1981	9.5083	9.7036	10.093
10 Germany/deutsche mark	2.428	2.5539	2.8454	3.0314	3.0678	2.9985	3.1044	3.1706	3.3025
11 Greece/drachma	66.872	87.895	112.73	120.40	126.06	123.63	127.26	129.38	134.73
12 Hong Kong/dollar	6.0697	7.2569	7.8188	7.8430	7.8242	7.8235	7.8287	7.8110	7.8017
13 India/rupee	9.4846	10.1040	11.348	11.858	12.027	12.078	12.293	12.612	12.922
14 Ireland/pound[1]	142.05	124.81	108.64	102.28	100.85	103.41	100.37	98.23	94.23
15 Israel/shekel	24.407	55.865	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1354.00	1519.30	1756.10	1870.79	1898.98	1863.05	1912.52	1948.76	2042.00
17 Japan/yen	249.06	237.55	237.45	245.46	246.75	243.63	247.96	254.18	260.48
18 Malaysia/ringgit	2.3395	2.3204	2.3448	2.3528	2.4076	2.4300	2.4164	2.4804	2.5513
19 Mexico/peso	72.990	155.01	192.31	197.71	203.33	210.79	219.56	227.56	236.06
20 Netherlands/guilder	2.6719	2.8543	3.2083	3.4188	3.4597	3.3817	3.5035	3.5819	3.7387
21 New Zealand/dollar[1]	75.101	66.790	57.837	48.953	48.614	49.278	48.260	47.040	45.223
22 Norway/krone	6.4567	7.3012	8.1596	8.6246	8.8721	8.7175	8.9805	9.1765	9.4695
23 Philippines/peso	8.5324	11.0940	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Portugal/escudo	80.101	111.610	147.70	158.45	163.36	163.10	167.31	172.56	183.24
25 Singapore/dollar	2.1406	2.1136	2.1325	2.1635	2.1667	2.1554	2.1732	2.2011	2.2557
26 South Africa/rand[1]	92.297	89.85	69.534	60.08	56.54	55.47	52.66	46.34	50.57
27 South Korea/won	731.93	776.04	807.91	815.82	820.03	818.89	825.73	832.16	839.16
28 Spain/peseta	110.09	143.500	160.78	170.19	172.15	168.10	171.98	175.13	182.35
29 Sri Lanka/rupee	20.756	23.510	25.428	25.605	25.906	26.075	26.213	26.392	26.605
30 Sweden/krona	6.2838	7.6717	8.2706	8.5892	8.6887	8.5957	8.8614	9.0716	9.3364
31 Switzerland/franc	2.0327	2.1006	2.3500	2.5049	2.5245	2.4700	2.5602	2.6590	2.8045
32 Taiwan/dollar	n.a.	n.a.	39.633	39.159	39.226	39.419	39.509	39.209	39.228
33 Thailand/baht	23.014	22.991	23.582	23.013	23.020	26.736	27.091	27.330	27.961
34 United Kingdom/pound[1]	174.80	151.59	133.66	125.63	121.96	123.92	118.61	112.71	109.31
35 Venezuela/bolivar	4.2981	10.6840	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO									
United States/dollar[2]	116.57	125.34	138.19	145.70	147.56	144.92	149.24	152.83	158.43

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
.....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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List Published Semiannually, with Latest Bulletin Reference

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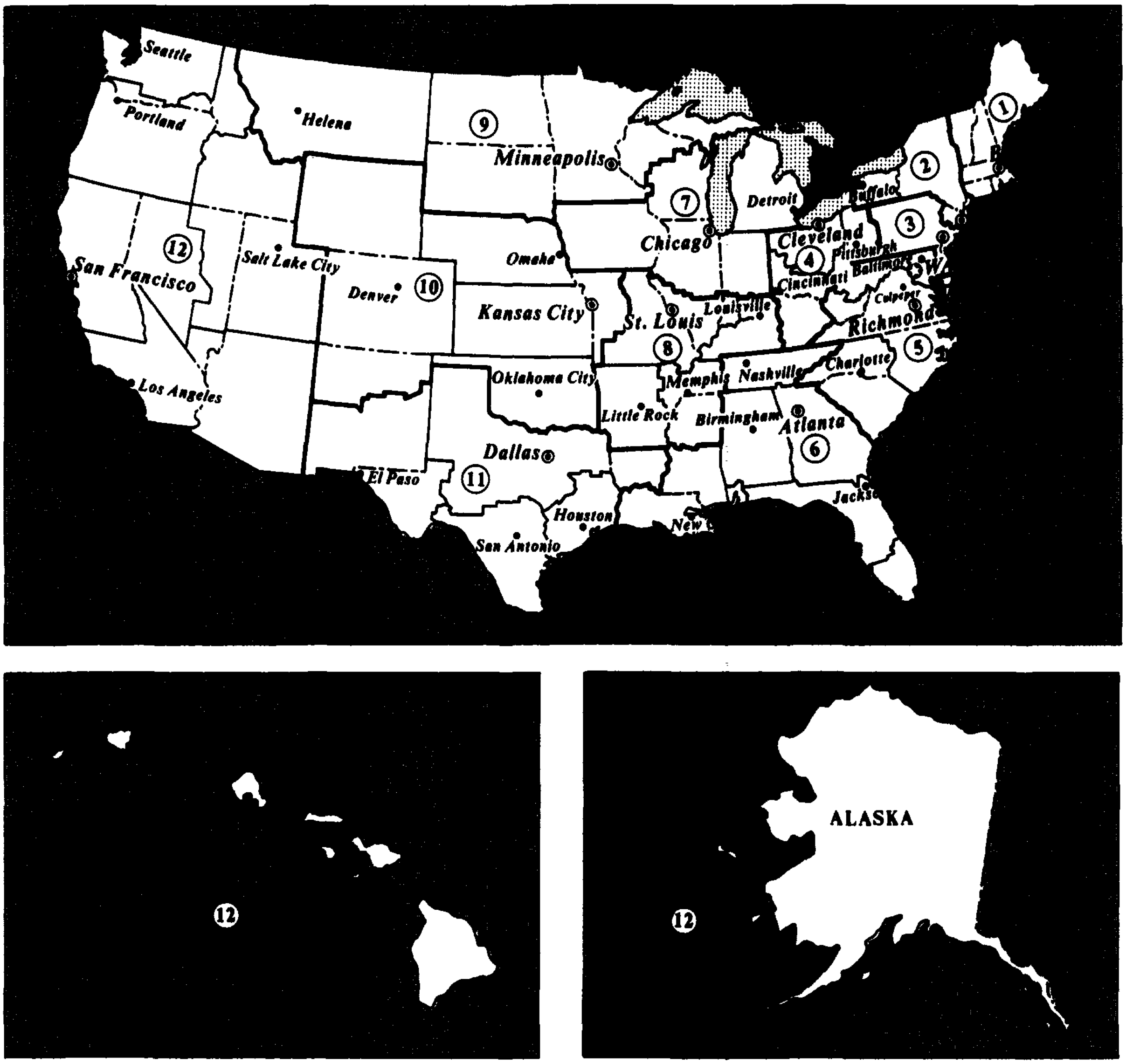

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- Boundaries of Federal Reserve Branch Territories
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