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Recent Developments in Corporate Finance

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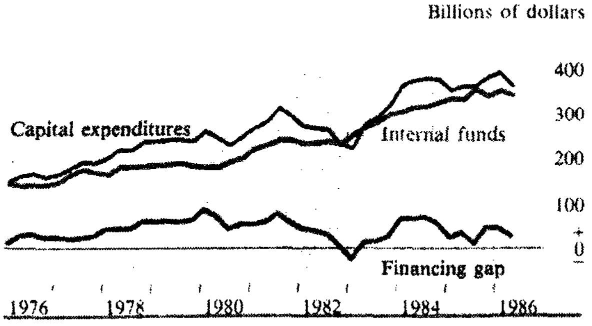
Recent years have seen dramatic changes in the financial structure of U.S. businesses and in the variety of available financing techniques. Credit demands of U.S. nonfinancial firms have increased substantially, and large amounts of equity have been retired since 1984 in association with mergers, leveraged buyouts, and other corporate restructurings. Moreover, although lower interest rates recently have spurred long-term bond issuance, corporations still have a high proportion of their debt in short-term instruments. These changes in firms' balance sheets have led to a larger number of downgradings of corporate debt issues in recent years.

Other financial indicators are more positive, however. Despite the increased leverage of some nonfinancial firms, rising stock prices have kept their aggregate debt-to-equity ratio valued at market relatively stable in recent years. And lower interest rates have improved the ability of businesses to service debt out of current earnings. The growth of new markets both in the United States and abroad also has reduced the cost of borrowing somewhat and provided firms access to a more diversified base of creditors. In addition, the growing use of new hedging instruments may allow firms to rely on short-term funding with less exposure to interest rate movements. This article surveys these recent trends in the balance sheets of nonfinancial firms, considers the contribution of new markets and products to these trends, and assesses the implications of these markets and products for the future.

1. The financing gap of nonfinancial corporations



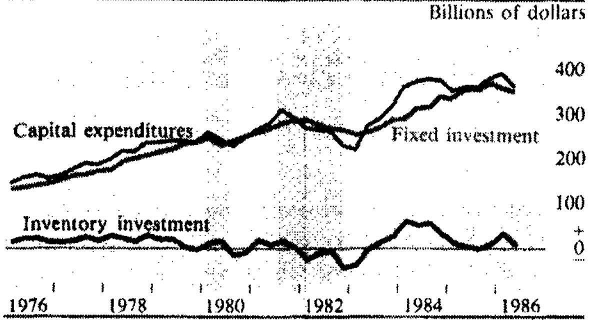
Quarterly data, seasonally adjusted annual rates. The financing gap is capital expenditures less internal funds.
SOURCE. Federal Reserve flow of funds accounts.

CAPITAL EXPENDITURES AND INTERNAL FUNDS

The credit needs of nonfinancial firms are dictated in part by the excess of capital expenditures over internally generated funds; this difference is known as the financing gap. The aggregate financing gap typically rises during periods of economic expansion as capital expenditures outstrip internal funds and declines during recessions as firms retrench. In conformance with this pattern, the financing gap widened markedly in 1983 and 1984, despite strong profit growth, as capital expenditures registered one of the sharpest expansions on record (chart 1). In those two years, fixed investment expenditures by nonfinancial firms increased substantially and businesses began rebuilding their depleted inventories (chart 2).

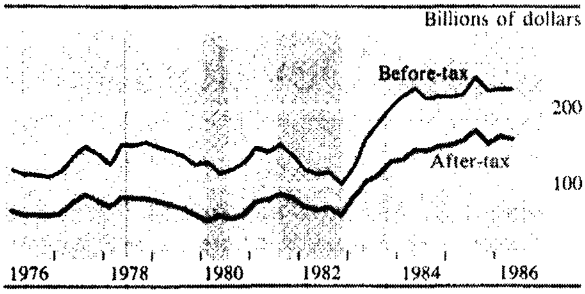
As the expansion progressed, however, capital outlays—especially spending on inventories—slowed while internally generated funds continued to rise at a moderate pace. Although slower sales growth and rises in labor compensation relative to output have combined to hold 1986 profits at roughly their mid-1984 levels, reductions in corporate tax rates enabled after-tax earnings to expand on balance over this period (chart 3). By allowing more generous depreciation charges to earnings and liberalizing the use of investment tax credits, the Economic Recov-

2. Capital expenditures of nonfinancial corporations



Quarterly data, seasonally adjusted annual rates. Total capital expenditures include fixed investment, inventory investment, and purchases of mineral rights from the U.S. government. Fixed investment includes expenditures on plant and equipment and investment in residential construction.
SOURCE. Federal Reserve flow of funds accounts.

3. Economic profits of nonfinancial corporations



Quarterly data, seasonally adjusted annual rates. Economic profits are reported profits plus the inventory valuation adjustment and the capital consumption adjustment.
SOURCE. Federal Reserve flow of funds accounts.

ery Tax Act of 1981 sharply reduced the effective tax burden for nonfinancial businesses. By 1986, the average corporate tax rate—the ratio of tax accruals to economic profits—had fallen to less than 30 percent, reaching the lowest level in the postwar period (chart 4).

With the slowing of capital expenditures and continued expansion of internally generated funds, the financing gap narrowed substantially, averaging less than 3 percent of total capital expenditures since the end of 1984. At this low level, the financing gap played only a small role in explaining total borrowing by nonfinancial firms in the past couple of years.

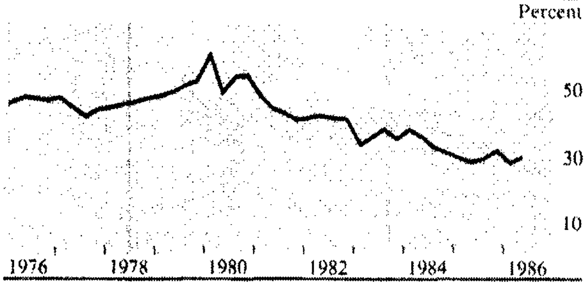
External Financing and Corporate Balance Sheets

Despite the relatively small financing gap, debt of U.S. nonfinancial corporations has increased sharply in recent years (table 1). Since 1984, much of this growth has been associated with a wave of mergers, acquisitions, leveraged buyouts, and share repurchases that resulted in massive equity retirements. Roughly $100 billion of equity is estimated to have been retired in 1984 and again in 1985, far outstripping the volume of new shares offered in the marketplace, and equity retirements continued at a strong pace this year. Credit demands by firms rose substantially as they relied heavily on debt to repurchase shares.

With interest rates rising in 1984, firms concentrated their borrowings in the short-term area. But with slower economic growth and continued moderate inflation, interest rates fell in 1985 and over the first half of 1986, and nonfinancial firms took advantage of lower bond rates to issue record volumes of long-term debt. This debt restructuring partially reversed the effect of borrowing trends of the previous decade, when firms had become increasingly reluctant to lock-in high nominal debt costs. Despite the recent improvement, the proportion of long-term to total debt on corporate balance sheets remains low by historical standards (chart 5).

Because the assets of many nonfinancial corporations are long-term by nature, heavy reliance on short-term funding sources can expose these firms to the risk that debt costs would outstrip earnings if interest rates rise. Moreover, because of the surge in debt issuance and sizable

4. Effective average tax rate on economic profits of nonfinancial corporations



Quarterly data, seasonally adjusted annual rates. Economic profits are reported profits plus the inventory valuation adjustment and the capital consumption adjustment.
SOURCE. Federal Reserve flow of funds accounts.

1. Net funds raised in markets by nonfinancial corporations, 1979–86
Billions of dollars

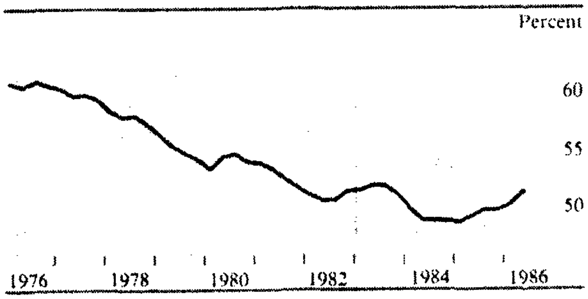
Type of instrument	1979	1980	1981	1982	1983	1984	1985	1986[1]
Short-term debt	66.9	41.2	70.7	36.5	29.1	122.1	60.5	18.5
Bank loans	44.5	28.7	43.5	39.7	18.0	77.0	35.6	24.0
Commercial paper	9.0	4.0	14.7	-6.1	-.8	21.7	14.6	-15.7
Finance company loans	10.2	5.5	9.2	2.0	8.9	20.8	15.8	10.8
Other[2]	3.2	3.1	3.4	.9	3.0	2.6	-5.5	-.6
Long-term debt	28.8	40.2	34.3	32.6	29.0	67.0	96.9	118.4
Bonds and notes[3]	27.3	38.5	36.2	33.8	25.5	66.7	96.5	115.9
Mortgages	1.5	1.7	-1.9	-1.2	3.5	.3	.4	2.5
Total debt	95.7	81.4	105.0	69.1	58.1	189.1	157.4	136.9
Equity	-7.8	12.9	-11.5	11.4	28.3	-77.0	-81.6	-67.5
Total debt and equity	**87.8**	**94.3**	**93.5**	**80.5**	**86.4**	**112.1**	**75.8**	**69.4**

1. Half-year data at seasonally adjusted annual rates.
2. Bankers acceptances and U.S. government loans.
3. Includes bonds and notes issued abroad by U.S. corporations and tax-exempt bonds issued for the benefit of nonfinancial corporations.

equity retirements in recent years, many firms now are highly leveraged and would be vulnerable to adverse economic or financial developments. If interest rates should rise significantly in the future or if corporate earnings were curtailed, leveraged firms could experience difficulty in servicing their debt. Along with the recent slowing of corporate profits, such concerns have led to an increase in the number of downgradings of corporate debt issues by the rating agencies since 1984 (chart 6). The wave of restructurings has clearly contributed to this trend; roughly one quarter of the downgradings in 1984 and 1985 were in response to the increased leverage of firms involved in mergers or other corporate restructurings.

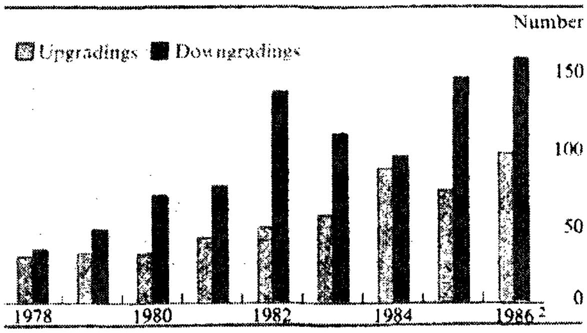
Although these traditional measures of the condition of corporate balance sheets show some weakness, other indicators present a more positive view. For one thing, the surge in stock prices since 1982 has sharply boosted the market value of equities relative to their book value. To the degree that stock prices are an accurate reflection of future earnings, higher share prices suggest that future earnings can support an expanded debt burden. After conversion to market values, the ratio of debt to equity appears to have stabilized in recent years, although it remains high (chart 7). In addition, although the aggregate ratio of debt to equity of nonfinancial corporations has been boosted by firms involved in restructurings, other businesses have taken advantage of higher share prices to issue new stock; gross offerings of equities totaled a near

5. Ratio of long-term debt to total credit market debt at nonfinancial corporations



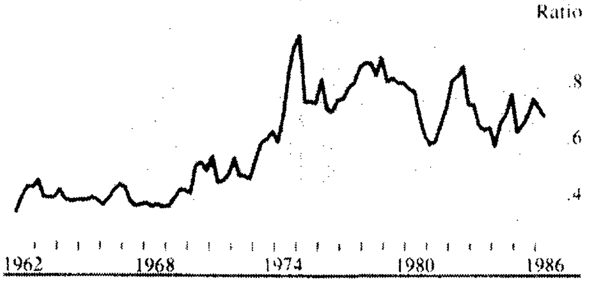
Quarterly data, seasonally adjusted levels. Long-term debt includes all outstanding bonds, notes, and mortgages. Total credit market debt includes long-term debt plus bank loans, commercial paper, finance company loans, bankers acceptances, and U.S. government loans outstanding.
SOURCE. Federal Reserve flow of funds accounts.

6. Rating changes on corporate bonds by Moody's Investors Service[1]



1. The number of changes in ratings on a corporation's highest ranking debt issues. In April 1982 Moody's increased the number of rating categories by dividing most of its major categories into three subcategories. Since then, only changes from one major category to another have been counted.
2. First half, annual rate not seasonally adjusted.

7. Ratio of debt of nonfinancial corporations to market value of equity[1]



1. Quarterly data, seasonally adjusted levels. Ratio of total credit market debt outstanding to total equity shares outstanding, with both components adjusted to reflect current market values.

record $35½ billion in 1985 and have already exceeded that pace in 1986.

Moreover, the lower interest rates of recent years have improved the ability of many firms to service debt out of current earnings. Thus, despite the increase in debt since 1983, the share of aggregate corporate income paid to net interest has remained relatively stable.

Finally, these changes in corporate financing patterns have taken place in an environment of rapid change in financial markets. The increased volatility of interest and exchange rates in recent years has led to the development of a number of new financing and hedging vehicles that, if used appropriately, enable firms and investors alike to better protect themselves against swings in these rates. As a result, the continued heavy reliance on short-term funding sources by nonfinancial firms may give a misleading picture of their exposure to adverse interest rate movements. Moreover, the use of some of these new products along with deregulation in the United States and abroad has promoted the increased integration of the world's capital markets. In light of the substantial rise in capital inflows to the United States over the past few years associated with the growing U.S. external deficits, U.S. firms might have increased borrowings from abroad in any event. But the improved access to foreign capital markets likely has contributed to the increased share of these borrowings in the form of direct issuance of securities to foreign investors. Along with the growth of new markets for corporate securities in the United States, the direct access to foreign sources of credit has enabled nonfinancial firms to lower their borrowing costs to a degree. And the development of new markets for their securities may allow corporate borrowers to better withstand disturbances in any one credit market.

DEVELOPMENTS IN U.S. CREDIT MARKETS

In the United States, public offerings of low-rated debt have expanded remarkably. In addition, a market for medium-term notes has developed, and in recent years, tax-exempt debt issued on behalf of private companies has provided nonfinancial firms with a growing source of low-cost funds.

Low-Grade Debt

Traditionally, firms whose debt was rated below investment grade—Baa by Moody's or BBB by Standard and Poor's—had limited access to the public bond markets. Their principal sources of funds were commercial loans from banks or private placements of securities with large institutional investors. The growth of low-rated or unrated bonds in public markets received a boost in the late 1970s and early 1980s from the reduced earnings at insurance companies, which are major purchasers of privately placed securities. Many corporations that might have placed securities privately turned to the public markets during this period. But in the 1980s, the public market for low-grade debt has expanded despite a rebound in private placement activity. From 1983 through mid-1986, public offerings of issues that were either unrated or rated below investment grade by Moody's or by Standard and Poor's totaled more than $70 billion, nearly 20 percent of total public issues. During the previous 10 years, the ratio of low-grade debt to total public issues was consistently less than 10 percent.

Among the factors contributing to this trend is an increase in the supply of debt by firms recently involved in a merger or restructuring; since 1983, such firms accounted for nearly half of the $70 billion of low-grade debt issues. Despite the well-publicized use of "junk" bonds to finance takeovers, most of the new low-grade bonds issued by these firms were not for the purpose of purchasing shares; the early financing of share retirements frequently was by short-term debt such as bank loans or commerical paper. Even so, the resulting sharp increase in leverage caused the debt issued subsequently by many of the restructured firms to be rated below investment grade.

Investor acceptance of publicly traded low-grade debt also appears to have increased. In part, this may be due to the growing number of firms whose debt has been downgraded; because these firms were already well known, investors may have been more willing to purchase new issues of their debt than that of a less well known firm just entering the market. In addition, several underwriting firms have made a considerable effort to market low-rated issues, and the investor base has expanded. Thrift institutions, foreign financial institutions, and wealthy individuals, along with insurance companies, have reportedly invested in the new low-grade securities, and several mutual bond funds now specialize in them.

Moreover, while most of the well-known firms have issued straight debt, a number of innovative features have been added to the issues of newer firms entering the market, which may have helped increase investor interest. Some of this debt is equity related, issued either in convertible form or with warrants attached that give the investor an option to purchase the firm's stock at a specified price. A hybrid type, the so-called "usable" bond, has been offered recently that can be used at par to exercise a company's stock warrants. When coupled with the warrant, a usable bond retains the advantage of a convertible—it can be exchanged for stock at par—but allows separate trading of the bond and the warrant. Bonds also have been issued that carry variable rates but that can be exchanged at the investor's option for bonds with a previously specified fixed rate. Other innovative features include bonds whose returns are pegged to various commodity price indexes. By adding such embellishments, firms have in many cases been able to issue low-grade debt at lower rates. And, if structured properly, the conditions under which the investors choose to exercise their options would be favorable to the firm; for example, they would be exercised if the firm's stock had increased in value or if long-term interest rates had fallen, thereby lowering the cost of new debt issues.

Because investment banks have invested heavily in the research and development of new products and in marketing these instruments, the supply of low-grade bonds with special features could continue to grow. At the same time, there is mounting concern that new investors may not be fully aware of the risks of these securities. Default rates have always been higher than on investment grade issues, but the higher yields on low-grade bonds generally have compensated for this risk. Nonetheless, during economic downturns, default rates on low-grade bonds tend to rise sharply, and investors in these issues have fared poorly. There is also concern that the attractiveness of this market may be encouraging firms to issue securities that previously would have been screened out because of their high risk. If riskier firms enter the market, default rates could rise and investors' interest could wane. Indeed, the recent well-publicized defaults of a few large issuers of low-grade debt might already have had an effect on this market.

Medium-Term Notes

The public market for medium-term notes has expanded recently. This instrument, which is unsecured corporate debt with a maturity of one to five years, is largely an extension of commercial paper to longer maturities. Medium-term notes originated in 1972, when the finance subsidiaries of auto manufacturers found they had a need for funds with maturities longer than those for commercial paper but shorter than those common in the bond market. The market received a boost when large investment banks began setting up programs for other firms and started developing an investor base. Like commercial paper, medium-term notes are tailored to suit investor preferences. Paper is made available continuously and dealers support a secondary market in the instruments. As with commercial paper, borrowers may be able to reduce costs by issuing securities publicly rather than relying on bank borrowings.

New issues of medium-term notes have grown rapidly in recent years, from roughly \$5½ billion in 1983 to more than \$13 billion in 1985; new offerings exceeded \$10 billion in the first half of 1986. Large finance subsidiaries of auto and other manufacturing firms have been the main borrowers, but nonfinancial corporations have entered the market as well: during the first six months of 1986, issues of medium-term notes of nonfinancial firms totaled slightly more than \$2 billion. To date, most medium-term notes have been sold in the United States, although a few U.S. firms have offered these notes in the Euromarkets.

Industrial Development Bonds

Tax-exempt industrial development bonds (IDBs) have been an important source of low-cost financing for corporations in recent years. IDBs are issued by state and local financing authorities for the benefit of private businesses to finance commercial and industrial projects. The bulk of the IDBs issued on behalf of nonfinancial firms are revenue bonds secured by the property or receipts of the project being financed or by the industrial user of the funds rather than by the municipal or state issuer. In general, the proceeds from IDBs must be used for specified purposes, such as transportation facilities, electric or gas generating facilities, or pollution control projects.

Because of the cost advantage associated with its tax-exempt status, IDB financing grew enormously in the 1970s and 1980s. The tax-exempt debt of nonfinancial corporations grew from relatively small amounts in 1970 to more than \$125 billion by year-end 1985, nearly one-sixth of total long-term debt outstanding of this sector. Growing public concern about the use of tax subsidies for private purpose financing led Congress to include in the Tax Reform Act of 1986 stricter limits on the type and amount of such bonds that may be issued within each state. As debate on this issue continued in Congress, the uncertainty over its final outcome led nonfinancial firms to sharply curtail new issues of IDBs over the first half of 1986. Because the act still allows substantial amounts to be issued in 1986, the supply of private purpose revenue bonds picked up in the third quarter and is expected to surge over the remainder of the year. Nonetheless, the act sharply reduces the aggregate volume that may be issued in future years, and IDBs will become a much less important source of funding for nonfinancial corporations.

DEVELOPMENTS IN THE EUROMARKETS

One of the more striking developments in recent years has been the increasing integration of the world's capital markets. Deregulation in the United States and abroad and the growing use of new financing and hedging techniques have enabled borrowers worldwide to issue growing amounts of securities outside their domestic markets. As U.S. credit demands have outstripped domestic savings and the associated U.S. external deficits have grown, the improved access to foreign capital markets by U.S. borrowers likely has facilitated the increasing capital inflows to this country. One aspect of this trend is the rapid increase in debt issued in foreign financial centers by U.S. corporations. Well-known U.S. businesses have been attracted to the Euromarket primarily because they frequently can issue debt at rates below those on securities with comparable maturities in the United States. And by diversifying their base of investors, U.S. firms may have become better insulated from disturbances in domestic credit markets.

Euronotes

A recent innovation in the Euromarkets has been the emergence of short-term unsecured corporate debt, or Euronotes. Initially, most Euronotes were issued under a medium-term underwriting commitment by a bank or group of banks, an arrangement that developed from syndicated short- and intermediate-term bank loans. The commitment generally involves a three- to five-year agreement on the part of a group of banks either to purchase any notes the issuer fails to sell or to provide credit to the note issuer at a specified markup over market rates for any unsold portion of the notes. Banks typically also agree to act as placing agents for the issuer, but the placing agents need not be the same group as the underwriting banks.

Notes are issued in bearer form and initially were for fixed maturities, typically one, three, or six months. At first, Euronotes tended to be priced off the London interbank offered rate (LIBOR). The principal investors were commercial banks, sometimes the underwriting or placing agent banks themselves, although other investors oriented toward LIBOR-based instruments, such as bank depositors, also purchased some of the securities. By guaranteeing the issuer's ability to roll over outstanding notes, the underwriting commitment was intended to increase the attractiveness of Euronotes to investors outside the underwriting panel.

More recently, dealers have developed note programs without the backing of a syndicate of underwriting banks, known generally as Eurocommercial paper programs. The issuers may acquire backup liquidity in the form of a bank line of credit to support their note issues; but in the Eurocommercial paper programs, backup agreements are separate from the placing arrangements rather than being part of a committed underwriting facility. The dealers provide liquidity to the market for their issuers' paper by agreeing to repurchase notes from investors before maturity, and some dealers make a secondary market for their customers' notes by actively quoting two-way prices for outstanding issues. In an effort to attract new investors, features previously found only in the U.S. commercial paper market have been added. Maturities of Eurocommercial paper can be tailored to suit the investor's preference and, in the case of some of the larger programs, paper is made available continuously, with bid and offer prices quoted daily for all maturities.

Euronotes outstanding under these two types of programs have grown from very small amounts at the end of 1983 to an estimated $30 billion by mid-1986, with most of the recent growth in non-underwritten Eurocommercial paper. Until very recently, U.S. corporations had not been large issuers. Because the dominant investors initially were banks, Euronotes tended to be priced at spreads above LIBOR that made these instruments relatively costly, especially for corporations with established U.S. commercial paper programs. In mid-1984, for example, three-month LIBOR rates exceeded those on high quality three-month U.S. commercial paper by about 40 basis points.

In the last couple of years, however, the spread of LIBOR over U.S. commercial paper rates has narrowed significantly, to about 10 basis points in June 1986. Moreover, as the market has developed, the investor base has expanded. In early 1986 some dealers with strong placement capabilities claimed that as much as 50 to 75 percent of new issues in the Euromarket were being sold to nonbanks. And as European investors have become increasingly familiar with this market, some of the larger, well-known corporate issuers reportedly have been able to issue sizable amounts of Eurocommercial paper at rates below LIBOR and equal to or lower than those available in the U.S. commercial paper market, particularly in longer maturities, where the U.S. market is very thin. As a result, both financial and nonfinancial U.S. corporations have announced a large number of new Euronote programs in the last year. Some of the programs are global in that firms quote the same rates daily in both the U.S. and offshore markets. Although data are not available on amounts issued under these programs, market participants have estimated that U.S. businesses accounted for as much as $5 to $6 billion of the $30 billion in Euronotes outstanding in mid-1986.

The European market for commercial paper should be further stimulated by the deregulation of markets for unsecured short-term debt denominated in the pound sterling, the Dutch guilder, and the French franc. As a result, the integration that occured previously between the U.S. and European markets for long-term corporate debt is likely to spread to the short-term markets as well.

Eurobonds

Eurobonds are debt issued by a variety of borrowers, sovereign and private, outside their home markets. Although not a new product, they have become an increasingly important source of international finance in recent years. Eurobonds are issued in a number of currencies, but roughly 70 to 75 percent are in U.S. dollars. The main attraction of Eurobonds is their low cost. Be-

2. Gross bond issuance by U.S. firms in foreign markets, 1978–86

Millions of dollars

Year	All corporations	Nonfinancial corporations	Financial corporations
1978	1,116	n.a.	n.a.
1979	2,868	n.a.	n.a.
1980	4,104	n.a.	n.a.
1981	6,180	n.a.	n.a.
1982	13,632	n.a.	n.a.
1983	8,340	4,116	4,224
1984	22,608	10,068	12,540
1985	37,782	15,117	22,662
1986[1]	49,068	24,630	24,432

1. Half-year data at annual rates, not seasonally adjusted.
n.a. Not available.

cause of variances in tax treatment or other regulations across countries or because of differences in investor preferences, borrowers frequently find that they can issue Eurobonds at rates lower than those available in their home markets.

The rate advantage of the Euromarkets over U.S. bond markets has often been substantial in recent years, and the Eurobond volume of U.S. issuers has increased remarkably, from negligible amounts in the late 1970s to nearly a $50 billion annual pace over the first half of 1986 (table 2). Nonfinancial firms have accounted for about 45 percent of the gross issuance since 1983. The rate advantage for U.S. firms has arisen from several sources. Foreign investors wanting dollar-denominated bonds often prefer the anonymity of bearer bonds over the registered form available in the United States. Or, they may simply wish to use the established distribution channels in their own countries. In addition, before 1984, some foreign investors were discouraged from purchasing bonds directly in the United States because the borrowers withheld 30 percent of the interest payments to meet U.S. tax requirements. Because of a number of tax treaties, withholding taxes were not uniformly applied. Nonetheless, U.S. firms issued most of their Eurobonds through financing subsidiaries in the Netherland Antilles; these corporations interpreted an existing tax treaty with the Netherlands Antilles as permitting any interest payments passed through a subsidiary in that country to be exempt from the withholding requirements. Despite the use of these subsidiaries, U.S. firms did not fully exploit the rate differential and the markets remained segmented. Some firms may have been reluctant to undertake the expense of establishing an offshore financing subsidiary and the tax consequences of passing interest payments through a foreign subsidiary were not clearcut.

In July 1984 the withholding tax was removed and the U.S. Treasury established procedures enabling U.S. corporations to issue bearer bonds directly to foreign investors. Since then, Eurobond issuance by U.S. firms has increased markedly. Because the bulk of the new Euroissues were by firms that previously had issued bonds through their foreign subsidiaries, the removal of the withholding tax may not have been the dominant factor accounting for this pickup. Rather, this rapid expansion may simply reflect the surge in overall bond issuance during this period by U.S. corporations. Nonetheless, since 1984, the proportion of Eurobonds to total gross bond issuance by U.S. firms has risen, and the rate advantage of Eurodollar bonds over domestic issues has declined steadily. In addition to the removal of the withholding tax, the development of interest rate and currency "swaps" has contributed to the increased supply of Eurobonds and to the reduction in market segmentation over this period.

Swaps and Other Hedging Products

By enabling firms to arbitrage more effectively across markets, the introduction of interest rate and currency swaps likely has stimulated the growth of certain types of debt, such as Eurobonds, in recent years. And the resulting arbitrage activity may have contributed to the increasing integration of the world capital markets and to the narrowing of interest rate differentials across markets. The use of swaps and other hedging vehicles to protect against interest and exchange rate volatility also is growing.

Interest Rate and Currency Swaps

The early interest rate swaps, which were initiated in the Euromarkets in 1981, usually involved a highly rated firm, with a relative rate advantage in issuing Eurobonds but in need of variable-rate funding, and a lower-rated firm in need of fixed-rate funds. The relative advantage existed in part because for lower-rated borrowers, investors tend to require a higher risk premium for longer maturities. In addition, European investors tend to be more oriented to well-known names than their U.S. counterparts, and a lesser-known name may be at a substantial rate disadvantage in the Eurobond markets relative to the rate their bank might charge for a variable-rate loan.

To effect the swap, the highly rated firm issues a Eurobond with a fixed interest rate and the lower-rated firm either issues short-term debt or acquires a long-term loan with a variable interest rate; the two firms then enter into an agreement that effectively allows them to exchange their interest rate payments. By doing so, each firm is able to issue debt in the market where it enjoys a relative rate advantage while servicing the type of debt it prefers at a lower all-in cost.

The same end could be achieved by the device of back-to-back loans; that is, the firm that issues the Eurobond could make a fixed-rate loan to the other firm, which in turn borrows at a variable rate and makes a variable-rate loan to the Eurobond issuer. Because there is no exchange of principal under an interest rate swap, however, the swap arrangement sharply reduces the credit risk, and the consequent need for capital, to the two parties. Nonetheless, the risk remains that either party could default on its agreement to pay interest to the other. If either firm defaults, the other is no longer obligated to pay the interest on its side of the swap agreement and there is no loss of principal. Even so, the firm is still obligated to meet the payments on its original debt and is therefore exposed to adverse rate movements. And if interest rates have moved since it entered into the swap, the firm could suffer a loss if it replaces its hedge.

Because of this residual credit risk, most swap agreements now involve a commercial or investment bank as an intermediary. Such an intermediary bank would enter into offsetting swaps with both parties and earn a fee for the resulting credit risk in the form of a spread between the two swap agreements. There is also a trend toward the use of third-party insurers who, for a fee, will guarantee against the default of one of the parties to the swap.

Whereas interest rate swaps are an exchange of a stream of interest rates calculated on a different basis, currency swaps are an exchange of liabilities based on different currencies. As with interest rate swaps, the original rationale behind currency swaps was to provide borrowers with a means to reduce interest costs while achieving a desired currency exposure by each party issuing debt in the currency in which it enjoys a comparative advantage and swapping the payment streams. In many cases, the arbitrage advantages are the result of regulatory differences across markets, as in the case of capital controls that preclude the issuance of debt in particular markets. In other cases, the

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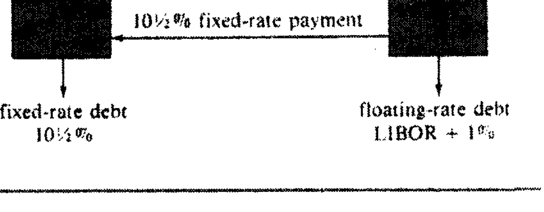
Interest Rate Swap

To illustrate the mechanics of an interest rate swap, suppose a highly rated firm, *A*, can borrow in the Eurobond market at 10½ percent or at a variable rate of LIBOR plus ½ percent. Another firm, *B*, could borrow in the bond market at 12 percent or at LIBOR plus 1 percent. Thus, firm *A* can issue debt more cheaply than firm *B* in both markets, but its advantage is 1 percentage point greater in the fixed-rate market. If the firms issue debt in the markets where they have a relative advantage and enter into a swap agreement with each other, they can lower their total cost of debt, in effect splitting the 1 point difference between them. That is, firm *A* could issue the Eurobond and agree to pay firm *B* a variable rate equal to LIBOR applied to a notional principal equal to the amount of its debt. Firm *B* in turn would borrow at a variable rate and agree to pay *A* a fixed rate of 10½ percent of the notional principal. In effect, firm *A* transforms its fixed-rate debt into a variable-rate obligation and firm *B* converts its variable-rate debt into a fixed-rate obligation. In the process, firm *A* lowers its cost of variable rate funding ½ percent, in this case to LIBOR. And firm *B* also saves ½ percent on its fixed rate financing at an all-in cost of 11½ percent—the 10½ percent it pays firm *A* plus the 1 percent differential between its cost of variable rate funds and the rate it receives from firm *A*.



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arbitrage advantage may arise from differences across markets in investors' perceptions of the credit risk of the two firms.

Development of the Swap Market

The development of the swap market undoubtedly has stimulated growth in Eurobonds. Although estimates vary widely, some market participants report that as much as 50 to 75 percent of the volume of new Eurobond issues in recent years was swap-related. Initially, the typical Eurobond issuer in a swap transaction was a U.S. or foreign bank that could issue the debt at an advantageous rate but needed variable-rate funding. As the market developed, however, it quickly became obvious that any highly rated firm could reduce its cost for short-term debt through a swap arrangement, and thus other large U.S. financial and nonfinancial corporations entered the market. The market also expanded globally as firms began issuing debt in U.S. markets for the purpose of swapping the proceeds.

The global market for swaps has grown markedly since its initiation, from an estimated $3 billion outstanding in early 1982 to more than $200 billion at the end of 1985, counting the notional principal on both sides of the transaction. Large commercial and investment banks developed a marketmaking capability and began to "warehouse" swap contracts by booking one side of the transaction before an offsetting position could be arranged. As the market developed, these institutions offered numerous variations on the original "plain vanilla" swap. In addition to fixed/floating swaps, there are now exchanges of floating rate payments based on different short-term indexes (basis swaps) and fixed-rate payments in one currency for floating rate payments in another. Some swaps may be extended or called. Other elaborations are forward contracts on swaps, in which the parties agree to enter into the swap at a specified future date, and options to enter into a swap at a specified future date.

As the volume and competitiveness of the swap business has expanded, arbitrage spreads and transactions costs have tended to diminish. The search for profitable pockets of market inefficiency has continued, however, leading to the development of ever more innovative and complex swap transactions; the supply of Eurobonds with options and features designed to utilize these innovations has expanded. Eurobonds have emerged with options or forward contracts indexed to U.S. or foreign Treasury securities or to foreign currencies attached. Some Eurobonds may be extended at the purchaser's option and others have been offered with returns that vary in response to movements in stock exchange or commodity indexes. These options or forward contracts may be embedded, such as in a "dual currency" issue, in which interest payments are in one currency and the principal is redeemed in another. Or they may be separable, such as with a straight debt issue with a warrant attached that gives the purchaser the right to purchase Treasury bonds at a set price at a specified date in the future. An active secondary market for trading many of these detachable options has developed.

As these offshoots to the classical swaps proliferated, it became apparent that the swap of payment streams based on different interest rate indexes or currencies could provide corporations with an attractive hedging vehicle. An institution with, say, a gap between existing fixed-rate assets and floating-rate debt could enter into a swap agreement to help bridge that gap without tying it to a specific new debt issue. Because a swap contract is essentially a strip of consecutive forward interest rate or exchange rate contracts, its use as a hedging instrument is a natural outgrowth of this market. But with the great diversity of customized arrangements, swaps have become a relatively inexpensive and attractive tool of risk management.

Other Hedging Products

Volatile rates of interest and foreign exchange have led U.S. corporations to use other new hedging techniques in recent years. Growth in the organized futures and options markets has been well documented, but in addition, a wide variety of new hedging vehicles are being offered "over-the-counter" by commercial and investment banks. As with interest rate swaps, the advantage of this procedure is that the hedge can be customized to suit the customers' needs.

These new hedging vehicles include both forward rate contracts and interest rate or currency options. In a forward rate agreement, a firm with a known borrowing need at some date in the future can acquire a loan commitment from a commercial bank with the rate specified in advance. Or a corporate treasurer with an anticipated cash flow can enter into a forward deposit contract with a bank and lock in the rate of return.

Customized interest rate and foreign currency options also have been popular hedging devices. With an option, a bank conveys to a firm the right but not the obligation to enter into a financial contract at a date in the future at a specified price. For example, a residential or commercial real estate developer could purchase an option that would guarantee a maximum rate on long-term financing when the project was completed. If funding subsequently became available at a lower cost, the developer could let the option expire. Similarly, a multinational firm with anticipated revenues in foreign currencies can purchase options that, for a fee, insure against losses that would result if those currencies depreciated against its home currency. Option-like products are also offered on loans in the form of interest rate caps; for a fee, a commercial or investment bank will guarantee that the interest rate on a variable-rate loan will not exceed a specified maximum. Or, a firm may elect to reduce the markup on a variable-rate loan by agreeing that the rate will not fall below a minimum, or "floor," rate over the maturity of the loan. Loans with combinations of caps and floors, or "collars," also are available.

Along with the development of swaps, customized forward rate contracts and options provide firms with an efficient means of managing interest rate and foreign exchange risk without altering the structure of assets or liabilities. This suggests, among other things, that firms that use these hedging vehicles appropriately can rely more heavily on short-term sources of funds without increasing their exposure to higher interest rates. However, because forward contracts and options are not recorded on a firm's balance sheet, their use makes it increasingly difficult to analyze a firm's financial condition using traditional measures. Although these contracts may be described in the footnotes to a firm's financial statement, there is a growing need for more standardized accounting and reporting treatment of these instruments.

SUMMARY

Since the 1982 trough in economic activity, corporate profits and cash flow of nonfinancial firms have expanded in line with capital outlays; thus, in the aggregate, the need for external funds to finance investment has been small. Nonetheless, in association with a wave of mergers and other corporate restructurings beginning in 1984, borrowing by businesses has increased sharply while large amounts of equity have been retired. In addition, although lower interest rates have led recently to substantial increases in long-term debt, corporate use of short-term credit sources has remained heavy by historical standards.

A combination of highly leveraged positions and evidence of a slowing of profit growth in some sectors has led rating agencies to downgrade an increasing number of corporate bond issues. More generally, the sharp increase in corporate debt, large equity retirements, and the continued heavy reliance on short-term funding sources raise questions about the exposure of the corporate sector as a whole to adverse movements in interest rates or economic activity. Despite the apparent deterioration of some of these traditional balance sheet measures, other aggregate indicators of corporate financial conditions produce a brighter picture. Even though total equities outstanding of nonfinancial firms have fallen on balance because of corporate restructurings, higher stock prices have led to a near-record issuance of new shares recently. And the increased market value of corporate stocks has kept measures of debt-to-equity based on market values relatively stable over the past few years. Also, lower interest rates have improved the ability of firms to service debt out of current earnings.

Growth in a number of new markets in the United States and abroad may have further lowered the cost of debt financing. In the United States, a market for medium-term notes has developed; and tax-exempt industrial development bonds have been an important source of low cost funds for nonfinancial firms in recent years, although the Tax Reform Act of 1986 will constrain further growth. The public market for low-rated debt also has grown markedly, enabling highly leveraged or less well known firms to issue securities directly rather than relying on bank borrowings or private placements for their funds. Because the growth of these bonds has occurred during a period of relative economic stability, however, the strength of the issuers under adverse conditions has not been fully tested. If defaults on these securities were to rise, the market for them likely would be curbed.

Interest rate and currency swaps have become an important means by which firms can hedge unwanted exposures. Forward rate contracts and customized interest rate options are other hedging instruments that, if used appropriately, allow firms to rely on short-term funding with less risk from adverse interest rate movements. Because these instruments do not appear on a firm's balance sheet, though, it is difficult to analyze the degree to which corporate borrowers have adequately protected themselves against this risk.

The increasing use of swaps and the other new hedging instruments also has promoted the integration of the world's capital markets, and this may have facilitated the larger capital inflows to the United States associated with the sizable U.S. external deficit. As one element of these inflows, large U.S. firms have been issuing increasing amounts of both long-term and short-term debt to foreign investors. With a more diversified investor base, U.S. firms might be better able to withstand shocks to any one funding source, although these new markets have not yet experienced large defaults and their liquidity has yet to be confirmed.

As with the development of any new product, it is possible that a period of growing losses or defaults may result in a temporary setback in some of these markets. But with the increasing investment by commercial and investment banks in the research and development of new financial instruments, along with the trend toward deregulation in a number of important foreign financial centers, the pace of financial innovation is unlikely to slacken.

The Consumer Advisory Council in Its First Decade: An Overview

Ann Marie Bray and Dolores S. Smith, Assistant Director, of the Board's Division of Consumer and Community Affairs prepared this article.

The Federal Reserve's Consumer Advisory Council provides consumers and the financial services industry with an important link to the nation's central bank. Created by the Congress, the Council advises the Federal Reserve Board on the implementation of federal laws governing consumers' rights and responsibilities in their dealings with the financial services industry. The Council, a body of private citizens, reaches its tenth anniversary this month. It can look back with satisfaction on the role it has played in providing a forum for public debate on many of the significant regulatory issues that have come before the Board in the past ten years.

This article presents a brief profile of the Council's operations, describes the different ways in which the group fulfills its statutory mandate, and indicates also how the Council continues to explore new ways of providing effective assistance to the Federal Reserve Board and its staff.

GETTING STARTED: A FRAMEWORK FOR DELIBERATIONS

In 1968 the Congress assigned the Federal Reserve Board a leading role in the regulation of consumer financial services. The legislation that gave the Board rulewriting authority under the Truth in Lending Act also established an advisory committee to assist in drafting the regulation to implement the act. Later, with the expansion of the Board's responsibilities—to credit card rules, equal credit opportunity, fair credit billing rights, and other areas of financial services—the Board suggested to the Congress that its advisory group also should be given a broader mandate. Accordingly, a provision in the 1976 amendments to the Equal Credit Opportunity Act called for the creation of the Consumer Advisory Council to supersede the earlier body. The charter of the Council directs it to advise and consult in the exercise of the Board's functions under the Consumer Credit Protection Act (CCPA)—including, for example, the Truth in Lending, Equal Credit Opportunity, and Electronic Fund Transfer Acts—and in other consumer-related matters.

Membership

The Board appoints 30 members to three-year terms on the Council, staggering the terms to ensure continuity. In naming replacements each year, the Board takes care to complement the background and expertise of those members who remain, and from among them appoints the Council chairman and a vice chairman. The Board seeks also to ensure the representation of women and of minority groups, as well as a balanced geographic distribution of members. Because of the high level of public interest in service on the Council, the Board through its appointments has been able to achieve a wide diversity of membership representing various segments of the financial services industry, consumer and community organizations, state and local government agencies responsible for consumer affairs, and college and university faculties. (Additional information about the professional affiliations of Council members appears in the box on page 758.)

Improvements to the Council's Operations

The history of the Council has been marked by an interest on the part of its members in finding ways to enhance the value of the Council's

PROFILE OF THE COUNCIL

Affiliations
The 114 members who have served thus far have included bankers, thrift and credit union officials, retailers, finance company and credit bureau executives, attorneys who represent industry clients, legal services attorneys, national consumer advocates, community organizers, credit counselors, members of state consumer leagues, state and local government officials responsible for consumer affairs, and college and university professors in the fields of law, economics, business administration, finance, economic education, and consumer research.

Meetings
One- to two-day meetings, open to the public, are held at the Federal Reserve Board's headquarters in Washington, D.C., three times a year.

Current committees
Council chairman appoints members to serve on committees covering long-range planning, variable-rate lending, changes in financial organization, community reinvestment, truth-in-lending and electronic fund transfers, emerging technologies, service charge issues, and consumer education.

service to the Board. In the early years, for example, some members believed that the Council could be more effective in advising the Board if the members played a greater role in formulating the agenda. Besides serving as technical advisors on near-term regulatory matters, Council members could thus also direct the Board's attention to policy issues of emerging concern to consumers and to the financial services industry. Through a balloting procedure used from that point on, they have worked together with the Board's staff in developing the Council's agendas.

Similarly, the Council has chosen to use standing and ad hoc committees to make it easier for Council members to deal with complex issues effectively and to enhance the likelihood of developing a consensus that the full Council can adopt. A steering committee, established several years ago, promotes long-range planning.

ADVISING THE BOARD

The Council's primary mandate is to advise the Board on the exercise of the Board's functions under the CCPA. These functions include the writing of regulations to implement legislation, the enforcing of compliance by state chartered banks that are members of the Federal Reserve System, and the handling of consumer complaints. The Board also regularly seeks the Council's views in other areas of consumer protection, such as the advertising of interest rates under Regulation Q (Interest on Deposits) and on issues related to the implementation of the Community Reinvestment Act, the Fair Housing Act, and other laws that the Board is responsible for enforcing.

In addition to providing advice on issues that the Board has under active consideration, the Council has sometimes broadened its agenda to include items not yet brought before the Board. Occasionally, the Council has also seen fit to discuss an issue that falls only marginally under the Board's auspices—because of its general interest to Council members or because of the belief that the issue is sufficiently important to consumers to warrant special attention. Some topics have been the subject of Council deliberations for several meetings over a number of years—particularly long-range issues of continuing interest, or issues that do not easily lend themselves to resolution. Others, of a more immediate nature, have surfaced for discussion only at one or two meetings. (A sampling of the other types of issues considered over the past ten years is shown in the box.)

Rulemaking Function

The Board's rulemaking activities determined the focus of much of the Council's attention in earlier years. For example, members examined issues related to the Board's rules implementing the Equal Credit Opportunity Act Amendments of 1976, which bar creditors from discriminating in credit transactions on the basis of race, national origin, religion, and other specified factors. When the Electronic Fund Transfer Act was passed in 1978, the Council offered advice on regulations governing consumers' liability for unauthorized transfers, and addressed issues that dealt with the unsolicited distribution of debit cards. In 1980, members considered rules for simplifying Regulation Z when the Board implemented the Truth in Lending Simplification and Reform Act.

SAMPLING OF OTHER ISSUES CONSIDERED BY THE COUNCIL

Subject and year first considered	Disposition by Council
Board's authority to identify and prohibit unfair or deceptive acts or practices by banks. (1976)	Council has considered such practices as delayed funds availability, holder-in-due course, credit practices, service charges for dormant accounts, and sale of used motor vehicles. Council continues to monitor this area.
Interagency guidelines for the administrative enforcement of the Truth in Lending regulation. (1977)	Recommendations concerning reimbursements by financial institutions as corrective action for overcharges. (1978)
Interagency issuance of the Community Reinvestment regulation. (1977)	Recommendations encouraging flexibility for institutions in defining their communities and in determining credit needs, but also endorsing a requirement for public availability of CRA statement. (1978)
Credit-scoring systems and their operation under the Equal Credit Opportunity regulation. (1979)	Recommendations relative to scoring of secondary income and the presentation of reasons for adverse actions. (1979)
Integration of Truth in Lending and Electronic Fund provisions relating to error resolution and consumer liability for unauthorized use. (1979)	Recommendation that the Board defer further consideration pending final action by UCC and other state efforts. (1981)
Board's program limiting the expansion of certain classes of consumer credit and rules for creditors to follow in changing terms on credit plans. (1980)	Extensive discussion on need for advance notice to consumers and conditions to be met in making changes. Recommendation for retention by the Board of authority to invoke emergency credit measures. (1980)
Advertising of IRAs and other deposit accounts. (1982)	Adopted a committee report on information that should be included in a model disclosure form or advertisement to facilitate shopping for IRAs. (1982)
Levels of consumer interest rates. (1983)	No consensus reached (1983); topic resurfaced in 1986 relative to rates on consumer credit cards.
Educational presentations on new technologies for the provision of consumer financial services including automated teller machines, home banking, point-of-sale terminals, and so forth. (1984)	Reports have been delivered over the course of several meetings; a presentation on smart card technology is slated for the March 1987 meeting.
Further extension of the Home Mortgage Disclosure Act. (1985)	Recommendations urging permanent extension, actions to publicize and evaluate HMDA data, and exploration of new HMDA data systems. (1985)
Rates and sales practices in connection with credit-related insurance. (1985)	Two Council discussions ended with no consensus reached on whether rates are at appropriate levels or on whether consumers find credit insurance desirable. (1986)
Offering of financial counseling services to consumers by bank holding companies. (1986)	Recommendation that the Board add consumer financial counseling to the list of permissible activities. (1986)

Council sessions on rulewriting matters complement the written comments that the Board receives from the public on any published regulatory proposal. From their differing perspectives, members bring together a special blend of expertise to a regulatory issue: they give advice on the rights and protections believed to be essential to consumers and also on whether certain duties and obligations are workable from the industry view. Because Council members engage in a dialogue of give-and-take, their individual positions are often tempered, through the course of discussion, with a greater understanding of the opposing point of view. Thus the Council is more likely to present a balanced perspective.

With the deceleration that began in 1980 of consumer statutory initiatives, the Board's new rulemaking under the CCPA has slowed somewhat. Even so, the Council's work on these matters continues. Some review takes place as a consequence of Board policy calling for the periodic reassessment—under its Regulatory Improvement Project—of all its regulations. In this context, the Council played an important role in the Board's assessment, completed last year, of its equal credit regulations.

And because implementing consumer legislation is an ongoing process, regulatory issues continue to arise. At last month's meeting, for example, Council members considered a proposed amendment to the rescission rules applicable to refinancings under the Truth in Lending Act.

Enforcement Of Compliance

The Council takes special interest in the Board's supervisory efforts relative to state member banks. Private citizens do not, as a rule, have the opportunity to review the compliance examination efforts of the financial regulatory agencies. Such matters are not subject to outside comment, and enforcement activities generally receive public attention only in reports to the Congress or in congressional hearings. The Council's involvement in the Board's program to enforce statutes governing financial services is therefore unique.

In the early years, the Council's focus was on particular regulations and how they were being enforced by the Federal Reserve. Generally, members discussed enforcement policies, examination procedures, and state member banks' compliance with the consumer-related regulations. More recently, they have raised compliance concerns in the context of larger policy issues—for example, the desirability and feasibility of expanding data collection on loan applicants to test the effectiveness of federal laws to enforce antidiscrimination.

Consumer Complaints

In their own professional capacities, many Council members representing both industry and consumer groups have dealt with consumer complaints. Thus they take a keen interest in the Board's program for investigating complaints against state member banks. Often that interest arises in the context of industry practices that some members believe to be troublesome to consumers.

Because the Board has the authority to prohibit potentially unfair or deceptive acts or practices by banks, the Council on occasion has taken a more general look at the System's complaint program. Council members, for example, have received briefings on the System's monitoring procedures, which are designed not only to collect data on noncompliance with existing laws but also to detect trends in unregulated banking practices. Trends are examined periodically to determine whether they might signal need for a legislative or regulatory initiative.

FOCUSING ON CRA: EVALUATION OF THE BOARD'S PROGRAM

Much of the Council's attention since 1983 has been drawn to the need for community development and a banking presence in the community, areas related to the implementation of the Community Reinvestment Act (CRA). Perhaps the Council's most noteworthy contribution over the years has been to assess how well the Federal Reserve does its job under the CRA—one of the agency's most challenging roles in the consumer and community affairs area. The CRA encourages banks, within "safety and soundness" constraints, to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods. The Federal Reserve's role with respect to state member banks is to ensure that they live up to this obligation by assessing their CRA records in the context of bank examinations. In addition, when considering certain applications from banks and bank holding companies (to acquire a bank, for example), the Board takes into account the CRA performance of the institution involved, whether it is supervised by the Federal Reserve or by one of the other financial regulators.

The Council conducted, at the request of Chairman Volcker, a comprehensive review of the System's CRA program in 1982–83. The Council's mandate was to establish how well the Federal Reserve was carrying out its CRA responsibilities. A 10-member committee (appointed and headed by the Council chairman) gathered information from a wide variety of sources, both at the Board and at the Reserve Banks, about compliance examinations, application procedures and citizen protests, and the System's community affairs function. Committee members conducted interviews with Federal Reserve examiners and other staff and made on-site visits to 8 of the 12 Federal Reserve Districts. They met with local bankers and community leaders, carried out written surveys, and received comments from interested citizens.

In mid-1983, the Council formally adopted the committee's report, which concluded that in general the performance of the Federal Reserve in carrying out its responsibilities under CRA was "exemplary." The Council encouraged the Board to consider the intent and spirit of the report, as well as its suggestions for improvement. The following list contains some of the specific recommendations:

- *Bank Examination Procedures.* To develop improved methods and data for detecting bank practices that discourage loan applications from minorities and other protected groups; to modify the CRA rating system so that examiners can better distinguish among banks whose performance is barely passable, banks with adequate performance, and banks that are doing an excellent job.
- *Community Affairs.* To better define the priority that Reserve Banks should give activities of their Community Affairs Officers; to develop community profiles and other credit-related data analyses to assist examiners in the evaluation of banks' CRA performance.
- *Applications.* To improve communications with protestants by providing plain-English notices of applications and by other means.
- *Compliance Personnel.* To develop improved programs at the Reserve Banks for recruitment, training, and career paths for bank examiners.

The Council's study provided valuable firsthand observations about the operation of the Federal Reserve's program. It identified areas in which improvement was believed possible, in addition to suggesting the continuation of some Federal Reserve practices already in place. By early 1984, the Board had acted on many of the Council's 50-plus recommendations to strengthen enforcement of the CRA and to enhance public participation in the application process.

The Council's work in the CRA area continues. Members have taken an interest, for example, in the increasing number of branch closings and the adverse impact certain closings may have on communities. A new CRA committee is also searching for ways in which the Board could, within existing law, encourage regulated institutions to attain ratings of excellent for their CRA performance. The committee's current focus is on procedures and mechanisms used by the Federal Reserve System to assign ratings to the CRA performance of banks.

Taking the Lead: Basic Banking

The Council has increasingly evolved, over the past ten years, from a body that primarily responded to Board-initiated requests for its views into a more assertive group, seeking out and exploring public policy issues and potential areas of concern to the Board.

Recently, the Council's attention has focused on issues that are indirectly the byproduct of the economic environment in which financial institutions have operated in the 1980s. That environment has been marked by an increased cost of funds, interest rate volatility, and competition from outside the traditional depository-institution structure. Some institutions have responded by adopting such strategies as the pricing of checking accounts and other banking services, the closing of branches, and the elimination of services believed to be unprofitable. These actions in turn have created concern about the potential impact on some consumers. Do they effectively deny convenient access to the payments system and to safe depositories for small savings accounts?

The Council's Committee on Service Charges studied the issue for much of 1985. The committee, composed of representatives of consumer and industry groups, expressed a preference for voluntary action by the industry rather than either a legislative or a regulatory approach. Following a detailed report, in October 1985 the Council unanimously adopted a resolution on basic banking: it called on the Federal Reserve Board to issue a policy statement that would encourage programs of basic banking services accessible to low- and moderate-income consumers (like the one issued previously by the Comptroller of the Currency) and asked the Board to encourage the other financial regulatory agencies also to issue a statement.

In June, following extensive research and interagency consultations by the staff, the Board considered a draft policy statement. It decided to defer action. Two surveys in progress were seeking more information about a decline in account ownership noted between 1977 and 1983, and some Board members wanted to wait for those results before acting. They also wanted to give certain initiatives launched by industry associations an opportunity to be tested. And one or two of them questioned the need for a policy statement by the Board on the basic banking issue.

Council members reiterated their support for a policy statement from the Board at their meeting the following week and made two major points. Industry representatives believed that Board action would strengthen the voluntary efforts of the industry already under way and, conversely, that inaction could lead ultimately to burdensome legislation. Both industry and consumer representatives also suggested that, whatever the research in progress might suggest, a very strong perception exists that the banking needs of some consumers are not being met. Members reintroduced the earlier resolution because 13 new members had joined the Council since the vote in October 1985. Again, the resolution passed unanimously.

In mid-September the Federal Reserve Board took up the issue of basic banking once more and approved, after considering the Council's strong stand, a revised policy statement. The statement encourages the industry to see to it that certain minimum financial needs of consumers are met, particularly the following:

- The need for a safe and accessible place to keep money.
- The need for a way to obtain cash (including the cashing of government checks).
- The need for a way to make third-party payments.

The statement suggests that trade associations and individual depository institutions should actively foster the offering of basic financial services, taking into account considerations of safety and soundness and flexibility in designing basic financial products. The Board invited the other agencies, through the Federal Financial Institutions Examination Council, to join in issuing the statement.

Providing a Forum: Reduced-Rate Financing Programs

The Council's discussions this year of reduced-rate financing by automakers is a timely example of the Council's ability to set the stage for public policy debate. It also illustrates the difficulties faced by decisionmakers in addressing competing interests.

In an effort to draw buyers, the major automakers have been offering rates far below the market through their financing subsidiaries. Banks and credit unions are losing customers because many car-buying consumers have chosen to take advantage of the reduced rates. In fact, many have come to expect, and to wait for, the rate reductions (an expectation that presents automakers with a different kind of problem).

Some Council members (and others) have suggested that these programs undermine the usefulness of the annual percentage rate (APR) as a basic shopping tool for comparing the cost of credit offered by different credit providers. In some reduced-rate programs recently announced, a purchaser is given the choice of financing the vehicle through the automaker's subsidiary at a reduced rate of interest or receiving a cash rebate. Purchasers who take the reduced rate, of course, will miss out on the cash rebate. Critics of these programs say the rebate should be treated as part of the financing cost and thus taken into account in computing the APR that is disclosed to the customer for purposes of Truth in Lending. But under Regulation Z, no adjustment to the APR is currently required. The result, according to the critics, is to lessen the value of the APR as a tool for credit shopping.

In March 1986, following a preliminary discussion of reduced-rate financing, the Council mobilized a three-member planning group: the consumer advocate for the State of South Carolina, the chairman of the Credit Union National Association, and the chairman of the board of the General Motors financing subsidiary. At the June meeting, they gave their various perspectives but reached no consensus and presented no recommendation.

Since then, a new round of reduced-rate programs has been announced, and so clearly the issue has not gone away. In fact, the addition of zero-percent financing by one of the automakers makes the issue more critical. The Council will likely continue to consider whether the programs pose disclosure problems that should be addressed under Regulation Z.

MONITORING AREAS OF CONTINUING INTEREST

Throughout the past decade, the Council has supplemented its discussion of specific consumer issues with time devoted to looking at other Board activities related to consumer matters. In this way, Council members have the opportunity to review them, suggest refinements or new endeavors, and otherwise monitor consumer-related developments. Two areas of continuing interest are consumer education and consumer research.

Consumer Education

Besides compiling reports on the educational efforts of industry and consumer groups, the Council over the years has kept up to date on the Federal Reserve's educational program of publications, films, and consumer workshops. Sometimes it has taken a direct hand in the Board's program; for example, after having recommended workshops for high school teachers in 1978, the Council then helped implement the plan: Council members with a background in consumer education have served as instructors ever since. It has made other recommendations for interagency coordination of consumer education. And, occasionally it has focused attention on the special needs of low-income consumers with limited education and on the need to direct consumers to credit counseling before they find themselves in financial difficulties.

Besides touching on the basics of consumer education, the Council also has examined problems that point to specific educational needs. Two years ago, in a period of high interest rates, the subject was adjustable-rate mortgages. Mortgage lenders, with large volumes of fixed-rate mortgages, had turned to variable-rate lending as a way to protect themselves in times of ascending rates. The question, however, was how also to protect consumers who might not be fully aware of the implications of a variable interest rate. Adjustable-rate mortgage (ARM) programs were proliferating at a rapid pace, and in some cases lenders were discounting the initial interest rate to help the borrower qualify. The potentially poor quality of some of these loans represented a risk both for the lending institution and for the borrower. At the same time, there was general recognition that ARMs were here to stay; in fact, observers expected variable-rate features to expand from mortgages to other types of credit transactions. Moreover, ARMs did offer benefits to consumers. Variable-rate lending frequently made mortgages available to homebuyers for whom such credit might otherwise be inaccessible. And, while they protect lenders when rates are rising, in a declining rate environment, such programs are quite beneficial to borrowers.

Believing that consumers are best able to make a sound economic choice when they are fully informed, the Federal Reserve Board and the Federal Home Loan Bank Board joined together to develop an educational brochure on ARMs. An ad hoc committee of the Council, detailed to study ARMs and variable-rate issues, took part in that effort. (Some 18 other agencies and organizations from both the private and the public sectors also participated.) The resulting brochure, *Consumer Handbook on Adjustable Rate Mortgages,* helps consumers to better understand the complexities of these mortgage instruments, helps them to ask the right questions, and enables them to analyze the potential consequences before committing themselves to an ARM.

This year the Council's interest in consumer education has turned to more general issues. A committee is exploring ways in which consumer organizations can be helped to identify and distribute educational material about financial services. The Council's interest was sparked by regional efforts among consumer organizations to provide information through regulated institutions (in the manner of consumer utility boards), and that concept is one of several approaches that may be explored.

Consumer Research

The Board has an active consumer research program that uses comprehensive consumer surveys conducted every few years plus monthly surveys to obtain data that will help the Federal Reserve fulfill its monetary policy responsibilities. It also conducts other studies, sometimes in response to requests from the Congress (such as a recent study of the effects of proposed credit card rate ceilings on consumers and creditors). The Council frequently receives briefings from the Board's staff about research studies in progress and becomes involved in other ways. In some instances, for example, Council members have had the opportunity to review and make recommendations concerning drafts of the questionnaires to be used in consumer surveys.

From time to time, the Council has also suggested areas for further study by the Board, following discussion of practices in the financial services industry that some members believe are unfair or worrisome to consumers. When perceptions vary as to whether a problem exists, the Council may express an interest in having a Board study of the issue. Such a case occurred in mid-1984, when the Council asked for a study of trends toward increased service charges and the effects of these increases on consumers. It received a comprehensive report from the Board's staff in early 1985 that presented an analysis of existing data on the subject.

A similar request followed a Council discussion about credit insurance that focused on whether creditors include the insurance in a transaction automatically, without the consumer's explicit request or knowledge. Some Council members believed that consumers understand credit insurance and make a conscious decision to purchase it; others pointed to high penetration rates, suggesting coercive sales practices on the part of creditors. Given the Council's interest, one of the Board's monthly surveys asked questions to determine consumers' attitudes toward credit-related insurance; and the results were given to the Council for use in a subsequent discussion of the issue.

Looking Back

Over the years, the Council has built a solid record of accomplishment. As a public forum, it has ensured a thorough airing of diverse viewpoints on a wide range of issues that are of concern to consumers. It has exhibited strength in attempting to find a consensus among the sometimes divergent opinions of its members. And it has evolved from a group operating within narrowly defined bounds into a group that seeks out and explores new and expanding areas of concern.

The role of the Council has been forged by its members, who have been, from the beginning, a group of individuals strongly committed to contributing to the work of the Board. Along the way, some members have expressed disappointment that concrete results cannot be attributed to each of the Council's deliberations or they have experienced concern that, if the Board fails to follow its advice, the Council has not effectively fulfilled its mandate. Such reactions may be inherent in the advisory nature of the group, for without any real decisionmaking authority, the Council often finds it difficult to measure success in a tangible manner.

In fact, the advice of the Council is valuable to the Board—whether it takes the form of a resolution, whether a more informal consensus on an issue is reached during a discussion, or whether a diversity of individual viewpoints are expressed on an issue for which no consensus is possible. On occasion, Council discussions can be useful by confirming that there are no easy choices in public policy decisionmaking; what is good for one constituency may adversely affect another. But having heard firsthand from all parties that have a stake in the outcome, the Board is in a better position to decide an issue.

Notwithstanding any occasional reservations, the Council itself is on record as to the worth of its advisory role. Several times members have endorsed the concept for other agencies, as they did three years ago when Vice President Bush's Task Group on Regulation of Financial Services was deliberating the possible restructuring of the regulators' supervisory functions:

> In the context of our experience, Council members have come to believe that federal financial supervisors benefit from the opportunity to receive counsel of the type provided by our group—particularly regarding agency enforcement of the consumer protection laws. . . .

The Council suggested that the Task Group should provide for an advisory group such as the Council in any future reordering of the federal agencies.

. . . *AND LOOKING AHEAD*

In addition to looking back on areas of interest and accomplishments, a few of the issues that will make their appearance on Council agendas in the years to come should be mentioned.

- New methods for the delivery of consumer financial services are under study by a Council committee on emerging technologies. Currently, the committee is engaged in finding out more about such developments as videotex, smart cards, and point-of-sale transactions. Future discussion of new technologies might go beyond their mechanics and instead focus on how their special features will fit into the existing regulatory environment.
- Expanded powers for banks and other regulated financial institutions is another area under committee study. In addition to investigating the desirability of the entrance by financial institutions into activities outside the scope of the traditional banking industry, the committee will likely look at the need for any additional consumer protections.
- The Community Reinvestment Act will remain in the forefront, particularly in light of heightened protest activity by community groups, as a result of an increase in holding company applications after a relaxation of interstate banking laws by many of the states. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period May through July 1986, provides information on Treasury and System foreign exchange operations. It was prepared by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York.[1]

The dollar declined against most major currencies during the three months ending in July. The dollar's downward movement proceeded against the background of sluggish U.S. economic growth, expectations of continued monetary easing in the United States, and doubts that large payments imbalances among the developed countries were being reduced. There was no intervention by the U.S. authorities during the period but there were sizable dollar purchases by some other central banks. The dollar's depreciation was temporarily interrupted in May only to resume in June and July. By the end of July, the dollar was at its low point of the period, having declined approximately 9 percent against the Japanese yen and the Swiss franc, and nearly 5 percent against the German mark and other continental European currencies.

Coming into the period under review, the dollar had already declined substantially from its highs of February 1985. Market participants had noted that officials in several foreign industrial countries were expressing concern over the adjustments that their own industries were beginning to experience. In the face of the appreciation of their currencies, foreign exporters increasingly complained of a squeeze on profits as they sought to maintain market shares. Indeed, a number of commentators questioned whether increases in domestic demand in Germany and Japan would be sufficient to offset the decline in export orders and sustain prospects for economic growth in these two countries.

Many in the exchange markets anticipated that the governments of the seven major industrial countries might use the occasion of the Economic Summit meeting in Tokyo during early May to outline measures to stabilize dollar exchange rates. The Tokyo Economic Declaration noted a significant shift that had occurred in the pattern of exchange rates, which better reflected fundamental economic conditions. It stated that the Group of Seven (G-7) countries had agreed to develop a process to review trends for a number of economic variables, including exchange rates, in order to achieve more effective policy coordination. But the declaration did not call for specific measures or concerted actions to prevent the dollar from declining further. Instead, there were reported remarks by some G-7 officials, which seemed to imply that there was still room for further appreciation of nondollar currencies, especially the Japanese yen.

In reaction to the absence of an announcement of specific measures, the dollar resumed its decline after the Tokyo Summit. It depreciated most against the Japanese yen, trading as low as ¥159.99 on May 12, some 38½ percent below its peak of about a year earlier. Contributing to this decline in the dollar was the narrowing of favorable long-term interest differentials. In addition, the dollar was undermined by the persistent current account imbalances manifested by a large U.S. deficit and Japanese surplus. Market participants perceived that the U.S. Administration hoped that a high level of economic activity and rising imports abroad would set the stage for a sizable narrowing of the U.S. trade

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

deficit, given that the dollar had already declined substantially during the past year. But the most recent data were seen by the market as showing little progress in redressing the trade imbalance. Strong protectionist sentiments persisted in U.S. manufacturing industries even as the U.S. authorities sought to reduce restrictive trading practices abroad and resist pressures for protectionist measures at home. Market participants believed that so long as the imbalances were not diminishing, market pressures in favor of the yen would remain strong and that the authorities, at least in the United States, would accept further declines in dollar exchange rates.

In early May, the dollar's decline against the German mark was more muted than its decline against the yen. Political and economic uncertainties following the Chernobyl nuclear accident of late April weighed against the mark for a time. There were also heavy reflows of funds into the French franc and Italian lira following an April realignment of the European Monetary System (EMS) and, in the case of the franc, in response to the exchange market's favorable reaction to initial plans for privatization of French public-sector firms. Thus, the mark traded at the bottom of the EMS.

Before long, however, many in the market came to interpret official views as indicating that a period of consolidation was appropriate. Dealers anticipated that many of the governments abroad, facing local or national elections, would welcome a period of exchange market tranquility. Also, time was needed to evaluate the effects on economic activity and trade flows of the changes in exchange rates and declines in interest rates that had occurred during the preceding year.

After mid-May, perceptions about the relative strength of the U.S. economy temporarily brightened, expectations of further drops in U.S. interest rates faded, and the dollar appreciated more or less steadily for the rest of the month. Faster-than-expected growth in U.S. monetary aggregates appeared to lessen the scope for a near-term easing of U.S. monetary policy. Repeated denials of any need to ease monetary policy by officials of the Bundesbank and the Bank of Japan led dealers to believe that there was little chance of a coordinated cut in interest rates. For the first time in several months dollar interest rates increased, with the rate on three-month Eurodollar deposits exceeding 7 percent. A strong upward revision in first-quarter real GNP and other statistics on U.S. economic activity were interpreted favorably by the exchanges. By June 2, the dollar reached ¥177.05 and DM2.3445, levels that were the highs for the dollar during the period under review.

But the dollar began to edge down again in early June as new evidence suggested that the anticipated boost to U.S. exports and growth was not being sustained, and expectations of another downward adjustment in U.S. interest rates were revived. After the statistics of late May, an increase in U.S. unemployment came as a disappointment and was the start of a series of figures pointing to only lackluster U.S. economic activity. Statements by Chairman Volcker were interpreted as running counter to the idea that the Federal Reserve needed to wait to cut its discount rate again until central banks in other countries eased monetary policy. Market participants started to consider the possibility that the U.S. authorities might welcome a renewed decline in the dollar on the grounds that central banks abroad might cut their interest rates more quickly in such an environment. In the meantime, there were concerns that some of the heavily indebted Latin American countries were considering imposing a debt-service moratorium or limiting debt payment to a percentage of export earnings. Thus, for domestic and international reasons, market participants thought that a further easing of U.S. monetary policy might be imminent. With the possibility that such a U.S. move might not be matched elsewhere, the dollar came under downward pressure.

For several weeks in June, pressures to sell the dollar were well contained. Dealers perceived that authorities abroad were prepared to intervene to prevent a further decline in dollar rates for a while. In particular, there were numerous reports of dollar purchases by the Bank of Japan, and market participants seemed to believe that the Japanese central bank would strenuously attempt to limit the yen's rise before Japanese parliamentary elections on July 6. Dealers also thought that the Bundesbank might intervene if the mark threatened to rise too strongly.

In July, the dollar began to move down quickly, especially against the Japanese yen and the Swiss franc. Market participants doubted the Japanese authorities would be able to contain for long the yen's rise in the face of mounting trade surpluses. (Because of the substantial depreciation of the dollar since February 1985 and the decline in world oil prices, Japan's trade surplus continued to grow in dollar terms, even though Japanese exports in 1986 were actually lower in volume terms than in the previous year.) As a result, traders started to establish large long positions in yen and commercial leads and lags swung in favor of Japan. The Swiss franc also began to be viewed as a particularly attractive alternative to the dollar. It was not as affected as the German mark by political uncertainties and by June had developed an interest rate advantage over the mark. Moreover, market participants felt that the Swiss National Bank would maintain relatively tight monetary conditions whatever the international environment and was not likely to intervene in the exchanges to limit the appreciation of its currency.

The German mark, too, began to gain more strength as the dollar declined during July. After the Federal Reserve cut its discount rate a half of 1 percentage point, effective July 11, a number of German officials commented that a further decline in German interest rates would be inappropriate inasmuch as their domestic economy had picked up in the second quarter and the growth of central bank money remained above target. In addition, the German government indicated it would not depart from its earlier fiscal targets. The mark also strengthened against other European currencies around this time. Flows into France that had occurred after the April EMS realignment and had weighted on the mark began to subside as French residents reportedly took advantage of an easing of exchange controls. The mark also benefited from shifts in investor preference away from sterling-denominated assets, previously viewed as a principal alternative to dollar investments. As Britain's economic outlook dimmed with oil prices reaching new lows and the government of Prime Minister Thatcher facing considerable political criticism, investors and traders both shifted funds increasingly out of sterling and into marks. During July, the German mark moved from near the bottom to near the top of the EMS to emerge as the third strongest currency in that arrangement; it also gained 7½ percent against sterling.

In late July, the dollar's decline accelerated. There was press commentary to the effect that, for other industrialized countries, the boost to real income resulting from the oil price decline was not yet showing through; these countries were going to have to expand more quickly and import more vigorously for the United States to achieve a substantial balance of payments adjustment. Yet a U.S. official's call for stronger growth abroad had elicited replies from German and Japanese officials indicating that stimulative policies would not be forthcoming in the near term. As for the United States, rapid growth in the U.S. monetary aggregates and a sustained decline in U.S. interest rates indicated that monetary policy was not a constraint on U.S. growth. But long-term U.S. interest rates had actually firmed as short-term rates eased during the last half of July. Under these circumstances, market observers wondered whether foreign demand for U.S. securities was being sustained sufficiently to finance the U.S. deficits and thereby avoid another sharp decline in dollar rates or a further rise in interest rates. Simultaneously, release of U.S. trade statistics suggesting the deficit had widened in June reinforced the view that the desired adjustments were slow in materializing.

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility, January 31, 1986	Amount of facility, July 31, 1985
Austrian National Bank	250	250
National Bank of Belgium	1,000	1,000
Bank of Canada	2,000	2,000
National Bank of Denmark	250	250
Bank of England	3,000	3,000
Bank of France	2,000	2,000
German Federal Bank	6,000	6,000
Bank of Italy	3,000	3,000
Bank of Japan	5,000	5,000
Bank of Mexico	700	700
Netherlands Bank	500	500
Bank of Norway	250	250
Bank of Sweden	300	300
Swiss National Bank	4,000	4,000
Bank for International Settlements:		
Swiss francs–dollars	600	600
Other authorized European currencies–dollars	1,250	1,250
Total	**30,100**	**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
May 1, 1986–July 31, 1986 ...	0	0
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1986[2]	1,398.6	1,470.4

1. Data are on a value-date basis.
2. Valuation gains represent the increase in the dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the foreign currencies were acquired.

As market participants increasingly questioned whether the major industrialized countries would be able to work together to redress their large economic imbalances, the dollar declined to close the period at DM2.0890 and ¥153.65.

At the end of July, the dollar had declined 9 percent against the Japanese yen and Swiss franc, as well as almost 6 percent against the German mark and other EMS currencies. It had remained stable, however, against the Canadian dollar and had risen against the pound sterling. Therefore, on a trade-weighted basis against the currencies of the major industrial countries, as calculated by the Federal Reserve Board, the dollar closed the period 3 percent below its level at the end of April.

3. Drawings under special swap arrangements with the U.S. Treasury

Millions of dollars; drawings or repayments (–)

Drawings on U.S. Treasury facilities	Total facility	May 16, 1986	Outstanding July 31, 1986
Central Bank of Ecuador	150	75	75

Data are on value-date basis.

On May 14, the U.S. Treasury, through the Exchange Stabilization Fund (ESF), agreed to provide short-term financing to the Central Bank of Ecuador, totaling $150 million, until Ecuador could finalize negotiations for a new financing facility from commercial banks and additional loans from international financial institutions. On May 16, the Central Bank of Ecuador made a drawing of $75 million.

The Federal Reserve and the ESF invest foreign currency balances acquired in the market as a result of their foreign exchange market 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, as of July 31 the Federal Reserve had invested $2,941.2 million equivalent of its foreign currency holdings in securities issued by foreign governments. In addition, the Treasury held the equivalent of $4,083.6 million in such securities as of the end of July. □

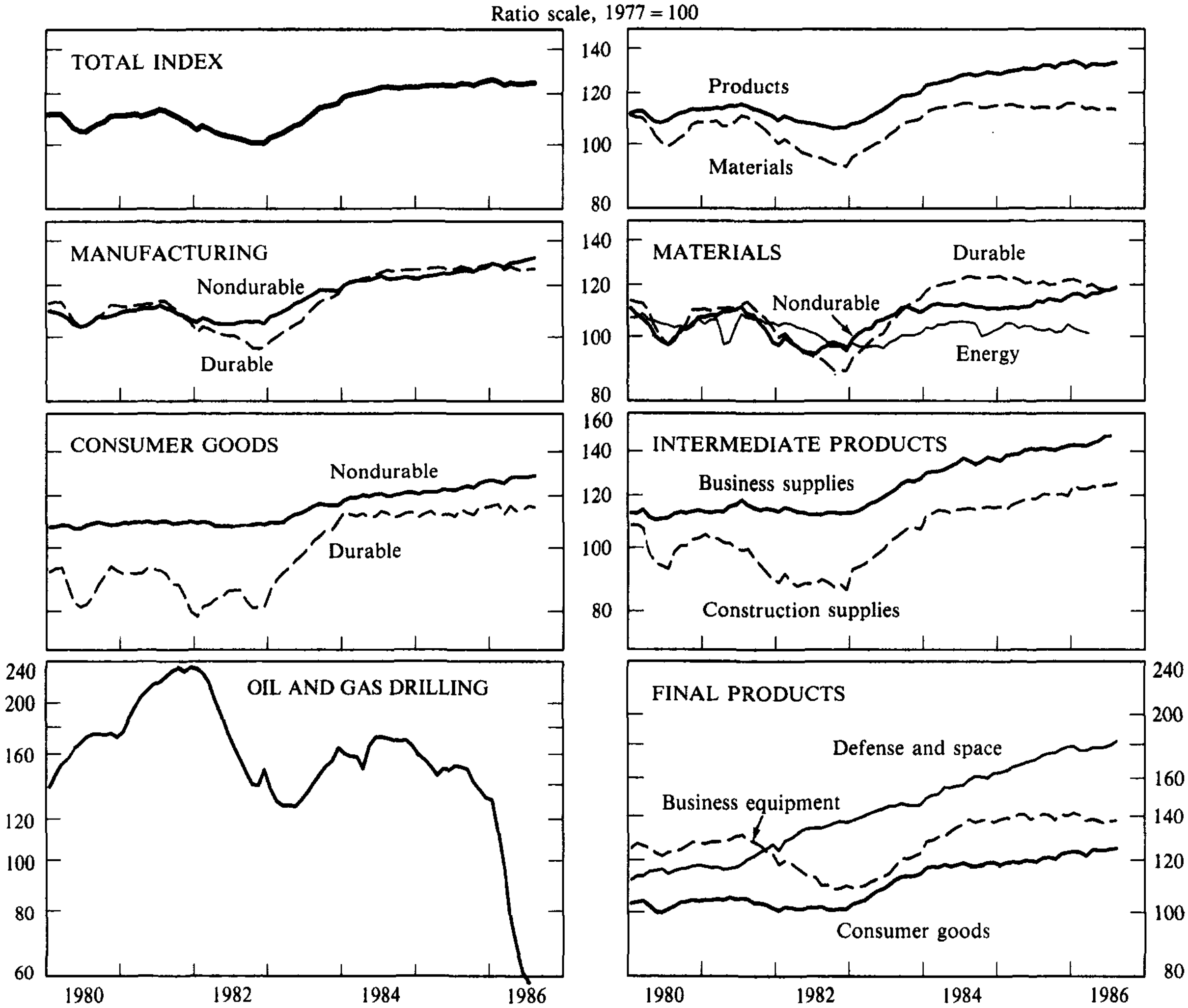
Industrial Production

Released for publication September 16[1]

Industrial production edged up an estimated 0.1 percent in August. Gains in output were sizable in defense and space equipment, construction supplies, nondurable consumer goods, and nondurable materials; however, auto, steel, and electricity production declined during the month. Revised data for the preceding two months indicate somewhat stronger industrial activity than did the earlier estimates. In particular, total industrial production for June was revised to no change (from -0.3 percent) and July output to a

1. Revised 1984 and 1985 annual levels for major groups can be found in table 2.10, p. A44. For more detailed series, revised 1985 annual levels and revised data for the past 12 months are contained in table 2.13, pp. A47–A48.

Ratio scale, 1977 = 100



All series are seasonally adjusted. Latest figures: August.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Aug. 1985 to Aug. 1986
	1986		1986					
	July	Aug.	Apr.	May	June	July	Aug.	
	Major market groups							
Total industrial production	**124.6**	**124.8**	**.8**	**-.4**	**.0**	**.3**	**.1**	**.3**
Products, total	132.9	133.3	1.1	-.2	-.1	.5	.4	1.0
Final products	131.7	132.2	1.2	-.4	-.5	.6	.4	.0
Consumer goods	124.8	125.1	2.2	-.2	.0	.5	.2	3.4
Durable	115.9	115.2	3.1	-1.8	.5	1.4	-.6	.6
Nondurable	128.1	128.7	1.9	.3	-.2	.2	.5	4.4
Business equipment	137.5	137.9	.6	-.5	-1.2	1.0	.3	-2.2
Defense and space	179.7	182.2	1.0	.0	.2	.8	1.4	5.1
Intermediate products	136.9	137.4	.9	.4	1.2	.1	.3	4.3
Construction supplies	124.2	125.1	.8	-.1	.5	.1	.6	3.9
Materials	113.3	113.1	.5	-.7	.2	.0	-.2	-.7
	Major industry groups							
Manufacturing	128.8	129.2	1.2	-.4	-.2	.6	.3	1.5
Durable	127.0	127.1	1.0	-.9	-.7	.7	.0	-.8
Nondurable	131.4	132.1	1.5	.2	.5	.6	.6	4.8
Mining	97.4	96.0	-1.9	-1.2	-.4	-2.0	-1.4	-11.2
Utilities	109.8	108.2	.1	-.8	1.7	-.6	-1.5	-1.7

NOTE. Indexes are seasonally adjusted.

small rise (from -0.1 percent). At 124.8 percent of the 1977 average, production in August was 0.3 percent higher than it was a year earlier and down 1.1 percent from January.

In market groups, output of consumer goods rose 0.2 percent in August. Although autos were assembled at an annual rate of 7.0 million units—down about 8 percent from the rate of 7.6 million units in July—increased truck production moderated the effect of reduced auto output. Production of home goods—such as appliances and furniture—also advanced in August. Nondurable consumer goods increased 0.5 percent, reflecting gains in consumer fuels, chemical products, and foods. Output of business equipment gained 0.3 percent, owing to increases in transit equipment—largely trucks and aircraft—and in commercial equipment. Production of defense and space equipment advanced sharply in August and is currently about 5 percent higher than it was a year earlier. Output of supplies for construction and business continued to increase. Output of materials, however, declined during the month, reflecting lower metals output (mainly steel), which was related to strike activity, less electricity generation, and reduced output of parts for consumer durables, especially autos. Within materials many nondurable industries evidenced sizable increases in output.

In industry groups, manufacturing output increased 0.3 percent in August following a revised gain of 0.6 percent in July. All of the August gain was due to increased production of nondurables—in particular, chemicals, petroleum products, and textiles. But mining output was curtailed further, with reductions in all major industries with the exception of oil and gas well drilling, which posted a small gain in August following declines since July 1985. Production at utilities declined an estimated 1.5 percent, mainly because of a drop in electricity generation related to cooler weather in August.

Revised indexes

As part of the Federal Reserve's ongoing review of its statistical series, the indexes of industrial production have been revised beginning with January 1984.

The revision of the indexes for 1984 and 1985 affects the series primarily through the incorporation of information not available at the time the indexes were originally estimated. In the present revision, unlike the 1985 general revision, no major modifications were introduced; in particular, the reference year, the weights, and the groups of the index have remained unchanged. The present revision, besides incorporating data previously not available, reflects the updating of the seasonal adjustment factors for the entire index, including its groups and the basic series; these factors are now calculated with the use of data through December 1985. The production adjustment factors applied to the indexes were updated as well.

The revised data indicate slightly less growth in the total index of industrial production than previously estimated: a rise of 11.2 percent in 1984, instead of 11.5 percent, and an increase of 2.0 percent during 1985, instead of 2.2 percent. The cumulative effect is to lower the level of the total index in December 1985 0.6 percent.

Indexes for most industry and market groups also were revised downward slightly. In three market categories—business equipment, defense and space equipment, and energy materials—1985 annual output levels were revised downward 1 percent or more; the level of output in nondurable materials was revised upward slightly for 1984. Among the major industry groups, downward revisions of total manufacturing output for both 1984 and 1985 were about one-half of 1 percent; the level of mining output was slightly increased for 1984 but decreased for 1985; and the level of utility production was revised downward 0.2 percent and 1.3 percent in 1984 and 1985 respectively.

The revisions of the data between January and July 1986 reflect, in part, the revisions undertaken for 1984 and 1985 as well as the receipt of new information for 1986. Unlike the revisions for 1984 and 1985, which show slightly less growth for those years, the revisions for the first seven months of 1986 indicate somewhat stronger industrial activity than that estimated previously: a cumulative decline of 1.1 percent for the period, instead of 2.1 percent. The overall level of industrial output for July 1986—at 124.6 percent of the 1977 average—was slightly higher than that published earlier (124.1).

Statement to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, September 24, 1986.

You have raised with me a number of important questions concerning the state of the world economy, and particularly the U.S. trade position and our increasing international indebtedness. There are, indeed, serious problems in these areas that, left untended, would pose great dangers both for us and for our trading partners. At the same time, our responses, and those of other countries, need to be well considered as well as forcible—well considered in terms of their consistency with sustainable world growth, a greater degree of international financial stability, and a trading order able to support that growth.

The burden of my comments today is that much of the groundwork has been, or is being, laid for such an approach. I realize that the results so far are uneven. Frustrations abound, here and abroad. Margins for error have been pretty well exhausted. But I also sense a wider appreciation of those risks, a larger degree of consensus on the directions we must take in economic policy here and abroad, and greater willingness to explore and perhaps deal with some of the longer-term "systemic" issues.

The most striking reflection of the strains in the world economy is the enormous imbalance in our trade accounts and the counterpart surpluses of some countries abroad. When I appeared before this subcommittee in April 1984, our trade and current account deficits were already big and getting bigger—running about $110 billion. Two years later, in the second quarter of 1986, those deficits approached $150 billion.

I emphasized in that earlier appearance that those external deficits were related to more fundamental factors—relative rates of economic growth, the size of our budget deficit, exchange rates, and the international debt crisis.

Those factors remained adverse for some time longer. As a result, there are still no clear signs that the trade deficit is declining, and we have continued to see marked instability in exchange rates and strong protectionist pressures. But I also believe that prospects are now more hopeful. Some basic corrective forces have been put in place, and others are receiving more attention. As a result, we have the clear opportunity for a more favorable conjuncture of policies and results.

Certainly, industrialized countries generally—and many developing countries as well—have made considerable progress toward restoring a greater sense of price stability, one prerequisite for sustaining economic growth and greater interest rate and financial stability. Current exchange rate relationships place our industry in a far better competitive position among the industrial countries than it has been for some years; I see no need for further adjustments on anything like the scale or speed of the past 18 months. You and your colleagues now appear to be dealing with the budget deficit more forcibly—an approach that, if carried through, will reduce our dependence on foreign capital and provide protection against a resurgence of inflation. Moreover, there have been some signs in some major foreign countries recently, most notably Germany, of a resurgence of domestic demand after a considerable period of sluggishness. There appears to be growing recognition of the crucial importance of sustaining that demand.

THE TRADE ACCOUNTS—PROBLEMS AND PROSPECTS

In 1980, the United States had a small trade deficit and the current account—benefiting from earnings from our net overseas investment—was in virtual balance. Since then, the value of imports, other than oil, has almost doubled. Total imports are running at some $360 billion, despite large declines in the oil import bill.

In contrast, the total value of U.S. merchandise exports has been little changed on balance during the 1980s, running currently at about $220 billion, or only about 60 percent of our imports. An actual decline of more than a third in exports of agricultural products has been only partially offset by a rise in the dollar value of exports of manufactured goods, which must make up the bulk of our export sales. In volume terms, total exports have actually declined a bit—about 3 percent—since 1980.

That swing in our trade accounts is one reason—the most important reason—that domestic manufacturing activity has been sluggish during much of the current period of economic expansion. It is also a factor restraining the willingness of manufacturers to invest for future expansion.

At the same time, the surplus we have traditionally run on services and other current account items has virtually disappeared, reflecting primarily the growing amounts of interest paid on our increasingly heavy overseas indebtedness. Borrowing abroad is, of course, a necessary counterpart of a current account deficit. But we have been dependent on foreign borrowing in another sense as well; it has had the practical effect of largely offsetting the huge demands on our money and capital markets from the budget deficit. Convenient as that borrowing has been, however, that process is not sustainable indefinitely.

We are now by far the world's largest debtor country, and even under favorable circumstances that net indebtedness will increase substantially further in the years ahead. Of course, our external debt, relative to our GNP, is still rather modest. Nonetheless the trend is disturbing.

Over time, interest on that debt will have to be paid, implying the need for relatively more exports and fewer imports. Unless the foreign funds have, directly or indirectly, been employed in building productive investment, the implications for growth in American living standards are adverse. Unfortunately, given our budget deficit, savings patterns, and the trend of plant and equipment spending, the evidence suggests that most of the funds available from abroad have indirectly supported consumption rather than adding much to our productivity or productive capacity.

That is a long-term consideration. In the more immediate future, the relevant question is whether foreigners will remain so willing to employ so large a fraction of their own savings in our markets. The question could become more pointed if, and as, their own economies expand more rapidly, as we would like to see.

In that respect, much turns on confidence—confidence that the United States will, in fact, sustain growth without reigniting inflation; that the dollar will tend to stabilize in the exchange markets; and that, over time, our trade balance will decline, reducing our need for overseas financing.

There are, of course, strong domestic reasons why a reduction in our trade deficit is essential. For a time, it could be argued that the rising level of imports and accompanying capital flows brought *short-term* benefits to most Americans. We could enjoy relatively cheap and high quality imports; intense competition helped stabilize the domestic price level; and the ready availability of funds from abroad meant that we could finance the federal deficit at lower interest rates than would have otherwise been possible. But the process also squeezed our industrial base, severely affecting a number of industries and workers.

The strains are now showing economically and politically. Indeed, prospects for continuation of the economic expansion through 1987 and beyond are heavily dependent on an improved trade balance. The relevant question is how to achieve that result, consistent with our growth and stability and that of the world at large.

Toward a Constructive Solution

No single measure, here or abroad, is likely by itself to restore a better balance in our trade position without damaging other important objectives, including prospects for world growth. That is particularly true of a scatter-gun approach toward protectionism.

I well understand, at a time of stress in important regions of the country and particularly in the light of evidence of restrictive practices by others, the temptations to move in that direction. But I hope we are fully aware of the risks. The results now would be no better than in the 1930s; then, one protectionist measure bred others, and world trade and economic activity were depressed together.

We preach to Latin America and others the need to find solutions to their problems in the context of an open trading system, and in the efficiencies and productivity that fosters. But of course that will not work unless our market *and others* are open to them. And the lesson of the benefits of a liberal trading order is equally applicable to all of us.

Our effort, instead of retreat, must be directed toward opening other markets, and toward assuring that trade can proceed on fair and reciprocal terms. In the broadest sense, that effort is, of course, what drove our negotiating efforts at Punta del Este, as we and others worked to launch a new round of General Agreement on Tariffs and Trade (GATT) negotiations. Strengthening the agreed set of international trading rules is essential to provide a fair and more comprehensive framework for the conduct of international business. It is part of a constructive response to protectionist pressures.

I realize that that strengthening is the work of years. More can and should be done to deal, case by case, with particular problems with particular trading partners in the nearer term. You are familiar with those efforts—with both the successes and the frustrations. But I know of no other way of proceeding without damaging our fundamental objectives.

In terms of achieving decided improvement in our trade balance, other approaches will, in any event, be quantitatively far more important. One of those approaches is to maintain a value for our currency vis-à-vis other industrial countries that permits our companies to compete effectively. Judgments in this area are always difficult and results are the acid test. However, in contrast to the situation 18 months ago, and assuming growing markets are open to us, my sense is that we are, for now, reasonably close to an appropriate adjustment in that area. Whether that will remain a fair judgment is, of course, dependent heavily on prospects for enhancing productivity in industry and maintaining reasonable price stability.

I realize that, even with the dollar more than 30 percent below its average level in early 1985 (and about 40 percent lower in terms of the Japanese yen and the West German mark), our overall trade balance has yet to improve. That is not entirely surprising. We are still experiencing some of the lagged effects of the extraordinary strength of the dollar earlier. Many of those exporting to us have been willing to reduce previously wide profit margins, or for a time to forgo profits for market share. Some U.S. industries operating at a relatively high level, and reluctant to expand capacity, have raised their own prices as the exchange rate has fallen. Moreover, when prices of imports rise, so for a time will the total import bill, widening the trade deficit until competitive adjustments are made.

More broadly, we need to recognize that exchange rate changes *alone* will not assure the lasting competitiveness of our industry or the large shift of resources necessary here and abroad to restore better balance to the world economy. Indeed, without support of other policies, exchange rate changes can be counterproductive in important respects—inflationary in the United States and a restraint on demand and economic activity abroad.

Fortunately, the sharp decline in oil prices has, until now, more than offset the effects of the declining dollar exchange rates on producer and consumer prices in the United States. The countries with the greatest exchange rate appreciation—Japan and Germany—have experienced a leveling or even a decline in the volume of exports and some increase in imports, as they inevitably must if their trade surpluses are to decline.

Looking ahead, the relevant question is whether the large shift in resources implicit in reducing our trade deficit, and the surpluses of others, can be accomplished in a framework of noninflationary growth, here and abroad. It is that underlying question that seems to me to lie behind so much of the active trans-Atlantic and trans-Pacific economic dialogue in recent months—a question that sometimes seems to be obscured, rather than enlightened, by focus on the timing or wisdom of particular policy measures, fiscal or monetary, by one country or another.

The basic point is that the adjustments required, by their nature, must be two-sided. The United States, if it is to reduce its trade deficit substantially, must be prepared, *in relative terms,* to reduce the rate of growth in domestic consumption in favor of the external sector and investment. At the same time, we will have to be prepared to rely less on capital inflows to finance domestic needs. For other countries, with excessively large trading surpluses, the opposite must be true—relatively stronger growth in domestic demand and consumption and more fully utilized domestic savings as their trade balances decline.

The clear implication is that broadly complementary approaches are necessary in the common interest. For the United States, orderly reduction in the budget deficit remains a key, and the external sector (and manufacturing activity) should provide more of the impetus to growth. For other countries some appropriate mix of monetary, fiscal, and other policies to sustain and enhance domestic demand are required *if* their trade surpluses are to decline in a context of healthy world growth.

While international consultations and discussions can help clarify these issues, decisions on the precise nature and timing of particular fiscal or monetary measures naturally will remain within the province of national governments, subject to their individual analyses of economic developments and outlook. Sometimes, coordination of particular actions—such as monetary policy decisions—may indeed be important to avoid unwanted effects on exchange markets or financial markets generally. But what is far more critical than the precise timing of particular measures is achieving a realistic understanding of the interactions among national economies, and acting upon that understanding to maintain the momentum of noninflationary growth.

The most recent developments are reasonably encouraging. As I noted earlier, we do appear to be making some progress toward reducing our budget deficit, even if all the optimistic assumptions underlying the program now under congressional debate are not borne out. Economic activity—and particularly domestic demand—turned stronger in the spring and summer in Germany, and to a lesser extent in Japan, following substantial sluggishness.

I realize that questions are raised about the "staying power" of those changes, here and abroad. That is why it is so important that there be full understanding among governments of what is at stake and of the need for continuing appraisals of progress and the possible need for complementary actions. As you know, the Economic Summit at Tokyo last spring strongly emphasized the need for maintaining close contacts among economic officials, for close review of economic indicators, and for mutual assessment of the outlook. The series of meetings before the annual sessions of the governors of the IMF and the World Bank next week will provide ample opportunity to further that effort.

The Heavily Indebted Developing Countries

Those meetings will also devote a lot of attention to the continuing problems of many countries in Latin America and elsewhere burdened with heavy debt as they work to restore greater growth and stability. Plainly, those problems will to some extent be with us for some time—warning enough of the wisdom of seeking solutions to our own "adjustment" problem before it reaches crisis proportions. The evident fact that large difficulties remain should not, however, obscure the very real progress that has been made.

Indeed, for most of the indebted countries the necessary *external* adjustment has already been substantially achieved. Taken as a group, the 15 heavily indebted countries more or less arbitrarily associated with the so-called "Baker Plan" were in rough current account balance in 1984 and 1985. In 1981 and 1982, in contrast, they had an aggregate deficit of about $50 billion. In other words, the collective trade surpluses of those countries rose to the point that they offset interest payments on outstanding debt. Interest payments themselves, reflecting developments in world financial markets, are now moving lower.

To be sure, that effort for a time was accompanied by sharply lower imports, recession, and lower standards of living. Moreover, for about two years, there has been little new *net* lending to those countries by the world's commercial banking system. As we look ahead, those circumstances need to change. Ultimately, the debt burdens can be carried only in the context of healthy growth, which, in turn, implies more investment and imports. For most of the indebted countries, some margin of funds will be required from abroad to meet those needs although not nearly so much as during most of the 1970s and early 1980s.

Fortunately, there are encouraging signs of progress in those directions. A number of the heavily indebted countries are now growing again, in some cases with vigor. That is true in the case of the largest single debtor country, Brazil. Helped by the reduction in world interest rates, external interest burdens are being reduced appreciably in some countries relative to exports or other measures of capacity to pay. A number of Latin American countries have also taken striking initiatives toward dealing with chronic inflationary problems.

Potentially of equal importance, considerable if uneven progress has been made toward liberalizing the economic structures of borrowing countries in ways that should encourage more growth and productivity over time, in the process justifying new equity investment and some lending by international institutions and banks. That progress has been particularly evident with respect to the trade sectors of a number of countries.

The main motivation clearly is to improve the efficiency and competitiveness of their own export industries. However, the result should certainly be to enhance opportunities for exports from the United States and other industrial countries. A more favorable attitude toward private investment, both by their own citizens and by foreigners, is another indication of a generally more outward-looking, market-oriented approach.

It would be too much to claim that this progress is uniform or yet firmly ingrained in economic or political structures. But against the very different pattern of the past—a pattern extending over decades of inward looking efforts at self-sufficiency and strong state control of industry—the sense of change is impressive. I believe it is deeply in those countries' interest, and ours, to see that process continue and mature, for it will ultimately provide the basis for renewed prosperity, higher living standards, and greater political stability. To achieve that end, it is also evident that much will depend upon the cooperation of creditor banks and governments in supporting effective economic programs, sustaining a reasonably favorable world economic climate, and maintenance of open markets.

The sharp decline in oil prices earlier this year threatened to set back the entire effort. To be sure, pressures on some countries were moderated by lower oil prices. But that same development had an enormous adverse impact on major oil exporters such as Mexico, Venezuela, Ecuador, and Nigeria. At the low oil prices reached this summer, for instance, Mexico would lose more than a third of its total 1985 exports, perhaps a fifth of its government revenues, and the equivalent of more than 5 percent of its gross national product. With the exception of Venezuela, there was no large cushion of external reserves to buffer the shock.

Inevitably, that situation has posed a severe new challenge to all the parties concerned. Mexico, Nigeria, and Ecuador have each responded with strong new efforts to deal with budgetary deficits, to improve efficiency, and to promote longer-run efficiency and longer-run adjustment.

In the case of Mexico, the basic orientation is symbolized by a long-debated decision to join GATT. In that spirit, import restrictions are being rationalized and liberalized, some state-owned enterprises are being made available for sale (or, if too inefficient, shut down), subsidies are being reduced and eliminated, and procedures for approving foreign investment are being eased.

The IMF is supporting those efforts. It has agreed in its own lending program to imaginative new approaches to help assure growth and guard against further adverse oil contingencies. The World Bank is ready to provide sizable new credits to assist sectoral and structural adjustment, with appropriate monitoring of progress. At the same time, significantly larger financial resources than anticipated earlier for Mexico will have to be marshalled from both official and banking sources abroad to help ease the transition, to maintain continuity in debt service, and to provide a solid base for renewed growth.

That combination of adjustment, structural change, and appropriate financing in support of renewed growth is the essence of the approach set out by Secretary Baker at Seoul last year.

What remains to be done in the case of Mexico is completing financial agreements with commercial bank creditors both to restructure outstanding debt at acceptable terms and to provide the needed margin of new credits, comparable in total to those supplied by official sources.

The net amount to be made available by commercial banks through the end of next year would run to a little less than 7 percent of outstanding loans. That is a sizable amount, but it should be kept in perspective. It is so large only because of the size of the decline in oil prices—a decline that has reduced expected financing needs of some other countries. Looking back, commercial banks' claims on Mexico appear not to have increased significantly for more than two years. Taking Latin America as a whole, present indications are that lending volumes, taking one year with another, both for official and commercial bank lenders, should remain generally within the amounts foreseen by Secretary Baker a year ago.

Moreover, taking the entire period since mid-1982, there has been a striking decline in the exposure of American banks to the heavily indebted countries of Latin America *relative* to their capital. That ratio for all significant lending banks fell from about 120 percent of bank capital to less than 75 percent at the end of March 1986, a decline of 40 percent. Those exposures are actually considerably less than in 1977 when the data were first collected.

Success in dealing with the debt problem in Mexico, as elsewhere, remains totally dependent upon a strong sense of interdependence and commitment by borrowing countries, commercial bank lenders, international institutions, and governments. Each of the parties has a lot at stake. The debtor countries plainly both want to maintain their creditworthiness and to restore growth and stability—and those objectives are closely related. Major commercial banks remain heavily exposed and want borrowers to be able to service their debts. Governments and international institutions, like the borrowers and private lenders, have a strong interest in international financial order, in expanding markets, and in reduced imbalances. And, of course, relationships beyond the purely economic are at stake, for the United States most of all.

That sense of mutual interest is being strongly tested once again, under the pressure of oil prices that few had anticipated. But after months of delay, substantial progress is now being made, not only in Mexico but elsewhere. Obviously, the job is not complete, and time is short. But I know of no other workable approach to meet the basic objectives. And all of the parties—borrowers or lenders—have an enormous interest in the success of the whole. Moreover, success in the Mexican effort—now at the crucial stage—will set a most promising example for dealing with the needs of other countries.

Among the beneficiaries of renewed growth in Latin America should be the U.S. trade position. Traditionally, we had a sizable surplus in manufactured goods with Latin America, and a small surplus overall. Those surpluses fell away in the 1980s as the United States absorbed the brunt of the necessary adjustments in the trade position of the borrowers. But now, Latin American imports should resume growth more or less in line with their exports, and, with adequate financing, probably faster. Latin America is a natural market for us. With a more competitive dollar, our exports are in a position to gain both absolutely and relatively.

An Interdependent World

It has become a cliché to refer to the interdependence of national economies in the world today. But cliché or not, it is a reality, and our policies—those of the United States and other countries—must recognize that reality.

The range of considerations and policies that I have touched upon today illustrates the point:

- The United States must continue to work toward reducing the federal budget deficit.
- We must keep inflation under control, partly to preserve the competitiveness of U.S. goods but also to contribute to the greater stability of exchange rates and prices in markets generally.
- Other industrial countries must ensure adequate growth of domestic demand as their external trade surpluses shrink.
- Developing countries need to work forcibly and effectively to improve their economic efficiency and stability.
- International financial institutions and commercial bank creditors need to support those efforts.
- All countries must resist protectionist pressures.

If all these things are done reasonably well, then the outlook for sustained and more balanced growth in the world economy for the period immediately ahead is good. If we can go still further, and incorporate some of the lessons of the past into more coherent and effective trading and monetary systems, then we will have greatly enhanced the prospects for sustaining good performance in the more distant future. That is the challenge for the years ahead. □

Announcements

Meeting of Consumer Advisory Council

The Federal Reserve Board announced that its Consumer Advisory Council met on October 8 and 9, in sessions open to the public.

The Council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Informal Hearing Held on Proposed Investment in Goldman, Sachs & Company

The Federal Reserve Board announced that on Friday, October 10, 1986, an informal hearing was held concerning the proposed $500 million nonvoting limited partnership investment by The Sumitomo Bank, Ltd., Osaka, Japan, in Goldman, Sachs & Company, New York, New York.

In view of the broad public interest in the investment and its significance for the administration of the Bank Holding Company Act and the Glass–Steagall Act, it was believed important for the Board to have the benefit of public comment. The hearing received comments of interested persons on the public policy and legal issues raised by the proposed investment, focusing on whether that investment is consistent with the Bank Holding Company Act and the Glass–Steagall Act. Among other points, the hearing elicited testimony on whether Sumitomo will acquire the ability to exercise a controlling influence over the management and policies of Goldman Sachs within the meaning of the Bank Holding Company Act.

Proposed Action

The Federal Reserve Board issued for public comment a proposal to modify the method of recovering the cost of automated clearinghouse (ACH) float and to establish a night-cycle surcharge to compensate for the higher operating costs during this time. Comment is requested by November 21.

System Membership: Admission of State Banks

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

California
Encino .... Bank of Encino
Colorado
Englewood .... Professional Bank of Colorado
Delaware
Wilmington .... First Pennsylvania Bank (Delaware)
Florida
Keystone Heights .... Merchants & Southern Bank of Clay County

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON AUGUST 19, 1986

Domestic Policy Directive

The information reviewed at this meeting indicated an uneven pattern of developments in different sectors of the economy but suggested on balance that economic activity was expanding at a moderate pace in the current quarter. Consumer spending and housing activity have been relatively robust, while business investment has remained sluggish and the trade balance does not appear to have improved. On average, prices and wages have risen more slowly this year than in 1985, although fluctuations in energy costs have resulted in some month-to-month volatility.

Total nonfarm payroll employment grew strongly in July, rising nearly ¼ million after adjustment for strikes, well above the average monthly gains during the first half of the year. Hiring was up in construction and remained robust in the trade and service sectors. However, manufacturing employment registered another drop, bringing the cumulative decline since January to 175,000. The civilian unemployment rate declined 0.2 percentage point to 6.9 percent, toward the lower end of the range that has prevailed over the past year.

The index of industrial production edged down 0.1 percent in July after declining 0.3 percent in June. Since reaching its most recent peak in January, the index has dropped about 2 percent. Despite increased production in July in industries affected by the settlement of strikes, particularly the communication equipment industry, output has remained generally sluggish. Weakness has persisted in the output of business equipment and consumer goods, although the direct effects of declines in petroleum drilling are beginning to wane; automobile assemblies were down 400,000 in July, but the decline was largely offset by gains in the production of light trucks. Capacity utilization in manufacturing, mining, and utilities decreased 0.2 percentage point further in July to 78.2 percent; during the past six months the overall rate of capacity utilization has fallen 2.6 percentage points.

Total retail sales were about unchanged in June and July; however, excluding automobiles, gasoline, and nonconsumption items, retail sales increased 0.7 percent in July after an upward-revised increase of 0.4 percent in June. Sales remained particularly strong at furniture and appliance stores. Total car sales slipped to a 10.9 million unit annual rate in July, as a drop in sales of domestic models more than offset an increase in foreign car sales.

Residential construction activity has continued to expand, reflecting the rise in housing starts earlier in the year. However, the level of starts has tapered off recently from the exceptional pace of the early spring, reflecting in part high vacancy rates and tax law changes that have damped multifamily construction. In June, total private starts were at an annual rate of 1¾ million units. Sales of single-family homes also weakened in May and June, but from a very high April peak.

Business fixed investment apparently remained sluggish with the weakness concentrated in nonresidential structures. The sharp curtailment of petroleum drilling contributed to a further decline in the nonresidential structures component, although commercial and industrial construction also fell. Moreover, new commitments for nonresidential construction have fallen sharply since late last year, suggesting that outlays may retreat further during the third quarter. In contrast to structures, outlays for equipment rose markedly in the second quarter, led by a rebound in office and computer equipment; however, this gain only partly reversed a sharp decline in the first quarter. New orders for nondefense capital goods fell for three consecutive months before posting a small gain in June. Inventory data for the second quarter, though incomplete, suggested a marked slowdown in the rate of accumulation, as auto dealers pared stocks slightly after two quarters of rapid accumulation.

Wage increases appear to have slowed further this year, and, except for a June rebound in consumer energy prices, recent price data have reflected continued restraint through midyear. The producer price index fell 0.4 percent in July, and the consumer price index excluding energy was up 0.2 percent in June. For the second quarter as a whole, the CPI excluding energy rose at an annual rate of about 3 percent, down almost a full percentage point from the first quarter. In the commodity markets, the price of crude oil on spot markets fell through much of July, but then rose sharply following an accord by OPEC to restrain productior At the same time, livestock and poultry prices have moved higher while gold and platinum prices have soared, apparently largely reflecting expectations of reduced supplies.

Since the July FOMC meeting, the weighted-average foreign exchange value of the dollar declined a further 3½ percent on balance; the dollar depreciated almost 5½ percent against the mark and somewhat less against the yen. The reduction in the discount rate by the Federal Reserve announced on July 10 and the failure of other central banks to follow apparently contributed to the dollar's weakness. Short-term interest rates abroad were little changed during the intermeeting period while comparable U.S. rates declined about ⅓ of 1 percentage point. The differentials between long-term interest rates in the United States and comparable rates in Germany and Japan were about unchanged on balance. The U.S. merchandise trade deficit in the second quarter appeared unchanged from the first quarter. The value of oil imports continued to fall, while that of non-oil imports rose further. About one-half of the increase in the value of non-oil imports apparently reflected rising import prices.

At its meeting on July 8–9, the Committee adopted a directive that called for decreasing somewhat the existing degree of pressure on reserve positions, taking account of the possibility of a change in the discount rate. The members expected such an approach to policy to be consistent with growth in M2 and M3 over the period from June to September at annual rates of 7 to 9 percent. Over the same period growth in M1 was expected to moderate from the rapid pace in the second quarter. The Committee agreed that it would continue to evaluate M1 in light of the broader aggregates and other factors. The members also acknowledged that somewhat greater or lesser reserve restraint might be acceptable depending on the behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The intermeeting range for the federal funds rate was reduced 1 percentage point to 4 to 8 percent.

An easing in reserve conditions was implemented shortly after the July meeting through a ½ point reduction in the discount rate to 6 percent. In the two complete reserve maintenance periods since the meeting, adjustment plus seasonal borrowing at the discount window averaged just under $400 million, somewhat higher than in the previous intermeeting period. A portion of this borrowing, however, reflected adjustment credit to depository institutions facing special situations. Incoming data during the intermeeting period indicated that growth of all of the monetary aggregates accelerated in July. M2 and M3 were estimated to have expanded at annual rates of 12¾ and 13 percent respectively. The rapid growth in the broader aggregates pushed them into the upper portions of their ranges for 1986. At the same time growth in M1 in July was close to the extraordinary pace of the second quarter.

Federal funds generally traded in the 6¼ to 6⅜ percent area after the ½ percentage point cut in the discount rate announced on July 10, down from the 6⅞ percent rate prevailing at the time of the July meeting. With the reduction in the discount rate widely anticipated, however, other interest rates generally did not post comparable declines. While rates on short-term securities have fallen 25 to 50 basis points over the intermeeting period, yields in the longer-term markets have been about unchanged to only slightly lower on balance. The recent behavior of longer-term interest rates has reflected in part uncertainty about the prospects for further rate declines in light of the absence of policy actions abroad to reduce interest rates as well as a cautious interpretation of incoming economic and price news, including the possibility of some increase in inflationary pressures over time.

The staff projections presented at this meeting suggested that growth in real GNP likely would pick up somewhat in coming months. Growth was forecast to continue at a moderate pace in 1987. A projected improvement in the U.S. trade position was anticipated to be a key element supporting growth in domestic production over the next year and a half. Over the same time period, growth in domestic demand was expected to be relatively sluggish. The rate of inflation was anticipated to edge up in coming quarters, partly reflecting upward pressure on prices from the effects of the dollar's depreciation as well as the diminishing impact of oil price declines, which had served to hold down price indexes thus far in 1986. The civilian unemployment rate was forecast to drop somewhat over the projection horizon.

In the Committee's discussion of the economic situation and outlook, members focused considerable attention on the uncertain prospects for the nation's foreign trade deficit. They saw trade developments as a key element in the outlook for domestic business activity, and several commented that the business expansion might well remain relatively weak if the trade balance did not show significant improvement over the quarters ahead. The substantial depreciation of the dollar against major foreign currencies was still expected to foster a turnaround in net exports at some point, but the absence of progress to date could be read as auguring a muted as well as a further delayed response to the dollar's depreciation.

During the discussion, a number of members emphasized that improvement in the trade balance was being inhibited by relatively sluggish economic activity in several key industrial nations abroad. Other developments working in the same direction included the lack of dollar depreciation against the currencies of a number of developing countries that had important trading relationships with the United States, the severe debt problems of several less developed nations, and the competition in agricultural export markets stemming from large grain harvests in many parts of the world. On the more positive side, members referred to the apparently more favorable prospects for economic expansion in a major European country. Some members also commented that while improvement in the trade balance had been more delayed than many had expected, some historical experience in combination with current circumstances provided reasons for remaining optimistic that a substantial turnaround in trade would occur later, perhaps toward the end of this year or in early 1987.

The members differed to some extent in their assessment of domestic developments bearing on the economic outlook. While economic performance remained uneven in different sectors of the economy and parts of the country, overall consumer spending and the demand for housing were being well maintained in association with continuing gains in employment and incomes and reduced interest rates. One member observed that, given generally lean inventories outside the automobile industry, further gains in consumer spending were likely to stimulate increasing domestic production at some point. A number of members also referred to the relatively rapid growth in money balances as a factor that would tend to support business activity over the quarters ahead. On the negative side, rising consumer debt burdens were likely to restrain the expansion in consumer spending and business investment showed no evidence of an appreciable pickup.

The members recognized that a number of developments, in addition to the uncertainties surrounding the outlook for trade, were currently clouding economic prospects. These included the tax reform legislation whose overall impact was very difficult to predict, especially for the next several quarters, because of the very comprehensive and complex changes incorporated in the legislation. In the consumption area, for example, the loss of deductibility for sales taxes starting in 1987 and the phase-out of interest deductions on consumer debt might tend to restrain spending on consumer durables over time, but some members noted that it might also stimulate such spending over the balance of the year. The impact of the new legislation on business investment was especially hard to assess. It was suggested that on balance the impact might tend to be negative for some time, but many businessmen apparently saw the removal of uncertainties about the legislation as a positive development for the nearer term. Members also commented that the outlook for the federal budget deficit and its consequent impact on the economy remained unclear.

With regard to the prospects for inflation, the members generally were not concerned about a resurgence in the nearer term, but several expressed uneasiness about the longer-run outlook. Members referred to the inflationary implications of relatively rapid monetary growth, especially if it continued, and to the further impact of the dollar's depreciation on prices of imports and competing domestic products. In the latter connection one member observed that, despite relatively large inventories, domestic producers of automobiles were raising their prices in response to increases in the prices of competing imports. One member also expressed concern that the new tax reform legislation, to the extent that it shifted tax burdens to businesses, could put upward pressures on prices, at least initially. The favorable direct effects of large declines in oil prices now appeared to be in the past, and one member observed that commodity prices more generally might be poised for an upturn. Some members saw indications that inflationary expectations were starting to intensify, even though actual prices and wages generally were rising less rapidly this year than in 1985.

At its meeting in July the Committee had reviewed the basic policy objectives that it had established in February for growth of the monetary and credit aggregates in 1986 and had set tentative objectives for expansion in 1987. For the period from the fourth quarter of 1985 to the fourth quarter of 1986, the Committee had reaffirmed the ranges established in February for growth of 6 to 9 percent for both M2 and M3. The associated range for expansion in total domestic nonfinancial debt also was reaffirmed at 8 to 11 percent for 1986. With respect to M1, the Committee decided that growth in excess of the 3 to 8 percent range set in February would be acceptable and would be evaluated in the light of the behavior of M1 velocity, the expansion of the broader aggregates, developments in the economy and financial markets, and price pressures. For 1987 the Committee agreed on tentative monetary growth objectives that included a reduction of ½ percentage point to a range of 5½ to 8½ percent for both M2 and M3. In the case of M1 the Committee expressed the preliminary view that retention of the 1986 range of 3 to 8 percent, which implied a considerable reduction from the actual rate of growth that now seemed likely for 1986, appeared appropriate for 1987 in the light of most historical experience. The Committee also retained the range of 8 to 11 percent for growth in total domestic nonfinancial debt in 1987. It was understood that all the ranges were provisional and that, notably in the case of M1, they would be reviewed in early 1987 in the light of intervening developments.

In the Committee's discussion of policy implementation for the weeks immediately ahead, a number of members suggested that any further easing might be accomplished through a further ½ percentage point reduction in the discount rate, while open market operations would be directed toward maintaining an essentially unchanged degree of reserve availability. Some members expressed reservations about such a reduction, especially in the absence of indications that it would be followed fairly promptly by policy easing actions in major industrial nations abroad. In this view a unilateral decrease in the discount rate might foster substantial additional depreciation in the dollar, with adverse repercussions on investor willingness to hold dollars. Several members, however, saw a lesser risk to the dollar or one that needed to be accepted. Some wanted to reduce the risks of rapid dollar depreciation by a small increase in the degree of reserve pressure in the event of a reduction in the discount rate. Several other members indicated that they did not agree. While some firming should not be ruled out in their view, it should be made contingent on an adverse move in the exchange rate and other potential developments such as evidence of greater inflationary danger and stronger business activity. One member also commented that any increase in the degree of reserve pressure had to be weighed against the risk of triggering a rise in long-term interest rates; such a rise, if it occurred, would weaken the prospects for a pickup in the rate of economic expansion.

In further discussion, Committee members expressed some concern about the continuation of rapid growth in the monetary aggregates and the implications of such growth for potential inflation later. The members recognized that much of the rapid growth, especially in M1, probably reflected increasing demands for liquid assets in response to declining interest rates and subsiding inflation rather than excessive money creation with potentially inflationary consequences. They also felt that M1 growth should continue to be evaluated in the context of a relatively sluggish economy and in light of the expansion in the broader aggregates. While a sluggish economic performance would dampen inflationary risks, continuing growth in M2 and M3 at the relatively rapid rates experienced recently might be a matter of growing concern, especially if such expansion tended to coincide with indications of stronger business activity.

In their evaluation of the outlook for monetary growth, the members took into account an analysis, which indicated that much slower expansion, especially in the broader aggregates, was likely to develop over the next few months if short-term interest rates stayed around their current levels. On the other hand, monetary growth might remain relatively rapid over the period ahead if short-term rates were to drop somewhat further. The members recognized that the timing and extent of any slowing in monetary growth remained subject to a great deal of uncertainty.

In the discussion of possible intermeeting adjustments in the degree of reserve pressure, the members agreed that a degree of flexibility would be useful, taking into consideration whether or not the discount rate was reduced and subsequent developments in domestic financial markets and especially in foreign exchange markets. If the discount rate were not reduced, a slight easing in pressure on reserve positions might be appropriate. Alternatively, if the discount rate were reduced and the reduction was followed by a substantial weakening of the dollar in foreign exchange markets, a little greater caution in the provision of reserves through open market operations would be appropriate. In keeping with the Committee's usual practice, consideration also would need to be given to ongoing economic and financial developments and the growth of the monetary aggregates. Such developments might warrant an adjustment in either direction.

At the conclusion of the Committee's discussion, all but two members indicated that they favored or could accept a directive that called for some slight easing in the degree of reserve pressure, taking account of the possibility that such easing might be accomplished through a reduction in the discount rate. The members expected this approach to policy implementation to be consistent with growth in M2 and M3 at annual rates of about 7 to 9 percent over the June-to-September period. Over the same interval, growth in M1 was expected to moderate from the exceptionally large increase during the second quarter. With the prospective behavior of M1 remaining subject to unusual uncertainty, the Committee again decided not to specify a rate of expected growth in the operational paragraph of the directive but to continue to evaluate this aggregate in the light of the performance of the broader aggregates and other factors. The Committee indicated that it might find somewhat greater or somewhat lesser reserve restraint acceptable over the intermeeting period depending on the decision with respect to the discount rate and on such other factors as the behavior of the monetary aggregates, the strength of the business expansion, the performance of the dollar in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

At the conclusion of the meeting, the following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting indicates a mixed pattern of developments but suggests on balance that economic activity is expanding moderately in the current quarter. In July total nonfarm payroll employment grew strongly, boosted in part by the return of striking workers. However, continued weakness in the industrial sector was reflected in further declines in employment in manufacturing and mining. The civilian unemployment rate moved down to 6.9 percent from 7.1 percent in June. Industrial production declined slightly further in July. The nominal value of total retail sales was about unchanged during the month, as sales of new autos declined somewhat but spending on other consumer goods remained strong. Housing starts fell somewhat in May and June from a relatively high level earlier in the year. Business capital spending appears to have remained weak, partly reflecting continuing declines in the energy sector. While fluctuations in energy prices have caused some month-to-month volatility, on average prices and wages are rising more slowly this year than in 1985.

The trade-weighted value of the dollar against major foreign currencies has continued to decline since the July 8–9 meeting of the Committee. The U.S. merchandise trade deficit in the second quarter appears to have been about unchanged from the first quarter. The value of total exports and of total imports remained about the same in the two quarters, although the value of oil imports continued to fall in the second quarter while that of non-oil imports rose further.

Growth of M2 and especially of M3 picked up in July, lifting expansion of these two aggregates for the year through July well into the upper portion of their respective ranges established by the Committee for 1986. In July M1 continued to grow at a rate close to the very rapid pace of the second quarter. Expansion in total domestic nonfinancial debt remains appreciably above the Committee's monitoring range for 1986. Short-term interest rates have declined somewhat since the July meeting of the Committee, while most long-term interest rates are about unchanged to slightly lower on balance. On July 10, the Federal Reserve Board approved a reduction in the discount rate from 6½ to 6 percent.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, 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 the July meeting to reaffirm the ranges established in February for growth of 6 to 9 percent for both M2 and M3, measured from the fourth quarter of 1985 to the fourth quarter of 1986. With respect to M1, the Committee recognized that, based on the experience of recent years, the behavior of that aggregate is subject to substantial uncertainties in relation to economic activity and prices, depending among other things on the responsiveness of M1 growth to changes in interest rates. In light of these uncertainties and of the substantial decline in velocity in the first half of the year, the Committee decided that growth of M1 in excess of the previously established 3 to 8 percent range for 1986 would be acceptable. Acceptable growth of M1 over the remainder of the year will depend on the behavior of velocity, growth in the other monetary aggregates, developments in the economy and financial markets, and price pressures. Given its rapid growth in the early part of the year, the Committee recognized that the increase in total domestic nonfinancial debt in 1986 may exceed its monitoring range of 8 to 11 percent, but felt an increase in that range would provide an inappropriate benchmark for evaluating longer-term trends in that aggregate.

For 1987 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1986 to the fourth quarter of 1987, of 5½ to 8½ percent for M2 and M3. While a range of 3 to 8 percent for M1 in 1987 would appear appropriate in the light of most historical experience, the Committee recognized that the exceptional uncertainties surrounding the behavior of M1 velocity over the more recent period would require careful appraisal of the target range at the beginning of 1987. The associated range for growth in total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1987.

In the implementation of policy for the immediate future, the Committee seeks to decrease slightly the existing degree of pressure on reserve positions, taking account of the possibility of a change in the discount rate. This action is expected to be consistent with growth in M2 and M3 over the period from June to September at annual rates of about 7 to 9 percent. While growth in M1 is expected to moderate from the exceptionally large increase during the second quarter, that growth will continue to be judged in the light of the behavior of M2 and M3 and other factors. Somewhat greater or lesser reserve restraint might be acceptable depending on the behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Guffey, Heller, Mrs. Horn, Messrs. Johnson, Morris, Rice, and Ms. Seger. Votes against this action: Messrs. Melzer and Wallich. Absent and not voting: None.

Messrs. Melzer and Wallich were in favor of maintaining the existing degree of reserve pressure. Mr. Melzer continued to be concerned about the impact of further easing on inflationary expectations and the value of the dollar in foreign exchange markets. In addition, he noted that during the intermeeting period the outlook for real economic activity in the second half of 1986 and in 1987 had not deteriorated and perhaps even had improved slightly. Mr. Wallich emphasized that the implementation of unchanged reserve conditions would improve the prospects for significant slowing in monetary growth, thereby reducing the potential for inflation.

Legal Developments

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT, BANK MERGER ACT, BANK SERVICE CORPORATION ACT, AND FEDERAL RESERVE ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Dominion Bankshares Corporation Roanoke, Virginia

Order Approving Acquisition of Bank

Dominion Bankshares Corporation, Roanoke, Virginia, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHC Act" or "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 National Bank of Commerce, Washington, D.C. ("Bank").

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

Applicant is the third largest commercial banking organization in Virginia, controlling total domestic deposits of approximately $3.6 billion, representing 11.2 percent of total deposits in commercial banks in Virginia.[1] Bank is the 12th largest commercial bank in the District of Columbia (the "District"), controlling aggregate domestic deposits of approximately $66.2 million, representing 0.7 percent of the total deposits in commercial banks in the District.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[2] unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." The statute laws of the District authorize the acquisition of a bank in the District by a bank holding company that controls a bank located in another state in a defined southeastern region, including Virginia.[3] Such acquisitions are permitted if the laws of the acquiring institution's home state permit the acquisition of a bank in that state by a District bank holding company or bank on a reciprocal basis. Virginia has enacted a similar reciprocal statute,[4] which permits the acquisition of a Virginia bank by a bank holding company located in the District.

The Council of the District enacted legislation on February 25, 1986, setting forth its findings that the proposed acquisition satisfies all of the conditions imposed by the District statute and recommending that the Board approve the application.[5] After review of the relevant Virginia and District statutes, the Board has determined that the Virginia statute and the proposed acquisition satisfy the conditions of the District's regional interstate banking statute and that the District statute expressly authorizes a Virginia bank holding company, such as Applicant, to acquire a bank located in the District, such as Bank. Accordingly, the Board concludes that approval of Applicant's proposal to acquire a bank in the District is not barred by the Douglas Amendment.

Applicant's subsidiary banks compete with Bank in the only market in which the latter operates, the Washington, D.C., banking market.[6] Applicant is the

1. Deposit data are as of June 30, 1985.

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

3. District of Columbia Regional Interstate Banking Act of 1985, 1985 D.C. Law 6-63 (to be codified at D.C. Code Ann. §§ 26-801 *et seq.*), § 3(a). The states in the region defined by this Act include Alabama, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, and West Virginia, in addition to Virginia.

4. Va. Code § 6.1-398 *et seq.* (Supp. 1985).

5. D.C. Act 6-567 (1986).

6. The Washington D.C., banking market is defined as the Washington, D.C. Ranally Metropolitan Area, which comprises the District of Columbia and the surrounding suburban areas of Virginia and Maryland.

14th largest of 65 commercial banking organizations in the Washington market, in which its subsidiary banks control domestic deposits of $305 million, representing 1.8 percent of the total deposits in commercial banks in the market.[7] Bank is the 37th largest commercial banking organization in the market, controlling domestic deposits in the market of $66.2 million, representing 0.3 percent of the total deposits in commercial banks in the market. Upon acquisition of Bank, Applicant would become the 11th largest commercial banking organization in the Washington market and would control approximately 2.1 percent of the total deposits in commercial banks in the market.

The Washington market is, and would continue after consummation of the proposed acquisition to be, an unconcentrated market.[8] Moreover, a large number of commercial banking organizations would remain in the Washington market after the proposed acquisition. On the basis of these and all other facts of record, the Board concludes that consummation of the acquisition would not have a significant adverse effect on existing competition in the Washington market. In view of the existence of numerous other potential entrants into the relevant banking market, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant and its subsidiary banks and of Bank are considered satisfactory and consistent with approval. In considering the convenience and needs of the communities to be served, the Board has also taken into account the records of Applicant's bank subsidiaries and of Bank under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*). The CRA requires the federal bank supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions. To accomplish this objective, the CRA requires the appropriate federal banking agency to assess the records of banks in meeting the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with their safe and sound operation, and to take those records into account in its evaluation of bank holding company applications.

In reviewing the CRA records of Applicant's bank subsidiaries and Bank, the Board has considered the comments of the District of Columbia Reinvestment Alliance ("Protestant"). Protestant alleges that Applicant and Bank have failed to assess and meet the needs of low- and moderate-income and minority residents within the communities served by Applicant and Bank, and, in particular, argue that Bank has made no effort to meet the mortgage lending needs of minority and low- and moderate- income neighborhoods in its service area. Protestant also argues that Applicant's commitments to the District, discussed below, would not improve the CRA performance of Applicant and Bank sufficiently to warrant approval of this application. Protestant also requests that the Board investigate whether Bank engages in discriminatory lending practices. Protestant has requested a public hearing with respect to its allegations.

In accordance with the Board's practice and procedures for handling protested applications,[9] the Board reviewed the CRA record of Applicant and Bank, the information provided and allegations made by Protestant, and Applicant's response. The Board notes that Applicant and Protestant attended several private meetings in May 1986 to clarify the issues and provide a forum for the resolution of differences. The Board also has considered that, in conjunction with Applicant's application to the District Council to acquire Bank, Applicant made the following specific commitments to the District Council related to community reinvestment:

1. Applicant and Bank will use their best efforts to lend a minimum of $3 million in "underserved areas" of the District of Columbia over the next five years. The loan program will be managed and administered by a senior lending officer of Bank and will include purchase and home improvement loans and a full range of commercial loans.
2. Applicant or Bank will purchase at least one additional share in the District's Neighborhood Economic Development Corporation. The price of one share is $50,000.
3. Bank will work with the District's Department of Employment Services to identify qualified job candidates who are District residents.
4. Bank will continue to make "life-line" services available to low-income persons and senior citizens.
5. Bank will seek new opportunities for the funding of public housing and revitalization programs with the District Housing Finance Agency, Neighborhood Housing Services, and the Washington Local Development Corporation.
6. Bank will continue to work with career training and similar programs which are of public benefit to District residents.

7. Market deposit data are as of June 30, 1986.

8. Consummation of the proposed transaction would increase the market's Herfindahl–Hirschman Index ("HHI") by 1 point, from 816 to 817. The market is considered unconcentrated under the Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), and the increase in the HHI resulting from the transaction is not within the parameters the Department of Justice has stated are likely to result in its challenging the transaction.

9. 12 C.F.R. § 262.25.

7. Bank and Applicant state a commitment to the hiring of minorities and women and will continue to hire and promote additional minorities and women and will work with the District's Department of Employment Services to identify qualified job candidates.
8. Bank states a commitment to have its Board of Directors representative of the community it serves. Bank and Applicant state a commitment to actively consider minorities and women to fill vacancies on their respective boards, and both will seek assistance from District groups in identifying qualified community leaders to fill vacancies.

On the basis of these commitments and the CRA records of Applicant and Bank, the District Council found that consummation of the proposed acquisition would be consistent with, and serve, the convenience and needs of the community, and, therefore, recommended Board approval of this application.

The Office of the Comptroller of the Currency ("OCC") has previously determined that the CRA record of Bank is satisfactory, and the District Council has determined that consummation of this proposal would serve the convenience and needs of the community. The Board notes that a primary market focus of Bank is making small business loans, and that Bank has historically made a high percentage of its small business loans to businesses owned by minorities and women; for example, in 1985, Bank made 50 percent of the number, and 40 percent of the dollar amount, of its small business loans to businesses owned by minorities and women. The Board believes that the making of small business loans to businesses owned by minorities and women is an important means by which a bank may meet the credit needs of the community, consistent with the purposes of the CRA.[10] The Board also notes that the percentage of mortgage loans made by Bank in low- and moderate-income neighborhoods is reasonable in relation to the total dollar amount of Bank's mortgage loans. In addition, the Board notes that Applicant has committed to appoint one of its senior officers to oversee the CRA performance of Bank. Finally, the Board believes that the commitments made by Applicant to the District Council, enumerated above, represent additional assurance that Bank will continue to meet its responsibilities under the CRA, and is likely to enhance Bank's ability to ascertain community credit needs and market its credit programs in low- and moderate-income and minority communities.

Protestant requests that the Board investigate whether Bank engages in discriminatory lending practices in the Washington, D.C., market. Protestant has provided no evidence of specific discriminatory or other illegal lending practices by Bank, and the large proportion of Bank's small business loans made to businesses owned by minorities and women suggests that NBC is not allocating credit on a discriminatory basis.

Thus, based on all the facts of record, the Board believes that Bank's record under the CRA is consistent with approval of this application.

With respect to Applicant's bank subsidiaries, Protestant alleges that Applicant has not made sufficient efforts to ascertain and meet the credit needs of low- and moderate-income and minority persons. Protestant also alleges that the low level of lending in predominantly minority areas by one of Applicant's subsidiary banks, Dominion Bank of Northern Virginia, N.A., Vienna, Virginia, raises questions about potentially racially discriminatory practices that Dominion Bank of Northern Virginia may follow.

The OCC has previously determined that the CRA record of each of Applicant's subsidiary banks is satisfactory. The Board notes that all of Applicant's subsidiary banks participate in a number of local government development and housing programs, many of which are specifically directed at the development of low- and moderate-income and minority communities, and have purchased local housing and development bonds to support these programs. In addition, Applicant's subsidiary banks provide information concerning their available products through advertising in media that reach low- and moderate-income and minority areas.

The Board has examined the record concerning the lending practices of Dominion Bank of Northern Virginia, and notes that the percentage of total mortgage and home improvement loans, measured both by number and dollar volume, made by Dominion Bank of Northern Virginia in predominantly minority and low- and moderate-income census tracts reflects the number of predominantly minority and low- and moderate income census tracts in the market area of Dominion Bank of Northern Virginia. The Board has not found, and Protestant has provided no specific information indicating, that Dominion Bank of Northern Virginia engages in discriminatory lending practices.

Thus, based on all the facts of record, the Board believes that the records of Applicant's subsidiary banks under the CRA are consistent with approval of this application.

Accordingly, based upon all of the evidence, including the commitments undertaken by Applicant to the

10. The Board has recognized the importance of, among other kinds of loans, both mortgage and small business loans in meeting the requirements of the CRA, and believes that the appropriate mix of these types of loans is a business decision to be made by banks. *See, e.g., Commerce Bancshares, Inc.*, 64 FEDERAL RESERVE BULLETIN 576 (1978).

Board and the District Council to insure that Applicant continues to serve the convenience and needs of the community, including low- and moderate-income segments of that community, the Board concludes that convenience and needs considerations are consistent with approval of this application.[11]

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved.[12] This 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 Richmond, acting pursuant to delegated authority.

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

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

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

First of America Bank Corporation Kalamazoo, Michigan

Order Approving Merger of Bank Holding Companies

First of America Bank Corporation, Kalamazoo, Michigan, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with NewCentury Bank Corporation, Bay City, Michigan ("NCBC"), and thereby acquire NCBC's eight subsidiary banks.

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

Applicant is the fifth largest bank holding company in Michigan, controlling 33 banking subsidiaries, with deposits of $4.6 billion, representing 8.3 percent of the total deposits in commercial banking organizations in the state.[1] NCBC is the ninth largest bank holding company in the state, controlling eight banking subsidiaries, with deposits of $1.1 billion, representing 1.9 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this transaction, including divestitures proposed by Applicant, Applicant would become the fourth largest bank holding company in the state controlling deposits of $5.7 billion, representing 10.2 percent of total deposits in commercial banking organizations in the state. Consummation of the proposed transaction would not have a significant effect upon the concentration of banking resources in Michigan.

Applicant competes with NCBC in six banking markets. In five of these banking markets, Ann Arbor, Bay City-Saginaw, Detroit, Standish-West Branch and Tuscola, consummation of this proposal would not have a significant effect on competition. Four of these markets are not highly concentrated and would not become highly concentrated after consummation of this proposal. While the Standish-West Branch banking market is considered concentrated, the increase in concentration that would result from this proposal, as measured by an increase of 49 points in the Herfindahl-Hirschman Index ("HHI") in the market, is not considered significant.

Applicant and NCBC also compete in the Huron County banking market.[2] Applicant is the fourth largest commercial banking organization in the Huron County banking market, controlling $31.3 million in deposits, representing 10.8 percent of the total deposits in commercial banks in the market. NCBC is the largest commercial banking organization in the mar-

11. The Board has considered Protestant's request for a formal hearing. The BHC Act does not require the Board to hold a formal hearing in this case because the OCC has not expressed written disapproval of the proposed transaction. 12 U.S.C. § 1842(b). *See, e.g., Northwest Bancorporation v. Board of Governors*, 303 F.2d 832, 843–44 (8th Cir. 1962); *Grandview Bank & Trust Co. v. Board of Governors*, 550 F.2d 415 (8th Cir. 1977); *Farmers & Merchants Bank of Las Cruces v. Board of Governors*, 567 F.2d 1082, 1089 (D.C. Cir. 1977). The Board also finds that Protestant and Applicant have had opportunities to submit materials in order to clarify factual questions underlying Protestant's objections in this case, and that Protestant has not identified any remaining material questions of fact that would render a hearing appropriate. In light of this and the representations and commitments made by Applicant in response to Protestant's comments, the Board has determined to deny Protestant's request for a formal hearing at this time.

12. The Board has also considered the petition of Protestant to consider this matter at an open meeting. The Government in the Sunshine Act, 5 U.S.C. § 552b, provides a specific exemption from its general requirement of open meetings where, as here, the discussion of a particular item is likely to result in the disclosure to the public of financial institution examination data and ratings or confidential financial information of the applicant. 12 U.S.C. § 552(b)(c)(8).

For this reason, the Board has denied Protestant's petition.

1. Banking data are as of June 30, 1985.

2. The Huron County banking market is approximated by Huron County, Michigan, excluding Sebewaing Township and including Minden Township in Sanilac County, Michigan.

ket, controlling deposits of $94.2 million, representing 32.7 percent of the total deposits in commercial banking organizations in the market. Upon consummation of this proposal, absent any divestiture, Applicant would control 43.5 percent of the total deposits in commercial banks in the market and the HHI would increase by 706 points to 2665.

In order to alleviate the anticompetitive effects that would otherwise result from consummation of the proposal, Applicant proposes to divest First of America Bank—Huron, Huron Beach, Michigan and the Bad Axe branch of First of America Bank—Bay Area, Sebewaing, Michigan, which hold total deposits of $28 million. The divestiture would be made to a group of investors not currently represented in the market.[3] Upon consummation of the transaction, including the proposed divestiture, Applicant would become the largest commercial banking organization in the Huron County banking market, controlling $97.5 million in deposits, representing 33.8 percent of the deposits in the market. The HHI for the Huron County banking market would increase by 72 points to 2031.[4] After consideration of these factors, including the proposed divestiture, the Board has concluded that consummation of this proposal would not have any significant adverse effects on existing competition in any of the banking markets in which Applicant and NCBC compete.

The Board has also examined the effect of the proposal on probable future competition in the relevant geographic markets and has examined the proposal in light of the Board's probable future competition guidelines. In this regard, there are numerous other potential entrants into each of the markets served by Applicant and NCBC. After consideration of these factors in light of the specific facts of this case, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[5] With regard to the CFTRA violations, the Board notes that Applicant brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through its internal audit and has cooperated with law enforcement agencies. Applicant has undertaken a comprehensive remedial program to correct these violations and to prevent violations from occurring in the future. Applicant has advised the Board that it has filed corrective currency transaction reports and established a central control unit which has day-to-day responsibility for monitoring all reportable transactions and ensuring that reports are properly filed. Applicant has also instituted an intensive internal training program for bank personnel regarding compliance with the CFTRA. In addition, Applicant has eliminated its lists of exempt transactions and will report all transactions by any individual or organization aggregating over $10,000 on any day.

The sufficiency of the compliance procedures adopted to address Applicant's subsidiary banks' CFTRA violations has been reviewed by examiners from the Office of the Comptroller of the Currency. The Board also has consulted with appropriate enforcement agencies, and has considered Applicant's past record of compliance with the law.

The financial resources and future prospects of Applicant and its subsidiary banks are satisfactory. NCBC's financial resources are expected to be strengthened as a result of this proposal and its future prospects are favorable. Based upon a review of all of the facts of record, the Board concludes that the financial and managerial resources of Applicant and NCBC are consistent with approval of this transaction. Applicant proposes to offer expanded services to the communities served by NCBC, including payroll processing, cash management, and expanded EFT and ATM services. Considerations related to the convenience and needs of the communities to be served also are consistent with approval of the transaction.

Based on the foregoing and other facts of record, the Board has determined 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 10, 1986.

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

WILLIAM W. WILES
Secretary of the Board

[SEAL]

3. The divestiture would be completed before or contemporaneously with Applicant's consummation of the proposed merger with NCBC.
4. The Department of Justice has informed the Board of its view that consummation of the transaction would not have a significantly adverse effect on competition if the divestiture proposed by Applicant is effected.
5. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.

Michigan National Corporation
Bloomfield Hills, Michigan

Order Approving Acquisition of a Bank

Michigan National Corporation, Bloomfield Hills, Michigan, 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 all of the voting shares of Independence One Bank, National Association, Rapid City, South Dakota ("Bank"), a proposed new bank.

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

Applicant operates 20 banking subsidiaries in Michigan and is the third largest commercial banking organization in the state, with total domestic deposits of approximately $6.1 billion.[1] Applicant also controls a banking subsidiary located in the Netherlands Antilles, as well as several subsidiaries which engage in a variety of nonbanking activities.

Bank is a newly established national bank formed to engage primarily in offering bank credit card services to customers in Michigan. Upon consummation of the proposed transaction, Applicant would transfer the credit card portfolios of Applicant's subsidiary banks to Bank.[2]

Section 3(d) of the Act (12 U.S.C. § 1842(d)) (the "Douglas Amendment") prohibits the Board from approving any application by a bank holding company to acquire any bank located outside the state in which the operations of its banking subsidiaries are principally conducted unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." South Dakota law permits an out-of-state bank holding company to acquire a single *de novo* national bank and a single *de novo* state bank subject to the conditions that each such bank have only a single office and that it be operated in a manner and at a location that is "not likely to attract customers from the general public in the state to the substantial detriment of existing banks in the state."[3]

On June 16, 1986, the South Dakota Banking Commission approved Applicant's formation and acquisition of Bank, concluding that Applicant's proposal met the requirements for approval under the South Dakota statute.[4] Based on this decision and its own review, the Board has determined, as required by section 3(d) of the Act, that the proposed acquisition conforms to South Dakota law and is specifically authorized by the statute laws of South Dakota.

Bank will engage primarily in offering consumer credit card services to cardholders in Michigan. Since the establishment of Bank represents an internal reorganization of Applicant's credit card operations, the proposal will not alter the structure of the market for bank credit card services.

Applicant does not operate a banking subsidiary in the Rapid City, South Dakota, market.[5] For this reason and because of the limits imposed by South Dakota law on Bank's operations, consummation of this proposal is not likely to lessen substantially existing competition in any relevant market.

The financial and managerial considerations of this application are consistent with approval. Factors relating to the convenience and needs of the community to be served also are consistent with approval.

The Board has received comments in opposition to this proposal from the Independent Community Bankers Association of South Dakota, Inc. ("Protestant"). The Protestant argues that the Douglas Amendment to the Act does not authorize the states to permit out-of-state bank holding companies to acquire national banks. The Protestant also argues that the Board should deny this application because the South Dakota statute imposes burdens on national banks in a manner that conflicts with federal banking laws.

The Board carefully considered these same arguments when presented by Protestant in *First City Bancorporation of Texas, Inc.*, 71 FEDERAL RESERVE BULLETIN 716 (1985). The Board determined the Douglas Amendment applies to the interstate acquisition of any bank, national or state-chartered, specifically concluding that when a state lifts the prohibition

1. Deposit data are as of June 30, 1985.
2. Applicant has stated that it would transfer approximately $720 million of credit card receivables to Bank.
3. S.D. Codified Laws Ann. §§ 51-16-40, 51-16-41 (Supp. 1986).
4. S.D. Codified Laws Ann. § 51-16-42 (Supp. 1986).
5. The Rapid City market includes Butte County, Lawrence County, Pennington County, Custer County, Fall River County, Shannon County, Haakon County, Jackson County, Bennett County, and the southern half of Meade County.

on interstate bank acquisitions with respect to state banks, the Douglas Amendment either lifts directly or authorizes the state to lift the prohibition, to the same degree, with respect to national banks.

The Board also found no merit in Protestant's argument that the South Dakota statute conflicts with federal banking law. The Board concluded that it is Congress, through the Douglas Amendment, that imposes the restrictions on the operation of a national bank by an out-of-state bank holding company, or, at a minimum, that it is Congress that authorizes the states to impose such restrictions. The Board determined that the South Dakota restrictions are within the scope of those authorized by Congress, and, therefore, they cannot be said to impose unauthorized burdens that conflict with the national banking laws.

Since the Board's *First City* Order, the Comptroller of the Currency has provided additional support for the conclusion that the South Dakota restrictions are not so burdensome as to conflict with federal banking laws. In a July 31, 1986, letter to the General Counsel of the Board, the acting Chief Counsel of the Comptroller of the Currency reiterated the Comptroller's position that there is no express conflict between the South Dakota statute and the National Bank Act. The letter noted that "to date, the South Dakota law has not required that national banks restrict their activities in a manner which is unsafe or unsound or otherwise in conflict with the purposes of the National Bank Act." Based upon the facts in the record and for reasons stated more fully in its *First City* Order, the Board finds that the Protestant does not present adequate reasons to deny this application.

While it has decided to approve this application, the Board wishes to reiterate the concerns it has expressed in previous orders[6] about the proliferation of statutes that, like South Dakota's, permit the entry of out-of-state bank holding companies in order to shift jobs and revenue from other states, while limiting the in-state activities of banks owned by out-of-state holding companies so as to avoid competition with in-state banking organizations. These statutes do not appear to be based on appropriate public policy considerations for assuring a stable and sound banking system locally and nationwide, and the end result of their adoption by other states can only be a serious impairment of banking standards and no net gains in jobs or revenues because of the proliferation.

Based on the foregoing and other facts of record, the application is approved for the reasons summarized above. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Bank shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or by the Federal Reserve Bank of Chicago acting pursuant to delegated authority.

By order of the Board of Governors, effective September 15, 1986.

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

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

Concurring Statement of Governor Seger

I fully support the Board's approval of this case. However, as I previously indicated regarding a recent similar proposal,[1] I do not share the Board's concerns over statutes that allow out-of-state bank holding companies to enter another state in order to avoid usury and other restrictions on consumer lending rates in their home states. From a public policy point of view, I believe those statutes are procompetitive and allow a bank holding company to engage in legitimate lending activity free of local restrictions that, as the Board recently testified before Congress, can operate to hinder the provision of credit to consumers.

I continue to share the Board's concerns over state laws, such as the so-called "South Dakota insurance loophole," that aim to provide out-of-state bank holding companies a base from which to conduct an otherwise impermissible activity but subject to the condition that the out-of-state bank holding company may not conduct any such activity in competition with local providers in the base state. However, I believe statutes that allow bank holding companies to engage in permissible credit card lending anywhere in the United States free of local usury and similar limitations are different and represent a positive movement toward deregulation of interest rates.

September 15, 1986

6. *See, Citicorp,* 71 FEDERAL RESERVE BULLETIN 101 (1985); *MCorp,* 71 FEDERAL RESERVE BULLETIN 642 (1985).

1. *Texas Commerce Bancshares, Inc.*, 72 FEDERAL RESERVE BULLETIN 803 (1986).

Orders Issued Under Section 4 of the Bank Holding Company Act

AmeriTrust Corporation
Cleveland, Ohio

Order Approving an Application to Engage in Printing Checks and Related Documents

AmeriTrust Corporation, Cleveland, Ohio, 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 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.23 of the Board's Regulation Y, 12 C.F.R. § 225.23, to acquire 51 percent of the ATEK Check Printing Company, Brooklyn, Ohio ("ATEK"), a company that prints and sells checks and related documents, including corporate image checks, cash tickets, voucher checks, deposit slips, savings withdrawal packages, and other forms that require MICR-encoded[1] information. These documents would be printed for and sold exclusively to depository institutions. Applicant proposes to engage in this activity through a joint venture with McCorquodale Holdings, Inc., Baltimore, Maryland ("McCorquodale"), a subsidiary of McCorquodale PLC, London, England, a company that engages in check printing and other printing activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published, 51 *Federal Register* 12,565 (1986). The time for filing comments has expired and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.[2]

Applicant, a bank holding company which controls AmeriTrust Bank, N.A., Cleveland, Ohio, has total consolidated assets of $7.8 billion.[3] Applicant is also engaged in various nonbanking activities, including operating a trust company, and consumer and commercial lending activities.

In addition to its financial investment, Applicant would advise ATEK regarding product design and would provide marketing, consultation, and sales support for the joint venture. Applicant's banking subsidiaries and affiliates would also provide a client base for ATEK's products. As its contribution to the joint venture, McCorquodale would supply ATEK with the equipment and materials necessary for production of the documents as well as general facilities management services.

In order to approve an application under section 4(c)(8) of the Act, the Board must determine that the proposed activity is "so closely related to banking or managing or controlling banks as to be a proper incident thereto. . . ." 12 U.S.C. § 1843(c)(8). The Act does not specify any criteria on which the Board must base its finding that an activity is closely related to banking. Generally, the Board has relied on guidelines that the United States Court of Appeals for the District of Columbia enunciated in *National Courier Association v. Board of Governors* to determine if an activity is closely related to banking.[4] Under these guidelines, an activity may be found to be closely related to banking if it is demonstrated that banks generally have in fact provided the proposed service; that banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or that banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form. The courts have made it clear, however, that these criteria are not exclusive and that the Act grants the Board discretion to consider any criteria which provide a reasonable basis for a finding that a particular nonbanking activity has a close relationship to banking.[5] The Board has stated that it will consider "any . . . factor that an applicant may advance to demonstrate a reasonable or close connection or relationship of the activity to banking."[6] In considering whether a proposed activity is permissible for bank holding companies, the Board must adhere to the fundamental purpose of the Act that banking be separated from commercial activities.[7]

The printing of checks and similar documents (financial stationery) is a specialized field of printing that requires extensive technology and managerial expertise in order to obtain documents that meet the rigid specifications of the high speed electronic equipment that sorts and reads the documents. As discussed above, Applicant would acquire from McCorquodale

1. MICR is an acronym for the term "magnetic ink character recognition."
2. The Board received comments from five banks and three printing companies. All of the comments were in favor of the proposal.
3. Data are as of December 31, 1985.

4. *See, National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975); *Association of Data Processing Service Organizations, Inc. v. Board of Governors*, 745 F.2d 677 (D.C. Cir. 1984). The Supreme Court endorsed the *National Courier* criteria in *Securities Industry Ass'n v. Board of Governors*, 468 U.S. 207, 210 n. 5 (1984).
5. *Securities Industry Ass'n, supra; Board of Governors v. Investment Company Institute*, 450 U.S. 46, 56–58 nn. 20–23 (1981); *Association of Data Processing Organizations, supra.*
6. 49 *Federal Register* 806 (1984).
7. S. Rep. No. 1084, 91st Cong. 2d Sess. 2 (1970).

printing presses and the other materials necessary to engage in this activity. The distinguishing characteristic of financial stationery is the encoding of financial information in MICR format on the individual documents. This information is contained in the string of numbers found near the bottom edge of bank checks, deposit slips and similar documents used by banks and their customers.

Financial stationery can be printed using the letterpress or offset method. Under Applicant's proposal, the customer's identifying information would be entered into computers that would transfer the information to a typesetting machine. This machine creates a copy of the check or other document that is used to create a printing plate for the printing press. Using machine readable ink and security paper, the printing press would then run off the checks or other documents, which are then inspected, cut, boxed and mailed to the customers.

It is clear that as a general matter, manufacturing activities are not closely related to banking. However, the proposed manufacturing activity is in many ways unique because the issuance and processing of checks are integral parts of the business of banking. The checks and other related documents that would be printed by Applicant are primary media for payments in the United States. Checks are offered and serviced almost exclusively by banks and other depository institutions and over 98 percent of all noncash transactions are conducted with checks.[8] Moreover, the checks and other related documents that Applicant proposes to print are required to be produced in a special form because the documents must be encoded with special magnetic characters that permit the rapid and accurate reading and sorting of the documents.

That a banking-related service is integral to the provision of banking services and is provided in a specialized form were important elements in the court's finding in *National Courier* that courier services are closely related to banking. In that case, the court concluded that courier services for checks and other payment instruments played such a vital role in check processing that banks required the provision of courier services in specialized form and therefore determined that courier activity for these instruments was closely related to banking. The same reasoning equally applies to check printing: checks constitute an integral part of the payments mechanism operated by the banking system and are provided in a specialized format.[9]

Accordingly, based on the foregoing precedent and in view of the facts that are unique to this case—checks and other documents (e.g. deposit slips) are used in the payment process, are provided in a specialized form, and are an integral part of a fundamental banking service—the Board has concluded that printing checks and similar MICR-encoded documents for depository institutions is closely related to banking.

Before approving a bank holding company's application to engage in an activity that the Board determines is closely related to banking, the Board must find that consummation of the proposal 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 addition, because this application involves a joint venture between a banking and nonbanking firm, the Board is concerned that joint ventures not lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce.[10] Further, joint ventures must be carefully analyzed for any possible adverse effects on competition and on the financial condition of the banking organization involved in the proposal.

The Board notes that McCorquodale currently engages in check printing through six offices in the United States, and controls less than 3 percent of the market. Applicant does not currently engage in any printing activities. Accordingly, consummation of the proposed transaction would not eliminate any existing competition between Applicant and McCorquodale. With regard to potential competition, the Board does not consider Applicant to be a likely entrant into the check printing business absent this proposal because Applicant does not have the expertise to engage in the activity. Accordingly, the Board concludes that consummation of the proposed joint venture would have little effect on potential competition in the relevant markets.

In addition, the record indicates that the check printing industry is highly concentrated, with the two largest firms controlling 70 percent of the market, and the three largest check printers controlling 80 percent of the market. Consummation of the proposal can be expected to result in public benefits inasmuch as the affiliation of Applicant with McCorquodale would cre-

8. Bank for International Settlements and Bank Administration Institute, *Payments Systems in Eleven Developed Countries* 82–89 (1985).

9. *National Courier*, 516 F.2d at 1238.

10. *See, e.g., Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984); *The Maybaco Company and Equitable Bancorporation*, 69 FEDERAL RESERVE BULLETIN 375 (1983); and *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449 (1981).

ate a stronger competitor and thereby enhance competition in a market that is dominated by two companies.

Furthermore, the Board is satisfied that approval of this application would not present the opportunity or potential for conflicts of interest or other anticompetitive practices. In reaching this conclusion, the Board notes that the proposed activity is limited in scope and that there are no other joint ventures between Applicant and McCorquodale. Additionally, the activity to be performed through this joint venture represents a relatively minor portion of the business of each joint venturer. Consequently, there is no reason to believe that Applicant or its subsidiaries would favor McCorquodale or its customers in the provision of credit or other services.

The financial and managerial resources of Applicant and Company are considered satisfactory, and there is no evidence in the record to indicate that consummation of the proposal would result in undue concentration of resources, unsound banking practices, or other adverse effects on the public interest.

Based on the foregoing and other facts of record, the Board concludes that the balance of the public interest factors it must consider under section 4(c)(8) of the Act favors approval of the application. Accordingly, the Board has determined that the application should be and hereby is approved. This determination is subject to all the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction 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 Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 8,[11] 1986.

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

WILLIAM W. WILES
Secretary of the Board

[SEAL]

11. Board action was taken before Governor Heller was a member of the Board.

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

CoreStates Financial Corporation Philadelphia, Pennsylvania

Order Approving Acquisition of a Bank Holding Company and Nonbanking Companies

CoreStates Financial Corporation, Philadelphia, Pennsylvania, 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 New Jersey National Corporation ("Company") and thereby indirectly to acquire New Jersey National Bank ("Bank"), both in Ewing Township, New Jersey.

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 of the Board's Regulation Y (12 C.F.R. § 225.23) to acquire two direct nonbank subsidiaries, Underwood Mortgage and Title Company and New Jersey National Leasing Company, both of which are located in Ewing Township, New Jersey. These companies, while currently inactive, have authority to engage in leasing personal or real property as well as mortgage servicing. These activities have been determined by the Board to be permissible for bank holding companies under sections 225.25(b)(1) and (b)(5) of the Board's Regulation Y (12 C.F.R. §§ 225.25(b)(1) and (5)). In addition, Applicant has provided notice under section 4(c)(14) of the Act (12 U.S.C. § 1843(c)(14)) of its intention to acquire Company's one-third interest in a joint venture, Bancorps International Trading Company, Somerset, New Jersey, an export trading company.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (51 *Federal Register* 28,624 (1986)). The time for filing comments and views has expired and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant, the third largest commercial banking organization in Pennsylvania, controls three subsidiary banks in Pennsylvania with $7.84 billion in total deposits, representing 7.6 percent of total deposits in commercial banks in Pennsylvania.[1] Applicant also

1. State deposit data are as of December 31, 1985.

controls nine nonbanking subsidiaries. Company, the sixth largest commercial banking organization in New Jersey, controls one subsidiary bank, with $1.78 billion in total deposits, representing 3.5 percent of total deposits in commercial banks in New Jersey. Consummation of the proposal would have no significant effect on the concentration of banking resources in New Jersey or Pennsylvania.

Section 3(d) of the Act, 12 U.S.C. § 1842(d), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside the holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."[2]

On March 28, 1986, New Jersey enacted legislation permitting out-of-state companies located in the Central Atlantic region[3] to acquire control of a bank or banks located in New Jersey. The New Jersey statute by its terms did not become operative until three Central Atlantic states, each with at least $20 billion in commercial bank deposits, authorized acquisition of banks in these states by New Jersey bank holding companies. On August 8, 1986, the New Jersey Banking Commissioner determined that, as of August 24, 1986, the interstate banking statutes[4] of Pennsylvania, Ohio and Kentucky — all located in the Central Atlantic region, and each with over $20 billion in commercial bank deposits — are reciprocal with New Jersey.[5] Accordingly, New Jersey law now permits a Pennsylvania bank holding company to acquire a bank holding company or bank in New Jersey. Applicant meets all of the requirements of the New Jersey statute authorizing an eligible bank holding company to acquire a New Jersey bank or bank holding company.[6] Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of New Jersey and is thus permissible under the Douglas Amendment.

Subsidiary banks of Applicant and Company compete in the Philadelphia banking market[7] and the Wilmington banking market.[8] Applicant is the second largest[9] of 49 commercial banking organizations in the Philadelphia banking market and controls total deposits of $4.27 billion, representing 14.4 percent of the deposits in commercial banking organizations therein.[10] Bank is the 25th largest commercial banking organization in the market, with total deposits of $117.3 million, representing 0.4 percent of the deposits in commercial banks in the market. Upon consummation of the proposal, Applicant's share of the deposits in commercial banks in the market would be 14.8 percent. The Philadelphia banking market is not highly concentrated and would not become highly concentrated upon consummation of this transaction. The share of deposits held by the four largest commercial banking organizations in the market is 48.2 percent and the market's Herfindahl–Hirschman Index ("HHI") is 946 and would increase by only 11 points upon consummation of the proposal.[11]

Applicant controls one subsidiary bank that operates in the Wilmington banking market with deposits of $2.3 million, representing less than 0.1 percent of the deposits in commercial banking organizations in the market. Bank operates three branches in the market with total deposits of $4.1 million, representing less than 0.1 percent of the deposits in commercial banking organizations in the market. Upon consummation of this proposal, the market's four-firm concentration ratio would not change and the HHI would increase by less than one point.

On the basis of these and other facts of record, the Board concludes that consummation of the proposal is not likely substantially to lessen competition in the Philadelphia or Wilmington banking markets.

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

3. The Central Atlantic region consists of New Jersey, Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, Wisconsin, and the District of Columbia. The District of Columbia is defined as a state for purposes of the New Jersey legislation.

4. 1986 Pa. Laws No. 69 (effective August 24, 1986); Ohio Revised Code § 1101.05 (effective October 17, 1985); Ky. Rev. Stat. § 287.900 (effective July 13, 1986).

5. Section 2(c)(IV) of the Pennsylvania statute explicitly states that the New Jersey interstate banking legislation is reciprocal with the interstate banking legislation enacted in Pennsylvania.

6. In an August 29, 1986 letter to the Federal Reserve System, the New Jersey Commissioner of Banking "determined that the conditions set out in N.J.S.A. 17:9A-1 *et seq.* have been complied with and that CoreStates Financial Corporation is an eligible bank holding company which is located in an eligible state which has reciprocal legislation in effect with New Jersey."

7. The Philadelphia market consists of Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania plus Burlington, Camden and Gloucester counties in New Jersey.

8. The Wilmington market consists of New Castle County, Delaware, Salem County, New Jersey, and Cecil County, Maryland.

9. As a result of the merger between IVB Financial Corporation, Philadelphia, Pennsylvania and FidelCor, Inc., Philadelphia, Pennsylvania on February 25, 1986, CoreStates became the second largest banking organization in the Philadelphia banking market. This ranking is not reflected in the June 30, 1985 market data.

10. Market data are as of June 30, 1985.

11. This acquisition would not be subject to challenge by the Department of Justice under its merger guidelines. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is below 1000 is considered to be unconcentrated and the Department will not challenge mergers in these markets except in extraordinary circumstances.

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

The financial and managerial resources of Applicant and its subsidiaries, and Company and its subsidiaries, are consistent with approval of the application. Considerations relating to the convenience and needs of the community to be served are also consistent with approval.

Applicant has also applied under section 4(c)(8) of the Act to acquire Company's two nonbank subsidiaries, Underwood Mortgage & Title Company ("Underwood") and New Jersey National Leasing Company ("NJNLC"), both of which are located in Ewing Township, New Jersey. These inactive nonbank subsidiaries are expected to be activated upon consummation of the transaction.

In view of the facts of record, the Board concludes that Applicant's acquisition of Company's nonbanking subsidiaries would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications.

The Board has also considered the notice of Applicant's intention to acquire Company's one-third interest in a joint venture, Bancorps International Trading Company, Somerset, New Jersey, under section 4(c)(14) of the Act. Based on the facts of record, the Board has determined that disapproval of the proposed investment is not warranted.

Based on the foregoing and other facts of record, the Board determined that the applications under sections 3 and 4 of the Act should be and hereby are, approved. The banking acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur later than three months after the effective date of this Order, unless the latter period is extended for good cause by the Board or by the Federal Reserve Bank of Philadelphia, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of Company's nonbanking subsidiaries is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 29, 1986.

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

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

First Union Corporation
Charlotte, North Carolina

Order Approving Acquisition of a Bank Holding Company and Certain Nonbanking Activities

First Union Corporation, Charlotte, North Carolina, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)), to acquire First Railroad and Banking Company of Georgia ("Company"), Augusta, Georgia, a bank holding company, and thereby indirectly to acquire its 14 subsidiary banks. Applicant has also applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. § 225.23(a)) to acquire Company's nonbank subsidiary, Capital Finance Group, Inc., a company that engages in consumer lending, mortgage lending, leasing, and reinsuring credit-related life, accident, and health insurance. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies under section 225.25(b)(1), (5) and (8) of Regulation Y (12 C.F.R. § 225.25(b)(1), (5) and (8)).

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act. 51 *Federal Register* 26,191 and 26,468 (1986). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act

(12 U.S.C. § 1842(c)), and the considerations specified in section 4(c)(8) of the Act.

Applicant is the third largest commercial banking organization in North Carolina. It controls total deposits in North Carolina of $6.2 billion,[1] which represent 19.1 percent of the total deposits in commercial banking organizations in the state. Applicant also controls banks in South Carolina, Georgia, and Florida with total deposits in those states of approximately $4.5 billion.[2] Company is the fourth largest commercial banking organization in the state of Georgia. It controls total deposits in Georgia of $2.2 billion, representing 6.3 percent of the total deposits in commercial banks in Georgia.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside the bank holding company's home state,[3] unless the state where the bank to be acquired is located has specifically authorized the acquisition by language to that effect and not merely by implication. The Board has previously determined that Georgia has by statute expressly authorized a North Carolina bank holding company, such as Applicant, to acquire a Georgia bank or bank holding company, such as Company.[4] Accordingly, approval of Applicant's proposal to acquire banks in Georgia is not barred by the Douglas Amendment.

Applicant is the twelfth largest commercial banking organization in the state of Georgia. It controls total deposits in Georgia of $300 million, representing 0.5 percent of the total deposits in commercial banks in Georgia. Upon consummation of the transaction, Applicant would control total deposits of $2.5 billion, representing 6.8 percent of the total deposits in commercial banks in Georgia, and would become the fourth largest commercial banking organization in Georgia. Georgia is unconcentrated in terms of banking resources and would remain so after consummation of the proposal. The Board concludes that consummation of the proposal would not have a significant adverse effect on the concentration of banking resources in Georgia.

Subsidiary banks of both Applicant and Company operate in the Atlanta and Augusta, Georgia banking markets.[5] Company is the sixth largest of 38 commercial banking organizations in the Atlanta banking market, controlling deposits of $529.0 million, representing 3.6 percent of the total deposits in commercial banks in the market. Applicant is the ninth largest commercial banking organization in the market, controlling deposits of $167.6 million, representing 1.1 percent of the total deposits in commercial banks in the market. Upon consummation of the proposal, Applicant would control deposits of $696.6 million, representing 4.7 percent of the total deposits in commercial banks in the market.

The Atlanta banking market is not highly concentrated and would not become highly concentrated upon consummation of the transaction. The share of deposits held by the four largest commercial banking organizations in the market is 73.6 percent and the market's Herfindahl–Hirschman Index (HHI) is 1590 and would increase by only 8 points upon consummation of the proposal. Thus, this acquisition would not be subject to challenge by the Department of Justice under its merger guidelines.[6] In view of the small increase in market concentration and other facts of record, the Board concludes that consummation of the proposed transaction is not likely to have a significant adverse effect on existing competition in the Atlanta banking market.

Applicant is the smallest of the nine commercial banks in the Augusta banking market, controlling deposits of $4.9 million, representing 0.4 percent of the total deposits in commercial banks in the market. Company is the largest commercial banking organization in the market, controlling deposits of $519 million, representing 41.9 percent of the total deposits in commercial banks in the market. Upon consummation of the proposal, Applicant would control 42.3 percent

1. Unless otherwise indicated, all state banking data are as of December 31, 1985, and all market data are as of June 30, 1985.

2. Applicant is the sixth largest banking organization in Florida with deposits of approximately $3.3 billion, representing 4.5 percent of the total deposits in commercial banks in Florida. Applicant is the fourth largest banking organization in South Carolina with deposits of approximately $900 million, representing 8.1 percent of the total deposits in commercial banks in South Carolina. Consummation of the proposal would have no effect on the concentration of banking resources in North Carolina, South Carolina or Florida.

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

4. *First Wachovia Corporation*, 72 FEDERAL RESERVE BULLETIN 68 (1985); *NCNB Corporation*, 72 FEDERAL RESERVE BULLETIN 57 (1985); *see* Ga. Stat. Ann. §§ 7-1-620 *et seq;* N.C. Gen. Stat. §§ 53-209 *et seq*. (Supp. 1984).

5. The Atlanta banking market is approximated by Clayton, Cobb, DeKalb, Douglas, Fulton, Gwinnett, Henry, and Rockdale Counties. The Augusta banking market is approximated by Columbia and Richmond Counties in Georgia plus Aiken County in South Carolina.

6. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 100 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

of the total deposits in commercial banks in the market.

With a four-firm concentration ratio of 90 percent and an HHI of 2702, the Augusta banking market is considered concentrated. Upon consummation of this transaction, the four-firm concentration ratio in the market would increase to 90.4 and the HHI would increase by only 33 points to 2735.[7] In view of the small increase in market concentration and the number of competitors that would remain in the market upon consummation of the proposal and other facts of record, the Board concludes that consummation of the proposal is not likely to have a significant adverse effect on existing competition in any relevant banking market.

With respect to the effect of this transaction on probable future competition in those markets where either Applicant or Company, but not both, competes, the Board concludes that numerous potential entrants into these markets exist and that, accordingly, consummation of this proposal is not likely to have any significant adverse effect on probable future competition in any of these markets.

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

There is no evidence of record indicating that the acquisition of Company's nonbanking subsidiary would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has concluded that the balance of the public interest factors it is required to consider under section 4(c)(8) is favorable and consistent with approval.

Based upon the foregoing and all the facts of record, the Board has determined that these applications under sections 3 and 4 of the Act should be, and hereby are, approved. The acquisition under section 3 shall not be consummated before the thirtieth calendar day following the effective date of this Order. The proposal shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, pursuant to delegated authority.

By order of the Board of Governors, effective September 22, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Wallich, Rice, Seger, Angell, and Heller. Governor Wallich abstained from the insurance portion of this action.

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

Security Pacific Corporation
Los Angeles, California

Order Approving Acquisition of a Bank Holding Company and Certain Nonbanking Subsidiaries

Security Pacific Corporation, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act" or "BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the prior approval of the Board under section 3 of the Act (12 U.S.C. § 1842) to acquire Arizona Bancwest Corporation ("Company"), Phoenix, Arizona, and thereby to acquire indirectly The Arizona Bank ("Bank"), Phoenix, Arizona.[1] Applicant has also applied for the prior approval of the Board under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire Bancwest Life Insurance Company, Phoenix, Arizona, and thereby engage in the reinsurance of life and disability insurance issued by others with respect to credit extended by subsidiaries of Company; Bancwest Insurance Agency, Inc., Phoenix, Arizona, and thereby act as an agent for the sale of credit life and disability insurance with respect to credit extended by subsidiaries of Company; and Bancwest Financial Services Company, Phoenix, Arizona, and thereby engage in commercial finance and leasing.[2] These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. §§ 225.25(b)(1)(iv), (b)(5), (b)(8), and (b)(9).

7. Under the revised Department of Justice Merger Guidelines any market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge any merger that produces an increase in the HHI of more than 50 points unless other factors indicate that the merger will not substantially lessen competition.

1. Applicant will acquire Company by a merger of Company into SPC Acquisition, Inc. ("SPC"), Los Angeles, California, a wholly owned, special-purpose subsidiary of Applicant. In connection with this application, SPC has applied to become a bank holding company by acquiring Arizona Bancwest Corporation. SPC is of no significance except as a means to facilitate Applicant's acquisition of Company.

2. In connection with this application, SPC also has applied to acquire Bancwest Life Insurance Company, Bancwest Insurance Agency, Inc., and Bancwest Financial Services Company.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been duly published (51 *Federal Register* 16,591, 18,379 (1986)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.[3]

Applicant, with $24.2 billion in domestic deposits, is the second largest commercial banking organization in California.[4] Bank is the third largest commercial banking organization in Arizona with domestic deposits of approximately $3.1 billion, representing 15.8 percent of the total deposits in commercial banks in Arizona.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving any application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[5] unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." The Board has previously determined that the statute laws of Arizona authorize an out-of-state financial institution to acquire any Arizona financial institution that has applied to operate in Arizona before May 31, 1984, subject to approval by the State Banking Superintendent.[6]

The Arizona State Banking Superintendent has informed the Board that the proposal does not present any of the grounds for denial of the application under Ariz. Rev. Stat. § 6-326 and, accordingly, the Superintendent anticipates approving the proposal on October 1, 1986, the first day the interstate banking statute is effective. Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Arizona and is thus permissible under the Douglas Amendment, subject to Applicant's obtaining the approval of the Superintendent pursuant to section 6-322 of the Arizona Revised Statutes, and the October 1, 1986, effective date of such statute. The Board's order is specifically conditioned upon satisfaction of the state regulatory approval requirement and the effectiveness of the state statute on October 1, 1986.

Bank engages, through a subsidiary, in certain real estate investment and development activities authorized for state banks pursuant to Arizona law. One of Applicant's subsidiary banks, Security Pacific State Bank, Irvine, California ("California Bank"), also engages in real estate investment and development activities authorized for state banks pursuant to California law. The Board has not determined that real estate investment and development activity is closely related to banking under section 4(c)(8) of the Act, and thus this activity is not permissible for bank holding companies under section 4 of the Act.

In its evaluation of this application, the Board has considered whether the real estate investments of Bank and California Bank, which are structured as general partnerships between the bank and a developer, comply with the nonbanking provisions of section 4 of the BHC Act and the Board's implementing regulations. Section 4 of the BHC Act prohibits, with certain exceptions not relevant here, a bank holding company from acquiring or retaining direct or indirect ownership or control of voting shares of a company that is not a bank. 12 U.S.C. § 1843(a).[7] Under section 2(g)(1) of the Act, voting shares held by any subsidiary of a bank holding company are deemed to be indirectly held by the parent bank holding company.[8] Thus, as the Board has previously recognized, the acquisition of voting shares by a subsidiary bank of a bank holding company is treated as an acquisition by the parent bank holding company and, on this basis, is subject to the nonbanking limitations of section 4 of the Act.[9]

Because the general partnership interests held by Bank and California Bank represent more than 5 percent of the outstanding voting shares of the partnerships and because the partnerships are engaged in real estate development activities that are not permissible under the BHC Act, these interests do not comply

3. The Board received a protest from Arizona ACORN (Association of Community Organizations for Reform Now) alleging that Bank has not met the credit and deposit needs of the low- and moderate-income community in Bank's service area, specifically home-mortgage lending, home-improvement lending, small business lending, basic banking services, and marketing and outreach. ACORN withdrew its protest following several meetings with Applicant and Applicant's adoption of certain commitments designed to meet the credit and deposit needs of the low- and moderate-income communities in Bank's service area.

4. Banking data are as of June 30, 1985.

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

6. Ariz. Rev. Stat. § 6-321 *et seq.* (effective October 1, 1986). *See Marshall & Ilsley Corporation*, 72 FEDERAL RESERVE BULLETIN 720 (1986).

7. These exceptions are primarily for investments in companies engaged in activities determined by the Board to be closely related to banking or for investments that represent less than 5 percent of the voting shares of the company. 12 U.S.C. §§ 1843(c)(6) and (8).

8. 12 U.S.C. § 1841(g)(1). The BHC Act defines companies to include partnerships and the Board's regulations define voting shares to include any partnership interest in which the partner may vote on or direct the conduct of the operations or other significant policies of the partnership or vote for or select the partners or similar management officials of the partnership. 12 U.S.C. § 1841(b); 12 C.F.R. § 225.2(1)(1).

9. The Board has so construed the Act since its enactment in 1956. *See e.g.* 12 C.F.R. § 225.101 and 102. *See also* 12 C.F.R. § 225.22(d)(2) and Board Press Release, dated May 13, 1971, 36 *Federal Register* 9292 (May 22, 1971); and Board Press Release, dated January 28, 1985, 50 *Federal Register* 4519 n.3 (January 31, 1985).

with the investment limitations of section 4(a) of the BHC Act. The investments also are not permissible under section 225.22(d)(2) of Regulation Y (relating to activities conducted by nonbank subsidiaries of holding company state banks), because the partnerships are not wholly owned by Bank or California Bank as required under that regulation.[10]

Accordingly, Applicant's retention of the real estate interests of Bank and California Bank is not permissible under the Act, and Applicant is required to divest these interests or otherwise conform them to the Act and the Board's regulations. The Board notes, however, that it has requested comment on whether it should continue to prohibit or permit, subject to certain prudential limitations, real estate investment and development activities for bank holding companies and what, if any, action would be appropriate where such activities are conducted by subsidiary banks.[11] The Board expects to consider these issues and the public comments thereon in the near future.

In view of this fact, the Board believes that it is appropriate in this case to grant Applicant a period of time to divest its impermissible real estate investments or conform them to the Act.[12] Accordingly, approval of this application is conditioned upon Applicant's divestiture, within two years of consummation of this proposal, of those real estate investments held by Bank and California Bank that do not conform with the BHC Act and Regulation Y, subject to any changes in the Board's regulation as a result of the Board's review of the real estate investment and development powers of bank holding companies and their subsidiaries. In this regard, Applicant has committed to conduct its real estate activities within certain prudential limitations and to comply with the results of the Board's proceedings regarding the real estate development activities of bank holding companies.[13] In the interim, any further investments by Bank or California Bank in real estate development projects must comply with the Act and applicable regulations.

Applicant does not operate a bank in any market in which Bank operates. Applicant does, however, operate mortgage banking, consumer finance, and commercial finance subsidiaries that compete with Company and its subsidiaries in Arizona. Applicant's market share is *de minimis*, and consummation of the proposal would result in only a small increase in concentration in the relevant markets. Accordingly, consummation of the proposal is not likely to result in the elimination of any significant existing competition. In view of the numerous entrants into the relevant markets, the Board concludes that the proposal would not have any significant adverse effect on probable future competition.

In evaluating this application, the Board has considered the financial resources of Applicant and the effect on those resources of the proposed acquisition. In this regard, the Board has previously stated that it expects banking organizations experiencing substantial growth internally and by acquisition, such as Applicant, to maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines without significant reliance on intangibles, particularly goodwill.[14] The Board will carefully analyze the effect of expansion proposals on the preservation or achievement of such capital positions.

The financial and managerial resources and future prospects of Applicant and Company and their subsidiaries are considered generally satisfactory. The acquisition, however, will result in a significant increase in Applicant's intangible assets and its *pro forma* primary capital ratio on a tangible basis will be reduced to the minimum level specified in the Board's Capital Adequacy Guidelines (after excluding Applicant's investments in real estate development activities in accordance with the above commitments).

In the absence of mitigating factors, the Board would regard this reduction in Applicant's tangible primary capital as a significant adverse factor. In this connection, the Board has taken into account the fact that Applicant negotiated the proposed acquisition over a year ago and has raised substantial amounts of capital, including primary capital, in anticipation of this proposal in order to comply with the Board's capital policies. Applicant has also advised the Board that, in accordance with the Board's policy that expan-

10. 12 C.F.R. § 225.22(d)(2). The Board adopted this regulation in 1971 in the absence of evidence that acquisitions by holding company banks were resulting in evasions of the purposes of the Act. Board Press Release dated May 13, 1971, 36 *Federal Register* 9292 (May 22, 1971). The Board, however, stated that it would review the continued merits of the regulation from time to time in light of experience in administering the Act. *Id.* As noted below, the Board currently has this regulation under review and has asked for comment, in connection with the exercise of real estate development powers by holding company banks, as to whether modifications in the regulation are appropriate.

11. 50 *Federal Register* 4519 (1985).

12. Consistent with section 4(a)(2) of the Act (providing a two-year period for new bank holding companies to comply with the nonbanking prohibitions of the Act), the Board has, in certain cases, granted applicants periods of up to two years to divest impermissible activities or conform them to the requirements of the Act. *Citicorp* (Quotron) 72 FEDERAL RESERVE BULLETIN 497, 500 (1986). *The Chase Manhattan Corporation* 71 FEDERAL RESERVE BULLETIN 960, 963 (1985).

13. In a few cases involving a small dollar amount of real estate development activity conducted under state law by state-chartered savings banks being acquired by bank holding companies, the Board has permitted the continuation of the activity, provided the level and scope of the activity is not increased, adequate capital is maintained to support the activity, and the applicant agreed to conform the activity to the results of the Board's proceedings regarding real estate development activities. *Excel Bancorp, Inc.*, 72 FEDERAL RESERVE BULLETIN 731 (1986).

14. *Citicorp*, 72 FEDERAL RESERVE BULLETIN 724 (1986); Capital Adequacy Guidelines, 50 *Federal Register* 16,057, 16,066–67 (April 24, 1985), 71 FEDERAL RESERVE BULLETIN 445 (1985); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743, 746 (1984).

sionary proposals should be based on the maintenance of a strong tangible primary capital position, Applicant intends promptly to restore its tangible primary capital ratio to pre-acquisition levels. Finally, Applicant has committed to maintain Bank's primary capital in accordance with the Board's Capital Adequacy Guidelines.[15]

Based upon the above facts, particularly Applicant's plans to restore its primary capital and to continue to strengthen its capital position, the Board concludes that financial and managerial factors are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire Bank's nonbanking subsidiaries and activities.

Based on the foregoing and other facts of record, including certain commitments made by Applicant, the Board has determined that the applications should be, and hereby are, approved, subject to the express condition that Applicant obtain the approval of the Arizona Superintendent of Banks pursuant to section 6–322 of the Arizona Revised Statutes and that the proposal not be consummated before the October 1, 1986, effective date of the Arizona statute and the other conditions in this Order relating to the real estate activities of Bank and California Bank. The acquisition of Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. § § 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 12, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Wallich, Rice, Seger, Angell, and Heller. Governor Wallich abstained from the insurance portion of this action.

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

Texas Commerce Bancshares, Inc.
Houston, Texas

Order Approving Acquisition of a Bank and Certain Nonbanking Activities

Texas Commerce Bancshares, Inc., Houston, Texas, 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 prior approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of Texas Commerce Bank, Newark, Delaware ("Bank"), a *de novo* bank that will engage primarily in consumer credit card lending. Applicant also has applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. § 225.23(a)) to engage in certain nonbanking activities that the Board has previously determined to be permissible for bank holding companies under sections 225.25(b)(1), (4), and (16) of Regulation Y (12 C.F.R. §§ 225.25(b)(1), (4), and (16)).

Applicant proposes to acquire Texas Commerce Mortgage Company, Houston, Texas ("TCMC"), and thereby engage in the activity of originating, servicing and selling residential mortgages. TCMC will engage in this activity through a joint venture with North American Mortgage Company, Houston, Texas ("NAMC"), an existing provider of mortgage banking services. Applicant also proposes to engage in the origination, sale and servicing of commercial loans through Texas Commerce Corporate Finance, Houston, Texas ("TCCF"), a wholly owned subsidiary of Applicant's existing subsidiary, Texas Commerce Capital Markets, Inc., Houston, Texas ("TCCM"). These activities are permissible for bank holding companies under section 225.25(b)(1) of Regulation Y (12 C.F.R. § 225.25(b)(1)).

In addition, Applicant proposes to underwrite and deal in government obligations and money market instruments to the extent permitted under section 225.25(b)(16) of Regulation Y (12 C.F.R.

15. In another case involving a substantial reduction in an applicant's tangible primary capital, the Board considered the applicant's demonstrated ability and record of raising substantial amounts of equity capital to support its growth and found the proposal consistent with financial considerations only on the basis that the applicant would use that ability to restore promptly its capital position. *Citicorp*, 72 FEDERAL RESERVE BULLETIN 497 (1986).

§ 225.25(b)(16)) and to provide portfolio investment advice to any person and financial advice to state and local governments as permitted under section 225.25(b)(4) of Regulation Y (12 C.F.R. § 225.25(b)(4)). Applicant will engage in these activities through Texas Commerce Securities, Inc., Houston, Texas ("TCS"), also a subsidiary of TCCM.

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act. 51 *Federal Register* 4990, 5803, and 8897 (1986). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act and the considerations specified in section 4(c)(8) of the Act.

Applicant is the fourth largest commercial banking organization in Texas.[1] It presently operates 70 subsidiary banks in Texas, controlling $13.4 billion in deposits, representing 8.6 percent of total statewide deposits. Applicant also engages through subsidiaries in a variety of permissible nonbanking activities.

The Douglas Amendment prohibits Board approval of an application by a bank holding company to acquire a bank located outside the holding company's home state,[2] unless the state where the target bank is located has specifically authorized the acquisition by statute "by language to that effect and not merely by implication."[3] Applicant's home state is Texas. Bank is a newly chartered Delaware state bank formed to engage primarily in consumer lending through its credit card program.

The statutes of Delaware permit an out-of-state bank holding company to acquire a *de novo* consumer credit bank.[4] In light of the limitations imposed by Delaware law on Bank's operations, it is not likely that Bank will be a significant competitor in the Delaware-New Jersey-Maryland PMSA banking market.[5] The Board notes that Bank will engage primarily in consumer lending through its credit card operations and will provide additional consumer credit card services on a *de novo* basis.

The proposed acquisition under Delaware law is subject to approval by the State Bank Commissioner who, in acting on the application, must determine whether public convenience and advantage would be promoted by the establishment of the consumer credit bank. In making such determination, the State Bank Commissioner must consider the experience of the applicant in the credit card business and with respect to the acceptance and administration of time deposits, and the quality of its management and its past financial performance. On October 29, 1985, the State Bank Commissioner of Delaware approved Applicant's formation and acquisition of Bank. Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Delaware and is thus permissible under the Douglas Amendment.[6]

In analyzing this proposal, the Board has considered the financial resources and future prospects of Applicant and the effect of this proposal on these resources. In its evaluation of the financial aspects of these transactions, the Board has given particular consideration to the fact that this is an internal reorganization designed to improve operational efficiencies and will provide Applicant with increased income opportunities. This proposal is *de minimis* and will not have a material effect on Applicant. Although Bank has no financial or operating history, its financial and managerial resources and future prospects are favorable.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[7] The Board notes that Applicant brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through its internal audit and has cooperated with law enforcement agencies. In addition, Applicant has established comprehensive policies and procedures to ensure compliance with the CFTRA. Examiners of the Office of the Comptroller of the Currency have reviewed the sufficiency of the compliance procedures adopted and their efficacy in correcting the deficiencies. The Board also has consulted with appropriate enforcement agencies, and has considered Applicant's past record of compliance with law.

Based on the foregoing and all of the facts of record, the Board concludes that the managerial resources of Applicant and Bank are consistent with approval.

1. Banking data are as of December 31, 1985.
2. A bank holding company's home state for purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries were largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842(d).
3. 12 U.S.C. § 1842(d).
4. Del. Code Ann. tit. 5, §§ 803, 1012. A consumer credit bank may engage in the business of accepting deposits of money and may make extensions of credit to consumers, but may not make commercial loans.
5. Del. Code Ann. tit. 5, § 1051. The Delaware-New Jersey-Maryland Primary Metropolitan Statistical Area (PMSA) banking market centers around Wilmington, Delaware, and includes the northern half of Newcastle County, Delaware, Salem County, New Jersey, and the northeastern portion of Cecil County, Maryland.
6. The Board has previously determined that the Douglas Amendment does not prohibit a bank holding company whose home state is Texas from establishing *de novo* a consumer credit card bank in Delaware. *E.g.*, *MCorp*, 71 FEDERAL RESERVE BULLETIN 642 (1985).
7. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.

Upon consummation of this proposal, Applicant plans to offer Bank's customers new products and services not currently available to them, such as credit card registration, credit life insurance, privileges for preferred cardholders, and other enhancements. The Board concludes that considerations relating to the convenience and needs of the communities to be served are consistent with approval.

While it has decided to approve this application, the Board wishes to reiterate the concerns it has expressed in previous orders about the proliferation of statutes that, like Delaware's, permit the entry of out-of-state bank holding companies in order to shift jobs and revenues from other states, while limiting the in-state activities of banks owned by out-of-state holding companies so as to avoid competition with in-state banking organizations. These statutes do not appear to be based on appropriate public policy considerations for assuring a stable and sound banking system locally and nationwide, and the end result of their adoption by other states can only be a serious impairment of banking standards and no net gains in jobs or revenues because of the proliferation.

Applicant also has applied under section 4(c)(8) of the Act to engage in the following nonbanking activities that the Board has previously approved for bank holding companies under Regulation Y: mortgage banking through TCMC, commercial lending through TCCF, and providing investment and financial advice and underwriting and dealing in government obligations and money market instruments through TCS.[8] The Board has previously determined that the proposed nonbanking activities are closely related and a proper incident to banking under section 4(c)(8) in deciding to add them to the list of activities permissible for bank holding companies under sections 225.25(b)(1), (4), and (16) of Regulation Y. Section 4(c)(8) requires the Board to consider whether the performance of the proposed activities by Applicant would result in benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

In its analysis of the public benefits and possible adverse effects of this proposal, the Board also has taken into consideration the fact that Applicant's mortgage banking activities through TCMC involve the use of a joint venture with NAMC, an existing provider of mortgage banking services. Applicant states the participation of NAMC will provide public benefits in the form of gains in efficiency by allowing TCMC to engage in the proposed activity with the existing experience, operating systems, computer programs, equipment and technical expertise of NAMC. With respect to possible adverse effects, the Board concludes that consummation of this proposal would not have a significant adverse effect on either existing or potential competition in any relevant market, in view of the numerous existing and potential competitors in the market for mortgage banking services. In addition, there is no evidence that the joint venture would result in unfair competition, unsound banking practices, conflicts of interest, or an undue concentration of resources.

Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable.

Accordingly, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The proposed acquisition of Bank shall not be consummated before the thirtieth calendar following the effective date of this Order. The proposal shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, pursuant to delegated authority. The determination as to Applicant's nonbanking activities is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b)(3), and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 3, 1986.

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

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

8. The Board previously approved the provision of investment advisory services on a nonfee basis in a subsidiary that also underwrites and deals in government obligations and money market instruments in *Manufacturers Hanover Corporation*, 70 FEDERAL RESERVE BULLETIN 661 (1984). The Board notes that to the extent TCS underwrites and deals in and provides advice to issuers of municipal securities, it will be subject to the rules of the Municipal Securities Rulemaking Board, including Rule G-23 (requiring disclosure to customers of its role as principal or advisor with respect to those securities). In addition, Applicant has committed that the personnel providing advice to issuers of municipal securities would be separate from the personnel engaged in underwriting and dealing in those securities.

Concurring Statement of Governor Seger

While I fully support the Board's approval of this case, I do not share the concerns expressed in the Order over statutes, such as the Delaware law, that allow out-of-state bank holding companies to enter another state in order to avoid usury and other restrictions on consumer lending rates in their home states. From a public policy point of view, I believe those statutes are procompetitive and allow a bank holding company to engage in legitimate lending activity free of local restrictions that, as the Board recently testified before Congress, can operate to hinder the provision of credit to consumers.

I share the Board's concerns over state laws, such as the so-called "South Dakota insurance loophole," that aim to provide out-of-state bank holding companies a base from which to conduct otherwise impermissible activity but subject to the condition that the out-of-state bank holding company may not conduct any such activity in competition with local providers in the base state. However, I believe statutes that allow bank holding companies to engage in permissible credit card lending anywhere in the United States free of local usury and similar limitations are different and represent a positive movement toward deregulation of interest rates.

September 3, 1986

Orders Approved under Bank Holding Company Act

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 4

Applicant	Nonbanking activity	Effective date
Mellon Bank Corporation, Pittsburgh, Pennsylvania	underwriting home mortgage redemption insurance	September 4, 1986

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Effective date
United Jersey Banks, Princeton, New Jersey	Commercial Bancshares, Inc., Jersey City, New Jersey Trico Mortgage Company, Inc., Woodbridge, New Jersey N.A. Home Investors Mortgage Corporation, Hackensack, New Jersey	August 29, 1986

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
Acme Holding Company, Inc., Mulberry, Arkansas	Bank of Mulberry, Mulberry, Arkansas	St. Louis	August 29, 1986
American Banks of Florida, Inc., Jacksonville, Florida	American National Bank of Clay County, Orange Park, Florida	Atlanta	September 5, 1986
AmSouth Bancorporation, Birmingham, Alabama	AmSouth Bank of Walker County, Jasper, Alabama	Atlanta	September 12, 1986
Antrim Financial Corporation, Mancelona, Michigan	Antrim County State Bank, Mancelona, Michigan	Chicago	September 16, 1986
Appalachian Financial Corporation, Philippi, West Virginia	Barbour County Bank, Philippi, West Virginia	Richmond	September 15, 1986
Bancshares of Urbana, Inc., Urbana, Missouri	The Bank of Urbana, Urbana, Missouri	St. Louis	August 27, 1986
Banc One Corporation, Columbus, Ohio	The Citizens State Bank, Sturgis, Michigan	Cleveland	September 25, 1986
Banc One Corporation, Columbus, Ohio	First National Bank of Fenton, Fenton, Michigan	Cleveland	September 26, 1986
Bank South Corporation, Atlanta, Georgia	The Citizens Bank of Tifton, Tifton, Georgia	Atlanta	September 12, 1986
Bismarck Bancshares, Inc., Bismarck, North Dakota	Bismarck State Bank, Bismarck, North Dakota	Minneapolis	September 12, 1986
Border Bancshares, Inc., Jackman, Maine	Border Trust Company, Jackman, Maine	Boston	September 9, 1986
Bryn Mawr Bank Corporation, Bryn Mawr, Pennsylvania	The Bryn Mawr Trust Company, Bryn Mawr, Pennsylvania	Philadelphia	September 11, 1986
Calvert Capital Corporation, Calvert, Texas	Citizens Bank and Trust, Calvert, Texas	Dallas	September 17, 1986
CB&T Bancshares, Inc., Columbus, Georgia	First Camden Bancorporation, St. Marys, Georgia	Atlanta	September 25, 1986
CCB Financial Corporation, Durham, North Carolina	Republic Bank & Trust Co., Charlotte, North Carolina	Richmond	September 26, 1986
Central Bancshares of the South, Inc., Birmingham, Alabama	Jacksonville State Bank, Jacksonville, Alabama	Atlanta	September 24, 1986
Central Virginia Bankshares, Inc., Powhatan, Virginia	Central Virginia Bank, Powhatan, Virginia	Richmond	August 28, 1986
The Chase Manhattan Corporation, New York, New York Chase Manhattan National Holding Corporation, Newark, Delaware	Continental Bancor, Inc., Scottsdale, Arizona	New York	August 27, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
City Bankshares, Inc., Oklahoma City, Oklahoma	Wilshire Bancshares, Inc., Oklahoma City, Oklahoma	Kansas City	September 12, 1986
Coastal Bancorp, Portland, Maine	Coastal Savings Bank, Portland, Maine	Boston	September 26, 1986
Community Banks, Inc., Millersburg, Pennsylvania	Peoples Safe Deposit Bank, St. Clair, St. Clair, Pennsylvania	Philadelphia	August 29, 1986
Conrad Bancorporation, Conrad, Iowa	First State Bank, Conrad, Iowa	Chicago	August 22, 1986
Cotton Exchange Bancshares, Inc., Kennett, Missouri	Cotton Exchange Bank, Kennett, Missouri	St. Louis	September 2, 1986
Crandall Bancshares, Inc., Crandall, Texas	First State Bank of Crandall, Crandall, Texas	Dallas	September 19, 1986
East Texas National, Inc., Palestine, Texas	East Texas Bancorporation, Inc., Palestine, Texas	Dallas	September 16, 1986
Eminence Bankshares, Inc., Eminence, Missouri	Eminence Security Bank, Eminence, Missouri	St. Louis	September 4, 1986
Fidelity Bancorp, Inc., Houston, Texas	Northport National Bank, Houston, Texas	Dallas	September 25, 1986
First Bancshares of Durant, Inc., Durant, Oklahoma	The First National Bank in Durant, Durant, Oklahoma	Kansas City	September 18, 1986
First Bank of Indiantown Holding Co., Indiantown, Florida	First Bank of Indiantown, Indiantown, Florida	Atlanta	September 11, 1986
First Jersey National Corporation, Jersey City, New Jersey	First National Bancorp in Fort Lee, Fort Lee, New Jersey	New York	September 19, 1986
First Midwest Corporation of Delaware, Elmwood Park, Illinois	Illinois State Bancorp, Inc., Chicago, Illinois	Chicago	August 26, 1986
The First State Bank of Thornton, Iowa, Employees' Stock Ownership Plan and Trust, Thornton, Iowa	Thornton Bancshares, Inc., Thornton, Iowa	Chicago	September 12, 1986
First Sunbelt Bankshares, Inc., Rome, Georgia	The Georgia State Bank of Rome, Rome, Georgia	Atlanta	September 26, 1986
First Suncoast Trust Bancshares, Inc., Atmore, Alabama	The First National Bank of Atmore, Atmore, Alabama	Atlanta	September 26, 1986
First Union Corporation, Charlotte, North Carolina	Bank of Waynesboro, Waynesboro, Georgia	Richmond	September 12, 1986
G S B Corporation, George, Iowa	George State Bank, George, Iowa	Chicago	September 12, 1986
The Harlem Corporation, Billings, Montana	Stevensville Bancshares, Inc., Billings, Montana	Minneapolis	September 19, 1986
Hebron Bancshares, Inc., Hebron, Illinois	Hebron State Bank, Hebron, Illinois	Chicago	September 17, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
The Hongkong and Shanghai Banking Corporation, Hong Kong	Global Union Bank, New York, New York	New York	September 29, 1986
Jackson County Bankshares, Inc., Black River Falls, Wisconsin	Jackson County Bank, Black River Falls, Wisconsin	Chicago	September 23, 1986
Mabrey Insurance Agency, Inc., Okmulgee, Oklahoma	The Bank of Commerce, Wetumka, Oklahoma	Kansas City	September 5, 1986
Martha's Vineyard Bancorp, Inc., Vineyard Haven, Massachusetts	The Martha's Vineyard National Bank, Vineyard Haven, Massachusetts	Boston	September 11, 1986
Meridian Bancorp, Inc., Reading, Pennsylvania	The First National Bank of Pike County, Milford, Pennsylvania	Philadelphia	September 2, 1986
Miami Citizens Bancorp, Piqua, Ohio	Comp One Corporation, Piqua, Ohio	Cleveland	September 17, 1986
Middletown Bancorp, Inc., Middletown, Illinois	Middletown State Bank, Middletown, Illinois	Chicago	August 27, 1986
Minnesota Valley Financial Services, Inc., St. Paul, Minnesota	Courtland State Bank, Courtland, Minnesota	Minneapolis	September 12, 1986
Mountaineer Bankshares of W. Va., Inc., Martinsburg, West Virginia	First National Bank at Salem, Salem, West Virginia	Richmond	September 26, 1986
Moxham Bank Corporation, Johnstown, Pennsylvania	The First National Bank of Garrett, Garrett, Pennsylvania	Philadelphia	September 18, 1986
North Arkansas Bancshares, Inc., Jonesboro, Arkansas	The Bank of Rector, Rector, Arkansas Searcy County Bank, Marshall, Arkansas	St. Louis	September 24, 1986
Northland Bancshares, Inc., Kansas City, Missouri	First National Bank of Platte County, Kansas City, Missouri	Kansas City	August 22, 1986
Northway Bancshares, Inc., Richardson, Texas	Great Western National Bank of Lewisville, Lewisville, Texas	Dallas	September 3, 1986
Ohio Bancorp, Youngstown, Ohio	Finance Ohio Corporation, Martins Ferry, Ohio	Cleveland	August 29, 1986
Old National Bancorp, Evansville, Indiana	Clinton State Bank, Clinton, Indiana	St. Louis	September 2, 1986
Peoples Bank Corporation of Indianapolis, Indianapolis, Indiana	Peoples Bank & Trust Company, Indianapolis, Indiana	Chicago	September 15, 1986
Pickett County Bancshares, Inc., Byrdstown, Tennessee	The Pickett County Bank And Trust Company, Byrdstown, Tennessee	Atlanta	September 8, 1986
Portland Bankshares, Inc., Portland, Arkansas	Portland Bank, Portland, Arkansas	St. Louis	September 26, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
The Queensborough Company, Louisville, Georgia	Bank of Wadley, Wadley, Georgia	Atlanta	August 29, 1986
Royal Bancshares, Inc., Dallas, Texas	Centre National Bank-Farmers Branch, Farmers Branch, Texas	Dallas	August 25, 1986
Second Bancorp, Inc., Warren, Ohio	The Second National Bank of Warren, Warren, Ohio	Cleveland	September 16, 1986
Security Bancorp, Inc., Southgate, Michigan	Old Kent Bank of Almont, Almont, Michigan	Chicago	September 3, 1986
Security State Bank Employee Stock Ownership Plan and Trust, Plentywood, Montana	N.E. Montana Bancshares, Inc., Plentywood, Montana Security State Bank, Plentywood, Montana	Minneapolis	August 28, 1986
Silex Bancshares, Inc., Silex, Missouri	Silex Banking Company, Silex, Missouri	St. Louis	September 24, 1986
Trustcorp, Inc., Toledo, Ohio	First Bancshares of Huntington, Inc., Huntington, Indiana	Cleveland	August 27, 1986
Union National Financial Corporation, Mount Joy, Pennsylvania	The Union National Mount Joy Bank, Mount Joy, Pennsylvania	Philadelphia	September 15, 1986
Villa Grove Bancshares, Inc., Villa Grove, Illinois	First Villa Grove Bancorp., Inc., Villa Grove, Illinois	Chicago	September 12, 1986
West Suburban Bancorp, Inc., Lombard, Illinois	West Suburban Bank, Lombard, Illinois West Suburban Bank of Downers Grove/Lombard, Downers Grove, Illinois West Suburban Bank of Darien, Darien, Illinois West Suburban Bank of Carol Stream/Stratford Square, Carol Stream, Illinois	Chicago	September 5, 1986
Zions Utah Bancorporation, Salt Lake City, Utah	Mesa Bank, Mesa, Arizona	San Francisco	August 29, 1986

Section 4

Applicant	Nonbanking Company	Reserve Bank	Effective date
BankEast Corporation, Manchester, New Hampshire	Royal/Grimm & Davis, Inc., New York, New York	Boston	September 9, 1986
Bremer Financial Corporation, St. Paul, Minnesota Otto Bremer Foundation, St. Paul, Minnesota	First American Bank & Trust of Marshall, Marshall, Minnesota	Minneapolis	August 27, 1986

Section 4–Continued

Applicant	Nonbanking Company	Reserve Bank	Effective date
Den norske Creditbank, Oslo, Norway	engage *de novo* in leasing and financing personal property and servicing such leases and extensions of credit	New York	August 26, 1986
F & M Financial Services Corporation, Menomonee Falls, Wisconsin	F&M Trust Company, Inc., Menomonee Falls, Wisconsin	Chicago	September 17, 1986
MCorp, Dallas, Texas MCorp Financial, Inc., Wilmington, Delaware	ICOMP, Inc., Rock Island, Illinois	Dallas	September 3, 1986
New Hampshire Savings Bank Corp., Concord, New Hampshire	Security Central Mortgage Corporation, Bradenton, Florida	Boston	September 11, 1986
Signet Banking Corporation, Richmond, Virginia	Southeastern Finance Company of Dunn, North Carolina, Inc., Dunn, North Carolina	Richmond	September 3, 1986
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	DALA Company, Inc., Lancaster, Pennsylvania General Funding Services Corporation, Huntingdon, Pennsylvania	Philadelphia	September 18, 1986

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
North Georgia Bancshares, Inc., Canton, Georgia	North Georgia Bank, Canton, Georgia N.G.B.S. Investments, Inc., Canton, Georgia	Atlanta	September 23, 1986
Trustcorp, Inc., Toledo, Ohio Trustcorp of Indiana, Inc., Goshen, Indiana	Salem Bank and Trust Company, Goshen, Indiana Salem Financial Life Insurance Company, Goshen, Indiana	Cleveland	August 29, 1986

Legal Developments continued on next page.

Orders Approved under Bank Merger Act

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Barbour County Bank, Philippi, West Virginia	Barbour Interim Bank, Philippi, West Virginia	Richmond	September 15, 1986
Community Bank of Powhatan, Powhatan, Virginia	Central Virginia Bank, Powhatan, Virginia	Richmond	August 28, 1986
Rocky Mountain State Bank, Salt Lake City, Utah	Rocky Mountain State Bank of Bountiful, Bountiful, Utah	San Francisco	August 29, 1986
Seashore Bank Shares, Inc., Seabrook, New Hampshire	Seabrook Bank and Trust Company, Seabrook, New Hampshire Beach Bank, Seabrook, New Hampshire	Boston	September 26, 1986

Pending Cases Involving the Board of Governors

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

Jenkins v. Board of Governors, No. 86–1419 (D.C. Cir., filed July 18, 1986).

Securities Industry Association v. Board of Governors, No. 86–1412 (D.C. Cir., filed July 14, 1986).

Adkins v. Board of Governors, No. 86–3853 (4th Cir., filed May 14, 1986).

Optical Coating Laboratory, Inc. v. United States, No. 288–86C (U.S. Claims Ct., filed May 6, 1986).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial and Business Statistics

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1985		1986		1986				
	Q3	Q4	Q1	Q2r	Apr.	May	Juner	Julyr	Aug.
Reserves of depository institutions[2]									
1 Total	15.7	12.5	13.1	17.8	10.5	33.0	21.4	25.3	19.6
2 Required	16.4	11.5	12.3	19.8	13.2	32.7	19.5	26.3	24.2
3 Nonborrowed	17.5	10.4	19.1	17.6	7.3	34.1	23.7	27.3	16.8
4 Monetary base[3]	9.6	8.2	8.6	8.8	5.9	13.7	9.2	8.8	12.0
Concepts of money, liquid assets, and debt[4]									
5 M1	14.5	10.7	7.7	15.8	14.5	23.4	14.8	16.7	20.8
6 M2	9.6r	6.1r	4.3	10.5	13.9r	12.5r	9.4	12.9	10.9
7 M3	7.6	6.6r	7.6r	9.0	11.5r	7.9r	8.6	13.0	8.7
8 L	7.8	9.5r	8.2r	7.2	7.4r	10.2r	7.5	11.1	n.a.
9 Debt	12.9	14.6	16.1	9.8	10.0	10.8r	10.6	11.0	n.a.
Nontransaction components									
10 In M2[5]	8.0	4.6	3.3r	8.7	13.6r	9.1r	7.6	11.6	7.7
11 In M3 only[6]	−.3	8.5r	20.7r	3.4	2.5r	−10.5r	5.2	13.8	−.4
Time and savings deposits									
Commercial banks									
12 Savings[7]	7.6	3.2	1.9	11.8	9.6	22.7	17.7	22.9	30.6
13 Small-denomination time[8]	−3.3	−1.6	5.3	−3.1	−3.1	−9.6	−9.7	−5.7	−12.6
14 Large-denomination time[9,10]	−3.6	14.1	18.5	−8.8	−.4	−23.0	−4.3	−3.4	6.0
Thrift institutions									
15 Savings[7]	12.9	7.5	3.1	20.9	23.8	30.5	29.1	22.3	17.6
16 Small-denomination time	−2.8	−2.9	6.6	2.6	5.2r	−3.8r	−5.7	−.5	−6.2
17 Large-denomination time[9]	−1.0	5.2	10.0	11.0	11.7	−.7	−2.2	8.0	2.2
Debt components[4]									
18 Federal	14.6	15.2	17.5	9.5	7.8	12.8r	15.5	13.9	n.a.
19 Nonfederal	12.4	14.4	15.6r	9.9	10.7r	10.2r	9.2	10.1	n.a.
20 Total loans and securities at commercial banks[11]	9.6	9.4r	12.7	4.1	2.0	5.9	3.8	13.0	13.7

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1986			1986						
	June	July	August	July 16	July 23	July 30	August 6	August 13	August 20	August 27
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**207,619**	**210,913**	**210,945**	**213,490**	**209,274**	**209,773**	**211,360**	**211,399**	**209,941**	**210,690**
2 U.S. government securities[1]	182,611	185,112	185,339	187,032	184,790	184,256	184,720	185,309	185,038	185,595
3 Bought outright	182,086	183,550	185,339	183,845	184,790	184,256	184,720	185,309	185,038	185,595
4 Held under repurchase agreements	525	1,562	0	3,187	0	0	0	0	0	0
5 Federal agency obligations	8,309	8,581	8,076	9,258	8,137	8,137	8,137	8,098	8,047	8,047
6 Bought outright	8,137	8,137	8,076	8,137	8,137	8,137	8,137	8,098	8,047	8,047
7 Held under repurchase agreements	172	444	0	1,121	0	0	0	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	780	762	847	824	658	746	705	812	933	887
10 Float	586	438	610	296	354	576	1,340	434	430	733
11 Other Federal Reserve assets	15,334	16,020	16,073	16,081	15,334	16,058	16,459	16,746	15,494	15,429
12 Gold stock	11,085	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084
13 Special drawing rights certificate account	4,818	4,818	4,844	4,818	4,818	4,818	4,818	4,818	4,818	4,818
14 Treasury currency outstanding	17,314	17,342	17,374	17,341	17,345	17,350	17,355	17,365	17,375	17,385
ABSORBING RESERVE FUNDS										
15 Currency in circulation	198,625r	200,878	201,116	201,567	200,521	199,731	200,689	201,473	201,276	200,600
16 Treasury cash holdings	615r	564	516	570	559	541	529	519	518	512
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	2,824	3,638	3,210	3,992	3,633	3,862	3,524	3,695	3,454	3,284
18 Foreign	229	256	208	204	210	255	198	204	198	224
19 Service-related balances and adjustments	1,882	1,824	1,901	1,710	1,908	1,811	1,816	1,837	1,995	1,963
20 Other	477	471	508	472	405	406	623	412	566	453
21 Other Federal Reserve liabilities and capital	6,289	6,383	6,479	6,394	6,305	6,258	6,674	6,686	6,311	6,267
22 Reserve balances with Federal Reserve Banks[2]	29,895	30,143	30,308	31,825	28,978	30,161	30,565	29,838	28,899	30,675
	End-of-month figures			Wednesday figures						
	1986			1986						
	June	July	August	July 16	July 23	July 30	August 6	August 13	August 20	August 27
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**209,021**	**209,666**	**211,705**	**217,128**	**208,831**	**210,292**	**210,328**	**210,719**	**209,624**	**211,131**
24 U.S. government securities[1]	183,849	183,446	185,937	188,513	183,742	184,104	183,930	184,482	184,199	185,575
25 Bought outright	183,849	183,446	185,937	183,050	183,742	184,104	183,930	184,482	184,199	185,575
26 Held under repurchase agreements	0	0	0	5,463	0	0	0	0	0	0
27 Federal agency obligations	8,137	8,137	8,047	9,808	8,137	8,137	8,137	8,047	8,047	8,047
28 Bought outright	8,137	8,137	8,047	8,137	8,137	8,137	8,137	8,047	8,047	8,047
29 Held under repurchase agreements	0	0	0	1,671	0	0	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	952	737	913	1,911	689	909	716	881	817	944
32 Float	283	831	261	269	194	913	790	408	708	2,117
33 Other Federal Reserve assets	15,800	16,515	16,547	16,627	16,069	16,229	16,755	16,901	15,853	14,448
34 Gold stock	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084
35 Special drawing rights certificate account	4,818	4,818	5,018	4,818	4,818	4,818	4,818	4,818	4,818	4,818
36 Treasury currency outstanding	17,330r	17,353	17,394	17,344	17,349	17,353	17,364	17,374	17,384	17,394
ABSORBING RESERVE FUNDS										
37 Currency in circulation	199,281r	200,552	201,778	201,183	200,152	200,034	201,232	201,548	200,985	200,976
38 Treasury cash holdings	601r	532	497	562	542	532	519	519	512	511
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	3,143	3,983	1,106	5,238	3,330	3,286	4,349	3,169	3,542	3,890
40 Foreign	354	233	227	229	218	204	217	199	270	228
41 Service-related balances and adjustments	1,593	1,631	1,669	1,604	1,614	1,614	1,631	1,631	1,671	1,670
42 Other	450	688	461	489	369	415	436	410	449	497
43 Other Federal Reserve liabilities and capital	6,484	6,658	6,562	6,242	6,200	6,088	6,497	6,171	6,122	6,113
44 Reserve balances with Federal Reserve Banks[2]	30,347	28,644	32,901	34,827	29,657	31,374	28,712	30,347	29,359	30,542

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1983	*1984*	*1985*	*1986*						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks[1]	21,138	21,738	27,620	24,373	24,700	27,114	28,892	28,279	29,499	30,313
2 Total vault cash[2]	20,755	22,316	22,956	24,245	24,962	22,688	22,231	22,474	22,805	23,098
3 Vault cash used to satisfy reserve requirements[3]	17,908	18,958	20,522	21,687	21,952	20,160	19,990	20,140	20,439	20,716
4 Surplus vault cash[4]	2,847	3,358	2,434	2,559	3,010	2,528	2,241	2,334	2,366	2,381
5 Total reserves[5]	38,894	40,696	48,142	48,060	46,652	47,274	48,882	48,419	49,938	51,029
6 Required reserves	38,333	39,843	47,085	46,949	45,555	46,378	48,081	47,581	49,007	50,118
7 Excess reserve balances at Reserve Banks[6]	561	853	1,058	1,111	1,097	896	801	838	931	910
8 Total borrowings at Reserve Banks	774	3,186	1,318	770	884	761	893	876	803	741
9 Seasonal borrowings at Reserve Banks	96	113	56	36	56	68	73	94	108	116
10 Extended credit at Reserve Banks[7]	2	2,604	499	497	492	518	634	584	531	378
	Biweekly averages of daily figures for weeks ending									
	1986									
	May 21	June 4	June 18	July 2	July 16	July 30	Aug. 13	Aug. 27	Sept. 10	Sept. 24
11 Reserve balances with Reserve Banks[1]	27,875	28,568	30,156	29,044	31,267	29,547	30,185	29,792	22,671	23,623
12 Total vault cash[2]	22,700	22,422	22,250	23,580	22,466	23,644	23,323	23,792	22,671	23,623
13 Vault cash used to satisfy reserve requirements[3]	20,366	20,045	20,106	20,958	20,283	21,094	20,992	21,388	20,528	21,540
14 Surplus vault cash[4]	2,334	2,377	2,144	2,622	2,183	2,550	2,331	2,404	2,143	2,083
15 Total reserves[5]	48,241	48,613	50,262	50,002	51,550	50,641	51,177	51,146	52,043	53,650
16 Required reserves	47,554	47,600	49,627	48,755	50,871	49,545	50,592	50,279	51,281	53,001
17 Excess reserve balances at Reserve Banks[6]	688	1,014	636	1,247	679	1,096	585	867	762	649
18 Total borrowings at Reserve Banks	827	871	719	879	758	702	759	910	1,111	981
19 Seasonal borrowings at Reserve Banks	92	101	102	119	104	127	134	152	149	135
20 Extended credit at Reserve Banks[7]	571	566	526	525	442	294	373	515	592	569

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

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1986 week ending Monday								
	July 21	July 28	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15
One day and continuing contract									
1 Commercial banks in United States	72,686	70,154	73,643	75,018	73,971	72,709	71,747	79,935	76,260
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	38,616	39,108	38,880	40,815	39,130	39,548	41,393	43,667	41,138
3 Nonbank securities dealers	11,965	10,377	10,575	11,841	12,170	12,202	11,250	11,639	11,318
4 All other	27,898	30,353	29,584	29,358	29,339r	29,053	29,476	27,418	27,380
All other maturities									
5 Commercial banks in United States	9,065	9,111	9,199	9,763	9,435	9,148	9,810	8,953	9,450
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	6,950	6,006	6,390	6,436	6,131	5,372	5,123	5,670	6,683
7 Nonbank securities dealers	8,236	8,782	9,373	9,616	9,282r	9,472	9,985	9,133	9,818
8 All other	9,008	9,768	9,361	9,396	9,616	9,316	10,200	11,031	11,599
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	28,173	26,579	30,625	29,573r	29,612r	27,489	27,837	30,746	28,135
10 Nonbank securities dealers	10,223	10,769	10,933r	10,437r	9,998r	9,270	9,368	11,149	12,149

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit[1]			Extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 9/26/86	Effective date	Previous rate	Rate on 9/26/86	Previous rate	Rate on 9/26/86	Previous rate	Rate on 9/26/86	Previous rate	
Boston	5½	8/21/86	6	5½	6	6½	7	7½	8	8/21/86
New York	↑	8/21/86	↑	↑	↑	↑	↑	↑	↑	8/21/86
Philadelphia		8/22/86								8/22/86
Cleveland		8/21/86								8/21/86
Richmond		8/21/86								8/21/86
Atlanta		8/21/86								8/21/86
Chicago		8/21/86								8/21/86
St. Louis		8/22/86								8/22/86
Minneapolis		8/21/86								8/21/86
Kansas City		8/21/86								8/21/86
Dallas	↓	8/21/86	↓	↓	↓	↓	↓	↓	↓	8/21/86
San Francisco	5½	8/21/86	6	5½	6	6½	7	7½	8	8/21/86

Range of rates in recent years[3]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
July 10	7¼	7¼

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1978— 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
1981— May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985— May 20	7½–8	7½
24	7½	7½
1986— Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
23	6½	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
In effect Sept. 26, 1986	5½	5½

1. After May 19, 1986, the highest rate within the structure of discount rates may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act	
	Percent	Effective date
Net demand[2]		
\$0 million–\$2 million	7	12/30/76
\$2 million–\$10 million	9½	12/30/76
\$10 million–\$100 million	11¾	12/30/76
\$100 million–\$400 million	12¾	12/30/76
Over \$400 million	16¼	12/30/76
Time and savings[2,3]		
Savings	3	3/16/67
Time[4]		
\$0 million–\$5 million, by maturity		
30–179 days	3	3/16/67
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75
Over \$5 million, by maturity		
30–179 days	6	12/12/74
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
\$0–\$31.7 million	3	12/31/85
Over \$31.7 million	12	12/31/85
Nonpersonal time deposits[9]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

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

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

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

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

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

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

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

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

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

5. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that \$2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. Effective Dec. 9, 1982, the amount of the exemption was established at \$2.1 million. Effective with the reserve maintenance period beginning Jan. 1, 1985, the amount of the exemption is \$2.4 million. Effective with the reserve computation period beginning Dec. 31, 1985, the amount of the exemption is \$2.6 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) described in 12 CFR section 204.2 (d)(2); (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 that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

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

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

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

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

Percent per annum

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

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

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

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1983	1984	1985	1986						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	18,888	20,036	22,214	286	0	396	2,988	3,196	1,402	867
2 Gross sales	3,420	8,557	4,118	225	2,277	0	0	0	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	2,400	7,700	3,500	0	1,000	0	0	0	0	0
Others within 1 year										
5 Gross purchases	484	1,126	1,349	0	0	0	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	18,887	16,354	19,763	725	4,776	1,152	447	1,847	1,152	579
8 Exchange	−16,553	−20,840	−17,717	−596	−2,148	−1,458	−1,129	−1,819	−1,957	−1,253
9 Redemptions	87	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,896	1,638	2,185	0	0	0	0	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−15,533	−13,709	−17,459	−703	−4,776	−1,152	−447	−1,532	−1,152	−386
13 Exchange	11,641	16,039	13,853	596	1,548	1,458	1,134	1,019	1,957	1,253
5 to 10 years										
14 Gross purchases	890	536	458	0	0	0	0	0	0	0
15 Gross sales	0	300	100	0	0	0	0	0	0	0
16 Maturity shift	−2,450	−2,371	−1,857	−22	0	0	−5	−315	0	−193
17 Exchange	2,950	2,750	2,184	0	350	0	0	500	0	0
Over 10 years										
18 Gross purchases	383	441	293	0	0	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−904	−275	−447	0	0	0	0	0	0	0
21 Exchange	1,962	2,052	1,679	0	250	0	0	300	0	0
All maturities										
22 Gross purchases	22,540	23,776	26,499	286	0	396	2,988	3,196	1,402	867
23 Gross sales	3,420	8,857	4,218	225	2,277	0	0	0	0	0
24 Redemptions	2,487	7,700	3,500	0	1,000	0	0	0	0	0
Matched transactions										
25 Gross sales	578,591	808,986	866,175	63,109	90,459	88,917	109,253	62,663	80,219	70,928
26 Gross purchases	576,908	810,432	865,968	61,156	94,368	88,604	103,957	67,147	80,674	69,659
Repurchase agreements										
27 Gross purchases	105,971	127,933	134,253	24,257	0	6,748	21,156	12,395	5,640	18,657
28 Gross sales	108,291	127,690	132,351	24,699	3,087	6,748	13,634	19,917	5,640	18,657
29 Net change in U.S. government securities	12,631	8,908	20,477	−2,335	−2,456	83	5,214	158	1,857	−403
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	292	256	162	0	40	0	0	50	0	*
Repurchase agreements										
33 Gross purchases	8,833	11,509	22,183	5,384	0	1,821	3,369	3,135	1,691	4,984
34 Gross sales	9,213	11,328	20,877	6,454	623	1,821	1,955	4,567	1,691	4,984
35 Net change in federal agency obligations	−672	−76	1,144	−1,070	−663	0	1,432	−1,482	0	*
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	−1,062	−418	0	0	0	0	0	0	0	0
37 **Total net change in System Open Market Account**	**10,897**	**8,414**	**21,621**	**−3,405**	**−3,119**	**83**	**6,647**	**−1,324**	**1,857**	**−403**

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 1986					End of month 1986		
	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	June	July	Aug.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084
2 Special drawing rights certificate account	4,818	4,818	4,818	4,818	4,818	4,818	4,818	5,018
3 Coin	475	473	477	484	476	488	467	468
Loans								
4 To depository institutions	909	716	881	817	944	952	737	913
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	8,137	8,137	8,047	8,047	8,047	8,137	8,137	8,047
8 Held under repurchase agreements	0	0	0	0	0	0	0	0
U.S. government securities								
Bought outright								
9 Bills	91,731	91,557	92,109	91,826	93,202	91,476	91,073	93,564
10 Notes	67,097	67,097	67,097	66,597	66,597	67,097	67,097	66,597
11 Bonds	25,276	25,276	25,276	25,776	25,776	25,276	25,276	25,776
12 Total bought outright[1]	184,104	183,930	184,482	184,199	185,575	183,849	183,446	185,937
13 Held under repurchase agreements	0	0	0	0	0	0	0	0
14 Total U.S. government securities	184,104	183,930	184,482	184,199	185,575	183,849	183,446	185,937
15 **Total loans and securities**	**193,150**	**192,783**	**193,410**	**193,063**	**194,566**	**192,938**	**192,320**	**194,897**
16 Items in process of collection	6,696	7,220	6,047	6,582	7,741	4,959	6,206	5,632
17 Bank premises	637	638	640	642	642	634	638	642
Other assets								
18 Denominated in foreign currencies[2]	8,229	8,659	8,663	8,676	8,681	8,200	8,657	9,147
19 All other[3]	7,363	7,458	7,598	6,535	5,125	6,966	7,220	6,758
20 **Total assets**	**232,452**	**233,133**	**232,737**	**231,884**	**233,133**	**230,087**	**231,410**	**233,646**
LIABILITIES								
21 Federal Reserve notes	183,688	184,861	185,171	184,597	184,569	183,040	184,198	185,349
Deposits								
22 To depository institutions	32,988	30,343	31,978	31,030	32,212	31,940	30,275	34,570
23 U.S. Treasury—General account	3,286	4,349	3,169	3,542	3,890	3,143	3,983	1,106
24 Foreign—Official accounts	204	217	199	270	228	354	233	227
25 Other	415	436	410	449	497	450	688	461
26 **Total deposits**	**36,893**	**35,345**	**35,756**	**35,291**	**36,827**	**35,887**	**35,179**	**36,364**
27 Deferred credit items	5,783	6,430	5,639	5,874	5,624	4,676	5,375	5,371
28 Other liabilities and accrued dividends[4]	2,104	2,087	2,175	2,133	2,103	2,190	2,212	2,193
29 **Total liabilities**	**228,468**	**228,723**	**228,741**	**227,895**	**229,123**	**225,793**	**226,964**	**229,277**
CAPITAL ACCOUNTS								
30 Capital paid in	1,833	1,839	1,840	1,841	1,844	1,807	1,834	1,843
31 Surplus	1,781	1,781	1,781	1,781	1,781	1,781	1,781	1,781
32 Other capital accounts	370	790	375	367	385	706	831	745
33 **Total liabilities and capital accounts**	**232,452**	**233,133**	**232,737**	**231,884**	**233,133**	**230,087**	**231,410**	**233,646**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	151,639	153,894	155,491	156,105	155,291	146,909	153,973	155,182
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	218,655	219,348	220,412	221,234	221,734	215,965	218,626	221,640
36 LESS: Held by bank	34,967	34,487	35,241	36,637	37,165	32,925	34,428	36,291
37 Federal Reserve notes, net	183,688	184,861	185,171	184,597	184,569	183,040	184,198	185,349
Collateral held against notes net:								
38 Gold certificate account	11,084	11,084	11,084	11,084	11,084	11,084	11,084	11,084
39 Special drawing rights certificate account	4,818	4,818	4,818	4,818	4,818	4,818	4,818	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	167,786	168,959	169,269	168,695	168,667	167,138	168,296	169,247
42 **Total collateral**	**183,688**	**184,861**	**185,171**	**184,597**	**184,569**	**183,040**	**184,198**	**185,349**

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

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1986					1986		
	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	June 30	July 31	Aug. 29
1 Loans—Total	909	716	881	817	944	952	737	913
2 Within 15 days	901	656	850	813	935	922	693	863
3 16 days to 90 days	8	60	31	4	9	30	44	50
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	184,104	183,930	184,482	184,199	185,575	183,849	183,446	185,937
10 Within 15 days[1]	10,068	12,880	11,995	10,334	11,364	6,428	8,813	5,582
11 16 days to 90 days	45,390	43,380	42,791	41,920	42,266	48,118	41,303	42,894
12 91 days to 1 year	57,444	55,794	57,820	56,980	56,980	58,100	61,454	60,596
13 Over 1 year to 5 years	33,793	34,467	34,467	36,576	36,576	33,600	34,467	38,476
14 Over 5 years to 10 years	15,100	15,100	15,100	15,580	15,580	15,294	15,100	15,580
15 Over 10 years	22,309	22,309	22,309	22,809	22,809	22,309	22,309	22,809
16 Federal agency obligations—Total	8,137	8,137	8,047	8,047	8,047	8,137	8,137	8,047
17 Within 15 days[1]	175	90	0	202	251	164	175	251
18 16 days to 90 days	645	799	924	722	704	601	645	704
19 91 days to 1 year	1,704	1,635	1,550	1,550	1,569	1,856	1,704	1,569
20 Over 1 year to 5 years	3,885	3,885	3,845	3,845	3,925	3,765	3,885	3,925
21 Over 5 years to 10 years	1,304	1,304	1,304	1,304	1,174	1,327	1,304	1,174
22 Over 10 years	424	424	424	424	424	424	424	424

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves[2]**	**34.28**	**36.14**	**39.51**	**45.61**	**45.88**	**46.37**	**46.87**	**47.28**	**48.58**	**49.45**	**50.49**	**51.32**
2 Nonborrowed reserves	33.65	35.36	36.32	44.29	45.11	45.49	46.10	46.38	47.70	48.64	49.75	50.44
3 Nonborrowed reserves plus extended credit[3]	33.83	35.37	38.93	44.79	45.61	45.98	46.62	47.02	48.29	49.17	50.13	50.91
4 Required reserves	33.78	35.58	38.66	44.55	44.77	45.27	45.97	46.47	47.74	48.51	49.58r	50.58
5 Monetary base[4]	170.04	185.39	199.17	216.72	218.40	219.79	221.26	222.36	224.90	226.63	228.30r	230.59
	Not seasonally adjusted											
6 **Total reserves[2]**	**35.01**	**36.86**	**40.57**	**46.84**	**47.11**	**45.68**	**46.34**	**47.94**	**47.71**	**49.20**	**50.32**	**50.62**
7 Nonborrowed reserves	34.37	36.09	37.38	45.52	46.34	44.80	45.58	47.04	46.84	48.39	49.58	49.75
8 Nonborrowed reserves plus extended credit[3]	34.56	36.09	39.98	46.02	46.84	45.29	46.10	47.68	47.42	48.93	49.96	50.21
9 Required reserves	34.51	36.30	39.71	45.78	46.00	44.59	45.44	47.14	46.87	48.27	49.41r	49.88
10 Monetary base[4]	173.07	188.66	202.34	220.36	218.74	216.78	218.99	222.13	223.61	227.04	230.02r	230.76
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**41.85**	**38.89**	**40.70**	**48.14**	**48.06**	**46.65**	**47.27**	**48.88**	**48.42**	**49.94**	**51.03**	**51.27**
12 Nonborrowed reserves	41.22	38.12	37.51	46.82	47.29	45.77	46.51	47.99	47.54	49.14	50.29	50.40
13 Nonborrowed reserves plus extended credit[3]	41.41	38.12	40.09	47.41	47.79	46.22	47.17	48.22	48.24	49.81	50.68	50.90
14 Required reserves	41.35	38.33	39.84	47.09	46.95	45.56	46.38	48.08	47.58	49.01	50.12r	50.54
15 Monetary base[4]	180.42	192.26	204.18	223.53	221.59	219.57	221.70	224.88	226.12	229.68	232.55r	233.32

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 May	1986 June	1986 July	1986 Aug.
	Seasonally adjusted							
1 M1	479.9	527.1	558.5	626.6	658.7	666.8	676.1r	687.8
2 M2	1,952.6	2,186.0	2,373.8	2,566.5	2,649.7	2,670.5r	2,699.1r	2,723.4
3 M3	2,443.5	2,697.3	2,986.5	3,201.1	3,315.5r	3,339.2r	3,375.4r	3,399.5
4 L	2,850.1	3,163.5	3,532.0r	3,838.2	3,950.0r	3,974.4r	4,011.0r	n.a.
5 Debt	4,661.3	5,192.0	5,952.0	6,810.0	7,134.6r	7,197.9r	7,263.7r	n.a.
M1 components								
6 Currency[2]	134.3	148.3	158.5	170.6	175.8	176.7	177.5r	179.0
7 Travelers checks[3]	4.3	4.9	5.2	5.9	6.1	6.2	6.4	6.5
8 Demand deposits[4]	237.9	242.7	248.4	271.5	281.6	284.9	288.3	291.8
9 Other checkable deposits[5]	103.4	131.3	146.3	178.6	195.1	199.0	203.9	210.5
Nontransactions components								
10 In M2[6]	1,472.7	1,658.9	1,815.4	1,939.9	1,991.0r	2,003.7r	2,023.0r	2,035.7
11 In M3 only[7]	490.9	511.3	612.7	634.6	665.8r	668.7r	676.3r	676.1
Savings deposits[9]								
12 Commercial Banks	163.7	133.4	122.3	124.5	129.0	130.9	133.4	136.8
13 Thrift institutions	194.2	173.2	167.3	179.1	189.5	194.1	197.7r	200.5
Small denomination time deposits[9]								
14 Commercial Banks	380.4	351.1	387.2	384.1	384.9	381.8	380.0	376.0
15 Thrift institutions	472.4	434.1	500.3	496.2	506.3	503.9r	503.7r	501.1
Money market mutual funds								
16 General purpose and broker/dealer	185.2	138.2	167.5	176.5	193.2	197.2	199.4	200.2
17 Institution-only	51.1	43.2	62.7	64.6	76.1	75.0	77.5	80.8
Large denomination time deposits[10]								
18 Commercial Banks[11]	262.1	228.7	263.7	279.1	281.5	280.5r	279.7r	281.1
19 Thrift institutions	65.8	101.1	150.2	157.3	164.9	164.6	165.7	166.0
Debt components								
20 Federal debt	979.2	1,173.0	1,367.3	1,586.3	1,656.3r	1,677.7r	1,697.1r	n.a.
21 Non-federal debt	3,682.1	4,019.0	4,584.7	5,223.7	5,478.3r	5,520.2r	5,566.5r	n.a.
	Not seasonally adjusted							
22 M1	490.9	538.8	570.5	639.9	651.8	669.2	679.8r	684.7
23 M2	1,958.6	2,192.8	2,380.8	2,574.7	2,640.7	2,672.7r	2,704.4r	2,718.3
24 M3	2,453.3	2,707.9	2,997.8r	3,213.8	3,308.7r	3,339.9r	3,373.0r	3,394.3
25 L	2,856.4	3,170.1	3,537.2r	3,844.4	3,936.8r	3,974.6r	4,011.0r	n.a.
26 Debt	4,655.7	5,186.5	5,946.3	6,804.1	7,109.0r	7,176.7r	7,243.9r	n.a.
M1 components								
27 Currency[2]	136.5	150.5	160.9	173.1	175.8	177.4	179.1	179.9
28 Travelers checks[3]	4.1	4.6	4.9	5.5	5.9	6.5	7.2	7.3
29 Demand deposits[4]	246.2	251.3	257.3	281.3	276.7	285.6	290.0	289.0
30 Other checkable deposits[5]	104.1	132.4	147.5	180.1	193.4	199.6	203.5r	208.6
Nontransactions components								
31 M2[6]	1,467.7	1,654.0	1,810.3	1,934.7	1,988.9	2,003.5r	2,024.6r	2,033.5
32 M3 only[7]	494.7	515.1	617.0	639.2	668.1r	667.2r	668.6r	676.0
Money market deposit accounts								
33 Commercial banks	26.3	230.5	267.2	332.4	348.6	355.2	358.9r	363.4
34 Thrift institutions	16.9	148.7	149.7	179.6	182.2	185.2	187.2	189.8
Savings deposits[8]								
35 Commercial Banks	162.1	132.2	121.4	123.5	129.5	132.2	135.1	137.2
36 Thrift institutions	193.1	172.3	166.5	178.3	190.3	194.8	198.7r	199.4
Small denomination time deposits[9]								
37 Commercial Banks	380.1	351.1	387.6	384.8	382.3	380.7	379.9	378.0
38 Thrift institutions	471.7	434.2	501.2	497.6	502.4	501.0	502.8r	500.4
Money market mutual funds								
39 General purpose and broker/dealer	185.2	138.2	167.5	176.5	193.2	197.2	199.4	200.2
40 Institution-only	51.1	43.2	62.7	64.6	76.1	75.0	77.5	80.8
Large denomination time deposits[10]								
41 Commercial Banks[11]	265.2	230.8	265.4	280.9	280.8	278.8r	278.7r	281.4
42 Thrift institutions	65.8	101.4	150.6	157.8	164.4	164.1	164.6	165.9
Debt components								
43 Federal debt	976.4	1,170.2	1,364.7	1,583.7	1,660.7r	1,678.9r	1,695.6r	n.a.
44 Non-federal debt	3,679.3	4,016.3	4,581.6	5,220.4r	5,448.3r	5,497.8r	5,548.3r	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1983[1]	1984[1]	1985[1]	1986					
				Feb.	Mar.	Apr.	May	June	July
				Seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
1 All insured banks	109,642.3	128,440.8	154,556.0	179,139.6	182,841.8	192,847.2	189,819.7	187,035.1	188,874.2
2 Major New York City banks	47,769.4	57,392.7	70,445.1	85,298.6	89,350.3	95,699.5	87,846.7	89,201.2	91,040.8
3 Other banks	61,873.1	71,048.1	84,110.9	93,841.0	93,491.5	97,147.7	101,973.0	97,833.9	97,833.4
4 ATS-NOW accounts[3]	1,405.5	1,588.7	1,920.8	2,193.5	2,266.0	2,088.7	2,255.6	2,188.0	2,320.1
5 Savings deposits[4]	741.4	633.1	539.0	364.6	356.7	385.2	389.7	382.6	417.4
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	379.7	434.4	496.5	560.8	566.0	593.6	569.7	553.3	556.4
7 Major New York City banks	1,528.0	1,843.0	2,168.9	2,473.8	2,517.7	2,635.1	2,457.8	2,504.5	2,417.2
8 Other banks	240.9	268.6	301.8	329.3	325.1	336.6	342.8	323.5	324.2
9 ATS-NOW accounts[3]	15.6	15.8	16.7	17.2	17.7	16.0	17.0	16.2	16.8
10 Savings deposits[4]	5.4	5.0	4.5	3.0	2.9	3.1	3.1	3.0	3.2
				Not seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
11 All insured banks	109,517.6	128,059.1	154,108.4	161,655.6	179,715.2	195,373.5	184,827.4	188,924.1	198,657.9
12 Major New York City banks	47,707.4	57,282.4	70,400.9	77,376.9	87,757.0	95,408.5	85,189.6	91,315.2	96,686.1
13 Other banks	64,310.2	70,776.9	83,707.8	84,278.6	91,958.3	99,965.0	99,637.8	97,608.9	101,971.8
14 ATS-NOW accounts[3]	1,397.0	1,579.5	1,903.4	2,065.3	2,349.0	2,393.2	2,256.6	2,356.3	2,240.4
15 MMDA[5]	567.4	848.8	1,179.0	1,334.9	1,600.4	1,638.8	1,557.9	1,697.2	1,575.9
16 Savings deposits[4]	742.0	632.9	538.7	331.1	362.3	418.7	377.8	385.9	419.9
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	379.9	433.5	497.4	520.0	569.5	600.1	569.4	564.1	587.8
18 Major New York City banks	1,510.0	1,838.6	2,191.1	2,314.0	2,494.1	2,661.7	2,487.0	2,570.0	2,620.6
19 Other banks	240.5	267.9	301.6	303.8	328.0	345.0	343.2	326.0	338.7
20 ATS-NOW accounts[3]	15.5	15.7	16.6	16.4	18.3	17.9	17.1	17.4	16.3
21 MMDA[5]	2.8	3.5	3.8	4.0	4.7	4.8	4.5	4.8	4.4
22 Savings deposits[4]	5.4	5.0	4.5	2.7	3.0	3.4	3.0	3.0	3.2

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

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1985				1986							
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**1,847.2**	**1,855.5**	**1,876.0**	**1,900.4**	**1,930.0**	**1,935.5**	**1,944.6**	**1,947.9**	**1,957.5**	**1,963.7**	**1,985.0**	**2,007.7**
2 U.S. government securities	275.5	274.2	276.0	273.1	268.2	273.6	269.5	270.0	274.1	274.8	285.4	290.9
3 Other securities	153.6	157.3	163.3	177.6	192.5	188.1	183.3	182.1	181.9	183.6	186.1	192.3
4 Total loans and leases[2]	1,418.0	1,424.0	1,436.8	1,449.7	1,469.3	1,473.7	1,491.8	1,495.8	1,501.5	1,505.3	1,513.4	1,524.5
5 Commercial and industrial	492.1	492.7	495.7	499.5	502.1	502.4	506.1	507.8	506.7	508.7	508.7	510.4
6 Bankers acceptances held[3]	4.9	4.9	4.9	4.9	4.9	4.8	4.9	5.2	5.6	6.1	5.8	5.9
7 Other commercial and industrial	487.1	487.8	490.7	494.7	497.2	497.6	501.2	502.6	501.0	502.6	502.8	504.4
8 U.S. addressees[4]	478.3	479.4	482.4	486.0	488.0	488.4	491.3	492.7	490.6	493.1	493.8	495.4
9 Non-U.S. addressees[4]	8.8	8.4	8.3	8.7	9.3	9.2	9.9	9.8	10.5	9.5	9.0	9.1
10 Real estate	409.5	414.0	418.0	422.4	427.1	431.4	436.1	440.7	446.4	450.7	455.9	461.4
11 Individual	285.4	287.5	289.7	291.5	294.6	297.4	299.5	301.1	303.0	304.5	305.6	306.9
12 Security	39.7	39.2	39.8	40.1	44.1	43.4	50.4[r]	48.0[r]	46.4	42.5	44.8	44.2
13 Nonbank financial institutions	31.5	31.3	32.0	32.6	32.6	31.9	32.3	32.4	33.3	34.7	34.2	34.4
14 Agricultural	38.3	37.9	37.1	36.3	35.9	35.4	34.9	34.6	34.1	33.7	33.3	33.3
15 State and political subdivisions	48.8	49.3	50.0	52.8	60.5	60.3	60.2	59.8	59.5	59.4	59.1	59.4
16 Foreign banks	9.6	9.3	9.0	9.1	9.1	9.2	9.2	9.2	9.3	9.5	9.5	9.3
17 Foreign official institutions	6.5	6.6	6.7	6.9	7.0	7.0	6.8	5.3	5.1	6.4	6.5	6.5
18 Lease financing receivables	18.1	18.3	18.4	18.8	19.4	19.6	19.8	19.9	19.8	20.0	20.0	20.2
19 All other loans	38.5	38.0	40.3	39.6	36.8	35.7	36.5	37.3	37.9	35.4	35.8	38.5
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**1,845.4**	**1,851.8**	**1,875.7**	**1,912.6**	**1,934.8**	**1,932.4**	**1,944.1**	**1,950.5**	**1,956.7**	**1,965.4**	**1,981.4**	**1,999.8**
21 U.S. government securities	274.1	270.3	273.7	271.0	267.7	275.0	273.2	274.0	275.4	276.2	285.3	289.1
22 Other securities	153.6	156.8	163.3	178.7	193.8	188.9	183.9	181.8	182.2	182.5	183.9	192.1
23 Total loans and leases[2]	1,417.7	1,424.7	1,438.7	1,462.9	1,473.3	1,468.5	1,487.1	1,494.7	1,499.0	1,506.7	1,512.1	1,518.7
24 Commercial and industrial	491.4	492.0	494.8	501.5	501.4	500.1	506.9	510.0	508.5	509.4	508.6	508.3
25 Bankers acceptances held[3]	4.8	4.8	5.0	5.2	4.9	4.7	5.0	5.2	5.5	6.0	6.0	5.9
26 Other commercial and industrial	486.6	487.2	489.7	496.4	496.5	495.4	501.9	504.9	503.0	503.4	502.6	502.4
27 U.S. addressees[4]	477.5	478.4	481.0	487.3	487.3	486.3	492.7	495.4	493.3	494.0	493.3	493.1
28 Non-U.S. addressees[4]	9.1	8.8	8.8	9.0	9.2	9.1	9.2	9.5	9.7	9.4	9.3	9.4
29 Real estate	410.5	415.2	419.2	423.3	427.3	430.6	434.9	439.5	445.2	450.2	455.8	461.6
30 Individual	286.7	289.0	291.0	294.8	297.0	296.3	296.8	298.6	301.1	303.1	304.9	307.2
31 Security	37.5	38.6	41.0	45.4	46.8	42.6	49.5	48.5[r]	45.6	42.5	43.0	41.3
32 Nonbank financial institutions	31.7	31.1	32.1	33.4	32.9	31.3	31.7	32.2	33.1	34.6	34.3	34.6
33 Agricultural	39.2	38.5	37.2	36.0	35.2	34.5	34.0	33.9	34.0	34.2	34.1	34.0
34 State and political subdivisions	48.8	49.3	50.0	52.8	60.5	60.3	60.2	59.8	59.5	59.4	59.1	59.4
35 Foreign banks	9.7	9.5	9.3	9.5	9.3	9.3	9.1	9.0	9.1	9.2	9.4	9.1
36 Foreign official institutions	6.5	6.6	6.7	6.9	7.0	7.0	6.8	5.3	5.1	6.4	6.5	6.5
37 Lease financing receivables	18.1	18.2	18.3	18.8	19.6	19.8	19.8	19.9	19.9	20.0	20.0	20.1
38 All other loans	37.8	36.7	39.1	40.5	36.3	36.5	37.4	38.1	37.9	37.7	36.5	36.3

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	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May	1986 June	1986 July	1986 Aug.
Total nondeposit funds												
1 Seasonally adjusted[2]	114.8	118.8	122.3	128.2	131.7	131.7	141.2	134.1r	135.7	132.7r	136.0r	137.7
2 Not seasonally adjusted	113.2	117.4	123.4	127.9	131.8	134.4	143.7	135.0r	137.9r	131.4r	132.1r	136.7
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	143.6	144.3	149.4	154.1	151.6	152.7	160.6	160.4r	157.9r	157.1r	166.2r	168.0
4 Not seasonally adjusted	142.0	142.9	150.5	153.7	151.6	155.3	163.1	161.3r	160.0	155.8r	162.3r	166.9
5 Net balances due to foreign-related institutions, not seasonally adjusted	−28.8	−25.5	−27.2	−25.9	−19.9	−21.0	−19.4	−26.3	−22.2r	−24.5r	−30.2	−30.2
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−30.7	−28.6	−30.2	−31.6	−28.0	−25.8	−26.5	−30.2	−29.3	−30.5r	−33.8	−31.2
7 Gross due from balances	74.7	74.2	74.1	76.3	74.3	69.4	71.7	75.2r	72.9	72.2	73.9	75.2
8 Gross due to balances	44.0	45.5	43.9	44.7	46.4	43.6	45.2	45.1	43.6	41.7	40.1	44.0
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	1.9	3.2	3.1	5.7	8.1	4.8	7.1r	3.9	7.2	6.0	3.6	1.0
10 Gross due from balances	55.9	55.2	55.9	56.7	57.6	60.0	60.7r	62.5	60.0r	62.8	64.2	66.2
11 Gross due to balances	57.8	58.4	58.9	62.5	65.7	64.8	67.8	66.4	67.1	68.8	67.8	67.2
Security RP borrowings												
12 Seasonally adjusted[6]	85.9	85.6	85.9	89.4	87.6	89.5	89.7	89.7	89.0	89.2	95.7	96.3
13 Not seasonally adjusted	84.3	84.2	87.0	89.0	87.7	92.2	92.2	90.6	91.2	88.0	91.8	95.3
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	14.9	4.7	13.5	17.5	19.0	21.1	15.7	17.4	21.3	18.5	14.7r	13.1
15 Not seasonally adjusted	16.8	5.4	7.9	14.6	24.0	24.2	15.7	17.8	21.8	16.1	16.8r	11.0
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	330.8	333.9	335.9	337.6	349.4	351.9	347.7	346.9	340.4	339.8	338.4r	342.6
17 Not seasonally adjusted	332.7	336.3	337.5	339.4	348.3	350.7	348.3	343.5	339.6	338.1	337.3r	342.9

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.

Data for lines 1–4 and 12–17 have been revised in light of benchmarking and revised seasonal adjustment.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

4. Averages of daily figures for member and nonmember banks.

5. Averages of daily data.

6. Based on daily average data reported by 122 large banks.

7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

8. Averages of Wednesday figures.

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

Billions of dollars

Account	1985			1986							
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,985.8	2,035.6	2,068.7	2,065.2	2,078.8	2,091.4	2,113.4	2,101.3	2,105.5	2,134.0	2,154.4
2 Investment securities	402.4	410.5	420.4	432.5	432.8	427.2	429.5	430.9	432.6	445.7	455.1
3 U.S. government securities	252.9	254.9	253.9	251.9	255.1	253.7	255.8	257.7	259.6	269.6	272.2
4 Other	149.6	155.6	166.5	180.6	177.7	173.5	173.6	173.2	173.0	176.1	183.0
5 Trading account assets	25.0	32.0	31.1	30.1	34.0	30.1	27.8	27.0	27.4	28.7	29.3
6 Total loans	1,558.4	1,593.1	1,617.2	1,602.6	1,612.0	1,634.2	1,656.1	1,643.5	1,645.5	1,659.6	1,670.0
7 Interbank loans	132.4	149.0	150.6	140.4	143.5	146.0	155.7	146.2	139.2	148.6	149.4
8 Loans excluding interbank	1,425.9	1,444.2	1,466.7	1,462.2	1,468.5	1,488.1	1,500.4	1,497.2	1,506.3	1,511.0	1,520.6
9 Commercial and industrial	491.7	495.8	500.2	496.7	501.8	508.5	510.5	506.2	512.3	507.3	510.1
10 Real estate	416.7	420.2	423.7	428.7	431.5	435.9	441.7	446.4	451.4	457.6	463.2
11 Individual	290.3	292.0	296.0	297.4	296.4	296.9	300.4	301.1	304.0	305.6	308.4
12 All other	227.2	236.2	246.7	239.4	238.7	246.9	247.8	243.6	238.7	240.5	238.8
13 Total cash assets	191.5	209.0	213.3	187.3	193.7	198.1	209.9	221.0	196.0	206.2	205.8
14 Reserves with Federal Reserve Banks	19.5	20.4	27.6	21.9	26.2	29.1	25.5	30.2	27.9	28.2	27.9
15 Cash in vault	22.6	21.4	22.2	23.0	22.7	21.8	22.3	23.9	23.0	23.3	23.7
16 Cash items in process of collection	68.1	82.1	79.5	64.2	66.9	68.8	80.7	84.6	67.3	72.1	73.5
17 Demand balances at U.S. depository institutions	31.5	35.8	36.0	31.3	31.8	31.1	34.7	36.8	32.0	33.8	33.6
18 Other cash assets	49.8	49.4	48.0	47.0	46.1	47.4	46.7	45.5	45.8	48.7	47.1
19 Other assets	189.2	197.1	201.9	187.0	186.5	195.3	207.0	195.9	196.6	196.6	196.2
20 Total assets/total liabilities and capital	**2,366.5**	**2,441.8**	**2,483.8**	**2,439.6**	**2,458.9**	**2,484.8**	**2,530.3**	**2,518.3**	**2,498.1**	**2,536.7**	**2,556.4**
21 Deposits	1,713.6	1,751.7	1,772.5	1,739.5	1,746.4	1,762.8	1,798.4	1,807.4	1,791.9	1,819.5	1,833.6
22 Transaction deposits	491.7	522.2	536.9	488.8	492.1	502.5	540.7	542.7	523.3	540.0	544.2
23 Savings deposits	445.8	450.4	452.0	454.2	457.2	462.0	467.8	477.3	482.4	490.8	497.7
24 Time deposits	776.2	779.1	783.6	796.5	797.1	798.3	789.9	787.5	786.3	788.7	791.7
25 Borrowings	313.6	356.1	367.8	364.4	374.7	373.1	390.7	367.4	366.8	379.2	377.3
26 Other liabilities	173.7	167.9	175.8	167.6	169.1	179.3	170.4	173.1	168.5	168.6	174.7
27 Residual (assets less liabilities)	165.5	166.0	167.7	168.2	168.8	169.7	170.8	170.3	170.9	169.4	170.8
MEMO											
28 U.S. government securities (including trading account)	268.6	274.8	269.7	269.8	278.4	273.7	274.0	275.1	276.5	288.8	289.8
29 Other securities (including trading account)	158.8	167.7	181.8	192.8	188.4	183.6	183.3	182.8	183.5	185.6	194.6
DOMESTICALLY CHARTERED COMMERCIAL BANKS[2]											
30 Loans and securities	1,879.5	1,926.0	1,954.3	1,954.3	1,964.0	1,972.4	1,993.3	1,985.3	1,990.0	2,014.0	2,029.4
31 Investment securities	391.1	399.5	409.9	421.1	420.8	416.0	416.1	417.1	419.6	432.5	440.2
32 U.S. government securities	247.4	250.1	249.0	247.0	249.6	248.5	248.8	250.2	253.1	263.2	264.5
33 Other	143.8	149.4	160.9	174.1	171.2	167.5	167.2	166.9	166.5	169.4	175.7
34 Trading account assets	25.0	32.0	31.1	30.1	34.0	30.1	27.8	27.0	27.4	28.7	29.3
35 Total loans	1,463.4	1,494.5	1,513.4	1,503.1	1,509.2	1,526.3	1,549.4	1,541.3	1,543.0	1,552.8	1,559.8
36 Interbank loans	108.7	124.1	123.8	115.8	115.8	120.2	129.3	123.3	117.3	122.7	123.1
37 Loans excluding interbank	1,354.6	1,370.4	1,389.5	1,387.3	1,393.5	1,406.1	1,420.1	1,418.0	1,425.8	1,430.1	1,436.7
38 Commercial and industrial	439.3	441.8	445.3	442.5	446.2	448.2	452.3	449.8	452.5	448.4	448.4
39 Real estate	411.5	415.0	418.4	423.6	426.4	430.7	436.3	440.7	445.8	451.9	457.3
40 Individual	290.0	291.7	295.7	297.1	296.2	296.6	300.1	300.8	303.6	305.3	308.1
41 All other	213.8	222.0	230.1	224.1	224.7	230.7	231.4	226.7	223.9	224.6	222.9
42 Total cash assets	175.7	193.4	197.2	171.1	179.1	182.7	194.3	205.8	180.1	187.8	189.3
43 Reserves with Federal Reserve Banks	18.3	19.2	25.8	21.0	25.5	28.4	24.4	28.7	26.3	27.2	26.6
44 Cash in vault	22.6	21.4	22.2	23.0	22.6	21.7	22.2	23.8	22.9	23.2	23.7
45 Cash items in process of collection	67.9	81.8	79.3	63.8	66.5	68.4	80.3	84.2	66.7	71.7	73.1
46 Demand balances at U.S. depository institutions	30.1	33.9	34.3	29.4	30.1	29.4	33.0	35.1	30.2	32.0	31.9
47 Other cash assets	36.8	37.1	35.7	34.0	34.3	34.7	34.3	34.0	34.0	33.6	34.1
48 Other assets	141.1	146.2	150.0	137.8	134.6	144.0	150.3	142.8	144.1	143.2	141.7
49 Total assets/total liabilities and capital	**2,196.3**	**2,265.6**	**2,301.6**	**2,263.1**	**2,277.8[r]**	**2,299.1**	**2,337.9**	**2,334.0**	**2,314.1**	**2,345.0**	**2,360.3**
50 Deposits	1,666.4	1,704.6	1,724.4	1,689.6	1,698.2	1,713.1	1,749.1	1,758.7	1,741.4	1,768.0	1,779.9
51 Transaction deposits	485.0	515.3	529.5	481.6	484.8	495.0	533.1	535.3	515.5	532.1	536.1
52 Savings deposits	444.1	448.6	450.3	452.4	455.3	460.1	465.8	475.2	480.3	488.7	495.5
53 Time deposits	737.3	740.7	744.7	755.7	758.1	758.1	750.1	748.1	745.6	747.2	748.2
54 Borrowings	252.2	285.0	295.7	298.0	304.9	304.8	309.1	294.2	293.5	300.5	295.5
55 Other liabilities	115.4	113.0	116.9	110.5	109.0	114.6	112.0	113.9	111.5	110.3	117.3
56 Residual (assets less liabilities)	162.4	162.9	164.6	165.0	165.6	166.5	167.7	167.2	167.8	166.2	167.7

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

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

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

Millions of dollars, Wednesday figures

Account	1986								
	July 2	July 9	July 16	July 23	July 30r	Aug. 6	Aug. 13	Aug. 20	Aug. 27
1 Cash and balances due from depository institutions	105,927	99,121	106,323	91,325	98,047	93,706	91,845	95,907	99,873
2 Total loans, leases and securities, net	**951,248r**	**943,886**	**951,829**	**939,169**	**943,513**	**950,745**	**945,387**	**949,738**	**950,834**
3 U.S. Treasury and government agency	95,609	98,158	103,198	104,315	103,182	105,087	101,746	102,145	102,924
4 Trading account	20,015	21,058	25,319	25,794	22,545	24,614	21,326	21,028	20,937
5 Investment account, by maturity	75,594	77,100	77,878	78,521	80,638	80,473	80,420	81,118	81,987
6 One year or less	18,496	18,257	18,044	17,756	17,999	17,510	17,563	17,368	17,641
7 Over one through five years	35,903	36,764	36,924	36,932	37,644	38,671	38,214	39,237	39,078
8 Over five years	21,196	22,079	22,910	23,833	24,995	24,292	24,643	24,512	25,268
9 Other securities	67,676r	66,893	68,170	68,962	69,450	70,818	71,633	72,193	74,154
10 Trading account	5,334r	4,380	5,311	5,543	5,435	5,894	6,243	6,436	7,131
11 Investment account	62,343	62,513	62,859	63,418	64,014	64,924	65,390	65,757	67,023
12 States and political subdivisions, by maturity	55,014	55,096	55,252	55,659	56,003	56,577	56,996	57,248	58,301
13 One year or less	7,964	7,982	8,014	8,181	8,216	8,605	8,805	8,886	9,646
14 Over one year	47,050	47,114	47,238	47,478	47,788	47,973	48,191	48,361	48,654
15 Other bonds, corporate stocks, and securities	7,329	7,416	7,606	7,759	8,011	8,346	8,394	8,510	8,722
16 Other trading account assets	5,925r	5,884	5,777	4,655	4,363	4,480	4,145	4,426	4,914
17 Federal funds sold[1]	69,160r	62,482r	65,191r	53,894r	59,056	58,673	58,934	58,976	55,949
18 To commercial banks	45,004	38,787	40,227	31,876	35,992	36,615	35,764	38,916	35,446
19 To nonbank brokers and dealers in securities	15,059r	14,837r	17,972r	15,277r	15,644	15,450	15,740	12,585	13,739
20 To others	9,097	8,857	6,992	6,741	7,420	6,607	7,430	7,474	6,764
21 Other loans and leases, gross[2]	733,603r	731,157r	730,198r	728,026r	728,212	732,654	729,882	732,979	733,957
22 Other loans, gross[2]	717,496r	715,058r	714,227r	712,002r	712,166	716,581	713,773	716,842	717,760
23 Commercial and industrial[2]	260,006r	259,046r	257,521r	256,644r	256,483	258,229	256,312	256,086	257,017
24 Bankers acceptances and commercial paper	2,544	2,579	2,269	2,184	2,215	2,324	2,228	2,148	2,071
25 All other	257,462r	256,466r	255,252r	254,459r	254,268	255,905	254,084	253,938	254,947
26 U.S. addressees	253,450r	252,485r	251,232r	250,470r	250,296	251,866	250,028	249,870	250,892
27 Non-U.S. addressees	4,011	3,982	4,020	3,989	3,972	4,038	4,056	4,068	4,055
28 Real estate loans[2]	192,383r	192,695r	193,738r	193,791r	194,171	194,740	195,998	196,668	196,897
29 To individuals for personal expenditures	136,181	136,063	136,580	136,894	137,308	137,308	137,646	138,091	138,605
30 To depository and financial institutions	46,407r	46,970r	47,051r	46,064r	45,565	46,636	46,083	47,274	46,660
31 Commercial banks in the United States	14,486r	14,247r	14,822r	14,916	14,839	15,379	15,098	15,319	14,894
32 Banks in foreign countries	5,856	5,886	5,862	5,577	5,151	5,290	4,665	4,852	5,031
33 Nonbank depository and other financial institutions	26,065r	26,837r	26,368r	25,570r	25,575	25,967	26,319	27,103	26,735
34 For purchasing and carrying securities	18,813	17,364	17,651	17,394	16,635	17,554	16,174	16,844	16,712
35 To finance agricultural production	6,284r	6,198	6,144	6,151	6,124	6,123	6,144	6,093	6,042
36 To states and political subdivisions	36,047r	35,865r	36,008r	36,096r	36,088	36,135	36,172	36,207	36,340
37 To foreign governments and official institutions	3,397	3,345	3,263	3,143	3,227	3,312	3,249	3,254	3,100
38 All other	17,980	17,511	16,270	15,828	16,566	16,544	15,995	16,325	16,386
39 Lease financing receivables	16,106	16,098	15,971	16,023	16,046	16,073	16,108	16,137	16,197
40 LESS: Unearned income	4,901	4,907	4,917	4,926	4,924	4,895	4,903	4,907	4,916
41 Loan and lease reserve[2]	15,824r	15,780	15,788	15,757	15,827	16,071	16,050	16,074	16,149
42 Other loans and leases, net[2]	712,878r	710,470r	709,492r	707,343r	707,461	711,687	708,929	711,998	712,892
43 All other assets	132,378r	128,390r	128,196r	126,374	125,492	127,103	126,615	125,128	124,348
44 Total assets	**1,189,554r**	**1,171,397r**	**1,186,348r**	**1,156,868**	**1,167,052**	**1,171,554**	**1,163,848**	**1,170,773**	**1,175,055**
45 Demand deposits	237,852	221,962r	228,164r	209,262r	215,803	215,883	210,136	217,200	216,839
46 Individuals, partnerships, and corporations	179,905	170,186r	173,556r	160,352r	165,733	164,983	164,739	164,620	163,596
47 States and political subdivisions	5,758	5,108	5,407	4,835r	5,105	5,412	4,417	5,329	5,324
48 U.S. government	1,637	2,966	2,921	2,430r	2,839	2,158	1,092	3,902	2,588
49 Depository institutions in United States	28,422	24,686r	27,460	23,917	24,116	24,991	22,954	24,357	24,684
50 Banks in foreign countries	6,521	6,889	6,545	6,689	6,058	6,671	6,192	6,263	6,712
51 Foreign governments and official institutions	895	1,143	1,033	822	945	885	748	784	715
52 Certified and officers' checks	14,713	10,985	11,241	10,216	11,008	10,783	9,993	11,945	13,220
53 Transaction balances other than demand deposits	47,199	47,363	47,031	46,414	46,428	48,801	47,998	48,215	47,932
54 Nontransaction balances	494,287	493,909r	495,465r	495,334r	495,499	497,109	497,341	498,826	499,064
55 Individuals, partnerships and corporations	457,833	457,788r	459,056r	458,440r	458,620	459,998	459,096	460,232	460,330
56 States and political subdivisions	24,255	24,080	24,278	24,370	24,420	24,726	25,399	25,705	25,790
57 U.S. government	799	806	806	813	807	817	811	832	832
58 Depository institutions in the United States	10,103	9,957	10,047	10,441	10,390	10,292	10,777	10,816	10,866
59 Foreign governments, official institutions and banks	1,297	1,279	1,279	1,269	1,263	1,275	1,258	1,241	1,245
60 Liabilities for borrowed money	246,928r	245,670r	250,766r	242,176r	245,768	248,006	245,884	241,436	241,759
61 Borrowings from Federal Reserve Banks	481	152	1,470	112	185	150	216	200	192
62 Treasury tax-and-loan notes	11,884	8,551r	7,814r	11,510r	12,293	3,201	4,921	3,294	5,622
63 All other liabilities for borrowed money[3]	234,563r	236,968r	241,481r	230,554r	233,290	244,654	240,747	237,943	235,945
64 Other liabilities and subordinated note and debentures	81,548r	80,331r	83,031r	81,794r	81,803	79,182	79,639	82,455	86,915
65 Total liabilities	**1,107,814r**	**1,089,236**	**1,104,457**	**1,074,980r**	**1,085,301**	**1,088,981**	**1,080,998**	**1,088,132**	**1,092,509**
66 Residual (total assets minus total liabilities)[4]	81,740r	82,161r	81,891r	81,889r	81,750	82,573	82,849	82,640	82,546
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	912,483r	911,539r	917,486	913,060	913,433	919,718	915,478	916,484	921,559
68 Total loans and leases (gross) adjusted[2,5]	743,272r	740,604r	740,340	735,128	736,438	739,332	737,954	737,720	739,567
69 Time deposits in amounts of $100,000 or more	152,518	151,734	152,697	153,252	153,582	154,326	154,308	154,987	155,389
70 Loans sold outright to affiliates—total[6]	1,386	1,483	1,494	1,659	1,610	1,602	1,613	1,628	1,744
71 Commercial and industrial	859	953	976	967	920	919	952	964	1,054
72 Other	526	531	518	692	691	684	661	664	689
73 Nontransaction savings deposits (including MMDAs)	209,167	209,766	210,564r	210,166r	209,314	211,386	211,784	212,964	212,975

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

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

Millions of dollars, Wednesday figures except as noted

Account	1986								
	July 2	July 9	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
1 Cash and balances due from depository institutions	26,723	28,072	28,146	23,242	27,006	24,443	21,513	26,721	26,768
2 **Total loans, leases and securities, net**[1]	**203,780**	**199,895**	**202,334**	**196,438**	**199,965**	**199,716**	**198,826**	**200,914**	**201,286**
Securities									
3 U.S. Treasury and government agency[2]	0	0	0	0	0	0	0	0	0
4 Trading account[2]	0	0	0	0	0	0	0	0	0
5 Investment account, by maturity	10,128	10,139	10,323	10,421	11,026	11,531	12,115	11,525	10,728
6 One year or less	1,055	1,054	1,086	1,074	1,138	993	1,142	1,265	1,215
7 Over one through five years	5,295	5,264	5,488	5,488	5,626	5,868	5,897	6,652	5,731
8 Over five years	3,778	3,820	3,750	3,859	4,262	4,670	5,075	3,608	3,782
9 Other securities[2]	0	0	0	0	0	0	0	0	0
10 Trading account[2]	0	0	0	0	0	0	0	0	0
11 Investment account	15,000	15,048	15,094	15,248	15,362	15,662	15,813	15,862	16,240
12 States and political subdivisions, by maturity	12,994	13,039	13,054	13,169	13,266	13,448	13,576	13,614	13,958
13 One year or less	1,534	1,483	1,485	1,536	1,562	1,655	1,716	1,666	1,732
14 Over one year	11,461	11,556	11,569	11,633	11,705	11,792	11,860	11,948	12,226
15 Other bonds, corporate stocks and securities	2,006	2,009	2,039	2,079	2,095	2,215	2,237	2,248	2,281
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	31,623	28,483	31,796	25,834	29,585	27,122	27,104	28,599	28,007
18 To commercial banks	16,304	13,473	15,835	12,151	14,393	13,397	13,534	17,010	15,436
19 To nonbank brokers and dealers in securities	8,068	8,103	10,458	8,011	8,798	8,572	7,907	5,539	7,120
20 To others	7,251	6,907	5,503	5,671	6,394	5,153	5,663	6,051	5,450
21 Other loans and leases, gross	152,751	151,965	150,910	150,736	149,832	151,319	149,736	150,869	152,291
22 Other loans, gross	149,677	148,876	147,829	147,636	146,716	148,182	146,590	147,705	149,112
23 Commercial and industrial	57,011	56,056	56,040	55,550	55,760	56,572	56,263	55,939	57,054
24 Bankers acceptances and commercial paper	499	567	480	473	501	569	552	468	449
25 All other	56,512	55,488	55,560	55,076	55,258	56,003	55,710	55,471	56,605
26 U.S. addressees	56,088	55,078	55,146	54,671	54,855	55,571	55,218	55,020	56,178
27 Non-U.S. addressees	425	410	414	405	403	432	492	452	427
28 Real estate loans	32,383	32,522	32,609	32,725	32,582	32,685	32,699	32,974	33,059
29 To individuals for personal expenditures	18,552	18,786	18,843	18,890	18,966	19,042	19,114	19,192	19,273
30 To depository and financial institutions	16,353	16,890	16,781	16,714	16,137	16,425	15,892	16,855	16,724
31 Commercial banks in the United States	6,928	6,795	7,008	7,195	6,875	7,117	7,007	7,472	6,832
32 Banks in foreign countries	2,387	2,749	2,883	2,656	2,221	2,360	1,798	2,077	2,431
33 Nonbank depository and other financial institutions	7,037	7,346	6,889	6,864	7,041	6,947	7,087	7,305	7,461
34 For purchasing and carrying securities	9,645	9,132	8,854	9,270	8,358	8,934	8,172	8,672	8,457
35 To finance agricultural production	288	275	275	278	280	276	287	278	290
36 To states and political subdivisions	9,054	8,892	8,860	8,844	8,746	8,795	8,798	8,826	8,791
37 To foreign governments and official institutions	1,008	956	856	738	830	905	844	851	726
38 All other	5,383	5,368	4,710	4,626	5,056	4,548	4,523	4,119	4,736
39 Lease financing receivables	3,074	3,089	3,081	3,101	3,116	3,137	3,146	3,164	3,179
40 LESS: Unearned income	1,446	1,456	1,463	1,472	1,474	1,468	1,474	1,476	1,480
41 Loan and lease reserve	4,277	4,285	4,326	4,329	4,366	4,449	4,467	4,465	4,500
42 Other loans and leases, net	147,028	146,224	145,122	144,936	143,992	145,401	143,795	144,928	146,311
43 All other assets[4]	75,232	72,029	76,002	74,399	69,718	74,192	70,418	68,601	68,594
44 **Total assets**	**305,735**	**299,996**	**306,483**	**294,079**	**296,689**	**298,350**	**290,757**	**296,236**	**296,648**
Deposits									
45 Demand deposits	64,085	59,054	61,319	55,823	58,093	55,096	52,379	58,756	58,904
46 Individuals, partnerships, and corporations	41,974	39,945	41,026	38,014	40,426	36,894	35,938	38,829	38,154
47 States and political subdivisions	1,002	811	986	643	606	712	601	748	897
48 U.S. government	218	546	601	474	658	344	151	674	495
49 Depository institutions in the United States	7,113	5,818	7,381	5,856	5,482	6,086	5,325	6,193	6,232
50 Banks in foreign countries	5,142	5,491	5,189	5,359	4,780	5,369	4,932	5,014	5,438
51 Foreign governments and official institutions	750	999	814	593	788	744	609	630	564
52 Certified and officers' checks	7,886	5,444	5,322	4,883	5,352	4,946	4,823	6,668	7,123
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	5,475	5,480	5,443	5,430	5,462	5,730	5,665	5,681	5,676
54 Nontransaction balances	91,380	91,151	92,150	91,731	91,781	91,824	91,106	92,537	92,351
55 Individuals, partnerships and corporations	83,112	82,971	83,806	83,280	83,326	83,309	82,415	83,793	83,543
56 States and political subdivisions	5,309	5,263	5,258	5,367	5,410	5,480	5,585	5,661	5,712
57 U.S. government	73	74	76	87	88	83	85	84	85
58 Depository institutions in the United States	2,183	2,147	2,313	2,312	2,285	2,271	2,356	2,344	2,370
59 Foreign governments, official institutions and banks	703	696	696	685	672	682	665	655	640
60 Liabilities for borrowed money	84,922	84,979	85,760	80,846	81,581	86,546	82,496	78,557	76,248
61 Borrowings from Federal Reserve Banks	0	0	1,250	0	0	0	0	0	0
62 Treasury tax-and-loan notes	2,827	2,529	2,245	3,479	3,594	632	1,422	800	1,273
63 All other liabilities for borrowed money[5]	82,096	82,449	82,266	77,366	77,987	85,914	81,074	77,757	74,975
64 Other liabilities and subordinated note and debentures	33,102	32,387	34,997	33,558	33,227	32,212	32,057	33,797	36,649
65 **Total liabilities**	**278,965**	**273,052**	**279,669**	**267,387**	**270,144**	**271,408**	**263,703**	**269,328**	**269,827**
66 Residual (total assets minus total liabilities)[6]	26,770	26,944	26,813	26,691	26,546	26,943	27,054	26,908	26,820
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	186,271	185,368	185,280	182,893	184,536	185,120	184,227	182,373	184,998
68 Total loans and leases (gross) adjusted[7]	161,142	160,180	159,863	157,224	158,148	157,927	156,299	154,986	158,030
69 Time deposits in amounts of $100,000 or more	33,362	33,192	33,911	33,463	33,326	33,480	32,678	33,374	33,229

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[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1986								
	July 2	July 9	July 16	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
1 Cash and due from depository institutions	9,883	9,420	10,528	9,959	11,169	10,491	9,338	9,994	10,076
2 Total loans and securities	68,664	67,167	67,811	68,438	69,394	67,864	69,569	71,536	72,603
3 U.S. Treasury and govt. agency securities	5,029	4,711	5,076	4,947	4,606	4,677	5,366	5,848	5,435
4 Other securities	4,489	4,546	4,508	4,597	4,659	4,741	4,879	4,997	4,985
5 Federal funds sold[2]	4,037	3,611	3,237	4,142	4,475	3,081	4,113	3,695	4,404
6 To commercial banks in the United States	3,027	2,740	2,465	3,126	3,540	2,135	3,180	2,823	3,369
7 To others	1,010	870	772	1,016	935	946	933	872	1,034
8 Other loans, gross	55,108	54,299	54,990	54,752	55,654	55,365	55,210	56,996	57,779
9 Commercial and industrial	32,833	32,691	32,947	32,127	32,581r	32,406	32,583	33,793	34,163
10 Bankers acceptances and commercial paper	2,802	2,826	2,660	2,695	3,000	3,048	3,047	2,975	2,993
11 All other	30,031	29,864	30,288	29,432	29,582r	29,358	29,536	30,818	31,170
12 U.S. addressees	27,744	27,496	28,038	27,101	27,184r	27,040	27,172	28,612	28,855
13 Non-U.S. addressees	2,287	2,369	2,249	2,330	2,398	2,317	2,365	2,206	2,315
14 To financial institutions	14,397	14,532	14,448	14,907	15,313r	15,471	15,278	15,454	15,718
15 Commercial banks in the United States	11,176	11,417	11,356	11,824	12,295r	12,480	12,366	12,531	12,762
16 Banks in foreign countries	1,056	915	885	1,032	1,051	1,110	990	1,116	1,122
17 Nonbank financial institutions	2,165	2,199	2,206	2,050	1,967	1,881	1,921	1,807	1,834
18 To foreign govts. and official institutions	584	594	629	637	638	656	617	617	606
19 For purchasing and carrying securities	3,186	2,560	3,041	3,032	3,045	2,816	2,661	2,799	3,035
20 All other	4,108	3,922	3,925	4,050	4,076	4,014	4,071	4,333	4,258
21 Other assets (claims on nonrelated parties)	22,200	22,173	22,427	21,967	22,044	21,881	21,956	21,791	22,162
22 Net due from related institutions	11,537	13,859	12,607	12,867	12,779	15,097	12,744	15,218	13,384
23 Total assets	112,284	112,619	113,373	113,231	115,387	115,333	113,607	118,539	118,226
24 Deposits or credit balances due to other than directly related institutions	32,898	33,018	33,303	32,834	33,853	33,374	33,994	35,144	35,725
25 Transaction accounts and credit balances[3]	3,454	3,981	3,259	2,918	3,370	2,968	2,810	3,351	3,368
26 Individuals, partnerships, and corporations	1,701	1,865	1,676	1,680	1,928	1,693	1,768	1,814	1,870
27 Other	1,753	2,116	1,583	1,238	1,441	1,275	1,042	1,537	1,497
28 Nontransaction accounts[4]	29,443	29,037	30,044	29,916	30,484	30,406	31,183	31,794	32,357
29 Individuals, partnerships, and corporations	23,964	23,627	24,590	23,964	24,097	23,888	24,698	25,088	25,904
30 Other	5,480	5,410	5,453	5,952	6,387	6,518	6,485	6,706	6,452
31 Borrowings from other than directly related institutions	47,005	45,722	46,030	45,453	45,863	47,749	44,493	50,230	47,399
32 Federal funds purchased[5]	25,488	24,459	23,929	23,465	21,595	24,552	21,796	27,019	24,850
33 From commercial banks in the United States	17,460	17,278	16,958	15,026	14,990	16,788	14,583	17,556	17,284
34 From others	8,027	7,181	6,972	8,438	6,605	7,765	7,213	9,462	7,566
35 Other liabilities for borrowed money	21,518	21,263	22,101	21,988	24,268	23,197	22,697	23,211	22,549
36 To commercial banks in the United States	18,739	18,736	19,319	19,190	21,256	20,078	19,850	20,218	20,108
37 To others	2,779	2,527	2,781	2,797	3,012	3,118	2,847	2,993	2,441
38 Other liabilities to nonrelated parties	23,962	23,850	24,036	23,735	23,795	23,652	23,845	23,331	23,990
39 Net due to related institutions	8,418	10,029	10,004	11,208	11,876	10,557	11,275	9,834	11,112
40 Total liabilities	112,284	112,619	113,373	113,231	115,387	115,333	113,607	118,539	118,226
MEMO									
41 Total loans (gross) and securities adjusted[6]	54,460	53,010	53,990	53,488	53,560r	53,249	54,022	56,182	56,472
42 Total loans (gross) adjusted[6]	44,942	43,752	44,406	43,944	44,294r	43,830	43,777	45,337	46,052

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

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

Type of holder	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Mar.[3,4]	1985 June	1985 Sept.	1985 Dec.	1986 Mar.	1986 June
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**288.9**	**291.8**	**293.5**	**302.7**	**286.3**	**298.4**	**299.3**	**321.0**	**307.4**	**322.4**
2 Financial business	28.0	35.4	32.8	31.7	27.3	27.9	28.1	32.3	31.8	32.3
3 Nonfinancial business	154.8	150.5	161.1	166.3	157.9	164.5	167.2	178.5	166.6	180.0
4 Consumer	86.6	85.9	78.5	81.5	78.9	82.8	82.0	85.5	84.0	86.4
5 Foreign	2.9	3.0	3.3	3.6	3.6	3.7	3.5	3.5	3.4	3.0
6 Other	16.7	17.0	17.8	19.7	18.7	19.5	18.5	21.2	21.6	20.6
	Weekly reporting banks									
	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985 Mar.[3,4]	1985 June	1985 Sept.	1985 Dec.	1986 Mar.	1986 June
7 **All holders—Individuals, partnerships, and corporations**	**137.5**	**144.2**	**146.2**	**157.1**	**147.7**	**151.2**	**153.6**	**168.6**	**159.7**	**168.5**
8 Financial business	21.0	26.7	24.2	25.3	21.9	22.1	22.7	25.9	25.5	25.7
9 Nonfinancial business	75.2	74.3	79.8	87.1	82.3	83.7	85.5	94.5	86.8	93.1
10 Consumer	30.4	31.9	29.7	30.5	30.2	31.0	31.6	33.2	32.6	34.9
11 Foreign	2.8	2.9	3.1	3.4	3.4	3.5	3.3	3.1	3.3	2.9
12 Other	8.0	8.4	9.3	10.9	9.8	10.9	10.5	12.0	11.5	11.9

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. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May	1986 June	1986 July
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**165,829**	**166,436**	**187,658**	**237,586**	**300,899**	**297,862**	**301,110**	**297,108**	**309,843**	**310,711**	**311,435**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	30,333	34,605	44,455	56,485	78,443	78,136	84,071	83,871	87,423	89,757	90,038
3 Bank-related (not seasonally adjusted)	6,045	2,516	2,441	2,035	1,602	1,475	1,348	1,520	1,575	1,568	1,772
Directly placed paper[5]											
4 Total	81,660	84,393	97,042	110,543	135,504	134,443	135,510	135,801	142,252	142,933	142,121
5 Bank-related (not seasonally adjusted)	26,914	32,034	35,566	42,105	44,778	36,948	37,013	37,835	39,009	40,147	39,067
6 Nonfinancial companies[6]	53,836	47,437	46,161	70,558	86,952	85,283	81,529	77,436	80,168	78,021	79,276
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**69,226**	**79,543**	**78,309**	**77,121**	**68,115**	**67,188**	**66,882**	**66,235**	**66,759**	**67,080**	**66,437**
Holder											
8 Accepting banks	10,857	10,910	9,355	9,811	11,174	12,331	13,061	12,287	12,216	12,789	11,577
9 Own bills	9,743	9,471	8,125	8,621	9,448	10,105	10,722	10,261	10,254	10,641	9,257
10 Bills bought	1,115	1,439	1,230	1,191	1,726	2,225	2,339	2,026	1,962	2,147	2,320
Federal Reserve Banks											
11 Own account	195	1,480	418	0	0	0	0	0	0	0	0
12 Foreign correspondents	1,442	949	729	671	937	874	877	746	664	896	931
13 Others	56,731	66,204	67,807	66,639	56,004	53,984	52,944	53,202	53,880	53,396	53,929
Basis											
14 Imports into United States	14,765	17,683	15,649	17,560	15,147	14,806	13,595	14,464	15,094	15,106	15,601
15 Exports from United States	15,400	16,328	16,880	15,859	13,204	13,115	13,410	13,473	13,574	13,721	13,781
16 All other	39,060	45,531	45,781	43,702	39,765	39,268	39,878	38,299	38,091	38,254	37,056

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
3. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1984—Mar. 19	11.50	1985—Jan. 15	10.50	1984—Jan.	11.00	1985—May	10.31
Apr. 5	12.00	May 20	10.00	Feb.	11.00	June	9.78
May 8	12.50	June 18	9.50	Mar.	11.21	July	9.50
June 25	13.00			Apr.	11.93	Aug.	9.50
Sept. 27	12.75	1986—Mar. 7	9.00	May	12.39	Sept.	9.50
Oct. 17	12.50	Apr. 21	8.50	June	12.60	Oct.	9.50
29	12.00	July 11	8.00	July	13.00	Nov.	9.50
Nov. 9	11.75	Aug. 26	7.50	Aug.	13.00	Dec.	9.50
28	11.25			Sept.	12.97		
Dec. 20	10.75			Oct.	12.58	1986—Jan.	9.50
				Nov.	11.77	Feb.	9.50
				Dec.	11.06	Mar.	9.10
						Apr.	8.83
				1985—Jan.	10.61	May	8.50
				Feb.	10.50	June	8.50
				Mar.	10.50	July	8.16
				Apr.	10.50	Aug.	7.90

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1983	1984	1985	1986				1986, week ending				
				May	June	July	Aug.	Aug. 1	Aug. 8	Aug. 15	Aug. 22	Aug. 29
MONEY MARKET RATES												
1 Federal funds[1,2]	9.09	10.22	8.10	6.85	6.92	6.56	6.17	6.32	6.36	6.31	6.38	5.87
2 Discount window borrowing[1,2,3]	8.50	8.80	7.69	6.50	6.50	6.16	5.82	6.00	6.00	6.00	6.00	5.50
Commercial paper[4,5]												
3 1-month	8.87	10.05	7.94	6.72	6.79	6.42	6.02	6.28	6.26	6.17	5.95	5.64
4 3-month	8.88	10.10	7.95	6.62	6.71	6.33	5.92	6.21	6.20	6.05	5.82	5.57
5 6-month	8.89	10.16	8.01	6.53	6.63	6.24	5.83	6.16	6.13	5.93	5.73	5.49
Finance paper, directly placed[4,5]												
6 1-month	8.80	9.97	7.91	6.73	6.80	6.42	5.98	6.31	6.27	6.08	5.89	5.61
7 3-month	8.70	9.73	7.77	6.46	6.61	6.31	5.94	6.23	6.20	6.03	5.84	5.62
8 6-month	8.69	9.65	7.75	6.33	6.53	6.24	5.90	6.18	6.16	5.97	5.81	5.59
Bankers acceptances[5,6]												
9 3-month	8.90	10.14	7.92	6.54	6.60	6.23	5.80	6.15	6.07	5.92	5.71	5.44
10 6-month	8.91	10.19	7.96	6.45	6.49	6.14	5.71	6.10	5.97	5.77	5.63	5.38
Certificates of deposit, secondary market[7]												
11 1-month	8.96	10.17	7.97	6.68	6.79	6.43	5.97	6.30	6.21	6.07	5.91	5.63
12 3-month	9.07	10.37	8.05	6.65	6.73	6.37	5.92	6.29	6.21	6.03	5.82	5.57
13 6-month	9.27	10.68	8.25	6.64	6.72	6.36	5.92	6.30	6.21	6.02	5.81	5.57
14 Eurodollar deposits, 3-month[8]	9.56	10.73	8.28	6.86	6.95	6.54	6.06	6.49	6.38	6.26	6.04	5.79
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	8.61	9.52	7.48	6.15	6.21	5.83	5.53	5.83	5.71	5.60	5.48	5.27
16 6-month	8.73	9.76	7.65	6.19	6.27	5.86	5.58	5.85	5.77	5.59	5.50	5.31
17 1-year	8.80	9.92	7.81	6.25	6.32	5.90	5.60	5.91	5.81	5.67	5.52	5.36
Auction average[10]												
18 3-month	8.52	9.57	7.47	6.12	6.21	5.84	5.57	5.86	5.70	5.60	5.64	5.32
19 6-month	8.76	9.80	7.64	6.16	6.28	5.85	5.58	5.89	5.73	5.60	5.65	5.35
20 1-year	8.86	9.91	7.83	6.17	6.59	5.98	5.82	5.82	n.a.	n.a.	n.a.	5.33
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	9.57	10.89	8.43	6.65	6.73	6.27	5.93	6.27	6.16	6.01	5.85	5.67
22 2-year	10.21	11.65	9.27	7.07	7.18	6.67	6.33	6.65	6.58	6.42	6.21	6.05
23 3-year	10.45	11.89	9.64	7.27	7.41	6.86	6.49	6.89	6.75	6.55	6.35	6.25
24 5-year	10.80	12.24	10.13	7.52	7.64	7.06	6.80	7.10	7.06	6.87	6.70	6.55
25 7-year	11.02	12.40	10.51	7.65	7.75	7.22	7.01	7.29	7.26	7.06	6.88	6.81
26 10-year	11.10	12.44	10.62	7.71	7.80	7.30	7.17	7.41	7.39	7.19	7.04	7.02
27 20-year	11.34	12.48	10.97	7.81	7.69	7.29	7.28	7.47	7.47	7.28	7.18	7.17
28 30-year	11.18	12.39	10.79	7.52	7.57	7.27	7.33	7.50	7.51	7.31	7.22	7.24
Composite[13]												
29 Over 10 years (long-term)	10.84	11.99	10.75	8.02	8.23	7.86	7.72	8.05	7.98	7.69	7.58	7.59
State and local notes and bonds												
Moody's series[14]												
30 Aaa	8.80	9.61	8.60	7.22	7.49	7.24	7.11	7.40	7.30	7.10	6.95	6.80
31 Baa	10.17	10.38	9.58	7.84	8.14	7.95	7.81	8.10	8.10	7.80	7.65	7.40
32 *Bond Buyer* series[15]	9.51	10.10	9.11	7.54	7.87	7.51	7.21	7.54	7.53	7.33	7.06	6.93
Corporate bonds												
Seasoned issues[16]												
33 All industries	12.78	13.49	12.05	9.69	9.73	9.52	9.44	9.55	9.55	9.47	9.38	9.35
34 Aaa	12.04	12.71	11.37	9.09	9.13	8.88	8.72	8.88	8.85	8.74	8.66	8.62
35 Aa	12.42	13.31	11.82	9.43	9.49	9.28	9.22	9.34	9.33	9.24	9.16	9.16
36 A	13.10	13.74	12.28	9.94	9.96	9.76	9.64	9.71	9.71	9.65	9.60	9.57
37 Baa	13.55	14.19	12.72	10.29	10.34	10.16	10.18	10.28	10.29	10.26	10.12	10.04
38 A-rated, recently-offered utility bonds[17]	12.73	13.81	12.06	9.50	9.65	9.57	9.51	9.69	9.60	9.49	9.45	9.32
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	11.02	11.59	10.49	9.00	8.89	8.68	8.42	8.58	8.55	8.50	8.32	8.30
40 Common stocks	4.40	4.64	4.25	3.42	3.36	3.41	3.36	3.49	3.49	3.36	3.31	3.26

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. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. 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.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1983	1984	1985	1985 Dec.	1986 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.63	92.46	108.09	119.33	120.16	126.43	133.97	137.25	137.37	140.82	138.32	140.91
2 Industrial	107.45	108.01	123.79	136.77	137.13	144.03	152.75	157.35	158.59	163.15	158.06	160.10
3 Transportation	89.36	85.63	104.11	113.52	115.72	124.18	128.66	125.92	122.21	120.65	112.03	111.24
4 Utility	47.00	46.44	56.75	61.69	62.46	65.18	68.06	69.35	68.65	70.69	74.20	77.84
5 Finance	95.34	89.28	114.21	128.86	132.36	142.13	153.94	154.83	151.28	151.73	150.23	152.90
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.41	160.50	186.84	207.26	208.19	219.37	232.33	237.97	238.46	245.30	240.18	245.00
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	216.48	207.96	229.10	243.28	245.27	246.09	264.91	270.59	274.22	281.18	269.93	268.55
Volume of trading (thousands of shares)												
8 New York Stock Exchange	85,418	91,084	109,191	133,446	130,872	152,590	160,755	146,330	127,624	126,151	137,709	128,661
9 American Stock Exchange	8,215	6,107	8,355	11,890	11,105	14,057	15,902	13,503	11,870	12,795	10,320	9,885
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers**[3]	**23,000**	**22,470**	**28,390**	**28,390**	**26,810**	**27,450**	**29,090**	**30,760**	**32,370**	**32,480**	**33,170**	**34,550**
Free credit balances at brokers[4]												
11 Margin-account[5]	......	1,755	2,715	2,715	2,645	2,545	2,715	3,065	2,405	2,585	2,570	3,035
12 Cash-account	8,430	10,215	12,840	12,840	11,695	12,355	13,920	14,340	12,970	13,570	14,600	14,210
	Margin-account debt at brokers (percentage distribution, end of period)[6]											
13 **Total**	**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)[7]												
14 Under 40	22.0	18.0	34.0	34.0	32.0	28.0	29.0	29.0	30.0	31.0		
15 40–49	22.0	18.0	20.0	20.0	21.0	19.0	19.0	20.0	19.0	20.0		
16 50–59	16.0	16.0	19.0	19.0	19.0	21.0	22.0	20.0	22.0	20.0	n.a.	n.a.
17 60–69	9.0	9.0	11.0	11.0	11.0	13.0	13.0	13.0	12.0	13.0		
18 70–79	6.0	5.0	8.0	8.0	8.0	9.0	8.0	9.0	8.0	8.0		
19 80 or more	6.0	6.0	8.0	8.0	9.0	10.0	9.0	9.0	9.0	8.0		
	Special miscellaneous-account balances at brokers (end of period)[6]											
20 **Total balances (millions of dollars)**[8]	**58,329**	**75,840**	**99,310**	**99,310**	**99,290**	**104,228**	**103,450**	**105,790**	**109,620**	**112,401**		
Distribution by equity status (percent)												
21 Net credit status	63.0	59.0	58.0	58.0	59.0	60.0	61.0	59.0	58.0	59.0	n.a.	n.a.
Debt status, equity of												
22 60 percent or more	28.0	29.0	31.0	31.0	33.0	32.0	31.0	33.0	33.0	32.0		
23 Less than 60 percent	9.0	11.0	11.0	11.0	8.0	8.0	8.0	8.0	9.0	9.0		

Margin requirements (percent of market value and effective date)[9]

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

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. *Beginning July 5, 1983, the American Stock Exchange rebased its index* effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. In July 1986, the New York Stock Exchange stopped reporting certain data items that were previously obtained in a monthly survey of a sample of brokers and dealers. Data items that are no longer reported include distributions of margin debt by equity status of the account and special miscellaneous-account balances.
7. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
8. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
9. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1983	1984	1985			1986							
			Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.r	Apr.r	May	June	July	Aug.
	Savings and loan associations												
1 **Assets**	**773,417**	**903,488**	**932,790r**	**942,212**	**948,781**	**938,467**	**943,027**	**947,293**	**954,189**	**962,511**	**953,703**	**957,305**	**964,598**
2 Mortgages	494,789	555,277	580,780	583,262	585,462	578,472	576,608	574,696	575,297	575,073r	565,094r	565,218	566,671
3 Mortgage-backed securities	....	....	99,088	96,844	97,303	96,891	98,482	99,332	102,422	107,304r	112,153r	112,018	112,682
4 Cash and investment securities[1]	104,274	124,801	114,896r	123,670r	126,712r	123,415	127,027	131,392	131,665	134,897r	130,954r	132,890	138,885
5 Other	174,354	223,396	239,102r	237,275r	238,833r	236,850	239,392	241,204	247,226	252,539r	257,653r	259,194	259,039
6 **Liabilities and net worth**	**773,417**	**903,488**	**932,790**	**942,212**	**948,781r**	**938,467**	**943,027**	**947,293**	**954,189**	**962,511**	**953,703**	**957,305**	**964,598**
7 Savings capital	634,455	725,045	741,585r	744,697r	750,071r	745,218	747,013	752,056	750,348	751,153r	743,989r	746,916	748,987
8 Borrowed money	92,127	125,666	130,705r	134,938r	138,798r	131,521	131,671	133,461	139,526	144,123r	147,011r	145,662	147,739
9 FHLBB	52,626	64,207	72,639	72,370	73,888	71,488	71,214	70,464	73,815	73,520r	73,556r	75,051	75,586
10 Other	39,501	61,459	58,066r	62,568r	64,910r	60,033	60,457	62,997	65,711	70,603r	73,455r	70,611	72,153
11 Other	15,968	17,944	21,397r	22,949r	19,045r	21,024	23,125	20,014	22,080	24,795r	21,084r	22,913	24,818
12 Net worth[2]	30,867	34,833	39,292	39,820	41,064r	40,704	41,218	41,761	42,235	42,441r	41,619r	41,814	43,055
MEMO													
13 Mortgage loan commitments outstanding[3]	54,113	61,305	59,149	59,280	56,051	51,130	52,542	54,520	55,751	57,964r	57,481r	55,488	53,612
	FSLIC-insured federal savings banks												
14 **Assets**	**64,969**	**98,559**	**128,415**	**130,754**	**131,868**	**142,067**	**146,510**	**152,816**	**155,685**	**164,130r**	**180,107r**	**183,242**	**186,704**
15 Mortgages	38,698	57,429	72,093	72,852	72,355	78,984	81,641	84,836	86,599	89,166r	99,743r	101,192	102,416
16 Mortgage-backed securities	7,172	9,949	14,549	15,386	15,676	16,620	16,367	17,851	18,661	19,849r	21,567r	23,328	24,187
17 Other	6,595	10,971	11,831	11,895	11,723	13,254	13,760	13,936	14,592	15,062r	16,752r	17,718	17,798
18 **Liabilities and net worth**	**64,969**	**98,559**	**128,415**	**130,754**	**131,868**	**142,067**	**146,510**	**152,816**	**155,685**	**164,130r**	**180,107r**	**183,242**	**186,704**
19 Savings capital	53,227	79,572	101,874	102,937	103,462	111,808	114,743	119,434	121,133	126,123r	138,168r	140,610	142,805
20 Borrowed money	7,477	12,798	17,672	18,606	19,323	20,419	21,254	22,743	23,196	25,686r	28,479r	28,697	26,460
21 FHLBB	4,640	7,515	9,935	10,353	10,510	11,151	11,283	12,064	12,476	12,830	15,301	15,866	13,230
22 Other	2,837	5,283	7,737	8,253	8,813	9,268	9,971	10,679	10,720	12,856r	13,178r	12,831	13,230
23 Other	1,157	1,903	2,893	3,113	2,732	2,983	3,397	3,291	3,755	4,338r	4,273r	4,507	4,861
24 Net worth	3,108	4,286	5,975	6,098	6,351	6,857	7,115	7,349	7,599	7,982r	9,186r	9,427	9,650
MEMO													
25 Mortgage loan commitments outstanding[3]	2,151	3,234	5,653	5,636	5,355	6,707	7,718	8,330	8,287	8,762r	9,299r	10,134	9,383
	Savings banks												
26 **Assets**	**193,535**	**203,898**	**215,893**	**216,793**	**216,776**	**216,673**	**218,119**	**221,256**	**222,542**	**226,495**	**223,239**	**224,569**	
Loans													
27 Mortgage	97,356	102,895	109,171	109,494	110,371	108,973	109,702	110,271	11,813	112,417	110,877	111,971	
28 Other	19,129	24,954	29,967	31,217	30,876	31,752	32,501	34,873	34,591	35,500	36,684	36,421	
Securities													
29 U.S. government	15,360	14,643	13,734	13,434	13,111	12,568	12,474	12,313	12,013	13,210	12,111	12,297	
30 Mortgage-backed securities	18,205	19,215	20,012	19,828	19,481	21,372	21,525	21,593	21,885	22,546	22,400	22,954	
31 State and local government	2,177	2,077	2,163	2,148	2,323	2,298	2,297	2,306	2,372	2,343	2,280	2,309	
32 Corporate and other	25,375	23,747	23,039	22,816	21,199	20,828	20,707	20,403	20,439	20,260	20,355	20,862	
33 Cash	6,263	4,954	4,893	4,771	6,225	5,645	5,646	5,845	5,570	6,225	5,300	4,651	
34 Other assets	9,670	11,413	12,914	13,085	13,113	13,237	13,267	13,652	13,859	13,994	13,232	13,104	n.a.
35 **Liabilities**	**193,535**	**203,898**	**215,893**	**216,793**	**216,776**	**216,673**	**218,119**	**221,256**	**222,542**	**226,495**	**223,239**	**224,569**	
36 Deposits	172,665	180,616	187,239	187,552	185,972	186,321	186,777	188,960	189,025	190,310	188,987	188,615	
37 Regular[4]	170,135	177,418	183,296	183,716	181,921	182,399	182,890	184,704	184,580	185,716	183,847	183,433	
38 Ordinary savings	38,554	33,739	33,303	33,638	33,018	32,365	32,693	33,021	33,057	33,577	33,985	34,166	
39 Time	95,129	104,732	104,024	104,116	103,311	104,436	104,588	105,562	105,550	105,146	103,013	102,374	
40 Other	2,530	3,198	3,943	3,836	4,051	3,922	3,887	4,256	4,445	4,594	5,140	5,182	
41 Other liabilities	10,154	12,504	15,996	16,309	17,414	17,086	17,793	18,412	19,074	21,384	19,205	20,641	
42 General reserve accounts	10,368	10,510	12,299	12,567	12,823	12,925	13,211	13,548	14,114	14,519	14,746	15,084	

1.37 Continued

Account	1983	1984	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.[r]	1986 Feb.[r]	1986 Mar.[r]	1986 Apr.	1986 May	1986 June	1986 July	1986 Aug.
	Credit unions[5]												
43 **Total assets/liabilities and capital**	**81,961**	**93,036**	**114,783**	**117,029**	**118,010**	**118,933**	**122,623**	**126,653**	**128,229**	**132,415**	**134,703**		
44 Federal	54,482	63,205	76,415	77,829	77,861	78,619	80,024	82,275	83,543	86,289	87,579		
45 State	27,479	29,831	38,368	39,200	40,149	40,314	42,599	44,378	44,686	46,126	47,124		
46 Loans outstanding	50,083	62,561	71,811	72,404	73,513	73,513	74,207	75,300	76,385	76,774	77,847	n.a.	n.a.
47 Federal	32,930	42,337	47,065	47,538	47,933	48,055	48,059	48,633	49,756	49,950	50,613		
48 State	17,153	20,224	24,746	24,866	25,580	25,458	26,148	26,667	26,629	26,824	27,234		
49 Savings	74,739	84,348	103,677	105,384	105,963	107,238	110,541	114,579	116,703	120,331	122,952		
50 Federal	49,889	57,539	70,063	71,117	70,926	72,166	73,227	75,698	77,112	79,479	80,975		
51 State	24,850	26,809	33,614	34,267	35,037	35,072	37,314	38,881	39,591	40,852	41,977		
	Life insurance companies												
52 **Assets**	**654,948**	**722,979**	**791,483**	**802,024**	**816,203**	**831,716**	**839,856**	**848,535**	**855,605**	**863,610**			
Securities													
53 Government	50,752	63,899	72,334	73,451	77,230	75,937	76,761	77,965	78,494	79,051			
54 United States[6]	28,636	42,204	49,300	50,321	53,559	52,243	53,264	54,289	54,705	55,120			
55 State and local	9,986	8,713	9,475	9,615	10,086	9,869	9,588	9,674	9,869	9,930			
56 Foreign[7]	12,130	12,982	13,559	13,515	13,585	13,825	13,909	14,002	13,920	14,001			
57 Business	322,854	359,333	403,832	410,141	414,424	428,979	435,758	440,963	445,573	450,279	n.a.	n.a.	n.a.
58 Bonds	257,986	295,998	331,675	335,129	337,205	351,402	354,911	357,196	361,306	364,122			
59 Stocks	64,868	63,335	72,157	75,012	77,219	77,577	80,847	83,767	84,267	86,157			
60 Mortgages	150,999	156,699	165,687	167,306	170,460	172,324	172,997	174,823	175,951	177,554			
61 Real estate	22,234	25,767	28,637	28,844	28,662	29,035	29,356	29,804	30,059	30,025			
62 Policy loans	54,063	54,505	54,142	54,121	54,200	54,264	54,267	54,273	54,272	54,351			
63 Other assets	54,046	63,776	57,313	68,161	71,227	57,090	57,351	57,753	57,492	57,802			

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

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."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Calendar year 1986					
				Mar.	Apr.	May	June	July	Aug.
U.S. budget[1]									
1 Receipts, total	600,562	666,457	733,996	49,557	91,438	46,246	77,024	62,974	56,523
2 On-budget	n.a.	n.a.	n.a.	32,203	69,130	30,004	58,400	47,571	41,404
3 Off-budget	n.a.	n.a.	n.a.	17,355	22,308	16,242	18,624	15,402	15,119
4 Outlays, total	808,273	851,796	945,927	79,700	81,510	85,642	78,034	85,203	84,434
5 On-budget	n.a.	n.a.	n.a.	63,660	67,276	69,611	60,982	69,604	68,112
6 Off-budget	n.a.	n.a.	n.a.	16,040	14,234	16,031	17,052	15,599	16,322
7 Surplus, or deficit (−), total	−207,711	−185,339	−211,931	−30,142	9,928	−39,396	−1,011	−22,229	−27,911
8 On-budget	n.a.	n.a.	n.a.	−31,457	1,854	−39,607	−2,583	−22,033	−26,708
9 Off-budget	n.a.	n.a.	n.a.	1,315	8,074	211	1,572	−196	−1,203
Source of financing (total)									
10 Borrowing from the public	212,424	170,817	197,269	8,441	14,213	17,960	18,500	14,980	20,278
11 Cash and monetary assets (decrease, or increase (−))[2]	−9,889	5,636	10,673	14,093	−22,542	22,774	−13,065	3,972	10,298
12 Other[3]	5,176	8,885	3,989	7,608	−1,599	−1,338	−4,424	3,277	−2,665
MEMO									
13 Treasury operating balance (level, end of period)	37,057	22,345	17,060	12,246	34,417	12,808	24,641	20,810	10,428
14 Federal Reserve Banks	16,557	3,791	4,174	3,280	11,550	3,083	3,143	3,983	1,106
15 Tax and loan accounts	20,500	18,553	12,886	8,966	22,867	9,725	21,498	16,827	9,322

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

3. 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," and the "Daily Treasury Statement."

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1984	Fiscal year 1985	Calendar year						
			1984	1985		1986	1986		
			H2	H1	H2	H1	June	July	Aug.
RECEIPTS									
1 All sources	**666,457**	**733,996**	**341,392**	**380,618**	**364,790**	**394,345**	**77,024**	**62,974**	**56,523**
2 Individual income taxes, net	295,960	330,918	157,229	166,783	169,987	169,444	36,412	31,438	25,764
3 Withheld	279,350	298,941	145,210	149,288	155,725	153,919	24,868	30,329	24,504
4 Presidential Election Campaign Fund	35	35	5	29	6	31	4	2	1
5 Nonwithheld	81,346	97,685	19,403	76,155	22,295	78,981	13,411	2,838	2,846
6 Refunds	64,770	65,743	7,387	58,684	8,038	63,488	1,871	1,732	1,587
Corporation income taxes									
7 Gross receipts	74,179	77,413	35,190	42,193	36,528	41,946	11,698	4,483	1,997
8 Refunds	17,286	16,082	6,847	8,370	7,751	9,557	1,031	1,109	922
9 Social insurance taxes and contributions, net	241,902	268,805	118,690	144,598	128,017	156,714	24,399	21,564	23,738
10 Employment taxes and contributions[1]	212,180	238,288	105,624	126,038	116,276	139,706	23,672	19,675	19,529
11 Self-employment taxes and contributions[2]	8,709	10,468	1,086	9,482	985	10,581	1,407	−264	0
12 Unemployment insurance	25,138	25,758	10,706	16,213	9,281	14,674	346	1,464	3,842
13 Other net receipts[3]	4,580	4,759	2,360	2,350	2,458	2,333	381	424	366
14 Excise taxes	37,361	35,865	18,961	17,259	18,470	15,944	2,800	2,755	810
15 Customs deposits	11,370	12,079	6,329	5,807	6,354	6,369	1,161	1,305	1,272
16 Estate and gift taxes	6,010	6,422	3,029	3,204	3,323	3,487	514	612	608
17 Miscellaneous receipts[4]	16,965	18,576	8,812	9,144	9,861	10,002	1,071	1,926	1,725
OUTLAYS									
18 All types	**851,781**	**946,223r**	**446,944**	**463,842**	**487,188**	**486,037**	**78,034**	**85,203**	**84,434**
19 National defense	227,413	252,748	118,286	124,186	134,675	135,367	22,462	23,647	22,448
20 International affairs	15,876	16,176	8,550	6,675	8,367	5,384	785	889	999
21 General science, space, and technology	8,317	8,627	4,473	4,230	4,727	4,191	615	679	694
22 Energy	7,086	5,685	1,423	680	3,305	2,484	732	393	671
23 Natural resources and environment	12,593	13,357	7,370	5,892	7,553	6,245	1,216	1,346	1,142
24 Agriculture	13,613	25,565	8,524	11,705	15,412	14,482	1,405	2,029	844
25 Commerce and housing credit	6,917	4,229	2,663	−260	644	860	893	1,127	175
26 Transportation	23,669	25,838	13,673	11,440	15,360	12,658	2,475	2,551	2,310
27 Community and regional development	7,673	7,680	4,836	3,408	3,901	3,169	651	635	582
28 Education, training, employment, social services	27,579	29,342	13,737	14,149	14,481	14,712	2,215	2,399	2,630
29 Health	30,417	33,542	15,692	16,945	17,237	17,872	3,202	3,125	3,241
30 Social security and medicare	235,764	254,446	119,613	128,351	129,037	135,214	24,678	23,471	22,809
31 Income security	112,668	128,200	61,558	65,246	59,457	60,786	6,843	10,192	10,740
32 Veterans benefits and services	25,614	26,352	13,317	11,956	14,527	12,193	914	2,366	3,373
33 Administration of justice	5,660	6,277	2,992	3,016	3,212	3,352	549	603	516
34 General government	5,053	5,228	2,552	2,857	3,634	3,566	1,185	188	598
35 General-purpose fiscal assistance	6,768	6,353	3,458	2,659	3,391	2,179	40	1,071	49
36 Net interest[5]	111,058	129,436	61,293	65,143	67,448	68,054	9,939	11,174	12,652
37 Undistributed offsetting receipts[6]	−31,957	−32,759	−17,061	−14,436	−17,953	−17,193	−2,765	−2,683	−2,079

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Net interest function includes interest received by trust funds.
6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1984 June 30	1984 Sept. 30	1984 Dec. 31	1985 Mar. 31	1985 June 30	1985 Sept. 30	1985 Dec. 31	1986 Mar. 31	1986 June 30
1 **Federal debt outstanding**	**1,517.2**	**1,576.7**	**1,667.4**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**	**1,991.1**	**2,063.6**
2 Public debt securities	1,512.7	1,572.3	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9	1,986.8	2,059.3
3 Held by public	1,255.1	1,309.2	1,373.4	1,415.2	1,460.5	1,506.6	1,597.1	1,634.3	1,684.9
4 Held by agencies	257.6	263.1	289.6	295.5	314.2	316.5	348.9	352.6	374.4
5 Agency securities	4.5	4.5	4.5	4.4	4.4	4.4	4.4	4.3	4.3
6 Held by public	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.2	3.2
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,513.4**	**1,573.0**	**1,663.7**	**1,711.4**	**1,775.3**	**1,823.8**	**1,932.4**	**1,973.3**	**2,060.0**
9 Public debt securities	1,512.1	1,571.7	1,662.4	1,710.1	1,774.0	1,822.5	1,931.1	1,972.0	2,058.7
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,520.0	1,573.0	1,823.8	1,823.8	1,823.8	1,823.8	2,078.7	2,078.7	2,078.7

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* and *Daily Treasury Statement* (U.S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1981	1982	1983	1984	1985 Q3	1985 Q4	1986 Q1	1986 Q2
1 **Total gross public debt**	**1,028.7**	**1,197.1**	**1,410.7**	**1,663.0**	**1,823.1**	**1,945.9**	**1,986.8**	**2,059.3**
By type								
2 Interest-bearing debt	1,027.3	1,195.5	1,400.9	1,660.6	1,821.0	1,943.4	1,984.2	2,056.7
3 Marketable	720.3	881.5	1,050.9	1,247.4	1,360.2	1,437.7	1,472.8	1,498.2
4 Bills	245.0	311.8	343.8	374.4	384.2	399.9	393.2	396.9
5 Notes	375.3	465.0	573.4	705.1	776.4	812.5	842.5	869.3
6 Bonds	99.9	104.6	133.7	167.9	199.5	211.1	223.0	232.3
7 Nonmarketable[1]	307.0	314.0	350.0	413.2	460.8	505.7	511.4	558.5
8 State and local government series	23.0	25.7	36.7	44.4	62.8	87.5	88.5	98.2
9 Foreign issues[2]	19.0	14.7	10.4	9.1	6.6	7.5	6.7	5.3
10 Government	14.9	13.0	10.4	9.1	6.6	7.5	6.7	5.3
11 Public	4.1	1.7	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	68.1	68.0	70.7	73.1	77.0	78.1	79.8	82.3
13 Government account series[3]	196.7	205.4	231.9	286.2	313.9	332.2	336.0	372.3
14 Non-interest-bearing debt	1.4	1.6	9.8	2.3	2.1	2.5	2.6	2.6
By holder[4]								
15 U.S. government agencies and trust funds	203.3	209.4	236.3	289.6	316.5	348.9	352.6	374.4
16 Federal Reserve Banks	131.0	139.3	151.9	160.9	169.7	181.3	184.8	183.8
17 Private investors	694.5	848.4	1,022.6	1,212.5	1,338.2	1,417.2	1,473.1r	1,502.7
18 Commercial banks	111.4	131.4	188.8	183.4	196.9	192.2	195.1	197.2
19 Money market funds	21.5	42.6	22.8	25.9	22.7	25.1	29.9r	22.8
20 Insurance companies	29.0	39.1	56.7	76.4	88.6	93.2	95.8	n.a.
21 Other companies	17.9	24.5	39.7	50.1	59.0	59.0	59.6	59.8
22 State and local governments	104.3	127.8	155.1	179.4	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	68.1	68.3	71.5	74.5	78.2	79.8	81.4	83.8
24 Other securities	42.7	48.2	61.9	69.3	73.2	75.0	76.1r	73.4
25 Foreign and international[5]	136.6	149.5	166.3	192.9	209.8	214.6	225.4r	237.9
26 Other miscellaneous investors[6]	163.0	217.0	259.8	360.6	n.a.	n.a.	n.a.	n.a.

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

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

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

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

	Item	1983	1984	1985	1986			1986 week ending Wednesday					
					June	July	Aug.	July 23	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
	Immediate delivery[2]												
1	U.S. government securities	42,135	52,778	75,331	90,120	84,943	101,287	75,064	79,937	103,744	112,382	97,521	97,206
	By maturity												
2	Bills	22,393	26,035	32,900	32,469	31,155	36,601	29,024	28,862	40,264	39,047	31,339	37,853
3	Other within 1 year	708	1,305	1,811	2,266	2,182	2,247	2,028	2,042	2,283	2,416	2,503	2,196
4	1–5 years	8,758	11,733	18,361	23,256	22,882	30,045	20,442	23,018	30,380	28,991	35,047	30,243
5	5–10 years	5,279	7,606	12,703	20,972	19,254	21,164	16,228	15,606	21,150	25,384	17,528	18,481
6	Over 10 years	4,997	6,099	9,556	11,157	9,469	11,230	7,343	10,409	9,667	16,544	11,104	8,433
	By type of customer												
7	U.S. government securities dealers	2,257	2,919	3,336	3,732	3,623	4,550	3,027	3,223	5,293	4,629	3,867	4,265
8	U.S. government securities brokers	21,045	25,580	36,222	47,432	44,583	53,032	40,648	43,661	52,459	60,244	51,279	50,712
9	All others[3]	18,833	24,278	35,773	38,957	36,737	43,706	31,390	33,053	45,993	47,510	42,375	42,230
10	Federal agency securities	5,576	7,846	11,640	16,252	15,819	16,896	14,031	12,035	14,206	16,369	20,632	17,577
11	Certificates of deposit	4,333	4,947	4,016	4,748	4,723	4,363	4,286	3,938	3,449	4,869	4,048	4,906
12	Bankers acceptances	2,642	3,243	3,242	3,284	3,473	3,190	3,310	2,770	3,288	3,284	3,176	3,383
13	Commercial paper	8,036	10,018	12,717	17,093	16,934	16,966	16,197	15,855	17,229	16,592	17,140	17,044
	Futures transactions[4]												
14	Treasury bills	6,655	6,947	5,561	2,912	2,196	2,837	1,962	2,368	1,955	2,295	3,683	3,172
15	Treasury coupons	2,501	4,503	6,069	7,202	5,276	5,887	5,318	5,777	5,750	6,883	5,556	5,403
16	Federal agency securities	265	262	240	17	13	12	*	5	2	1	41	1
	Forward transactions[5]												
17	U.S. government securities	1,493	1,364	1,283	1,704	1,377	2,860	1,579	1,350	3,408	3,033	2,640	3,278
18	Federal agency securities	1,646	2,843	3,857	6,739	7,624	7,706	7,313	6,841	5,851	9,167	8,881	6,735

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

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

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

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

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

Averages of daily figures, in millions of dollars

	Item	1983	1984	1985	1986			1986 week ending Wednesday				
					June	July	Aug.	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27
					Positions							
	Net immediate[2]											
1	U.S. government securities	14,082	5,429	7,391	11,973r	21,126r	18,406	17,759r	18,377	19,514	16,820	18,519
2	Bills	10,800	5,500	10,075	10,491	15,697r	12,781	13,904r	16,339	13,744	11,042	11,442
3	Other within 1 year	921	63	1,050	6,167	4,718	3,515	4,121	3,797	3,768	3,625	3,041
4	1–5 years	1,912	2,159	5,154	6,945r	10,951r	11,436	11,486r	11,440	12,872	8,976	12,242
5	5–10 years	−78	−1,119	−6,202	−9,317	−8,481	−7,783	−8,826	−9,143	−8,546	−6,212	−8,030
6	Over 10 years	528	−1,174	−2,686	−2,314	−1,758	−1,544	−2,925	−4,056	−2,324	−611	−176
7	Federal agency securities	7,313	15,294	22,860	35,014	31,295	26,833	29,237	28,937	27,521	26,197	25,108
8	Certificates of deposit	5,838	7,369	9,192	11,530	10,918	9,960	9,866	9,977	10,262	9,582	9,888
9	Bankers acceptances	3,332	3,874	4,586	5,466	6,734	5,172	5,809	5,615	5,676	4,781	4,593
10	Commercial paper	3,159	3,788	5,570	7,989	8,027	7,469	7,261	8,262	7,950	6,789	6,833
	Futures positions											
11	Treasury bills	−4,125	−4,525	−7,322	−14,058	−16,381	−16,253	−14,734	−14,897	−15,831	−17,003	−16,721
12	Treasury coupons	−1,033	1,794	4,465	2,324	2,522r	2,343	4,251r	4,592	3,165	1,252	1,281
13	Federal agency securities	171	233	−722	−95	−67	−60	−70	−69	−65	−56	−54
	Forward positions											
14	U.S. government securities	−1,936	−1,643	−911	−2,636r	−3,046	−3,503	−3,370	−4,507	−2,912	−3,224	−3,900
15	Federal agency securities	−3,561	−9,205	−9,420	−10,490	−11,383	−9,905	−10,867	−10,528	−9,740	−9,973	−9,839
					Financing[3]							
	Reverse repurchase agreements[4]											
16	Overnight and continuing	29,099	44,078	68,035	92,366	97,709	98,805	97,903	97,509	94,321	98,265	100,226
17	Term agreements	52,493	68,357	80,509	108,761	102,897	106,640	105,635	109,265	112,931	104,596	103,623
	Repurchase agreements[5]											
18	Overnight and continuing	57,946	75,717	101,410	137,536	144,251	138,823	140,374	139,272	134,300	139,577	140,750
19	Term agreements	44,410	57,047	77,748	102,427	99,140	103,532	101,012	104,714	108,177	101,872	101,228

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

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1983	1984	1985	1986					
				Feb.	Mar.	Apr.	May	June	July
1 **Federal and federally sponsored agencies**	**240,068**	**271,220**	**293,905**	**292,043**	**291,525**	**293,336**	**294,961**	**296,226**	**n.a.**
2 Federal agencies	33,940	35,145	36,390	36,376	35,927	35,530	36,110	35,826	35,768
3 Defense Department[1]	243	142	71	63	59	55	52	48	45
4 Export-Import Bank[2,3]	14,853	15,882	15,678	15,677	15,257	15,257	15,256	14,953	14,953
5 Federal Housing Administration[4]	194	133	115	109	108	114	118	115	115
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,404	1,337	1,940	1,940	1,940	1,940	1,940	1,854	1,854
8 Tennessee Valley Authority	14,970	15,435	16,347	16,348	16,324	15,925	16,505	16,617	16,562
9 United States Railway Association[6]	111	51	74	74	74	74	74	74	74
10 Federally sponsored agencies[7]	206,128	236,075	257,515	255,667	255,670r	257,806	258,851	260,400	n.a.
11 Federal Home Loan Banks	48,930	65,085	74,447	73,201	74,778	76,527	78,718	81,558	83,081
12 Federal Home Loan Mortgage Corporation	6,793	10,270	11,926	13,695	12,963	13,492	12,475	12,276	n.a.
13 Federal National Mortgage Association	74,594	83,720	93,896	93,179	92,414	92,401	92,629	92,562	93,417
14 Farm Credit Banks	72,816	71,193	68,851	66,188	66,002r	65,188	64,629	63,585	62,857
15 Student Loan Marketing Association[8]	3,402	5,745	8,395	9,404	9,513	10,198	10,400	10,419	10,420
MEMO									
16 **Federal Financing Bank debt**[9]	**135,791**	**145,217**	**153,373**	**153,418**	**153,455**	**153,508**	**155,076**	**155,222**	**155,526**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,789	15,852	15,670	15,670	15,250	15,250	15,250	14,947	14,947
18 Postal Service[6]	1,154	1,087	1,690	1,690	1,690	1,690	1,690	1,604	1,604
19 Student Loan Marketing Association	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	13,245	13,710	14,622	14,673	14,649	14,250	14,830	14,942	14,937
21 United States Railway Association[6]	111	51	74	74	74	74	74	74	74
Other Lending[10]									
22 Farmers Home Administration	55,266	58,971	64,234	63,774	63,464	63,829	64,544	64,924	65,174
23 Rural Electrification Administration	19,766	20,693	20,654	20,739	20,959	21,061	21,154	21,255	21,321
24 Other	26,460	29,853	31,429	31,798	32,369	32,354	32,534	32,476	32,469

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

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1983[r]	1984[r]	1985[r]	1985[r]	1986						
				Dec.	Jan.[r]	Feb.[r]	Mar.	Apr.	May	June	July
1 **All issues, new and refunding[1]**	**86,421**	**106,641**	**214,189**	**57,430**	**1,572**	**3,300**	**8,008[r]**	**12,578[r]**	**13,215[r]**	**12,611[r]**	**19,833**
Type of issue											
2 General obligation	21,566	26,485	52,622	8,754	751	916	2,720[r]	5,459[r]	7,115[r]	6,326[r]	6,531
3 U.S. government loans[2]											
4 Revenue	64,855	80,156	161,567	48,676	821	2,384	5,288[r]	7,120[r]	6,100[r]	6,285[r]	13,302
5 U.S. government loans[2]											
Type of issuer											
6 State	7,140	9,129	13,004	2,146	296	287	1,088	1,956	2,825	1,705	2,879
7 Special district and statutory authority	51,297	63,550	134,363	39,147	579	1,691	4,383	7,350	6,427	6,351	10,589
8 Municipalities, counties, townships, school districts	27,984	33,962	66,822	16,137	697	1,322	2,537	3,273	3,962	4,554	6,365
9 **Issues for new capital, total**	**72,441**	**94,050**	**156,050**	**46,788**	**1,350**	**2,022**	**3,314[r]**	**6,938[r]**	**7,155[r]**	**8,178[r]**	**13,165**
Use of proceeds											
10 Education	8,099	7,553	16,658	3,901	370	441	624	1,706	1,827	1,694	2,800
11 Transportation	4,387	7,552	12,070	3,480	246	380	795	815	273	947	3,164
12 Utilities and conservation	13,588	17,844	26,852	7,070	315	1,352	4,082	4,554	3,450	1,583	4,425
13 Social welfare	26,910	29,928	63,181	22,589	6	239	337	579	1,424	1,518	1,186
14 Industrial aid	7,821	15,415	12,892	3,583	0	134	37	313	264	255	975
15 Other purposes	11,637	15,758	24,398	6,165	413	729	2,132	4,610	5,978	6,614	7,281

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

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1983	1984	1985	1985	1986						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 **All issues[1]**	**119,949[r]**	**132,531**	**201,269[r]**	**19,299[r]**	**17,093**	**23,931**	**30,444[r]**	**33,489**	**19,564[r]**	**25,766**	**20,900**
2 **Bonds[2]**	**68,370[r]**	**109,903**	**165,754[r]**	**14,310[r]**	**13,693**	**19,469**	**24,923[r]**	**27,883**	**13,050[r]**	**20,746**	**16,577**
Type of offering											
3 Public	47,244[r]	73,579	119,559[r]	14,310[r]	13,693	19,469	24,923[r]	27,883	13,050[r]	20,746	16,577
4 Private placement	21,126	36,324[r]	46,195	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	17,001	24,607	52,228[r]	2,704	4,596	3,950	8,895	7,975	3,939	5,368	2,524
6 Commercial and miscellaneous	7,540	13,726	15,215	735	624	1,216	790	2,640	1,776	2,206	3,410
7 Transportation	3,833	4,694	5,743	187	633	373	303	614	427	250	497
8 Public utility	9,125	10,679	12,957	1,090	820	2,540	2,133	3,330	1,709	1,948	1,470
9 Communication	3,642	2,997	10,456	2,318	0	1,200	1,907	3,115	712	810	465
10 Real estate and financial	27,227[r]	53,199	69,157[r]	7,277[r]	7,021	10,190	10,895[r]	10,210	4,487[r]	10,164	8,210
11 **Stocks[3]**	**51,579**	**22,628**	**35,515**	**4,989**	**3,400**	**4,462**	**5,521**	**5,606**	**6,514**	**5,020**	**4,323**
Type											
12 Preferred	7,213	4,118	6,505	908	570	975	1,160	751	856	1,284	726
13 Common	44,366	18,510	29,010	4,081	2,830	3,487	4,361	4,855	5,658	3,736	3,597
Industry group											
14 Manufacturing	14,135	4,054	5,700	1,045	827	1,269	851	1,434	1,827	1,132	763
15 Commercial and miscellaneous	13,112	6,277	9,149	1,220	683	434	607	910	953	421	916
16 Transportation	2,729	589	1,544	200	78	302	355	158	372	154	179
17 Public utility	5,001	1,624	1,966	201	176	153	357	165	346	406	330
18 Communication	1,822	419	978	146	231	282	0	27	74	140	107
19 Real estate and financial	14,780	9,665	16,178	2,177	1,405	2,022	3,351	2,912	2,942	2,767	2,028

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Monthly data include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCES. IDD Information Services, Inc., Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1984	1985	1985	1986						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	107,480	222,670	23,560	32,466	27,489	33,764	37,656	31,251	30,619	35,684
2 Redemptions of own shares[3]	77,032	132,440	18,337	15,836	11,860	15,085	21,699	16,706	18,921	21,508
3 Net sales	30,448	90,230	5,223	16,630	15,629	18,679	15,957	14,545	11,698	14,176
4 Assets[4]	137,126	251,695	251,536	265,487	292,002	315,245	329,684	343,926	356,040	360,050
5 Cash position[5]	12,181	20,607	20,590	22,425	23,716	27,639	29,599	28,184	28,083	28,180
6 Other	124,945	231,088	230,946	243,062	268,286	287,606	300,085	315,742	327,957	331,870

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short–term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open–end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1983	1984	1985	1984		1985				1986	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Corporate profits with inventory valuation and capital consumption adjustment	213.7	264.7	280.6	259.8	265.0	266.4	274.3	296.3	285.6	296.4	293.1
2 Profits before tax	207.6	235.7	223.1	225.1	221.9	213.8	213.8	229.2	235.8	224.3	231.2
3 Profits tax liability	77.2	95.4	91.8	89.3	87.8	87.8	87.1	95.8	96.4	89.1	93.3
4 Profits after tax	130.4	140.3	131.4	135.8	134.1	126.0	126.7	133.4	139.4	135.2	137.9
5 Dividends	71.5	78.3	81.6	79.0	80.1	80.9	81.4	81.6	82.5	85.2	87.5
6 Undistributed profits	58.8	62.0	49.8	56.8	54.0	45.1	45.3	51.8	57.0	50.0	50.4
7 Inventory valuation	−10.9	−5.5	−.6	−1.8	−1.6	−.5	1.6	6.1	−9.4	16.5	10.6
8 Capital consumption adjustment	17.0	34.5	58.1	36.5	44.7	53.2	58.9	61.0	59.2	55.6	51.3

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985				1986
						Q1	Q2	Q3	Q4	Q1
1 **Current assets**	**1,328.3**	**1,419.6**	**1,437.1**	**1,575.9**	**1,703.0**	**1,722.7**	**1,734.6**	**1,763.0**	**1,784.6**	**1,795.7**
2 Cash	127.0	135.6	147.8	171.8	173.6	167.5	167.1	176.3	189.2	195.3
3 U.S. government securities	18.7	17.7	23.0	31.0	36.2	35.7	35.4	32.6	33.0	31.0
4 Notes and accounts receivable	507.5	532.5	517.4	583.0	633.1	650.3	654.1	661.0	671.5	663.4
5 Inventories	543.0	584.0	579.0	603.4	656.9	665.7	666.7	675.0	666.0	679.6
6 Other	132.1	149.7	169.8	186.7	203.2	203.5	211.2	218.0	224.9	226.3
7 **Current liabilities**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,174.1**	**1,182.9**	**1,211.9**	**1,233.6**	**1,222.3**
8 Notes and accounts payable	514.4	547.1	550.7	595.7	647.8	636.9	651.7	670.4	682.7	668.4
9 Other	376.2	424.1	435.3	463.9	515.8	537.1	531.2	541.5	550.9	553.9
10 **Net working capital**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**548.6**	**551.7**	**551.1**	**551.0**	**573.4**
11 MEMO: Current ratio[1]	1.492	1.462	1.458	1.487	1.464	1.467	1.466	1.455	1.447	1.469

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533-37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1984	1985[r]	1986[1,r]	1985				1986			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3[1]	Q4[1]
1 **Total nonfarm business**	**354.44**	**387.13**	**379.59**	**373.56**	**387.86**	**389.23**	**397.88**	**377.94**	**375.92**	**380.52**	**383.99**
Manufacturing											
2 Durable goods industries	66.24	73.27	68.23	70.29	74.34	72.99	75.47	68.01	68.33	66.30	70.28
3 Nondurable goods industries	72.58	80.21	75.78	76.64	79.91	81.48	82.79	76.02	73.35	76.43	77.32
Nonmanufacturing											
4 Mining	16.86	15.88	11.29	15.81	16.56	15.89	15.25	12.99	11.22	10.80	10.16
Transportation											
5 Railroad	6.79	7.08	6.60	6.42	7.38	7.79	6.74	6.22	6.77	7.09	6.31
6 Air	3.56	4.79	5.88	4.23	3.71	5.17	6.07	6.58	5.77	5.40	5.75
7 Other	6.17	6.15	5.87	6.04	6.35	5.85	6.34	5.42	5.74	6.25	6.08
Public utilities											
8 Electric	37.03	36.11	33.60	36.49	36.00	35.58	36.38	34.21	33.81	33.61	32.78
9 Gas and other	10.44	12.71	12.62	11.95	12.61	12.86	13.41	12.82	12.74	12.46	12.46
10 Commercial and other[2]	134.75	150.93	159.72	145.68	150.99	151.62	155.42	155.67	158.18	162.18	162.84

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

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1981	1982	1983	1984	1985				1986	
					Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
Accounts receivable, gross										
1 Consumer	72.4	78.1	87.4	96.7	99.1	106.0	116.4	120.8	125.5	134.7
2 Business	100.3	101.4	113.4	135.2	142.1	144.6	141.4	152.8	159.7	160.3
3 Real estate	17.9	20.2	22.5	26.3	27.2	28.4	29.0	30.4	31.5	32.4
4 Total	190.5	199.7	223.4	258.3	268.5	279.0	286.5	304.0	316.7	327.5
Less:										
5 Reserves for unearned income	30.0	31.9	33.0	36.5	36.6	38.6	41.0	40.9	41.3	41.8
6 Reserves for losses	3.2	3.5	4.0	4.4	4.9	4.8	4.9	5.0	5.1	5.2
7 Accounts receivable, net	157.3	164.3	186.4	217.3	227.0	235.6	240.6	258.1	270.3	280.4
8 All other	27.1	30.7	34.0	35.4	35.9	39.5	46.3	46.8	50.6	52.1
9 **Total assets**	**184.4**	**195.0**	**220.4**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**	**321.0**	**332.5**
LIABILITIES										
10 Bank loans	16.1	18.3	18.7	21.3	19.8	18.5	18.2	21.0	20.4	22.9
11 Commercial paper	57.2	51.1	59.7	72.5	79.1	82.6	93.6	96.9	102.0	106.4
Debt										
12 Other short-term	11.3	12.7	13.9	16.2	16.8	16.6	16.6	17.2	18.5	20.9
13 Long-term	56.0	64.4	68.1	77.2	78.3	85.7	86.4	93.0	100.0	101.8
14 All other liabilities	18.5	21.2	30.1	33.1	35.4	36.9	36.6	39.6	41.4	40.4
15 Capital, surplus, and undivided profits	25.3	27.4	29.8	32.3	33.5	34.8	35.7	37.1	38.8	40.2
16 **Total liabilities and capital**	**184.4**	**195.0**	**220.4**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**	**321.0**	**332.5**

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 July 31, 1986[1]	Changes in accounts receivable			Extensions			Repayments		
		1986			1986			1986		
		May	June	July	May	June	July	May	June	July
1 **Total**	**159,752**	**-185**	**-151**	**949**	**25,780**	**26,687**	**27,277**	**25,966**	**26,838**	**26,328**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	16,742	421	380	390	1,358	1,336	1,365	936	956	975
3 Business, industrial, and farm equipment	20,237	68	-51	-106	1,015	1,044	1,022	947	1,095	1,128
Wholesale financing										
4 Automotive	24,889	-679	471	-1,097	9,455	10,397	9,030	10,134	9,926	10,128
5 Equipment	4,749	3	45	211	467	506	900	464	462	689
6 All other	7,260	-303	-15	-242	1,575	1,609	1,656	1,878	1,624	1,898
Leasing										
7 Automotive	16,274	3	-121	103	840	820	1,077	837	941	973
8 Equipment	40,423	-38	-101	647	1,256	1,264	1,669	1,294	1,365	1,022
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,697	498	-882	716	8,572	8,441	9,208	8,074	9,323	8,492
10 All other business credit	12,481	-159	123	327	1,244	1,270	1,350	1,402	1,146	1,023

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1983	1984	1985	1986 Feb.	Mar.	Apr.	May	June	July	Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	92.8	96.8	104.1	115.1	108.2	114.2	114.7	122.1	115.7r	117.1
2 Amount of loan (thousands of dollars)	69.5	73.7	77.4	84.3	79.6	83.9	83.0	88.0	83.4r	84.6
3 Loan/price ratio (percent)	77.1	78.7	77.1	75.6	75.4	75.9	74.7	74.9	73.9r	74.7
4 Maturity (years)	26.7	27.8	26.9	26.8	26.9	25.9	25.8	26.6	26.2r	26.6
5 Fees and charges (percent of loan amount)[2]	2.40	2.64	2.53	2.64	2.60	2.34	2.19	2.40	2.35r	2.40
6 Contract rate (percent per annum)	12.20	11.87	11.12	10.21	10.04	9.87	9.84	9.74	9.89r	9.85
Yield (percent per annum)										
7 FHLBB series[3]	12.66	12.37	11.58	10.68	10.50	10.27	10.22	10.15	10.30r	10.27
8 HUD series[4]	13.43	13.80	12.28	10.49	10.06	9.99	10.32	10.38	10.28	9.88
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.11	13.81	12.24	10.59	9.77	9.80	10.07	9.98	10.01	9.80
10 GNMA securities[6]	12.25	13.13	11.61	9.79	9.44	9.17	9.23	9.57	9.31	9.11
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	74,847	83,339	94,574	98,820	98,795	98,746	98,096	97,295	97,255	96,675
12 FHA/VA-insured	37,393	35,148	34,244	33,466	33,368	33,246	32,558	31,241	30,766	28,451
13 Conventional	37,454	48,191	60,331	65,354	65,427	65,500	65,538	66,054	66,489	68,224
Mortgage transactions (during period)										
14 Purchases	17,554	16,721	21,510	1,159	1,410	1,631	1,978	3,000	3,343	3,800
15 Sales	3,528	978	1,301	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mortgage commitments[7]										
16 Contracted (during period)	18,607	21,007	20,155	2,578	1,917	3,774	3,538	3,049	3,270	3,840
17 Outstanding (end of period)	5,461	6,384	3,402	4,480	4,851	6,942	8,444	7,862	7,706	7,671
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,996	9,283	12,399	14,584	13,623	13,144	14,302	14,194	↑	↑
19 FHA/VA	974	910	841	792	787	778	769	742		
20 Conventional	5,022	8,373	11,558	14,584	12,836	12,366	13,533	13,452		
Mortgage transactions (during period)										
21 Purchases	23,089	21,886	44,012	4,605	5,318	6,195	8,947	10,505	n.a.	n.a.
22 Sales	19,686	18,506	38,905	4,286	5,897	5,591	7,354	9,588		
Mortgage commitments[9]										
23 Contracted (during period)	32,852	32,603	48,989	6,044	7,128	9,869	10,612	10,338		
24 Outstanding (end of period)	16,964	13,318	16,613	n.a.	n.a.	n.a.	n.a.	n.a.	↓	↓

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1983	1984	1985	1985			1986	
				Q2	Q3	Q4	Q1	Q2r
1 **All holders**	**1,813,856**	**2,034,602**	**2,266,976r**	**2,139,019**	**2,201,732**	**2,266,976r**	**2,316,013r**	**2,380,765**
2 1- to 4-family	1,189,822	1,318,888	1,467,578r	1,383,101	1,426,770	1,467,578r	1,495,398r	1,542,847
3 Multifamily	160,805	185,414	213,936r	197,418	203,742	213,936r	220,733r	227,600
4 Commercial	350,389	418,300	479,840r	447,631	462,929	479,840r	495,323r	507,888
5 Farm	112,840	112,000	105,622	110,869	108,291	105,622	104,559	102,430
6 Selected financial institutions	1,130,781	1,272,206	1,392,793	1,325,659	1,358,654	1,392,793	1,410,827	1,437,827
7 Commercial banks[1]	330,521	379,498	429,207	400,746	415,599	429,207	440,985	456,168
8 1- to 4-family	182,514	196,163	213,537	203,003	209,119	213,537	216,598	222,929
9 Multifamily	18,410	20,264	23,403	21,582	22,254	23,403	24,445	25,637
10 Commercial	120,210	152,894	180,882	165,554	173,190	180,882	188,137	195,377
11 Farm	9,387	10,177	11,385	10,607	11,036	11,385	11,805	12,225
12 Savings banks	131,940	154,441	177,263	165,705	174,427	177,263	187,823	205,413
13 1- to 4-family	93,649	107,302	121,879	114,375	119,952	121,879	131,099	143,246
14 Multifamily	17,247	19,817	23,329	21,357	22,604	23,329	23,965	26,833
15 Commercial	21,016	27,291	31,973	29,942	31,757	31,973	32,673	35,229
16 Farm	28	31	82	31	114	82	86	105
17 Savings and loan associations	494,789	555,277	585,461	569,291	575,684	585,461	577,062	567,354
18 1- to 4-family	387,924	421,489	434,072	425,021	427,081	434,072	422,034	415,035
19 Multifamily	44,333	55,750	66,663	60,231	62,608	66,663	67,418	66,063
20 Commercial	62,403	77,605	84,118	83,447	85,358	84,118	86,949	85,722
21 Farm	129	433	608	592	637	608	661	534
22 Life insurance companies	150,999	156,699	170,460	161,485	163,929	170,460	173,418	176,468
23 1- to 4-family	15,319	14,120	12,279	13,562	13,382	12,279	12,496	12,746
24 Multifamily	19,107	18,938	19,731	18,983	18,972	19,731	19,836	19,936
25 Commercial	103,831	111,175	126,621	116,812	119,543	126,621	129,441	132,241
26 Farm	12,742	12,466	11,829	12,128	12,032	11,829	11,645	11,545
27 Finance companies[2]	22,532	26,291	30,402	28,432	29,015	30,402	31,539	32,424
28 Federal and related agencies	148,328	158,993	166,928	165,912	166,248	166,928	165,730	162,000
29 Government National Mortgage Association	3,395	2,301	1,473	1,825	1,640	1,473	1,533	847
30 1- to 4-family	630	585	539	564	552	539	527	47
31 Multifamily	2,765	1,716	934	1,261	1,088	934	1,006	800
32 Farmers Home Administration	2,141	1,276	733	790	577	733	704	570
33 1- to 4-family	1,159	213	183	223	185	183	217	146
34 Multifamily	173	119	113	136	139	113	33	66
35 Commercial	409	497	159	163	72	159	217	111
36 Farm	400	447	278	268	181	278	237	247
37 Federal Housing and Veterans Administration	4,894	4,816	4,920	4,888	4,918	4,920	4,964	5,092
38 1- to 4-family	1,893	2,048	2,254	2,199	2,251	2,254	2,309	2,447
39 Multifamily	3,001	2,768	2,666	2,689	2,667	2,666	2,655	2,645
40 Federal National Mortgage Association	78,256	87,940	98,282	94,777	96,769	98,282	98,795	97,295
41 1- to 4-family	73,045	82,175	91,966	88,788	90,590	91,966	92,315	90,460
42 Multifamily	5,211	5,765	6,316	5,989	6,179	6,316	6,480	6,835
43 Federal Land Banks	52,010	52,261	47,498	51,056	49,255	47,498	46,111	44,002
44 1- to 4-family	3,081	3,074	2,798	3,006	2,895	2,798	2,711	2,589
45 Farm	48,929	49,187	44,700	48,050	46,360	44,700	43,400	41,413
46 Federal Home Loan Mortgage Corporation	7,632	10,399	14,022	12,576	13,089	14,022	13,623	14,194
47 1- to 4-family	7,559	9,654	11,881	11,288	11,457	11,881	12,231	11,890
48 Multifamily	73	745	2,141	1,288	1,632	2,141	1,392	2,304
49 Mortgage pools or trusts[3]	285,073	332,057	415,042	365,748	388,948	415,042	440,701	475,615
50 Government National Mortgage Association	159,850	179,981	212,145	192,925	201,026	212,145	220,348	229,204
51 1- to 4-family	155,950	175,589	207,198	188,228	196,198	207,198	215,148	223,838
52 Multifamily	3,900	4,392	4,947	4,697	4,828	4,947	5,200	5,366
53 Federal Home Loan Mortgage Corporation	57,895	70,822	100,387	83,327	91,915	100,387	110,337	125,903
54 1- to 4-family	57,273	70,253	99,515	82,369	90,997	99,515	108,020	123,676
55 Multifamily	622	569	872	958	918	872	2,317	2,227
56 Federal National Mortgage Association	25,121	36,215	54,987	42,755	48,769	54,987	62,310	72,377
57 1- to 4-family	25,121	35,965	54,036	41,985	47,857	54,036	61,117	71,153
58 Multifamily	n.a.	250	951	770	912	951	1,193	1,224
59 Farmers Home Administration	42,207	45,039	47,523	46,741	47,238	47,523	47,706	48,131
60 1- to 4-family	20,404	21,813	22,186	21,962	22,090	22,186	22,082	21,987
61 Multifamily	5,090	5,841	6,675	6,377	6,415	6,675	6,943	7,170
62 Commercial	7,351	7,559	8,190	8,014	8,192	8,190	8,150	8,347
63 Farm	9,362	9,826	10,472	10,388	10,541	10,472	10,531	10,627
64 Individuals and others[4]	249,674	271,346	292,213	281,700	287,882	292,213r	298,755r	305,323
65 1- to 4-family	141,769	152,154	162,853	158,096	163,149	162,853r	164,955r	168,234
66 Multifamily	40,873	48,480	55,195	51,100	52,526	55,195r	57,850r	60,494
67 Commercial	35,169	41,279	47,897	43,699	44,817	47,897r	49,756r	50,861
68 Farm	31,863	29,433	26,268	28,805	27,390	26,268	26,194	25,734

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Assumed to be entirely 1- to 4-family loans.
3. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1984	1985	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May	1986 June[r]	1986 July
	Amounts outstanding (end of period)										
1 **Total**	**453,580**	**535,098**	**528,621**	**535,098**	**542,753**	**547,852**	**550,939**	**555,810**	**562,267**	**567,653**	**573,029**
By major holder											
2 Commercial banks	209,158	240,796	238,620	240,796	243,256	244,761	245,172	247,498	248,681	249,753	251,040
3 Finance companies[2]	96,126	120,095	118,356	120,095	123,717	126,001	127,422	128,728	131,172	134,933	137,197
4 Credit unions	66,544	75,127	74,117	75,127	75,810	76,431	76,953	77,957	78,474	79,095	80,102
5 Retailers[3]	37,061	39,187	39,039	39,187	39,416	39,497	39,844	39,826	40,139	40,076	40,251
6 Savings institutions	40,330	55,555	54,307	55,555	56,290	57,048	57,573	58,024	60,247	60,352	61,049
7 Gasoline companies	4,361	4,337	4,182	4,337	4,264	4,114	3,975	3,777	3,554	3,445	3,389
By major type of credit											
8 Automobile	173,122	206,482	203,766	206,482	210,661	213,342	214,361	215,814	218,965	222,606	226,232
9 Commercial banks	83,900	92,764	92,127	92,764	93,489	93,828	93,377	93,013	93,157	93,261	94,024
10 Credit unions	28,614	30,577	30,166	30,577	30,855	31,107	31,320	31,728	31,939	32,191	32,602
11 Finance companies	54,663	73,391	71,996	73,391	76,410	78,310	79,416	80,685	83,221	86,520	88,862
12 Savings institutions	5,945	9,750	9,477	9,750	9,907	10,097	10,248	10,386	10,648	10,634	10,745
13 Revolving	98,514	118,296	117,050	118,296	119,682	120,724	122,131	123,442	124,545	124,720	125,347
14 Commercial banks	58,145	73,893	73,076	73,893	74,991	75,953	77,021	78,421	79,151	79,397	79,768
15 Retailers	33,064	34,560	34,486	34,560	34,770	34,843	35,188	35,170	35,449	35,390	35,542
16 Gasoline companies	4,361	4,337	4,182	4,337	4,264	4,114	3,975	3,777	3,554	3,445	3,389
17 Savings institutions	2,944	5,506	5,306	5,506	5,657	5,813	5,947	6,075	6,392	6,488	6,648
18 Mobile home	24,184	25,461	25,315	25,461	25,371	25,573	25,584	25,513	25,560	25,479	25,398
19 Commercial banks	9,623	9,578	9,584	9,578	9,457	9,566	9,348	9,264	9,215	9,196	9,156
20 Finance companies	9,161	9,116	9,057	9,116	9,125	9,161	9,327	9,286	9,115	9,077	8,989
21 Savings institutions	5,400	6,767	6,674	6,767	6,789	6,846	6,909	6,963	7,230	7,206	7,253
22 Other	157,760	184,859	182,490	184,859	187,039	188,212	188,863	191,041	193,197	194,847	196,053
23 Commercial banks	57,490	64,561	63,833	64,561	65,319	65,414	65,427	66,800	67,158	67,898	68,093
24 Finance companies	32,302	37,588	37,303	37,588	38,182	38,530	38,678	38,757	38,836	39,336	39,345
25 Credit unions	37,930	44,550	43,951	44,550	44,955	45,323	45,633	46,228	46,535	46,903	47,501
26 Retailers	3,997	4,627	4,553	4,627	4,646	4,653	4,656	4,656	4,690	4,686	4,710
27 Savings institutions	26,041	33,533	32,850	33,533	33,937	34,291	34,469	34,600	35,977	36,024	36,404
	Net change (during period)										
28 **Total**	**77,341**	**81,518**	**5,643**	**6,477**	**7,655**	**5,099**	**3,087**	**4,871**	**6,457**	**5,386**	**5,376**
By major holder											
29 Commercial banks	39,819	31,638	3,256	2,176	2,460	1,505	411	2,326	1,183	1,072	1,287
30 Finance companies[2]	9,961	23,969	791	1,739	3,622	2,284	1,421	1,306	2,444	3,761	2,264
31 Credit unions	13,456	8,583	643	1,010	683	621	522	1,004	517	621	1,007
32 Retailers[3]	2,900	2,126	149	148	229	81	347	−18	313	−63	175
33 Savings institutions	11,038	15,225	798	1,248	735	758	525	451	2,223	105	697
34 Gasoline companies	167	−24	6	155	−73	−150	−139	−198	−223	−109	−56
By major type of credit											
35 Automobile	27,214	33,360	1,772	2,716	4,179	2,681	1,019	1,453	3,151	3,641	3,626
36 Commercial banks	16,352	8,864	725	637	725	339	−451	−364	144	104	763
37 Credit unions	3,223	1,963	262	411	278	252	213	408	211	252	411
38 Finance companies	4,576	18,728	581	1,395	3,019	1,900	1,106	1,269	2,536	3,299	2,342
39 Savings institutions	3,063	3,805	204	273	157	190	151	138	262	−14	111
40 Revolving	20,145	19,782	1,832	1,246	1,386	1,042	1,407	1,311	1,103	175	627
41 Commercial banks	15,949	15,748	1,569	817	1,098	962	1,068	1,400	730	246	371
42 Retailers	2,512	1,496	104	74	210	73	345	−18	279	−59	152
43 Gasoline companies	167	−24	6	155	−73	−150	−139	−198	−223	−109	−56
44 Savings institutions	1,517	2,562	153	200	151	156	134	128	317	96	160
45 Mobile home	1,990	1,277	−5	146	−90	202	11	−71	47	−81	−81
46 Commercial banks	−199	−45	−12	−6	−121	109	−218	−84	−49	−19	−40
47 Finance companies	544	−45	−32	59	9	36	166	−41	−171	−38	−88
48 Savings institutions	1,645	1,367	39	93	22	57	63	54	267	−24	47
49 Other	27,992	27,099	2,044	2,369	2,180	1,173	651	2,178	2,156	1,650	1,206
50 Commercial banks	7,717	7,071	974	728	758	95	13	1,373	358	740	195
51 Finance companies	4,841	5,286	242	285	594	348	148	79	79	500	9
52 Credit unions	10,233	6,620	381	599	405	368	310	595	307	368	598
53 Retailers	388	630	45	74	19	7	3	0	34	−4	24
54 Savings institutions	4,813	7,492	402	683	404	354	178	131	1,377	47	380

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30–day charge credit held by travel and entertainment companies.
4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1983	1984	1985	1986						
				Jan.	Feb.	Mar.	Apr.	May	June	July
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	13.92	13.71	12.91	n.a.	12.29	n.a.	n.a.	11.45	n.a.	n.a.
2 24-month personal	16.68	16.47	15.94	n.a.	15.52	n.a.	n.a.	14.89	n.a.	n.a.
3 120-month mobile home[2]	16.08	15.58	14.96	n.a.	14.57	n.a.	n.a.	13.97	n.a.	n.a.
4 Credit card	18.78	18.77	18.69	n.a.	18.48	n.a.	n.a.	18.32	n.a.	n.a.
Auto finance companies										
5 New car	12.58	14.62	11.98	9.99	9.70	10.51	10.55	9.49	9.35	9.31
6 Used car	18.74	17.85	17.59	16.60	16.74	16.63	16.67	16.56	16.06	15.83
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.9	48.3	51.5	51.2	51.3	51.0	50.6	49.4	49.5	49.9
8 Used car	37.9	39.7	41.4	42.8	42.5	42.4	42.5	42.5	42.7	42.8
Loan-to-value ratio										
9 New car	86	88	91	92	92	90	89	89	89	89
10 Used car	92	92	94	95	95	95	96	97	97	97
Amount financed (dollars)										
11 New car	8,787	9,333	9,915	10,064	10,074	10,306	10,402	10,521	10,608	10,748
12 Used car	5,033	5,691	6,089	6,165	6,194	6,207	6,281	6,393	6,611	6,614

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1980	1981	1982	1983	1984	1985	1983	1984		1985		1986
							H2	H1	H2	H1	H2	H1
	Nonfinancial sectors^r											
1 **Total net borrowing by domestic nonfinancial sectors**	**344.9**	**375.8**	**387.4**	**548.8**	**756.3**	**859.1**	**591.5**	**728.8**	**783.8**	**726.3**	**992.0**	**668.6**
By sector and instrument												
2 U.S. government	79.2	87.4	161.3	186.6	198.8	223.6	156.6	181.0	216.6	201.3	246.0	210.7
3 Treasury securities	79.8	87.8	162.1	186.7	199.0	223.7	156.7	181.2	216.8	201.4	246.0	210.8
4 Agency issues and mortgages	−.6	−.5	−.9	−.1	−.2	−.1	−.1	−.2	−.1	−.1	−.1	−.1
5 Private domestic nonfinancial sectors	265.7	288.5	226.2	362.2	557.5	635.5	434.9	547.8	567.2	525.1	746.0	457.9
6 Debt capital instruments	189.1	155.5	148.3	252.8	314.0	462.4	277.9	298.5	329.5	354.3	570.6	371.2
7 Tax-exempt obligations	30.3	23.4	44.2	53.7	50.4	152.4	51.8	42.7	58.0	67.4	237.3	11.8
8 Corporate bonds	27.7	22.8	18.7	16.0	46.1	73.9	11.5	31.2	61.0	72.7	75.0	129.2
9 Mortgages	131.2	109.3	85.4	183.0	217.5	236.2	214.6	224.5	210.4	214.1	258.2	230.2
10 Home mortgages	94.2	72.2	50.5	117.1	129.9	151.8	135.0	135.2	124.6	133.1	170.4	151.7
11 Multifamily residential	7.6	4.8	5.4	14.1	25.1	29.3	20.4	27.5	22.7	24.5	34.1	27.3
12 Commercial	19.2	22.2	25.2	49.0	63.3	61.5	55.3	62.9	63.7	59.3	63.7	58.1
13 Farm	10.2	10.0	4.2	2.8	−.8	−6.4	3.9	−1.1	−.5	−2.8	−9.9	−6.8
14 Other debt instruments	76.6	133.0	77.9	109.5	243.5	173.1	157.0	249.3	237.7	170.8	175.4	86.7
15 Consumer credit	4.5	22.6	17.7	56.8	95.0	96.6	75.1	98.7	91.3	97.3	95.9	74.9
16 Bank loans n.e.c.	37.8	57.0	52.9	25.8	80.1	37.6	41.1	93.0	67.2	28.5	46.8	4.9
17 Open market paper	4.0	14.7	−6.1	−.8	21.7	14.6	4.3	24.8	18.7	12.3	16.9	−15.7
18 Other	30.3	38.7	13.4	27.7	46.6	24.3	36.5	32.8	60.4	32.7	15.8	22.6
19 By borrowing sector	265.7	288.5	226.2	362.2	557.5	635.5	434.9	547.8	567.2	525.1	746.0	457.9
20 State and local governments	17.2	6.8	21.5	34.0	27.4	107.8	33.7	25.2	29.6	56.8	158.8	31.4
21 Households	120.0	121.4	88.4	188.0	239.5	292.0	223.2	232.9	246.1	248.5	335.5	217.5
22 Farm	15.2	16.6	6.8	4.3	.1	−14.3	6.7	−.4	.5	−7.4	−21.2	−16.5
23 Nonfarm noncorporate	31.8	38.5	40.2	76.6	97.1	90.0	91.7	101.4	92.7	83.3	96.7	85.8
24 Corporate	81.5	105.2	69.2	59.3	193.4	160.1	79.7	188.6	198.2	143.9	176.3	139.7
25 Foreign net borrowing in United States	23.8	23.5	16.0	17.4	6.1	2.1	15.5	35.4	−23.2	−4.2	8.4	27.5
26 Bonds	.8	5.4	6.7	3.1	1.3	4.0	2.3	1.1	1.5	5.5	2.6	6.9
27 Bank loans n.e.c.	11.8	3.0	−5.5	3.6	−6.6	−2.6	−3.4	−2.3	−11.0	−6.1	.9	.9
28 Open market paper	2.4	3.9	1.9	6.5	6.2	6.2	6.0	18.0	−5.6	4.2	8.2	20.6
29 U.S. government loans	8.8	11.1	13.0	4.1	5.3	−5.5	10.7	18.7	−8.1	−7.8	−3.2	1.0
30 **Total domestic plus foreign**	**368.7**	**399.3**	**403.4**	**566.2**	**762.4**	**861.2**	**607.1**	**764.2**	**760.6**	**722.1**	**1000.4**	**696.0**
	Financial sectors^r											
31 **Total net borrowing by financial sectors**	**65.4**	**101.9**	**90.1**	**94.0**	**139.0**	**186.9**	**123.1**	**134.3**	**143.8**	**154.9**	**218.8**	**186.4**
By instrument												
32 U.S. government related	44.8	47.4	64.9	67.8	74.9	101.5	68.8	69.8	80.0	92.9	110.2	130.2
33 Sponsored credit agency securities	24.4	30.5	14.9	1.4	30.4	20.6	8.1	29.1	31.8	25.3	15.9	4.4
34 Mortgage pool securities	19.2	15.0	49.5	66.4	44.4	79.9	60.7	40.7	48.2	67.6	92.1	125.1
35 Loans from U.S. government	1.2	1.9	.4	......	......	1.1	......	......	......	......	2.2	.8
36 Private financial sectors	20.6	54.5	25.2	26.2	64.1	85.3	54.3	64.5	63.8	62.0	108.7	56.2
37 Corporate bonds	1.6	4.4	12.5	12.1	23.3	36.5	13.1	17.3	29.3	35.3	37.7	24.0
38 Mortgages	*	*	.1	*	.4	.1	*	.4	.4	*	.1	.1
39 Bank loans n.e.c.	−1.0	1.2	1.9	−.1	.7	2.5	2.1	*	1.4	1.0	4.1	3.5
40 Open market paper	12.9	32.7	9.9	21.3	24.1	32.0	40.9	31.1	17.0	13.9	50.1	15.2
41 Loans from Federal Home Loan Banks	7.1	16.2	.8	−7.0	15.7	14.2	−1.8	15.7	15.7	11.7	16.7	13.5
By sector												
42 Sponsored credit agencies	25.6	32.4	15.3	1.4	30.4	21.7	8.1	29.1	31.8	25.3	18.1	5.2
43 Mortgage pools	19.2	15.0	49.5	66.4	44.4	79.9	60.7	40.7	48.2	67.6	92.1	125.1
44 Private financial sectors	20.6	54.5	25.2	26.2	64.1	85.3	54.3	64.5	63.8	62.0	108.7	56.2
45 Commercial banks	8.3	11.6	11.7	5.0	7.3	−4.9	17.1	15.4	−.9	−9.2	−.6	−13.4
46 Bank affiliates	6.7	9.2	6.8	12.1	15.6	14.5	14.9	23.7	7.5	13.7	15.3	7.1
47 Savings and loan associations	7.4	15.5	2.5	−2.1	22.7	22.3	4.6	20.2	25.1	12.1	32.6	31.9
48 Finance companies	−1.3	18.5	4.3	11.4	17.8	52.8	18.0	4.4	31.2	44.9	60.8	28.9
49 REITs	−.5	−.2	*	−.2	.8	.5	−.3	.8	.8	.5	.5	1.7
	All sectors^r											
50 **Total net borrowing**	**434.1**	**501.3**	**493.5**	**660.2**	**901.4**	**1048.1**	**730.2**	**898.5**	**904.3**	**877.0**	**1219.2**	**882.5**
51 U.S. government securities	122.9	133.0	225.9	254.4	273.8	324.2	225.5	250.9	296.7	294.3	354.0	340.2
52 State and local obligations	30.3	23.4	44.2	53.7	50.4	152.4	51.8	42.7	58.0	67.4	237.3	11.8
53 Corporate and foreign bonds	30.1	32.6	37.8	31.2	70.7	114.4	26.8	49.6	91.8	113.5	115.3	160.1
54 Mortgages	131.1	109.2	85.4	183.0	217.8	236.1	214.5	224.9	210.7	214.0	258.2	230.3
55 Consumer credit	4.5	22.6	17.7	56.8	95.0	96.6	75.1	98.7	91.3	97.3	95.9	74.9
56 Bank loans n.e.c.	48.5	61.2	49.3	29.3	74.2	37.6	39.8	90.7	57.6	23.3	51.8	9.3
57 Open market paper	19.3	51.3	5.7	26.9	52.0	52.8	51.2	73.9	30.1	30.4	75.2	20.0
58 Other loans	47.5	68.0	27.6	24.8	67.6	34.1	45.4	67.1	68.0	36.6	31.5	35.9
	External corporate equity funds raised in United States^r											
59 **Total new share issues**	**21.2**	**−3.3**	**33.6**	**67.0**	**−31.1**	**37.5**	**52.1**	**−40.1**	**−22.2**	**33.3**	**41.6**	**163.4**
60 Mutual funds	4.5	6.0	16.8	32.1	38.0	103.4	28.7	39.3	36.6	93.6	113.1	214.1
61 All other	16.8	−9.3	16.8	34.9	−69.1	−65.9	23.4	−79.4	−58.8	−60.4	−71.5	−50.7
62 Nonfinancial corporations	12.9	−11.5	11.4	28.3	−77.0	−81.6	18.4	−84.5	−69.4	−75.7	−87.5	−67.5
63 Financial corporations	1.8	1.9	4.0	2.7	6.7	11.7	2.9	5.9	7.6	11.0	12.4	8.3
64 Foreign shares purchased in United States	2.1	.3	1.5	3.9	1.2	4.0	2.1	−.7	3.0	4.3	3.6	8.5

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1980[r]	1981[r]	1982[r]	1983[r]	1984[r]	1985[r]	1983[r]	1984[r]		1985[r]		1986[r]
							H2	H1	H2	H1	H2	H1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**344.9**	**375.8**	**387.4**	**548.8**	**756.3**	**859.1**	**591.5**	**728.8**	**783.8**	**726.3**	**992.0**	**668.6**
By public agencies and foreign												
2 Total net advances	94.9	104.4	115.4	115.3	154.6	193.0	106.8	133.4	175.8	195.6	190.3	255.9
3 U.S. government securities	15.8	17.1	22.7	27.6	36.0	43.1	19.0	27.6	44.4	50.1	36.1	63.3
4 Residential mortgages	31.7	23.5	61.0	76.1	56.5	94.6	71.5	52.7	60.2	85.6	103.7	121.2
5 FHLB advances to savings and loans	7.1	16.2	.8	−7.0	15.7	14.2	−1.8	15.7	15.7	11.7	16.7	13.5
6 Other loans and securities	40.2	47.7	30.8	18.6	46.5	41.0	18.1	37.5	55.5	48.2	33.9	57.9
Total advanced, by sector												
7 U.S. government	23.7	24.0	15.9	9.7	17.4	10.8	9.7	9.0	25.7	20.8	.7	7.9
8 Sponsored credit agencies	45.6	48.2	65.5	69.8	73.3	101.5	70.5	74.0	72.5	98.2	104.9	128.0
9 Monetary authorities	4.5	9.2	9.8	10.9	8.4	21.6	12.2	9.0	7.8	24.0	19.2	10.1
10 Foreign	21.1	23.0	24.1	24.9	55.5	59.1	14.5	41.3	69.8	52.6	65.6	109.9
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	44.8	47.4	64.9	67.8	74.9	101.5	68.8	69.8	80.0	92.9	110.2	130.2
12 Foreign	23.8	23.5	16.0	17.4	6.1	2.1	15.5	35.4	−23.2	−4.2	8.4	27.5
Private domestic funds advanced												
13 Total net advances	318.7	342.3	352.9	518.7	682.7	769.8	569.1	700.6	664.8	619.4	920.2	570.4
14 U.S. government securities	107.1	115.9	203.1	226.9	237.8	281.1	206.5	223.3	252.3	244.2	317.9	276.8
15 State and local obligations	30.3	23.4	44.2	53.7	50.4	152.4	51.8	42.7	58.0	67.4	237.3	11.8
16 Corporate and foreign bonds	20.3	19.8	14.8	14.6	32.6	36.5	9.0	25.6	39.5	47.1	25.9	88.8
17 Residential mortgages	70.0	53.5	−5.3	55.0	98.5	86.3	83.9	109.9	87.0	71.9	100.8	57.7
18 Other mortgages and loans	98.1	145.9	96.9	161.5	279.1	227.7	216.0	314.7	243.6	200.4	255.0	148.7
19 Less: Federal Home Loan Bank advances	7.1	16.2	.8	−7.0	15.7	14.2	−1.8	15.7	15.7	11.7	16.7	13.5
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	286.2	320.2	261.9	391.9	550.5	547.2	447.6	583.4	517.5	461.2	633.2	574.1
21 Commercial banking	107.6	106.5	110.2	144.3	168.9	186.8	167.2	185.7	152.0	135.8	237.9	86.6
22 Savings institutions	51.3	26.2	21.8	135.6	149.2	85.7	143.8	173.6	124.9	63.1	108.3	113.8
23 Insurance and pension funds	93.2	93.5	86.2	97.8	124.0	133.4	105.7	144.6	103.5	113.9	153.0	141.5
24 Other finance	34.0	94.0	43.7	14.1	108.3	141.3	30.9	79.5	137.1	148.4	134.1	232.1
25 Sources of funds	286.2	320.2	261.9	391.9	550.5	547.2	447.6	583.4	517.5	461.2	633.2	574.1
26 Private domestic deposits and RPs	170.8	214.5	195.2	212.2	317.6	206.9	235.7	300.3	334.8	201.8	212.1	215.1
27 Credit market borrowing	20.6	54.5	25.2	26.2	64.1	85.3	54.3	64.5	63.8	62.0	108.7	56.2
28 Other sources	94.8	51.2	41.5	153.4	168.8	254.9	157.6	218.6	119.0	197.4	312.5	302.7
29 Foreign funds	−25.1	−23.7	−31.4	16.3	5.4	16.2	46.2	3.0	7.8	11.2	21.2	−6.4
30 Treasury balances	−2.6	−1.1	6.1	−5.3	4.0	10.3	−21.9	−.4	8.5	13.9	6.6	−7.8
31 Insurance and pension reserves	88.9	89.6	92.5	110.6	112.5	102.2	122.4	146.5	78.5	92.0	112.5	107.7
32 Other, net	33.6	−13.6	−25.7	31.8	46.8	126.3	10.9	69.5	24.2	80.4	172.2	209.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	53.1	76.6	116.3	153.0	196.4	307.9	175.8	181.7	211.0	220.2	395.6	52.5
34 U.S. government securities	34.2	37.1	69.9	95.5	132.9	156.8	89.2	140.9	125.0	134.4	179.3	55.7
35 State and local obligations	7.0	11.1	25.0	39.0	29.6	58.8	37.8	25.0	34.3	20.2	97.4	−37.1
36 Corporate and foreign bonds	−11.7	−4.0	2.0	−12.7	−3.4	15.5	−4.5	−26.7	19.9	34.5	−3.5	27.2
37 Open market paper	−4.6	1.4	−1.3	15.1	8.9	49.9	32.1	15.6	2.3	4.9	94.9	−16.4
38 Other	28.2	31.0	20.6	16.2	28.3	26.9	21.2	26.9	29.7	26.3	27.6	23.1
39 Deposits and currency	183.9	222.4	204.5	229.7	321.1	217.2	248.8	311.5	330.7	215.0	219.3	216.6
40 Currency	10.3	9.5	9.7	14.3	8.6	12.4	17.4	13.2	4.1	15.9	8.9	11.4
41 Checkable deposits	6.5	18.5	18.6	28.8	27.8	44.2	16.2	30.2	25.4	18.1	70.2	76.0
42 Small time and savings accounts	82.3	47.3	135.7	215.3	150.7	137.5	148.1	136.2	165.1	166.7	108.3	115.5
43 Money market fund shares	29.2	107.5	24.7	−44.1	47.2	−2.2	−4.2	30.2	64.2	4.2	−8.6	29.0
44 Large time deposits	45.9	36.0	5.2	−6.3	84.9	14.0	53.8	92.9	77.0	−1.5	29.6	−5.4
45 Security RPs	6.8	5.2	11.1	18.5	7.0	13.4	21.8	10.8	3.1	14.3	12.5	.1
46 Deposits in foreign countries	2.8	−1.7	−.4	3.1	−5.1	−2.1	−4.3	−2.0	−8.2	−2.6	−1.7	−10.0
47 **Total of credit market instruments, deposits and currency**	**237.0**	**299.0**	**320.7**	**382.7**	**517.4**	**525.1**	**424.6**	**493.2**	**541.7**	**435.2**	**614.9**	**269.0**
48 Public holdings as percent of total	25.7	26.2	28.6	20.4	20.3	22.4	17.6	17.5	23.1	27.1	19.0	36.8
49 Private financial intermediation (in percent)	89.8	93.6	74.2	75.5	80.6	71.1	78.7	83.3	77.8	74.5	68.8	100.7
50 Total foreign funds	−4.0	−.7	−7.3	41.3	60.9	75.2	60.6	44.3	77.6	63.7	86.7	103.5
Memo: Corporate equities not included above												
51 **Total net issues**	**21.2**	**−3.3**	**33.6**	**67.0**	**−31.1**	**37.5**	**52.1**	**−40.1**	**−22.2**	**33.3**	**41.6**	**163.4**
52 Mutual fund shares	4.5	6.0	16.8	32.1	38.0	103.4	28.7	39.3	36.6	93.6	113.1	214.1
53 Other equities	16.8	−9.3	16.8	34.9	−69.1	−65.9	23.4	−79.4	−58.8	−60.4	−71.5	−50.7
54 Acquisitions by financial institutions	22.2	19.9	27.6	46.8	8.2	31.2	35.6	−4.1	20.6	48.0	14.3	28.5
55 Other net purchases	−1.0	−23.2	6.0	20.2	−39.4	6.3	16.5	−36.0	−42.7	−14.7	27.3	134.9

Notes by line number.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

Note. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1983	1984	1985	1985	1986							
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July[r]	Aug.
1 **Industrial production**	**109.2**	**121.8**	**124.5**	**125.6[r]**	**126.2[r]**	**125.3[r]**	**123.6[r]**	**124.7**	**124.2**	**124.2**	**124.6**	**124.8**
Market groupings												
2 Products, total	113.9	127.1	131.7	133.0[r]	134.0[r]	132.9[r]	131.2[r]	132.7	132.4	132.2	132.9	133.3
3 Final, total	114.7	127.8	132.0	133.2[r]	133.9[r]	132.8[r]	130.6[r]	132.1	131.6	130.9	131.7	132.2
4 Consumer goods	109.3	118.2	120.7	123.3[r]	123.8[r]	123.3[r]	121.8[r]	124.5	124.3	124.2	124.8	125.1
5 Equipment	121.7	140.5	147.1	146.4[r]	147.5[r]	145.4[r]	142.3[r]	142.3	141.2	139.7	140.8	141.6
6 Intermediate	111.2	124.9	130.6	132.0[r]	134.2[r]	133.4[r]	133.3[r]	134.5	135.1	136.7	136.9	137.4
7 Materials	102.8	114.6	114.7	115.4[r]	115.5[r]	114.8[r]	113.3[r]	113.8	113.0	113.3	113.3	113.1
Industry groupings												
8 Manufacturing	110.2	123.9	127.1	128.2[r]	129.4[r]	128.7[r]	127.2[r]	128.7	128.2	128.0	128.8	129.2
Capacity utilization (percent)[2]												
9 Manufacturing	74.0	80.8	80.3	80.2[r]	80.8[r]	80.2[r]	79.1	79.9	79.4	79.1	79.5	79.6
10 Industrial materials industries	75.3	82.3	80.2	80.3[r]	80.1[r]	79.6	78.5	78.7	78.1	78.2	78.1	77.9
11 Construction contracts (1977 = 100)[3]	138.0	150.0	161.0	162.0	146.0	162.0	149.0	176.0	160.0	161.0	163.0	168.0
12 Nonagricultural employment, total[4]	109.4	114.5	118.5	119.9	120.4	120.6	120.6	121.0	121.2	121.1	121.4	121.7
13 Goods-producing, total	95.9	101.6	102.9	102.6	103.1	102.9	102.5	102.9	102.6	102.1	102.1	102.4
14 Manufacturing, total	93.6	98.6	98.7	98.0	98.0	98.0	97.8	97.8	97.5	97.2	97.1	97.2
15 Manufacturing, production-worker	88.6	94.1	93.5	92.7	92.7	92.6	92.4	92.4	92.1	91.8	91.7	91.8
16 Service-producing	115.0	120.0	125.0	127.2	127.6	128.0	128.2	128.6	129.0	129.0	129.5	129.7
17 Personal income, total	176.6[r]	193.5[r]	206.2	212.6	212.6	213.7	214.3	216.9	216.6	216.6	217.3	218.1
18 Wages and salary disbursements	168.7[r]	184.8[r]	197.8	204.4	204.8	205.7	206.4	206.8	207.1	207.6	208.3	209.5
19 Manufacturing	149.0	164.6	172.5	176.8	176.6	176.2	176.4	175.8	176.1	175.4	175.3	176.5
20 Disposable personal income[5]	176.0	193.6	205.0	211.2	211.8	212.9	213.7	216.5	215.9	215.5	216.0	216.6
21 Retail sales (1977 = 100)[6]	162.0	179.0	190.6	194.0	194.8	194.5	193.7	195.4	197.0	197.5	197.9	199.5
Prices[7]												
22 Consumer	298.4	311.1	322.2	327.4	328.4	327.5	326.0	325.3	326.3	327.9	328.6	328.6
23 Producer finished goods	285.2	291.1	293.7	297.2	296.0	291.9	288.1	287.2	289.0	288.9	288.3	288.3

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1983	1984	1985	1986							
				Jan.	Feb.	Mar.	Apr.	May	June^r	July^r	Aug.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**176,414**	**178,602**	**180,440**	**181,898**	**182,055**	**182,223**	**182,387**	**182,545**	**182,732**	**182,906**	**183,074**
2 Labor force (including Armed Forces)[1]	113,749	115,763	117,695	119,014	119,322	119,445	119,473	119,898	120,345	120,296	120,428
3 Civilian labor force	111,550	113,544	115,461	116,786	117,088	117,207	117,234	117,664	118,116	118,072	118,182
Employment											
4 Nonagricultural industries[2]	97,450	101,685	103,971	105,655	105,465	105,503	105,670	105,950	106,508	106,769	107,107
5 Agriculture	3,383	3,321	3,179	3,299	3,096	3,285	3,222	3,160	3,165	3,112	3,048
Unemployment											
6 Number	10,717	8,539	8,312	7,831	8,527	8,419	8,342	8,554	8,443	8,190	8,027
7 Rate (percent of civilian labor force)	9.6	7.5	7.2	6.7	7.3	7.2	7.1	7.3	7.1	6.9	6.8
8 Not in labor force	62,665	62,839	62,745	62,884	62,733	62,778	62,914	62,647	62,387	62,610	62,646
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**90,196**	**94,461**	**97,698**	**99,296**	**99,429**	**99,484**	**99,783**	**99,918**	**99,843**	**100,122**	**100,324**
10 Manufacturing	18,434	19,412	19,426	19,303	19,294	19,255	19,245	19,201	19,135	19,116	19,135
11 Mining	952	974	969	897	880	852	821	790	772	764	752
12 Contract construction	3,948	4,345	4,661	4,901	4,864	4,838	4,972	4,974	4,947	4,981	5,036
13 Transportation and public utilities	4,954	5,171	5,300	5,286	5,277	5,280	5,266	5,265	5,167	5,276	5,236
14 Trade	20,881	22,134	23,195	23,564	23,638	23,669	23,715	23,783	23,773	23,848	23,893
15 Finance	5,468	5,682	5,924	6,123	6,157	6,184	6,228	6,261	6,295	6,335	6,376
16 Service	19,694	20,761	21,929	22,585	22,638	22,707	22,825	22,924	23,072	23,182	23,248
17 Government	15,869	15,984	16,295	16,637	16,681	16,699	16,711	16,720	16,682	16,620	16,648

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

4. In addition to the revisions noted here, data for January through June 1985 have been revised as follows: Jan., 21,382; Feb., 21,480; Mar., 21,644; Apr., 21,723; May, 21,813; and June, 21,856. These data were reported incorrectly in the BULLETIN for November 1985 through March 1986.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1985r		1986r		1985r		1986r		1985r		1986r	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**124.0**	**124.7**	**125.0**	**124.3**	**154.4**	**155.4**	**156.3**	**157.1**	**80.3**	**80.2**	**80.0**	**79.2**
2 Mining	107.9	107.1	105.4	100.1	132.4	132.5	132.1	132.1	81.5	80.9	79.6	75.7
3 Utilities	111.1	112.8	110.5	109.5	135.0	135.7	136.3	136.9	82.3	83.2	81.1	80.0
4 **Manufacturing**	**126.8**	**127.4**	**128.4**	**128.3**	**158.4**	**159.5**	**160.5**	**161.4**	**80.1**	**79.9**	**80.0**	**79.5**
5 Primary processing	109.2	110.3	111.5	111.1	132.7	133.1	133.6	134.0	82.3	82.8	83.5	82.9
6 Advanced processing	137.4	137.8	138.5	138.8	173.9	175.3	176.7	177.9	79.0	78.6	78.4	78.0
7 **Materials**	**113.8**	**114.3**	**114.5**	**113.4**	**142.8**	**143.6**	**144.2**	**144.7**	**79.7**	**79.6**	**79.4**	**78.3**
8 Durable goods	120.4	121.1	120.9	118.8	157.8	159.0	159.9	160.7	76.3	76.2	75.6	73.9
9 Metal materials	79.6	82.6	79.0	75.2	115.9	115.5	115.0	114.5	68.7	71.5	68.7	65.7
10 Nondurable goods	113.4	113.9	115.7	116.8	138.1	138.6	139.0	139.5	82.1	82.2	83.2	83.8
11 Textile, paper, and chemical	113.3	114.0	116.2	117.0	137.5	138.0	138.4	138.8	82.4	82.7	83.9	84.3
12 Paper	123.8	124.8	128.8	130.2	135.8	136.5	137.3	138.1	91.1	91.4	93.8	94.3
13 Chemical	113.6	113.4	115.3	115.4	143.1	143.6	144.0	144.3	79.4	79.0	80.1	79.9
14 Energy materials	102.5	102.6	102.2	100.8	120.6	120.9	121.1	121.3	85.0	84.9	84.4	83.1

Series	Previous cycle[1]		Latest cycle[2]		1985	1985r	1986r							
	High	Low	High	Low	Aug.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**80.6**	**80.6**	**80.9**	**80.2**	**79.0**	**79.5**	**79.1**	**78.9**	**79.1**	**79.0**
16 Mining	92.8	87.8	95.2	76.9	81.6	81.1	81.6	79.4	77.9	76.4	75.5	75.3	73.8	72.8
17 Utilities	95.6	82.9	88.5	78.0	81.5	84.5	82.7	80.4	80.1	80.0	79.3	80.6	80.0	78.7
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**80.3**	**80.2**	**80.8**	**80.2**	**79.1**	**79.9**	**79.4**	**79.1**	**79.5**	**79.6**
19 Primary processing	91.9	68.3	89.1	65.1	82.5	83.0	84.4	83.6	82.4	83.2	82.9	82.6	82.7	83.2
20 Advanced processing	86.0	71.1	85.1	69.5	79.3	79.0	79.2	78.6	77.4	78.5	78.0	77.6	78.1	78.0
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**79.8**	**80.3**	**80.1**	**79.6**	**78.5**	**78.7**	**78.1**	**78.2**	**78.1**	**77.9**
22 Durable goods	91.8	64.4	89.8	60.9	76.8	76.5	76.5	75.9	74.5	74.9	73.7	73.2	73.5	73.4
23 Metal materials	99.2	67.1	93.6	45.7	70.2	71.8	71.0	69.0	66.0	68.3	65.2	63.5	64.1	63.6
24 Nondurable goods	91.1	66.7	88.1	70.6	81.6	82.8	83.7	83.5	82.5	83.6	83.5	84.2	84.4	85.0
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	81.7	83.3	84.3	84.2	83.4	83.6	84.2	85.0	85.0	85.9
26 Paper	98.4	70.6	97.3	79.9	89.7	94.3	94.6	93.8	93.0	93.6	93.1	96.1	95.6	....
27 Chemical	92.5	64.4	87.9	63.3	78.7	79.4	80.8	80.2	79.4	79.4	80.2	80.3	80.2	....
28 Energy materials	94.6	86.9	94.0	82.2	84.8	86.4	85.1	84.3	83.7	82.8	82.9	83.7	82.7	81.2

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1985 avg.	1985r					1986r							
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Julyp	Aug.e
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**123.8**	**124.4**	**124.3**	**123.6**	**124.8**	**125.6**	**126.2**	**125.3**	**123.6**	**124.7**	**124.2**	**124.2**	**124.6**	**124.8**
2 Products	57.72	130.8	132.1	132.0	131.0	132.8	133.0	134.0	132.9	131.2	132.7	132.4	132.2	132.9	133.3
3 Final products	44.77	131.1	132.2	132.2	131.0	133.1	133.2	133.9	132.8	130.6	132.1	131.6	130.9	131.7	132.2
4 Consumer goods	25.52	120.2	120.9	121.1	120.5	122.7	123.3	123.8	123.3	121.8	124.5	124.3	124.2	124.8	125.1
5 Equipment	19.25	145.4	147.1	146.9	144.9	147.0	146.4	147.5	145.4	142.3	142.3	141.2	139.7	140.8	141.6
6 Intermediate products	12.94	130.0	131.7	131.3	131.2	131.8	132.0	134.2	133.4	133.3	134.5	135.1	136.7	136.9	137.4
7 Materials	42.28	114.2	113.9	113.8	113.4	113.9	115.4	115.5	114.8	113.3	113.8	113.0	113.3	113.3	113.1
Consumer goods															
8 Durable consumer goods	6.89	112.9	114.5	113.1	112.3	115.4	115.3	116.0	116.6	112.4	115.9	113.8	114.3	115.9	115.2
9 Automotive products	2.98	114.0	118.6	116.2	113.2	115.6	113.9	116.2	117.6	110.4	116.4	113.2	113.7	115.8	113.4
10 Autos and trucks	1.79	112.0	119.4	115.8	111.3	114.1	110.4	118.2	119.4	106.3	115.1	110.3	112.2	114.5	110.8
11 Autos, consumer	1.16	98.9	101.2	98.8	94.9	95.6	94.6	105.5	107.1	93.7	100.8	94.8	99.3	95.3	87.8
12 Trucks, consumer	.63	136.3	153.1	147.4	141.8	148.6	139.8	141.7	142.1	129.6	141.5	139.1	136.1	150.3	.....
13 Auto parts and allied goods	1.19	116.9	117.3	116.8	116.0	117.7	119.0	113.3	114.9	116.6	118.4	117.4	116.1	117.7	117.5
14 Home goods	3.91	112.2	111.4	110.7	111.6	115.3	116.4	115.8	115.8	113.9	115.5	114.3	114.8	116.0	116.5
15 *Appliances, A/C and TV*	*1.24*	*131.0*	*128.7*	*126.1*	*127.5*	*138.8*	*140.4*	*133.2*	*135.1*	*133.7*	*138.8*	*133.9*	*137.5*	*138.9*	*139.9*
16 Appliances and TV	1.19	131.8	129.5	128.3	129.8	141.3	143.2	135.7	137.6	136.0	140.6	135.8	139.1	141.5	.....
17 Carpeting and furniture	.96	119.8	119.5	121.7	121.9	124.6	123.3	125.1	124.4	121.2	121.8	123.3	122.5	125.2	.....
18 Miscellaneous home goods	1.71	94.3	94.3	93.3	94.4	93.1	95.1	98.0	97.0	95.5	95.0	95.0	94.1	94.2	.....
19 Nondurable consumer goods	18.63	122.9	123.3	124.1	123.5	125.3	126.3	126.6	125.8	125.3	127.7	128.1	127.9	128.1	128.7
20 Consumer staples	15.29	129.0	129.5	130.1	129.4	131.3	132.5	132.8	132.3	131.6	134.3	135.0	134.9	135.0	135.8
21 Consumer foods and tobacco	7.80	128.8	129.7	130.1	128.7	130.5	131.6	130.1	131.1	130.3	131.9	132.4	132.7	132.6	.....
22 *Nonfood staples*	7.49	*129.2*	129.3	*130.1*	*130.1*	*132.1*	133.4	135.6	133.5	133.0	136.7	137.7	137.1	137.4	138.6
23 Consumer chemical products	2.75	149.1	149.7	152.9	149.1	154.8	153.6	156.3	158.3	156.4	163.1	162.4	163.6	167.1	.....
24 Consumer paper products	1.88	141.9	141.6	142.6	143.5	143.2	146.5	148.9	143.4	143.1	145.1	148.6	147.2	144.6	.....
25 Consumer energy	2.86	101.8	101.8	99.9	103.0	103.1	105.4	107.0	103.2	104.0	106.0	106.8	104.9	104.3	.....
26 Consumer fuel	1.44	88.6	90.3	84.6	90.1	89.8	91.7	94.1	92.0	92.2	93.7	96.4	92.0	91.2	.....
27 Residential utilities	1.42	115.3	113.4	115.5	116.2	116.6	119.4	120.1	114.5	116.1	118.4	117.5	118.1	.....	.....
Equipment															
28 *Business and defense equipment*	18.01	146.0	147.5	147.4	145.7	148.2	147.8	149.1	147.8	145.5	146.6	146.0	144.8	146.1	146.9
29 Business equipment	14.34	139.6	141.0	140.4	138.3	140.8	140.0	141.5	140.5	137.7	138.6	137.9	136.2	137.5	137.9
30 Construction, mining, and farm	2.08	64.3	64.6	64.4	64.2	65.1	66.3	65.3	63.0	59.5	58.6	60.9	61.9	60.7	.....
31 Manufacturing	3.27	110.7	111.9	112.2	110.0	110.5	111.6	113.0	112.9	112.4	111.9	111.9	111.7	112.4	111.9
32 Power	1.27	83.5	84.8	84.3	85.3	84.1	85.4	82.9	82.3	82.0	83.0	82.9	83.5	81.4	81.2
33 Commercial	5.22	217.9	219.5	216.9	212.3	218.6	217.0	217.8	216.8	214.3	213.4	212.9	207.2	213.6	214.8
34 Transit	2.49	105.4	107.1	109.5	109.5	109.7	105.5	112.7	111.7	104.3	112.1	107.3	108.8	104.1	107.9
35 Defense and space equipment	3.67	170.6	173.3	174.5	174.8	177.2	178.5	178.7	176.3	176.2	178.0	178.0	178.4	179.7	182.2
Intermediate products															
36 Construction supplies	5.95	118.3	120.4	120.3	120.2	120.5	119.8	124.0	122.6	122.6	123.6	123.5	124.1	124.2	125.1
37 Business supplies	6.99	140.0	141.3	140.7	140.5	141.5	142.4	142.9	142.6	142.5	143.8	145.0	147.4	147.7	.....
38 General business supplies	5.67	143.9	145.7	144.2	144.3	145.3	146.2	147.2	146.7	146.4	148.0	148.3	151.0	152.1	.....
39 Commercial energy products	1.31	122.9	122.2	125.4	123.8	125.4	126.2	124.4	124.9	125.6	125.8	130.7	131.9	128.5	.....
Materials															
40 Durable goods materials	20.50	121.4	121.2	119.9	120.1	121.2	121.9	122.2	121.3	119.3	120.2	118.4	117.9	118.5	118.5
41 Durable consumer parts	4.92	100.3	99.7	98.6	99.8	100.7	101.1	103.5	103.2	99.9	99.3	96.4	96.3	95.7	94.8
42 Equipment parts	5.94	158.0	157.7	155.4	152.7	154.0	154.1	153.8	153.0	153.7	154.8	152.3	151.7	154.3	155.0
43 Durable materials n.e.c.	9.64	109.7	109.7	108.9	110.3	111.4	112.8	112.2	111.0	108.0	109.4	108.8	108.1	108.1	108.0
44 Basic metal materials	4.64	84.8	85.5	84.0	85.5	87.8	87.9	85.2	83.0	79.6	82.9	78.9	77.1	77.8	.....
45 Nondurable goods materials	10.09	112.2	112.7	114.2	113.6	113.3	114.9	116.2	116.1	114.8	116.5	116.5	117.6	117.9	119.0
46 Textile, paper, and chemical materials	7.53	112.2	112.4	114.4	113.7	113.4	115.0	116.5	116.5	115.5	115.9	116.9	118.1	118.2	119.6
47 Textile materials	1.52	98.7	*102.0*	*104.3*	*105.2*	*106.1*	*103.8*	*104.1*	*107.5*	*105.7*	*106.7*	*108.4*	*109.5*	*110.7*	.....
48 Pulp and paper materials	1.55	124.1	121.9	123.8	121.8	123.6	129.0	129.7	128.8	128.0	129.0	128.6	133.0	132.5	.....
49 Chemical materials	4.46	112.7	112.7	114.6	113.7	112.4	114.0	116.2	115.4	114.5	114.5	115.7	115.9	115.9	.....
50 Miscellaneous nondurable materials	2.57	112.1	113.8	113.5	113.4	112.8	114.4	115.4	115.0	112.8	118.2	115.3	116.0	117.1	.....
51 Energy materials	11.69	103.4	102.2	102.8	101.5	101.8	104.5	103.0	102.1	101.4	100.4	100.5	101.5	100.4	98.6
52 Primary energy	7.57	107.2	106.2	106.3	105.5	106.5	108.1	106.9	106.7	107.4	106.2	106.7	106.8	104.6	.....
53 Converted fuel materials	4.12	96.4	94.9	96.2	94.2	93.3	97.9	95.8	93.6	90.5	89.7	89.2	91.8	92.5	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1985 avg.	1985r Aug.	1985r Sept.	1985r Oct.	1985r Nov.	1985r Dec.	1986r Jan.	1986r Feb.	1986r Mar.	1986r Apr.	1986r May	1986r June	1986r July[p]	1986r Aug.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.0	108.8	110.1	108.8	108.8	110.2	109.8	106.8	105.4	104.2	103.1	103.6	102.1	100.6
2 Mining	......	9.83	108.8	108.1	108.2	106.9	106.9	107.4	108.1	105.1	103.0	101.0	99.8	99.4	97.4	96.0
3 Utilities	......	5.96	111.9	110.0	113.3	111.8	111.9	114.8	112.5	109.7	109.3	109.4	108.5	110.4	109.8	108.2
4 Manufacturing	......	84.21	126.4	127.2	127.0	126.3	127.8	128.2	129.4	128.7	127.2	128.7	128.2	128.0	128.8	129.2
5 Nondurable	......	35.11	125.1	126.0	126.4	125.8	127.2	127.5	129.3	128.7	127.7	129.6	129.9	130.6	131.4	132.1
6 Durable	......	49.10	127.3	128.1	127.4	126.7	128.2	128.7	129.5	128.7	126.8	128.1	127.0	126.2	127.0	127.1
Mining																
7 Metal	10	.50	75.0	74.9	73.8	76.0	78.3	77.3	73.5	77.2	75.9	76.0	72.0	.....	.....	.....
8 Coal	11.12	1.60	126.8	125.0	126.9	122.9	125.8	128.4	130.8	126.5	124.7	124.4	124.0	127.3	120.2	.....
9 Oil and gas extraction	13	7.07	106.2	105.7	105.4	104.4	103.6	104.2	104.9	101.1	99.2	96.2	95.1	93.7	92.4	91.0
10 Stone and earth minerals	14	.66	118.3	118.1	118.8	118.5	118.0	114.6	113.5	116.8	111.6	115.0	112.4	114.5	112.6	.....
Nondurable manufactures																
11 Foods	20	7.96	130.2	131.5	132.2	129.4	131.5	132.1	132.0	132.9	132.2	133.1	133.7	134.0	134.1	.....
12 Tobacco products	21	.62	100.2	98.3	98.9	103.2	102.8	100.3	93.8	97.0	93.6	100.3	101.6	97.6	.....	.....
13 Textile mill products	22	2.29	103.2	104.2	107.0	107.7	110.0	107.7	107.9	109.9	108.0	111.4	111.3	112.6	112.8	.....
14 Apparel products	23	2.79	100.9	100.0	101.8	102.1	103.8	104.5	105.5	102.8	102.8	103.1	102.6	101.7	102.1	.....
15 Paper and products	26	3.15	127.6	126.5	128.0	127.7	128.9	131.3	133.6	132.6	132.4	134.1	133.2	136.0	138.3	.....
16 Printing and publishing	27	4.54	153.9	155.8	153.4	154.5	156.8	157.6	160.9	156.7	157.8	161.6	161.9	163.2	165.0	165.7
17 Chemicals and products	28	8.05	127.1	127.9	129.1	127.3	128.2	128.1	131.7	132.0	130.2	132.8	131.5	133.1	134.2	.....
18 Petroleum products	29	2.40	86.8	89.2	85.3	87.9	87.6	88.9	94.7	90.1	88.6	91.3	95.7	91.9	90.4	93.7
19 Rubber and plastic products	30	2.80	146.9	148.2	148.8	149.0	150.1	149.4	150.2	151.1	147.8	146.8	150.1	152.2	153.5	.....
20 Leather and products	31	.53	68.5	70.7	70.1	68.2	68.7	66.4	65.4	64.8	62.7	61.5	59.5	57.9	60.0	.....
Durable manufactures																
21 Lumber and products	24	2.30	113.4	115.3	116.0	116.2	115.0	116.1	120.5	120.3	120.7	121.3	121.6	120.9	.....	.....
22 Furniture and fixtures	25	1.27	139.7	140.9	142.8	140.0	142.2	140.5	141.2	143.2	142.9	145.9	146.2	147.1	148.9	.....
23 Clay, glass, stone products	32	2.72	115.5	116.4	117.4	116.1	116.7	118.2	120.0	119.3	120.0	121.6	120.2	120.8	118.9	.....
24 Primary metals	33	5.33	80.5	82.3	80.8	81.9	82.9	81.7	82.4	80.3	76.3	78.1	74.8	71.3	73.1	73.3
25 Iron and steel	331.2	3.49	70.4	72.3	70.3	72.4	73.9	71.6	72.2	69.5	64.3	65.6	60.2	58.3	61.3	.....
26 Fabricated metal products	34	6.46	107.3	107.4	106.7	107.9	107.6	108.2	109.2	108.5	107.6	108.2	106.5	106.6	105.7	106.5
27 Nonelectrical machinery	35	9.54	145.3	145.4	144.2	141.7	144.8	146.2	144.9	143.9	141.7	140.8	141.3	140.4	142.0	140.5
28 Electrical machinery	36	7.15	168.4	165.8	164.5	164.2	166.9	168.7	166.1	164.8	165.2	166.8	166.0	163.2	167.2	167.7
29 Transportation equipment	37	9.13	121.4	125.0	124.5	123.3	124.8	124.0	128.2	127.5	122.6	126.2	124.1	125.1	125.2	124.8
30 Motor vehicles and parts	371	5.25	111.5	115.6	113.7	111.4	112.6	111.4	116.5	116.4	108.1	112.6	108.7	110.6	110.5	108.0
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	134.9	137.8	139.1	139.4	141.3	141.0	143.9	142.6	142.4	144.8	145.0	144.7	145.0	147.5
32 Instruments	38	2.66	139.1	141.0	139.0	138.4	139.9	140.4	141.5	141.9	142.0	142.4	140.3	139.9	138.5	140.0
33 Miscellaneous manufactures	39	1.46	96.1	96.5	95.3	95.0	94.8	96.6	100.9	100.9	99.0	99.2	101.0	98.3	97.3	.....
Utilities																
34 Electric	......	4.17	119.7	117.6	120.8	119.4	120.1	122.4	119.7	119.5	119.8	121.6	121.7	123.3	122.0	.....
			Gross value (billions of 1978 dollars, annual rates)													
MAJOR MARKET																
35 Products, total	......	**517.5**	**1,650.9**	**1,663.7**	**1,653.8**	**1,658.6**	**1,680.6**	**1,676.6**	**1,702.1**	**1,686.5**	**1,660.8**	**1,686.3**	**1,687.6**	**1,674.4**	**1,664.9**	**1,675.9**
36 Final	......	405.7	1,282.3	1,290.6	1,283.5	1,284.6	1,304.9	1,302.5	1,321.2	1,310.3	1,282.5	1,307.0	1,301.1	1,287.7	1,280.1	1,289.1
37 Consumer goods	......	272.7	820.7	826.4	817.3	822.1	838.1	841.7	850.7	845.3	832.0	852.3	852.4	842.7	840.5	846.3
38 Equipment	......	133.0	461.7	464.2	466.2	462.5	466.8	460.8	470.5	465.1	450.4	454.7	448.7	445.0	439.6	442.8
39 Intermediate	......	111.9	368.6	373.0	370.3	374.0	375.7	374.1	380.8	376.2	378.3	379.3	386.4	386.8	384.8	386.8

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1983	1984	1985	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May^{r}	1986 June^{r}	1986 July
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,605	1,682	1,733	1,703	1,668	1,839	1,861	1,808	1,834	1,885	1,788	1,792	1,759
2 1-family	902	922	957	984	932	963	1,060	1,033	1,043	1,139	1,092	1,121	1,093
3 2-or-more-family	703	759	777	719	736	876	801	775	791	746	696	671	666
4 Started	1,703	1,749	1,742	1,784	1,654	1,882	2,034	2,001	1,960	2,019	1,853	1,852	1,815
5 1-family	1,067	1,084	1,072	1,118	1,006	1,098	1,335	1,202	1,221	1,242	1,241	1,230	1,162
6 2-or-more-family	635	665	669	666	648	784	699	799	739	777	612	622	653
7 Under construction, end of period[1]	1,003	1,051	1,063	1,089	1,087	1,088	1,094	1,110	1,099	1,135	1,132	1,153	1,163
8 1-family	524	556	539	578	570	561	571	581	574	586	597	612	627
9 2-or-more-family	479	494	524	512	517	528	522	529	526	549	534	542	536
10 Completed	1,390	1,652	1,703	1,541	1,721	1,762	1,778	1,725	1,806	1,693	1,829	1,613	1,732
11 1-family	924	1,025	1,072	1,072	1,095	1,141	1,075	1,038	1,153	1,127	1,140	1,058	1,056
12 2-or-more-family	466	627	631	469	626	621	703	687	653	566	689	555	676
13 Mobile homes shipped	296	296	284	291	287	285	280	266	240	249	239	226	236
Merchant builder activity in 1-family units													
14 Number sold	622	639	688	637	722	729	735	741	924	880^{r}	784	697	658
15 Number for sale, end of period[1]	304	358	350	353	353	349	352	352	338	336^{r}	338	344	352
Price (thousands of dollars)[2]													
Median													
16 Units sold	75.5	80.0	84.3	85.4	87.2	87.9	86.6	89.7	88.7	92.5^{r}	91.8	90.0	93.9
Average													
17 Units sold	89.9	97.5	101.0	102.7	104.1	106.1	104.1	106.6	108.0	110.3	114.8	109.8	116.9
EXISTING UNITS (1-family)													
18 Number sold	2,719	2,868	3,217	3,530	3,450	3,520	3,300	3,270	3,200	3,570	3,450	3,390	3,450
Price of units sold (thousands of dollars)[2]													
19 Median	69.8	72.3	75.4	75.2	74.9	75.5	77.1	77.4	79.8	80.2	83.2	82.6	80.3
20 Average	82.5	85.9	90.6	91.2	90.3	91.8	93.0	93.1	96.8	98.1	101.7	102.1	99.5
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**279,240**	**327,209**	**355,570**	**374,014**	**357,630**	**365,554**	**373,378**	**373,947**	**368,027**	**374,098**	**374,546**	**374,817**	**376,698**
22 Private	228,527	271,973	292,792	311,952	294,425	300,619	305,366	305,682	298,868	303,823	302,474	303,927	304,689
23 Residential	126,553	155,148	158,818	174,840	158,210	161,786	163,413	164,713	165,645	170,488	172,459	174,337	175,846
24 Nonresidential, total	101,974	116,825	133,974	137,112	136,215	138,833	141,953	140,969	133,223	133,335	130,015	129,590	128,843
Buildings													
25 Industrial	12,863	13,746	15,769	15,872	16,095	16,546	15,783	16,381	13,354	14,619	13,700	13,091	13,666
26 Commercial	35,789	48,100	59,626	60,770	61,185	63,863	65,222	63,494	60,716	59,916^{r}	57,424	57,306	56,451
27 Other	11,838	12,547	12,619	12,790	12,748	12,487	12,781	13,065	13,131	13,025	13,133	13,265	13,406
28 Public utilities and other	41,484	42,432	45,960	47,680	46,187	45,937	48,167	48,029	46,022	45,775^{r}	45,758	45,928	45,320
29 Public	50,715	55,232	62,777	62,063	63,205	64,935	68,013	68,264	69,159	70,275	72,072	70,890	72,009
30 Military	2,544	2,839	3,283	2,854	3,598	3,539	3,407	3,974	3,673	3,558	3,739	3,769	3,805
31 Highway	14,143	16,343	19,998	19,354	19,854	21,017	22,129	22,273	22,673	23,155	23,263	21,984	21,769
32 Conservation and development	4,820	4,654	4,952	4,946	5,090	4,958	5,614	4,372	4,598	4,943	4,757	4,715	4,428
33 Other	29,208	31,396	34,544	34,909	34,663	35,421	36,863	37,645	38,215	38,619	40,313	40,422	42,007

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 Aug. 1986 (1967 = 100)[1]
	1985 Aug.	1986 Aug.	1985 Sept.	1985 Dec.	1986 Mar.	1986 June	1986 Apr.[r]	1986 May	1986 June	1986 July	1986 Aug.	
Consumer Prices[2]												
1 **All items**	**3.4**	**1.6**	**2.4**	**5.3**	**−1.9**	**1.5**	**−.3**	**.2**	**.5**	**.0**	**.2**	**328.6**
2 Food	1.6	4.2	2.1	5.9	−1.4	3.4	.3	.4	.1	.9	.9	322.7
3 Energy items	1.5	−17.3	−3.2	3.3	−34.2	−12.5	−5.8	.3	2.3	−4.1	−1.9	358.6
4 All items less food and energy	4.1	4.0	3.4	5.4	4.1	3.1	.4	.1	.3	.4	.3	327.9
5 Commodities	1.8	1.6	1.1	3.6	.3	−.5	−.1	−.1	.1	.2	.3	262.9
6 Services	5.6	5.4	4.8	6.5	6.5	5.2	.7	.2	.4	.4	.3	399.0
Producer Prices												
7 Finished goods	.8	−1.8	−2.4	9.2	−12.5	.0	−.5	.6	.0	−.4	.3	288.3
8 Consumer foods	−1.9	5.5	−2.9	16.0	−8.1	6.0	.1	1.3r	.0	1.9	1.3	283.6
9 Consumer energy	−2.8	−36.2	−11.3	20.7	−66.9	−25.1	−7.8	1.5r	−.6	−11.9	−1.5	459.1
10 Other consumer goods	2.6	2.3	.0	4.4	2.5	1.7	.3	.1r	.0	.3	.1	258.6
11 Capital equipment	2.2	1.8	−.9	5.6	.7	1.9	.3	.1	.1	.2	.1	306.3
12 Intermediate materials[3]	−.6	−4.5	−1.3	2.9	−11.8	−4.8	−1.0	−.3	.0	−.7	−.2	309.9
13 Excluding energy	.2	−.4	−.7	.0	−1.0	−1.3	−.3	−.1r	.0	.2	.0	304.2
Crude materials												
14 Foods	−13.8	6.9	−20.6	47.0	−24.7	−.2	−3.1	4.0r	−.8	3.4	2.5	236.3
15 Energy	−6.6	−29.4	−5.9	−4.0	−51.3	−33.8	−6.1	−.9r	−3.0	−2.8	−2.6	524.5
16 Other	−5.6	−3.9	−4.4	1.5	−.2	6.6	.4	.1r	1.1	.1	−5.3	236.1

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	1983	1984	1985	1985			1986	
				Q2	Q3	Q4	Q1	Q2r
GROSS NATIONAL PRODUCT								
1 **Total**	**3,405.7**	**3,765.0**	**3,998.1**	**3,965.0**	**4,030.5**	**4,087.7**	**4,149.2**	**4,175.6**
By source								
2 Personal consumption expenditures	2,234.5	2,428.2	2,600.5	2,576.0	2,627.1	2,667.9	2,697.9	2,732.0
3 Durable goods	289.1	331.2	359.3	354.0	373.3	362.0	360.8	373.9
4 Nondurable goods	816.7	870.1	905.1	902.3	907.4	922.6	929.7	928.4
5 Services	1,128.7	1,227.0	1,336.1	1,319.7	1,346.4	1,383.2	1,407.4	1,429.8
6 Gross private domestic investment	502.3	662.1	661.1	667.1	657.4	669.5	708.3	687.3
7 Fixed investment	509.4	598.0	650.0	648.0	654.3	672.6	664.4	672.8
8 Nonresidential	356.9	416.5	458.2	459.2	459.8	474.0	459.2	457.5
9 Structures	124.0	139.3	154.8	156.1	155.0	157.2	154.6	141.5
10 Producers' durable equipment	232.8	277.3	303.4	303.1	304.7	316.8	304.6	316.0
11 Residential structures	152.5	181.4	191.8	188.8	194.5	198.6	205.3	215.3
12 Change in business inventories	-7.1	64.1	11.1	19.1	3.1	-3.1	43.8	14.5
13 Nonfarm	.4	56.6	12.2	10.4	3.2	16.7	41.2	10.5
14 Net exports of goods and services	-6.1	-58.7	-78.9	-77.1	-83.7	-105.3	-93.7	-104.5
15 Exports	352.5	382.7	369.8	370.0	362.3	368.2	374.8	363.0
16 Imports	358.7	441.4	448.6	447.1	446.0	473.6	468.5	467.5
17 Government purchases of goods and services	675.0	733.4	815.4	799.0	829.7	855.6	836.7	860.8
18 Federal	283.5	311.3	354.1	340.9	360.9	380.9	355.7	367.6
19 State and local	391.5	422.2	461.3	458.1	468.8	474.7	480.9	493.3
By major type of product								
20 Final sales, total	3,412.8	3,700.9	3,987.0	3,945.9	4,027.4	4,090.8	4,105.4	4,161.2
21 Goods	1,396.1	1,576.7	1,630.2	1,622.4	1,642.8	1,644.1	1,669.0	1,661.6
22 Durable	573.3	675.0	700.2	693.1	710.3	709.1	710.6	703.1
23 Nondurable	822.7	901.7	930.0	929.3	932.5	935.0	958.4	958.5
24 Services	1,682.5	1,813.1	1,959.8	1,935.4	1,971.9	2,025.5	2,057.7	2,087.4
25 Structures	327.1	375.1	408.1	407.2	415.9	418.1	422.6	426.7
26 Change in business inventories	-7.1	64.1	11.1	19.1	3.1	-3.1	43.8	14.5
27 Durable goods	-1.0	39.2	6.6	2.3	-2.7	9.5	28.6	-.1
28 Nondurable goods	-6.1	24.9	4.5	16.7	5.8	-12.7	15.3	14.6
29 **MEMO: Total GNP in 1982 dollars**	**3,279.1**	**3,489.9**	**3,585.2**	**3,567.6**	**3,603.8**	**3,622.3**	**3,655.9**	**3,661.4**
NATIONAL INCOME								
30 **Total**	**2,719.5**	**3,032.0**	**3,222.3**	**3,201.4**	**3,243.4**	**3,287.3**	**3,340.7**	**3,376.4**
31 Compensation of employees	2,020.7	2,214.7	2,368.2	2,352.1	2,380.9	2,423.6	2,461.5	2,480.2
32 Wages and salaries	1,676.2	1,837.0	1,965.8	1,952.2	1,976.0	2,012.8	2,044.1	2,058.8
33 Government and government enterprises	324.3	346.2	372.2	368.6	374.2	381.6	387.2	392.5
34 Other	1,352.3	1,490.6	1,593.9	1,583.6	1,601.8	1,631.1	1,656.8	1,666.3
35 Supplement to wages and salaries	344.5	377.7	402.4	399.8	404.9	410.9	417.4	421.3
36 Employer contributions for social insurance	170.9	193.1	205.5	204.5	206.1	209.1	212.9	214.1
37 Other labor income	173.6	184.5	196.9	195.3	198.8	201.7	204.5	207.3
38 Proprietors' income[1]	190.9	236.9	254.4	255.5	249.3	262.1	265.3	289.1
39 Business and professional[1]	178.4	205.3	225.2	222.5	227.7	232.7	240.9	249.6
40 Farm[1]	12.4	31.5	29.2	33.0	21.6	29.4	24.4	39.5
41 Rental income of persons[2]	13.2	8.3	7.6	8.1	7.3	8.3	12.8	16.3
42 Corporate profits[1]	213.7	264.7	280.7	274.3	296.3	285.6	296.4	293.1
43 Profits before tax[3]	207.6	235.7	223.2	213.8	229.2	235.8	224.3	231.3
44 Inventory valuation adjustment	-10.9	-5.5	-.6	1.6	6.1	-9.4	16.5	10.6
45 Capital consumption adjustment	17.0	34.5	58.1	58.9	61.0	59.2	55.6	51.3
46 Net interest	281.0	307.4	311.4	311.4	309.7	307.6	304.9	297.7

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1983	1984	1985	1985 Q2	1985 Q3	1985 Q4	1986 Q1	1986 Q2r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,838.6**	**3,110.2**	**3,314.5**	**3,298.7**	**3,323.2**	**3,382.9**	**3,432.6**	**3,483.3**
2 Wage and salary disbursements	1,676.6	1,836.8	1,966.1	1,953.3	1,976.0	2,012.8	2,044.1	2,058.8
3 Commodity-producing industries	523.1	577.8	607.7	605.0	608.3	617.7	622.0	620.8
4 Manufacturing	397.4	439.1	460.1	457.3	460.7	467.5	470.5	468.8
5 Distributive industries	404.2	442.2	469.8	467.7	472.4	478.9	485.2	484.3
6 Service industries	425.1	470.6	516.4	511.0	521.1	534.6	549.6	561.3
7 Government and government enterprises	324.3	346.2	372.2	369.6	374.2	381.6	387.2	392.5
8 Other labor income	173.6	184.5	196.9	195.3	198.8	201.7	204.5	207.3
9 Proprietors' income[1]	190.9	236.9	254.4	255.5	249.3	262.1	265.3	289.1
10 Business and professional[1]	178.4	205.3	225.2	222.5	227.7	232.7	240.9	249.6
11 Farm[1]	12.4	31.5	29.2	33.0	21.6	29.4	24.4	39.5
12 Rental income of persons[2]	13.2	8.3	7.6	8.1	7.3	8.3	12.8	16.3
13 Dividends	68.7	74.7	76.4	76.4	76.3	76.7	79.1	81.1
14 Personal interest income	393.1	446.9	476.2	475.3	475.2	480.6	480.8	480.1
15 Transfer payments	442.6	455.6	487.1	484.1	491.1	493.6	504.7	510.1
16 Old-age survivors, disability, and health insurance benefits	221.7	235.7	253.4	251.1	256.5	256.8	263.2	264.1
17 LESS: *Personal contributions for social insurance*	120.1	133.5	150.2	149.4	150.7	152.9	158.6	159.5
18 EQUALS: Personal income	2,838.6	3,110.2	3,314.5	3,298.7	3,323.2	3,382.9	3,432.6	3,483.3
19 LESS: Personal tax and nontax payments	410.5	439.6	486.5	456.4	491.2	500.7	497.5	504.8
20 EQUALS: Disposable personal income	2,428.1	2,670.6	2,828.0	2,842.3	2,832.0	2,882.2	2,935.1	2,978.5
21 LESS: Personal outlays	2,297.4	2,501.9	2,684.7	2,658.7	2,712.4	2,756.4	2,789.4	2,825.5
22 EQUALS: Personal saving	130.6	168.7	143.3	183.6	119.6	125.8	145.6	153.1
MEMO								
Per capita (1982 dollars)								
23 Gross national product	13,963.7	14,721.1	14,980.9	14,928.1	15,040.5	15,079.9	15,188.6r	15,179.9
24 Personal consumption expenditures	9,138.5	9,475.4	9,713.0	9,673.8	9,774.4	9,790.3	9,857.5r	9,985.0
25 Disposable personal income	9,930.0	10,421.0	10,563.0	10,674.0	10,537.0	10,577.0	10,723.0r	10,886.0
26 Saving rate (percent)	5.4	6.3	5.1	6.5	4.2	4.4	5.0	5.1
GROSS SAVING								
27 **Gross saving**	**463.6**	**573.3**	**551.5**	**566.8**	**541.7**	**524.1**	**583.2**	**539.7**
28 Gross private saving	592.2	674.8	687.8	722.4	679.6	679.2	714.8	718.7
29 Personal saving	130.6	168.7	143.3	183.6	119.6	125.8	145.6	153.1
30 Undistributed corporate profits[1]	65.0	91.0	107.3	105.8	118.8	106.8	122.1	112.3
31 Corporate inventory valuation adjustment	-10.9	-5.5	-.6	1.6	6.1	-9.4	16.5	10.6
Capital consumption allowances								
32 Corporate	242.7	253.9	268.2	266.6	270.1	273.3	275.3	278.9
33 Noncorporate	153.9	161.2	169.0	166.5	171.2	173.4	171.8	174.4
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	-128.6	-101.5	-136.3	-155.6	-138.0	-155.1	-131.6	-179.0
36 Federal	-176.0	-170.0	-198.0	-214.8	-197.5	-217.6	-201.6	-238.1
37 State and local	47.5	68.5	61.7	59.2	59.5	62.5	70.0	59.0
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**468.8**	**571.4**	**545.9**	**555.0**	**536.2**	**525.7**	**579.6**	**544.3**
40 Gross private domestic	502.3	662.1	661.1	667.1	657.4	669.5	708.3	687.3
41 Net foreign	-33.5	-90.7	-115.2	-112.0	-121.2	-143.8	-128.6	-143.0
42 **Statistical discrepancy**	**5.2**	**-1.9**	**-5.5**	**-11.7**	**-5.5**	**1.6**	**-3.6**	**4.6**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1983	1984	1985	1985 Q2	1985 Q3	1985 Q4	1986 Q1	1986 Q2p
1 Balance on current account	−46,605	−106,466	−117,677r	−29,416r	−28,454r	−33,698r	−34,038	−34,731
2 Not seasonally adjusted	....	....	....	−30,362r	−32,275	−31,510	−31,020	−35,753
3 Merchandise trade balance[2]	−67,080	−112,522	−124,439	−30,367	−31,675	−37,352	−36,459	−36,023
4 Merchandise exports	201,820	219,900	214,424	53,875	52,498	52,727	53,661	54,795
5 Merchandise imports	−268,900	−332,422	−338,863	−84,242	−84,173	−90,079	−90,120	−90,818
6 Military transactions, net	−370	−1,827	−2,917	−729	−619	−1,322	−1,066	−704
7 Investment income, net[3]	24,841	18,751	25,188r	5,449	8,262	9,255	6,517	5,290
8 Other service transactions, net	5,484	1,288	−525r	−311r	−421r	−35r	−7	753
9 Remittances, pensions, and other transfers	−3,194	−3,621	−3,787	−881	−914	−937	−954	−843
10 U.S. government grants (excluding military)	−6,286	−8,536	−11,196	−2,577	−3,087	−3,307	−2,069	−3,204
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,005	−5,523	−2,824	−1,055	−422	−540	−250	−181
12 Change in U.S. official reserve assets (increase, −)	−1,196	−3,130	−3,858	−356	−121	−3,148r	−115	16
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−66	−979	−897	−180	−264	−189	−274	−104
15 Reserve position in International Monetary Fund	−4,434	−995	908	72	388	168	344	366
16 Foreign currencies	3,304	−1,156	−3,869	−248	−245	−3,126	−185	−246
17 Change in U.S. private assets abroad (increase, −)[3]	−43,821	−14,987	−25,754r	−1,382	−5,324	−19,579	−12,533	−17,584
18 Bank-reported claims	−29,928	−11,127	−691	3,450	4,009	−8,485	6,333	−10,744
19 Nonbank-reported claims	−6,513	5,081	1,665	1,706	−1,517	418	−2,842	n.a.
20 U.S. purchase of foreign securities, net	−7,007	−5,082	−7,977	−2,325	−1,664	−1,411	−6,133	−1,567
21 U.S. direct investments abroad, net[3]	−373	−3,859	−18,752	−4,213	−6,152	−10,101	−9,891	−5,273
22 Change in foreign official assets in the United States (increase, +)	5,968	3,037	−1,324	8,486	2,577	1,322	2,469	13,766
23 U.S. Treasury securities	6,972	4,690	−546	8,685	−81	−1,976	3,256	13,889
24 Other U.S. government obligations	−476	13	−295	136	46	−171	−177	−597
25 Other U.S. government liabilities[4]	725	436	483	606	58	263	288	663
26 Other U.S. liabilities reported by U.S. banks	545	555	522	−107	2,932	722	−1,261	350
27 Other foreign official assets[5]	−1,798	−2,657	−1,488	−834	−378	−160	363	−539
28 Change in foreign private assets in the United States (increase, +)[3]	79,528	99,730	128,430r	16,872	33,088	53,158	34,151	32,738
29 U.S. bank-reported liabilities	50,342	33,849	40,387	606	7,276	20,427	8,434	4,983
30 U.S. nonbank-reported liabilities	−118	4,704	−1,172	−1,837	589	2,232	−2,057	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	8,721	23,059	20,500	5,123	7,484	5,676	7,666	1,391
32 Foreign purchases of other U.S. securities, net	8,636	12,759	50,859	7,223	11,628	22.441	18,686	22,590
33 Foreign direct investments in the United States, net[3]	11,947	25,359	17,856r	5,757	6,111	2,382	1,422	3,774
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	11,130	27,338	23,006	6,851r	−1,344r	−5,128r	10,316	5,976
36 Owing to seasonal adjustments	....	....	....	−1,175r	−3,688r	−3,774r	1,216	−1,464
37 Statistical discrepancy in recorded data before seasonal adjustment	11,130	27,338	23,006	8,026	2,344	1,354	9,100	7,440
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−1,196	−3,130	−3,858	−356	−121	−3,148r	−115	16
39 Foreign official assets in the United States (increase, +)	5,243	2,601	−1,807	−7,880	2,519	−1,585	2,181	13,103
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−8,283	−4,304	−6,599	−1,843	−1,831	−1,002	1,421	−2,609
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	194	190	64	12	15	28	22	61

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1986						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	200,486	217,865	213,146	17,006	17,735	18,913	17,965	17,431	19,070	17,707
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	258,048	325,726	345,276	32,005	28,895	31,972	28,762	30,272	31,764	34,121
3 **Trade balance**	**−57,562**	**107,861**	**−132,129**	**−14,999**	**−11,160**	**−13,059**	**−10,797**	**−12,842**	**−12,694**	**−16,414**

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	1983	1984	1985	1986						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 **Total**	**33,747**	**34,934**	**43,191**	**45,505**	**44,919**	**46,491**	**45,260**	**46,635**	**47,430**	**48,161**
2 Gold stock, including Exchange Stabilization Fund[1]	11,121	11,096	11,090	11,090	11,090	11,089	11,085	11,084	11,084	11,084
3 Special drawing rights[2,3]	5,025	5,641	7,293	7,960	7,839	8,098	8,066	8,213	8,085	8,250
4 Reserve position in International Monetary Fund[2]	11,312	11,541	11,952	12,172	12,025	12,242	11,789	12,109	12,114	12,017
5 Foreign currencies[4]	6,289	6,656	12,856	14,283	13,965	15,062	14,320	15,229	16,147	16,810

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	1983	1984	1985	1986						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Deposits	190	267	480	276	273	325	253	354	233	227
Assets held in custody										
2 U.S. Treasury securities[1]	117,670	118,000	121,004	124,905	127,611	132,017	136,762	137,820	144,527	148,263
3 Earmarked gold[2]	14,414	14,242	14,245	14,172	14,167	14,160	14,145	14,128	14,131	14,120

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1983	1984	1985	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May	1986 June	1986 July[p]
				All foreign countries						
1 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**448,847**	**449,561**	**459,885**	**475,158**	**459,587[r]**	**467,565**	**454,789**
2 Claims on United States	115,542	113,393	119,713[r]	117,010	113,840	118,524	122,487	117,627	117,680	113,383
3 Parent bank	82,026	78,109	87,201	84,466	81,038	85,164	88,975	83,404	82,514	79,387
4 Other banks in United States[2]	33,516	13,664	13,066[r]	11,913	11,740	12,971	12,803	13,196	14,002	13,498
5 Nonbanks[2]		21,620	19,446	20,631	21,062	20,389	20,709	21,027	21,164	20,498
6 Claims on foreigners	342,689	320,162	315,702[r]	309,385	311,419	316,493	326,013	316,151	324,128	314,153
7 Other branches of parent bank	96,004	95,184	91,399	88,393	88,457	91,586	95,238	90,447	98,457	92,641
8 Banks	117,668	100,397	102,960[r]	100,982	100,362	101,743	107,141	103,851	105,570	103,484
9 Public borrowers	24,517	23,343	23,478[r]	23,522[r]	23,776	23,770	23,645	23,823	23,273	23,520
10 Nonbank foreigners	107,785	101,238	97,865[r]	96,488[r]	98,824	99,394	99,989	98,030	96,828	94,508
11 Other assets	18,859	20,101	22,597	22,452	24,302	24,868	26,658	25,809[r]	25,757	27,253
12 **Total payable in U.S. dollars**	**371,508**	**350,636**	**336,288**	**322,948**	**316,461**	**324,122**	**331,586**	**322,833[r]**	**327,636**	**313,703**
13 Claims on United States	113,436	111,426	116,645[r]	113,937	110,477	114,965	118,629	113,767[r]	113,387	109,172
14 Parent bank	80,909	77,229	85,971	83,320	79,703	83,841	87,597	82,110	81,022	78,025
15 Other banks in United States[2]	32,527	13,500	12,473	11,245	11,077	12,272	11,902	12,283	12,870	12,344
16 Nonbanks[2]		20,697	18,211	19,372	19,697	18,852	19,130	19,374[r]	19,495	18,803
17 Claims on foreigners	247,406	228,600	209,927[r]	199,497	195,816	199,279	202,498	198,172[r]	203,846	193,901
18 Other branches of parent bank	78,431	78,746	72,689	68,748	67,630	70,910	73,109	69,684[r]	75,934	69,135
19 Banks	93,332	76,940	71,748[r]	66,284	63,987	63,849	66,006	65,053[r]	66,673	65,422
20 Public borrowers	17,890	17,626	17,252[r]	17,127[r]	17,226	17,219	16,752[r]	17,180	16,492	16,667
21 Nonbank foreigners	60,977	55,288	48,238[r]	47,338[r]	46,973	47,301	46,631[r]	46,255[r]	44,747	42,677
22 Other assets	10,666	10,610	9,716	9,514	10,168	9,878	10,379	10,894[r]	10,403	10,630
				United Kingdom						
23 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**150,835**	**148,788**	**150,975**	**155,867**	**152,075**	**151,593**	**145,448**
24 Claims on United States	34,433	27,675	33,157	36,319	33,482	33,990	34,234	34,231	31,364	30,223
25 Parent bank	29,111	21,862	26,970	29,837	27,350	27,881	28,058	28,001	25,106	24,252
26 Other banks in United States[2]	5,322	1,429	1,106	1,173	1,064	1,129	1,386	1,312	1,366	1,381
27 Nonbanks[2]		4,384	5,081	5,309	5,068	4,980	4,790	4,918	4,892	4,590
28 Claims on foreigners	119,280	111,828	110,217	109,290	109,802	111,468	115,485	111,823	113,739	108,156
29 Other branches of parent bank	36,565	37,953	31,576	30,394	30,218	31,250	32,516	31,984	34,670	31,613
30 Banks	43,352	37,443	39,250	39,257	39,777	38,929	41,593	39,222	39,430	38,875
31 Public borrowers	5,898	5,334	5,644	5,949	6,113	5,833	5,642	5,427	5,236	5,229
32 Nonbank foreigners	33,465	31,098	33,747	33,150	33,694	35,456	35,734	35,190	34,403	32,439
33 Other assets	5,019	4,882	5,225	5,226	5,504	5,517	6,148	6,021	6,490	7,069
34 **Total payable in U.S. dollars**	**126,012**	**112,809**	**108,626**	**108,566**	**105,202**	**105,111**	**107,359**	**106,712**	**104,010**	**97,641**
35 Claims on United States	33,756	26,868	32,092	35,303	32,384	32,746	32,959	32,872[r]	29,944	28,848
36 Parent bank	28,756	21,495	26,568	29,470	26,943	27,393	27,629	27,584	24,693	23,888
37 Other banks in United States[2]	5,000	1,363	1,005	1,089	978	1,027	1,225	1,152	1,103	1,143
38 Nonbanks[2]		4,010	4,519	4,744	4,463	4,326	4,105	4,136[r]	4,148	3,817
39 Claims on foreigners	88,917	82,945	73,475	70,345	69,597	69,433	71,058	70,406[r]	70,697	65,472
40 Other branches of parent bank	31,838	33,607	26,011	25,083	24,474	25,250	26,224	26,265	27,559	24,258
41 Banks	32,188	26,805	26,139	24,013	23,725	22,106	23,310	23,134	22,825	22,420
42 Public borrowers	4,194	4,030	3,999	4,252	4,370	4,223	4,012	3,937	3,777	3,793
43 Nonbank foreigners	20,697	18,503	17,326	16,997	17,028	17,854	17,512	17,101	16,536	15,001
44 Other assets	3,339	2,996	3,059	2,918	3,221	2,932	3,342	3,434	3,369	3,321
				Bahamas and Caymans						
45 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**131,731**	**130,154**	**136,529**	**137,272**	**132,122**	**138,944**	**134,238**
46 Claims on United States	75,309	77,296	74,874	68,789	68,412	71,735	72,755	68,710	70,751	69,721
47 Parent bank	48,720	49,449	50,553	44,642	43,891	46,813	47,613	42,868	44,132	43,867
48 Other banks in United States[2]	26,589	11,544	11,223	10,023	9,897	10,838	10,456	10,906	11,692	11,160
49 Nonbanks[2]		16,303	13,098	14,124	14,624	14,084	14,686	14,936	14,927	14,694
50 Claims on foreigners	72,868	65,598	63,894	59,233	57,724	60,564	60,301	59,106	63,955	60,162
51 Other branches of parent bank	20,626	17,661	19,042	16,468	15,872	19,131	18,286	15,703	20,636	16,682
52 Banks	36,842	30,246	28,192[r]	26,009	25,438	25,129	25,809	26,290	27,000	27,067
53 Public borrowers	6,093	6,089	6,458	6,409	6,286	6,292	6,326	6,694	6,399	6,534
54 Nonbank foreigners	12,592	11,602	10,212	10,347	10,128	10,012	9,880	10,419	9,920	9,879
55 Other assets	3,906	3,917	3,287	3,709	4,018	4,230	4,216	4,306	4,238	4,355
56 **Total payable in U.S. dollars**	**145,641**	**141,562**	**136,794**	**126,226**	**124,216**	**130,438**	**130,530**	**125,681**	**132,353**	**127,910**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1983	1984	1985	1986 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
				All foreign countries						
57 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**448,847**	**449,561**	**459,885**	**475,158**	**459,587[r]**	**467,565**	**454,789**
58 Negotiable CDs[3]	n.a.	37,725	34,607	34,597	33,458	36,066	33,229	35,006	34,683	32,960
59 To United States	188,070	147,583	155,538	142,253	138,228	140,381	150,390[r]	144,241[r]	149,856	141,307
60 Parent bank	81,261	78,739	83,914	76,805	73,465	74,952	81,594	77,484	85,134	80,995
61 Other banks in United States	29,453	18,409	16,894	14,724	13,984	15,724	14,270	14,347	16,118	14,203
62 Nonbanks	77,356	50,435	54,730	50,724	50,779	49,705	54,526[r]	52,410[r]	48,604	46,109
63 To foreigners	269,685	247,907	245,942	250,855	255,533	261,783	269,814[r]	258,700[r]	262,309	259,138
64 Other branches of parent bank	90,615	93,909	89,529	86,360	86,358	90,921	93,768	90,228	97,696	91,144
65 Banks	92,889	78,203	76,814	84,167	83,843	84,820	89,608	83,251	81,008	83,307
66 Official institutions	18,896	20,281	19,523	19,939	21,889	20,688	20,744	20,792	20,480	20,608
67 Nonbank foreigners	68,845	55,514	60,076	60,389	63,443	65,354	65,694[r]	64,429[r]	63,125	64,079
68 Other liabilities	19,335	20,441	21,925	21,142	22,342	21,655	21,725	21,640[r]	20,717	21,384
69 **Total payable in U.S. dollars**	**388,291**	**367,145**	**353,470**	**338,498**	**332,029**	**341,550**	**347,585**	**340,174[r]**	**346,427**	**330,053**
70 Negotiable CDs[3]	n.a.	35,227	31,063	31,182	30,202	32,418	29,912	31,513	31,076	29,274
71 To United States	184,305	143,571	150,161	136,854	132,215	134,184	143,601[r]	137,694[r]	142,739	133,616
72 Parent bank	79,035	76,254	80,888	73,897	70,208	71,616	78,061	73,950	81,075	76,744
73 Other banks in United States	28,936	17,935	16,264	14,011	13,288	14,933	13,477	13,575	15,323	13,519
74 Nonbanks	76,334	49,382	53,009	48,946	48,719	47,635	52,063[r]	50,169[r]	46,341	43,353
75 To foreigners	194,139	178,260	163,361	161,356	160,810	166,349	166,229[r]	162,528[r]	163,922	158,302
76 Other branches of parent bank	73,522	77,770	70,943	67,183	65,947	70,465	71,841	69,978[r]	75,784	68,065
77 Banks	57,022	45,123	37,323	38,478	36,699	37,490	37,240	36,335[r]	33,745	35,280
78 Official institutions	13,855	15,773	14,354	14,800	15,853	14,719	14,746	14,049[r]	13,772	14,091
79 Nonbank foreigners	51,260	39,594	40,741	40,895	42,311	43,675	42,402[r]	42,166[r]	40,621	40,866
80 Other liabilities	9,847	10,087	8,885	9,106	8,802	8,599	7,843	8,439[r]	8,690	8,861
				United Kingdom						
81 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**150,835**	**148,788**	**150,975**	**155,867**	**152,075**	**151,593**	**145,448**
82 Negotiable CDs[3]	n.a.	34,413	31,260	30,788	29,419	32,217	29,898	31,734	31,396	29,599
83 To United States	55,799	25,250	29,422	29,901	26,705	22,945	28,450	27,505	26,279	22,367
84 Parent bank	14,021	14,651	19,330	19,845	16,798	13,724	17,231	16,624	15,901	12,996
85 Other banks in United States	11,328	3,125	2,974	2,264	1,950	2,793	1,966	2,175	1,997	1,999
86 Nonbanks	30,450	7,474	7,118	7,792	7,957	6,428	9,253	8,706	8,831	7,372
87 To foreigners	95,847	77,424	78,525	80,724	82,666	86,053	87,773	83,067	84,341	83,707
88 Other branches of parent bank	19,038	21,631	23,389	21,858	21,954	24,733	25,379	23,838	27,008	25,106
89 Banks	41,624	30,436	28,581	32,326	32,088	33,301	34,294	31,584	30,505	32,143
90 Official institutions	10,151	10,154	9,676	10,093	10,956	9,750	9,757	9,548	9,543	9,074
91 Nonbank foreigners	25,034	15,203	16,879	16,447	17,668	18,269	18,343	18,097	17,285	17,384
92 Other liabilities	7,086	7,298	9,392	9,422	9,998	9,760	9,746	9,769	9,577	9,775
93 **Total payable in U.S. dollars**	**131,167**	**117,497**	**112,697**	**112,073**	**108,332**	**108,420**	**110,376**	**109,335**	**108,374**	**101,095**
94 Negotiable CDs[3]	n.a.	33,070	29,337	28,845	27,655	30,042	27,978	29,542	29,135	27,319
95 To United States	54,691	24,105	27,756	28,150	24,967	21,070	26,411	25,490	24,223	19,761
96 Parent bank	13,839	14,339	18,956	19,461	16,528	13,405	16,867	16,233	15,340	12,344
97 Other banks in United States	11,044	2,980	2,826	2,090	1,820	2,596	1,774	1,944	1,817	1,738
98 Nonbanks	29,808	6,786	5,974	6,599	6,619	5,069	7,770	7,313	7,066	5,679
99 To foreigners	73,279	56,923	51,980	50,762	51,686	53,219	52,262	50,441	51,035	49,932
100 Other branches of parent bank	15,403	18,294	18,493	16,614	16,829	19,068	19,297	18,043	20,434	17,868
101 Banks	29,320	18,356	14,344	14,872	14,457	14,731	14,125	14,114	13,073	14,716
102 Official institutions	8,279	8,871	7,661	8,242	8,747	7,839	7,449	6,953	6,914	6,658
103 Nonbank foreigners	20,277	11,402	11,482	11,034	11,653	11,581	11,391	11,331	10,614	10,690
104 Other liabilities	3,197	3,399	3,624	4,316	4,024	4,089	3,725	3,862	3,981	4,083
				Bahamas and Caymans						
105 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**131,731**	**130,154**	**136,529**	**137,272**	**132,122**	**138,944**	**134,238**
106 Negotiable CDs[3]	n.a.	615	610	1,076	1,237	1,132	629	634	567	565
107 To United States	111,299	102,955	103,813	91,989	91,773	97,666	98,621	94,128	98,897	96,648
108 Parent bank	50,980	47,162	44,811	38,850	39,381	43,834	43,662	40,757	47,014	47,862
109 Other banks in United States	16,057	13,938	12,778	11,185	10,854	11,604	11,014	10,738	12,868	11,143
110 Nonbanks	44,262	41,855	46,224	41,954	41,538	42,228	43,945	42,633	39,015	37,643
111 To foreigners	38,445	40,320	35,053	36,528	34,993	35,666	35,901	35,139	37,340	34,815
112 Other branches of parent bank	14,936	16,782	14,075	14,764	13,081	13,198	14,077	13,731	15,882	13,561
113 Banks	11,876	12,405	10,669	11,117	10,851	10,360	10,788	10,318	9,991	9,624
114 Official institutions	1,919	2,054	1,776	1,509	1,741	1,759	2,176	2,144	2,427	2,468
115 Nonbank foreigners	11,274	9,079	8,533	9,138	9,320	10,349	8,860	8,946	9,040	9,162
116 Other liabilities	2,339	2,921	2,579	2,138	2,151	2,065	2,121	2,221	2,140	2,210
117 **Total payable in U.S. dollars**	**148,278**	**143,582**	**138,322**	**127,840**	**125,861**	**132,308**	**132,966**	**127,918**	**134,606**	**130,075**

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1984	1985	1986 Jan.	Feb.	Mar.	Apr.	May[r]	June	July[p]
1 Total[1]	**180,552**	**178,337**	**183,314**	**179,856**	**180,525**	**188,908**	**190,634**	**194,918**	**199,449**
By type									
2 Liabilities reported by banks in the United States[2]	26,089	26,734	28,303	26,506	25,479	27,029	24,911	26,028	25,243
3 U.S. Treasury bills and certificates[3]	59,976	53,252	53,294	54,420	55,933	59,547	63,614	65,790	70,721
U.S. Treasury bonds and notes									
4 Marketable	69,019	77,108	77,470	78,089	78,483	82,345	82,501	84,108	85,652
5 Nonmarketable[4]	5,800	3,550	3,550	3,150	2,750	2,300	1,800	1,800	1,300
6 U.S. securities other than U.S. Treasury securities[5]	19,668	17,693	17,697	17,691	17,880	17,687	17,808	17,192	16,533
By area									
7 Western Europe[1]	69,776	74,418	74,440	72,891	72,435	76,353	76,405	79,517	83,848
8 Canada	1,528	1,314	1,118	1,762	1,445	1,711	1,502	1,529	1,626
9 Latin America and Caribbean	8,561	11,141	11,516	10,234	10,425	10,785	10,595	11,051	10,761
10 Asia	93,954	86,441	88,534	89,719	90,869	94,646	96,963	97,834	98,899
11 Africa	1,264	1,824	1,897	1,786	1,846	1,833	1,718	1,717	1,461
12 Other countries[6]	5,469	3,199	2,809	3,464	3,505	3,580	3,451	3,270	2,854

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1982	1983	1984	1985 Sept.	1985 Dec.	1986 Mar.	1986 June[p]
1 Banks' own liabilities	4,844	5,219	8,586	12,982	15,368	21,320	24,145
2 Banks' own claims	7,707	7,231	11,984	15,233	16,161	19,634	21,583
3 Deposits	4,251	2,731	4,998	8,540	8,304	11,318	11,916
4 Other claims	3,456	4,501	6,986	6,693	7,857	8,316	9,666
5 Claims of banks' domestic customers[1]	676	1,059	569	328	580	1,426	1,387

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	1983	1984	1985	1986 Jan.	Feb.	Mar.	Apr.r	May	June	Julyp
1 **All foreigners**	**369,607**	**407,306**	**435,368**	**431,036**	**436,528**	**440,518**	**443,456**	**444,528r**	**457,875**	**465,041**
2 Banks' own liabilities	279,087	306,898	341,070	335,126	340,076	344,422	346,469	342,074r	346,353	338,847
3 Demand deposits	17,470	19,571	21,107	19,648	19,659	20,195	19,751	19,651	21,330	19,704
4 Time deposits[1]	90,632	110,413	117,278	114,710	116,964	116,418	114,209	114,143	115,458	117,449
5 Other[2]	25,874	26,268	29,305	30,375	31,144	32,125	33,220	31,598r	31,709	30,197
6 Own foreign offices[3]	145,111	150,646	173,381	170,393	172,309	175,685	179,289	176,683r	177,856	171,497
7 Banks' custody liabilities[4]	90,520	100,408	94,298	95,910	96,452	96,096	96,987	102,454r	111,521	126,194
8 U.S. Treasury bills and certificates[5]	68,669	76,368	68,785	69,801	72,631	72,714	74,631	80,192	82,489	86,789
9 Other negotiable and readily transferable instruments[6]	17,467	18,747	17,964	18,016	15,597	15,329	13,776	13,917	14,934	16,138
10 Other	4,385	5,293	7,549	8,093	8,223	8,053	8,580	8,346r	14,099	23,267
11 **Nonmonetary international and regional organizations[7]**	**5,957**	**4,454**	**5,821**	**7,487**	**9,867**	**5,223**	**3,495**	**4,519r**	**3,437**	**3,974**
12 Banks' own liabilities	4,632	2,014	2,621	2,714	4,326	1,404	1,749	2,388r	887	1,857
13 Demand deposits	297	254	85	96	184	102	138	99	79	156
14 Time deposits[1]	3,584	1,267	2,067	2,369	3,892	391	681	1,109r	546	1,209
15 Other[2]	750	493	469	250	250	911	931	1,179	262	492
16 Banks' custody liabilities[4]	1,325	2,440	3,200	4,773	5,540	3,820	1,746	2,131	2,550	2,118
17 U.S. Treasury bills and certificates	463	916	1,736	3,216	4,219	2,311	768	1,282	1,619	991
18 Other negotiable and readily transferable instruments[6]	862	1,524	1,464	1,556	1,322	1,508	970	849	918	1,126
19 Other	0	0	0	1	0	0	7	0	13	0
20 **Official institutions[8]**	**79,876**	**86,065**	**79,985**	**81,597**	**80,926**	**81,405**	**86,576**	**88,526r**	**91,818**	**95,964**
21 Banks' own liabilities	19,427	19,039	20,835	22,590	22,056	21,719	23,927	22,018r	22,814	22,144
22 Demand deposits	1,837	1,823	2,077	1,638	1,602	1,917	1,832	1,810	2,130	1,609
23 Time deposits[1]	7,318	9,374	10,949	10,690	10,334	10,299	9,368	9,850r	10,275	10,320
24 Other[2]	10,272	7,842	7,809	10,262	10,121	9,503	12,728	10,358	10,409	10,216
25 Banks' custody liabilities[4]	60,448	67,026	59,150	59,007	58,870	59,686	62,648	66,508	69,004	73,820
26 U.S. Treasury bills and certificates[5]	54,341	59,976	53,252	53,294	54,420	55,933	59,547	63,614	65,790	70,721
27 Other negotiable and readily transferable instruments[6]	6,082	6,966	5,824	5,596	4,102	3,585	2,916	2,754	2,996	2,892
28 Other	25	84	75	117	348	168	185	139	218	207
29 **Banks[9]**	**226,887**	**248,893**	**275,311**	**266,589**	**269,832**	**278,967**	**277,856**	**275,217r**	**285,067**	**286,207**
30 Banks' own liabilities	205,347	225,368	252,723	243,830	247,132	255,921	254,617	251,214r	256,263	248,345
31 Unaffiliated foreign banks	60,236	74,722	79,341	73,436	74,823	80,236	75,328	74,532	78,407	76,848
32 Demand deposits	8,759	10,556	10,271	9,792	9,659	9,692	8,689	9,036r	10,268	9,277
33 Time deposits[1]	37,439	47,095	49,510	45,121	45,942	50,194	48,484	46,868	48,562	49,653
34 Other[2]	14,038	17,071	19,561	18,523	19,222	20,350	18,155	18,627	19,577	17,918
35 Own foreign offices[3]	145,111	150,646	173,381	170,393	172,309	175,685	179,289	176,682r	177,856	171,497
36 Banks' custody liabilities[4]	21,540	23,525	22,588	22,760	22,700	23,046	23,239	24,003r	28,804	37,862
37 U.S. Treasury bills and certificates	10,178	11,448	9,554	9,223	9,501	9,869	9,914	10,841	10,483	10,934
38 Other negotiable and readily transferable instruments[6]	7,485	7,236	6,040	6,006	5,876	5,752	5,423	5,451	5,652	5,591
39 Other	3,877	4,841	6,994	7,531	7,323	7,426	7,901	7,711r	12,669	21,337
40 **Other foreigners**	**56,887**	**67,894**	**74,251**	**75,362**	**75,902**	**74,923**	**75,530**	**76,266r**	**77,553**	**78,895**
41 Banks' own liabilities	49,680	60,477	64,892	65,992	66,561	65,379	66,176	66,454r	66,389	66,501
42 Demand deposits	6,577	6,938	8,673	8,122	8,214	8,484	9,093	8,705	8,854	8,663
43 Time deposits	42,290	52,678	54,752	56,530	56,796	55,534	55,677	56,316r	56,075	56,267
44 Other[2]	813	861	1,467	1,340	1,550	1,361	1,406	1,433	1,461	1,571
45 Banks' custody liabilities[4]	7,207	7,417	9,359	9,370	9,341	9,544	9,354	9,811	11,164	12,394
46 U.S. Treasury bills and certificates	3,686	4,029	4,243	4,068	4,491	4,601	4,401	4,454	4,597	4,143
47 Other negotiable and readily transferable instruments[6]	3,038	3,021	4,636	4,858	4,297	4,483	4,465	4,862	5,368	6,529
48 Other	483	367	480	444	553	459	487	495	1,199	1,722
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,346	10,476	9,845	9,628	7,386	6,603	6,286	6,269	6,430	6,500

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	1983	1984	1985	1986 Jan.	Feb.	Mar.	Apr.	May	June	July^p
1	**Total**	**369,607**	**407,306**	**435,368**	**431,036**	**436,528**	**440,518**	**443,456r**	**444,528r**	**457,875**	**465,041**
2	**Foreign countries**	**363,649**	**402,852**	**429,547**	**423,549**	**426,661**	**435,295**	**439,961r**	**440,009r**	**454,437**	**461,066**
3	Europe	138,072	153,145	163,829	161,378	157,270	157,033	165,193r	165,800r	166,338	162,986
4	Austria	585	615	693	692	769	1,665	931r	897	1,013	1,033
5	Belgium-Luxembourg	2,709	4,114	5,240	5,189	4,732	4,268	5,737r	5,425	5,224	5,150
6	Denmark	466	438	513	536	533	536	752	523	519	557
7	Finland	531	418	496	373	506	354	619	514	484	592
8	France	9,441	12,701	15,540	15,595	15,148	15,906	19,322r	19,423	19,860	19,986
9	Germany	3,599	3,358	4,835	5,622	5,309	5,691	6,718	4,964	4,636	5,645
10	Greece	520	699	664	612	551	535	559	552	658	604
11	Italy	8,462	10,762	9,667	7,764	7,235	7,215	6,553r	7,875r	8,918	8,828
12	Netherlands	4,290	4,731	4,212	4,069	4,027	4,334	4,320	4,183	4,224	4,682
13	Norway	1,673	1,548	948	781	552	469	731	850	711	497
14	Portugal	373	597	652	706	685	705	674	801	794	711
15	Spain	1,603	2,082	2,113	1,899	1,794	1,772	1,919	1,879	2,080	1,887
16	Sweden	1,799	1,676	1,422	1,622	1,693	1,547	1,313	1,299	1,118	1,167
17	Switzerland	32,246	31,740	28,742	26,119	25,606	26,602	27,247r	26,848	27,810	28,640
18	Turkey	467	584	429	504	404	383	363r	434	642	310
19	United Kingdom	60,683	68,671	76,728	80,611	80,144	78,585	81,983r	83,885	82,206	78,081
20	Yugoslavia	562	602	673	595	600	535	547	556	661	542
21	Other Western Europe[1]	7,403	7,192	9,635	7,713	6,491	5,286	4,233r	4,165	3,997	3,295
22	U.S.S.R.	65	79	105	43	64	61	38r	34	89	48
23	Other Eastern Europe[2]	596	537	523	332	427	586	634r	693	692	733
24	Canada	16,026	16,059	17,426	18,037	21,466	22,497	20,450	21,257	22,931	22,359
25	Latin America and Caribbean	140,088	153,381	167,792	161,445	161,056	164,875	164,801r	161,400r	170,510	178,937
26	Argentina	4,038	4,394	6,029	5,786	5,551	5,155	5,627	6,075	6,229	6,336
27	Bahamas	55,818	56,897	57,657	53,860	54,647	55,791	57,865	53,680	60,455	58,876
28	Bermuda	2,266	2,370	2,765	2,596	2,147	2,324	2,270r	2,016	2,555	2,201
29	Brazil	3,168	5,275	5,369	6,049	5,759	6,096	5,788r	5,542	5,200	5,134
30	British West Indies	34,545	36,773	42,670	40,474	41,127	44,041	41,354r	42,111r	43,005	54,618
31	Chile	1,842	2,001	2,042	2,019	1,997	2,084	2,147	2,223	2,270	2,227
32	Colombia	1,689	2,514	3,102	3,336	3,140	3,076	3,101	3,053	3,419	3,334
33	Cuba	8	10	11	16	6	6	7	7	8	7
34	Ecuador	1,047	1,092	1,238	1,211	1,172	1,209	1,199	1,166	1,262	1,196
35	Guatemala	788	896	1,071	1,146	1,132	1,126	1,128	1,097	1,108	1,123
36	Jamaica	109	183	122	244	126	144	173	201	185	184
37	Mexico	10,392	12,303	14,045	13,702	13,433	12,990	13,126	13,153	13,563	12,865
38	Netherlands Antilles	3,879	4,220	4,875	4,696	4,560	4,561	4,859	4,798	5,122	4,502
39	Panama	5,924	6,951	7,492	7,416	7,161	7,286	6,960	7,042	6,420	6,639
40	Peru	1,166	1,266	1,166	1,124	1,100	1,106	1,116	1,132	1,523	1,158
41	Uruguay	1,244	1,394	1,549	1,730	1,727	1,567	1,646	1,703	1,668	1,687
42	Venezuela	8,632	10,545	11,919	11,467	11,741	11,670	11,727	11,712r	11,725	12,073
43	Other Latin America and Caribbean	3,535	4,297	4,668	4,571	4,529	4,641	4,708	4,689	4,793	4,777
44	Asia	58,570	71,187	72,271	74,841	78,772	82,644	81,682	83,817	86,683	89,819
	China										
45	Mainland	249	1,153	1,607	1,003	1,624	1,347	1,550	973	1,469	1,795
46	Taiwan	4,051	4,990	7,786	9,092	9,661	10,837	11,027	12,687	13,683	14,333
47	Hong Kong	6,657	6,581	8,067	8,215	8,194	8,706	8,757	8,745	8,656	8,929
48	India	464	507	711	606	630	926	574	577	695	562
49	Indonesia	997	1,033	1,466	1,524	1,738	2,107	1,787	1,758	1,416	1,526
50	Israel	1,722	1,268	1,595	1,459	1,363	1,450	1,490	1,671	1,973	1,731
51	Japan	18,079	21,640	23,077	25,047	26,397	28,274	28,279	29,689	30,803	33,469
52	Korea	1,648	1,730	1,665	1,503	1,602	1,551	1,337	1,336	1,414	2,294
53	Philippines	1,234	1,383	1,140	942	1,086	978	1,051	1,331	1,161	1,363
54	Thailand	747	1,257	1,358	1,199	1,141	1,103	993	1,155	1,068	1,097
55	Middle-East oil-exporting countries[3]	12,976	16,804	14,523	15,174	16,308	15,384	14,418	14,045	14,082	12,296
56	Other Asia	9,748	12,841	9,276	9,076	9,028	9,980	10,419	9,848	10,261	10,424
57	Africa	2,827	3,396	4,883	4,643	4,359	4,260	4,173	4,227	4,293	4,041
58	Egypt	671	647	1,363	1,080	987	870	960	910	1,079	820
59	Morocco	84	118	163	98	92	91	85	92	87	93
60	South Africa	449	328	388	567	421	465	386	414	414	609
61	Zaire	87	153	163	73	92	95	90	105	92	65
62	Oil-exporting countries[4]	620	1,189	1,494	1,644	1,614	1,601	1,442	1,490	1,481	1,368
63	Other Africa	917	961	1,312	1,182	1,152	1,137	1,210	1,216	1,140	1,086
64	Other countries	8,067	5,684	3,347	3,205	3,739	3,987	3,662	3,507r	3,682	2,924
65	Australia	7,857	5,300	2,779	2,707	3,024	3,237	3,058	2,744	2,939	2,173
66	All other	210	384	568	498	714	750	604	763	744	751
67	Nonmonetary international and regional organizations	5,957	4,454	5,821	7,487	9,867	5,223	3,495r	4,519r	3,437	3,974
68	International	5,273	3,747	4,806	6,109	8,671	4,139	2,512r	3,669	2,466	2,714
69	Latin American regional	419	587	894	909	863	916	823	748r	845	922
70	Other regional[5]	265	120	121	470	333	168	160r	102	126	338

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	1983	1984	1985	1986						
				Jan.	Feb.	Mar.	Apr.	May	June	July^p
1 **Total**	**391,312**	**400,162**	**401,585**	**386,529**	**389,501**	**394,769**	**401,109r**	**394,666r**	**403,653**	**405,144**
2 **Foreign countries**	**391,148**	**399,363**	**400,554**	**385,238**	**388,692**	**394,286**	**400,607r**	**394,258r**	**403,190**	**404,652**
3 Europe	91,927	99,014	106,407	104,365	100,173	100,458	101,250	100,925r	104,294	99,804
4 Austria	401	433	598	485	542	494	429	501	673	619
5 Belgium-Luxembourg	5,639	4,794	5,772	5,841	5,276	5,429	5,502	5,696r	7,163	6,103
6 Denmark	1,275	648	706	864	940	845	794	882	749	859
7 Finland	1,044	898	823	843	741	1,194	795	866	981	1,036
8 France	8,766	9,157	9,124	9,065r	7,943	8,636	8,902	8,861	9,440	9,604
9 Germany	1,284	1,306	1,267	1,211	1,309	1,374	1,341r	1,176	1,095	1,461
10 Greece	476	817	991	933	884	798	764	723	629	615
11 Italy	9,018	9,119	8,848	7,494	6,913	7,297	6,709	6,806	7,474	7,266
12 Netherlands	1,267	1,356	1,258	1,248	1,249	1,394	1,380	1,384	1,399	1,442
13 Norway	690	675	706	692	652	613	786	746	905	614
14 Portugal	1,114	1,243	1,058	1,040	936	893	874	850	769	789
15 Spain	3,573	2,884	1,908	1,801	1,885	1,866	1,701	1,986	2,001	1,863
16 Sweden	3,358	2,230	2,219	2,174	2,278	2,422	1,924r	2,239	2,488	2,909
17 Switzerland	1,863	2,123	3,171	2,836	2,361	2,940	2,978	3,134	3,543	2,614
18 Turkey	812	1,130	1,200	1,512	1,519	1,587	1,584	1,649	1,856	1,709
19 United Kingdom	47,364	56,185	62,560	62,415	60,621	57,983	60,602r	59,354	58,123	55,676
20 Yugoslavia	1,718	1,886	1,964	1,901	1,953	1,978	1,950	1,928	2,005	1,902
21 Other Western Europe[1]	477	596	998	716	734	1,166	649	491	1,253	1,102
22 U.S.S.R	192	142	130	169	287	424	477	489	568	504
23 Other Eastern Europe[2]	1,598	1,389	1,107	1,126	1,151	1,126	1,111	1,164	1,177	1,114
24 Canada	16,341	16,109	16,476	17,279	18,280	17,945	18,814	17,910r	18,269	18,232
25 Latin America and Caribbean	205,491	207,862	202,663	189,065	190,623	196,723	199,032r	193,625r	200,647	202,492
26 Argentina	11,749	11,050	11,462	11,463	11,574	11,456	11,803	11,921	12,079	12,166
27 Bahamas	59,633	58,009	58,258	49,762	49,659	55,691	55,260r	52,537r	57,039	55,915
28 Bermuda	566	592	499	542	380	460	275	238r	239	763
29 Brazil	24,667	26,315	25,283	25,209	25,129	25,379	25,363r	25,271r	24,877	25,035
30 British West Indies	35,527	38,205	38,881	34,371	36,534	36,880	38,932r	37,072r	40,029	42,008
31 Chile	6,072	6,839	6,603	6,525	6,478	6,557	6,540r	6,537	6,507	6,514
32 Colombia	3,745	3,499	3,249	3,185	3,044	2,903	2,861	2,820	2,789	2,776
33 Cuba	0	0	0	0	0	1	0	0	0	0
34 Ecuador	2,307	2,420	2,390	2,439	2,369	2,399	2,388	2,382r	2,397	2,366
35 Guatemala[3]	129	158	194	174	167	167	124	112	136	113
36 Jamaica[3]	215	252	224	228	213	213	216	218	244	209
37 Mexico	34,802	34,885	31,788	31,841	32,100	31,608	32,367r	31,493r	31,381	31,085
38 Netherlands Antilles	1,154	1,350	1,340	1,022	1,043	927	839	1,075r	1,086	1,090
39 Panama	7,848	7,707	6,645	6,532	5,881	6,179	6,133	5,919	5,855	6,474
40 Peru	2,536	2,384	1,947	1,874	1,852	1,806	1,767	1,757	1,737	1,703
41 Uruguay	977	1,088	960	966	956	961	953	951	931	927
42 Venezuela	11,287	11,017	10,871	10,947	11,269	11,204	11,295r	11,326	11,304	11,364
43 Other Latin America and Caribbean	2,277	2,091	2,067	1,984	1,976	1,931	1,917	1,997r	2,016	1,985
44 Asia	67,837	66,316	66,212	65,882	71,058	70,729	73,421r	73,942r	72,072	76,198
China										
45 Mainland	292	710	639	750	820	902	593	703	571	798
46 Taiwan	1,908	1,849	1,535	1,300	1,243	1,403	1,151	1,446r	1,238	1,070
47 Hong Kong	8,489	7,293	6,796	6,923	7,602	8,208	8,134	8,315	7,538	8,248
48 India	330	425	450	332	284	479	398	420	426	372
49 Indonesia	805	724	698	692	793	712	717r	736	690	722
50 Israel	1,832	2,088	1,991	1,834	1,697	1,617	1,611	1,742	1,779	1,520
51 Japan	30,354	29,066	31,249	32,232	36,471	36,711	38,781	38,629	38,569	41,898
52 Korea	9,943	9,285	9,226	8,823	9,072	9,242	9,286	9,176	8,935	8,900
53 Philippines	2,107	2,555	2,224	2,206	2,224	2,336	2,325	2,263r	2,393	2,168
54 Thailand	1,219	1,125	845	793	765	810	775	716	706	720
55 Middle East oil-exporting countries[4]	4,954	5,044	4,298	3,975	3,869	3,577	3,838	3,948	3,674	2,910
56 Other Asia	5,603	6,152	6,260	6,021	6,218	4,732	5,812	5,845r	5,555	6,873
57 Africa	6,654	6,615	5,407	5,416	5,360	5,128	5,007	4,890	4,971	4,817
58 Egypt	747	728	721	677	690	653	639	619	740	701
59 Morocco	440	583	575	591	612	646	662	640	642	615
60 South Africa	2,634	2,795	1,942	1,965	1,856	1,799	1,716	1,743	1,705	1,661
61 Zaire	33	18	20	18	18	17	17	17	17	17
62 Oil-exporting countries[5]	1,073	842	630	582	562	488	465	417	415	413
63 Other	1,727	1,649	1,520	1,584	1,621	1,525	1,508	1,455	1,452	1,410
64 Other countries	2,898	3,447	3,390	3,230	3,199	3,305	3,082	2,966	2,937	3,110
65 Australia	2,256	2,769	2,413	2,409	2,367	2,473	2,237	2,050	2,023	2,165
66 All other	642	678	978	821	832	832	845	916	914	945
67 Nonmonetary international and regional organizations[6]	164	800	1,030	1,292	809	483	502	408	463	493

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1983	1984	1985	1986						
				Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July[p]
1 **Total**	**426,215**	**433,078**	**430,466**	....	....	**419,828**	....	....	**429,071**	....
2 Banks' own claims on foreigners	391,312	400,162	401,585	386,529	389,501	394,769	401,109	394,666	403,653	405,144
3 Foreign public borrowers	57,569	62,237	60,496	60,620	60,582	60,427	60,157	59,965	60,608	60,391
4 Own foreign offices[1]	146,393	156,216	174,261	163,961	169,084	173,698	179,662	173,094	181,818	185,133
5 Unaffiliated foreign banks	123,837	124,932	116,643	112,033	110,219	110,643	111,832	112,529	112,914	113,334
6 Deposits	47,126	49,226	48,361	45,789	44,159	44,985	46,393	47,493	47,007	48,406
7 Other	76,711	75,706	68,282	66,244	66,060	65,658	65,439	65,036	65,907	64,928
8 All other foreigners	63,514	56,777	50,185	49,915	49,616	50,002	49,458	49,078	48,314	46,287
9 Claims of banks' domestic customers[2]	34,903	32,916	28,881	....	....	25,058	....	....	25,418	....
10 Deposits	2,969	3,380	3,335	....	....	2,494	....	....	3,475	....
11 Negotiable and readily transferable instruments[3]	26,064	23,805	19,332	....	....	17,859	....	....	17,214	....
12 Outstanding collections and other claims	5,870	5,732	6,214	....	....	4,705[r]	....	....	4,728	....
13 MEMO: Customer liability on acceptances	37,715	37,103	28,366	....	....	28,800[r]	....	....	28,179	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	46,337	40,714	37,378	39,465	42,112	41,226	42,891	47,329	46,029	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1982	1983	1984	1985		1986	
				Sept.	Dec.	Mar.	June[p]
1 **Total**	**228,150**	**243,715**	**243,952**	**232,798**	**227,880**	**228,352**	**223,009**
By borrower							
2 Maturity of 1 year or less[1]	173,917	176,158	167,858	162,590	160,813	152,229	152,836
3 Foreign public borrowers	21,256	24,039	23,912	26,469	26,302	23,852	22,725
4 All other foreigners	152,661	152,120	143,947	136,122	134,511	128,378	130,111
5 Maturity of over 1 year[1]	54,233	67,557	76,094	70,207	67,066	68,123	70,174
6 Foreign public borrowers	23,137	32,521	38,695	36,302	34,500	36,674	37,168
7 All other foreigners	31,095	35,036	37,399	33,906	32,566	31,448	33,005
By area							
Maturity of 1 year or less[1]							
8 Europe	50,500	56,117	58,498	58,520	56,579	53,440	56,720
9 Canada	7,642	6,211	6,028	6,125	6,396	5,855	6,008
10 Latin America and Caribbean	73,291	73,660	62,791	63,088	63,328	59,469	59,003
11 Asia	37,578	34,403	33,504	29,120	27,966	27,701	25,786
12 Africa	3,680	4,199	4,442	3,954	3,753	3,331	3,249
13 All other[2]	1,226	1,569	2,593	1,782	2,791	2,433	2,070
Maturity of over 1 year[1]							
14 Europe	11,636	13,576	9,605	8,078	7,634	7,522	7,964
15 Canada	1,931	1,857	1,882	1,932	1,804	1,924	2,245
16 Latin America and Caribbean	35,247	43,888	56,144	52,145	50,662	52,068	53,247
17 Asia	3,185	4,850	5,323	5,230	4,502	4,252	4,531
18 Africa	1,494	2,286	2,033	1,665	1,538	1,634	1,497
19 All other[2]	740	1,101	1,107	1,157	926	722	689

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	1982	1983	1984 June[2]	1984 Sept.	1984 Dec.	1985r Mar.	1985r June	1985r Sept.	1985r Dec.	1986 Mar.	1986 Junep
1 **Total**	**436.1r**	**433.9r**	**427.6r**	**406.4r**	**405.7r**	**405.5**	**396.8**	**394.9**	**391.9**	**394.4**	**391.1**
2 G-10 countries and Switzerland	179.6r	167.8	157.4r	147.5r	148.1	153.0	146.7	152.0	148.5	156.6	159.7
3 Belgium-Luxembourg	13.1	12.4	10.9	9.8	8.7	9.3	8.9	9.5	9.3	8.3	9.0
4 France	17.1	16.2	14.2	14.3	14.1	14.5	13.5	14.8	12.3	13.8	14.7
5 Germany	12.7	11.3	10.9	10.0	9.0	8.9	9.6	9.8	10.5	11.2	11.5
6 Italy	10.3	11.4	11.5	9.7	10.1	10.0	8.6	8.4	9.8	8.5	9.3
7 Netherlands	3.6	3.5	3.0	3.4	3.9	3.8	3.7	3.4	3.7	3.5	3.4
8 Sweden	5.0	5.1	4.3	3.5	3.2	3.1	2.9	3.1	2.8	2.9	2.9
9 Switzerland	5.0	4.3	4.2	3.9	3.9	4.2	4.0	4.1	4.4	5.4	5.6
10 United Kingdom	72.1	65.3	60.3	57.1	60.3	65.4	65.7	67.1	64.6	68.8	68.9
11 Canada	10.4	8.3	8.9	8.1	7.9	9.1	8.1	7.6	7.0	6.1	7.0
12 Japan	30.2	29.9	29.3	27.7	27.1	24.7	21.7	24.3	24.2	28.1	27.4
13 Other developed countries	33.5r	36.0r	37.0r	36.2r	33.6r	32.8	32.3	32.0	30.4	31.5	30.6
14 Austria	1.9	1.9	1.9	1.8	1.6	1.6	1.6	1.7	1.6	1.6	1.7
15 Denmark	2.4	3.4	3.1	2.9	2.2	2.1	1.9	2.1	2.4	2.5	2.4
16 Finland	2.2	2.4	2.3	1.9	1.9	1.8	1.8	1.8	1.6	1.9	1.6
17 Greece	3.0	2.8	3.3	3.2	2.9	2.9	2.9	2.8	2.6	2.5	2.6
18 Norway	3.3	3.3	3.2	3.2	3.0	2.9	2.9	3.4	2.9	2.7	3.0
19 Portugal	1.5	1.5	1.7	1.6	1.4	1.4	1.3	1.4	1.3	1.1	1.0
20 Spain	7.5	7.1	7.3	6.9	6.5	6.4	5.9	6.1	5.8	6.4	6.4
21 Turkey	1.4	1.7	2.0	2.0	1.9	1.9	2.0	2.1	1.9	2.3	2.5
22 Other Western Europe	2.3	1.8	1.9	1.7	1.7	1.7	1.8	1.7	2.0	2.4	2.1
23 South Africa	3.7	4.7	4.7	5.0	4.5	4.2	3.9	3.3	3.2	3.2	3.1
24 Australia	4.3r	5.4r	5.6r	6.1r	6.0r	6.1	6.2	5.6	5.0	4.9	4.2
25 OPEC countries[3]	26.9r	28.4r	26.0r	24.4r	24.9r	24.5	22.8	22.7	21.6	20.6	20.6
26 Ecuador	2.2	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.1	2.2	2.1
27 Venezuela	10.5	9.9	9.5	9.2	9.3	9.3	9.3	9.0	8.9	8.7	8.8
28 Indonesia	2.9r	3.4r	3.5r	3.2r	3.3r	3.3	3.1	3.1	3.0	3.3	3.0
29 Middle East countries	8.5	9.8r	8.2	7.3	7.9	7.4	6.1	6.2	5.5	4.8	5.0
30 African countries	2.8	3.0	2.7	2.5	2.3	2.3	2.2	2.3	2.0	1.8	1.7
31 Non-OPEC developing countries	106.5r	110.8	112.3	111.6	111.8r	110.8	110.0	107.8	105.0	103.4	101.6
Latin America											
32 Argentina	8.9	9.5	9.2	9.1	8.7	8.6	8.6	8.9	8.9	8.9	9.2
33 Brazil	22.9	23.1	25.4	26.3	26.3	26.4	26.6	25.5	25.6	25.7	25.3
34 Chile	6.3	6.4	6.7	7.1	7.0	7.0	6.9	6.6	7.0	7.0	7.1
35 Colombia	3.1	3.2	3.0	2.9	2.9	2.8	2.7	2.6	2.7	2.3	2.2
36 Mexico	24.2	25.8	25.9	26.0	25.7	25.5	25.3	24.4	24.1	23.9	23.9
37 Peru	2.6	2.4	2.3	2.2	2.2	2.2	2.1	1.9	1.8	1.7	1.6
38 Other Latin America	4.0	4.2	4.1	3.9	3.9	3.8	3.7	3.5	3.4	3.3	3.3
Asia											
China											
39 Mainland	.2	.3	.6	.5	.7	.7	.3	1.1	.5	.6	.6
40 Taiwan	5.3	5.2r	5.2r	5.1r	5.1	5.3	5.5	5.1	4.5	4.3	3.6
41 India	.5r	.9r	.9r	1.0r	.9r	.9	.9	1.1	1.2	1.2	1.3
42 Israel	2.3	1.9	1.9	1.7	1.8	1.7	2.3	1.5	1.6	1.3	1.6
43 Korea (South)	10.7r	11.2r	11.0r	10.3r	10.6r	10.4	10.0	10.4	9.4	9.5	8.7
44 Malaysia	2.1	2.8r	2.7	2.9r	2.7r	2.7	2.8	2.7	2.4	2.2	2.0
45 Philippines	6.3	6.1r	6.2r	5.9	6.0	6.1	6.0	6.0	5.7	5.6	5.7
46 Thailand	1.6	2.2	1.9	1.8	1.8	1.7	1.6	1.6	1.4	1.3	1.1
47 Other Asia	1.1	1.0	1.1	.9r	1.1r	1.1	.9	.9	1.0	.9	.8
Africa											
48 Egypt	1.2	1.5	1.4	1.2	1.2	1.1	1.0	1.0	1.0	.9	.9
49 Morocco	.7	.8	.8	.8	.8	.8	.8	.9	.9	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[4]	2.4	2.3	1.9	1.9	2.1	2.2	2.0	2.0	1.9	1.9	1.7
52 Eastern Europe	6.2	5.3	4.9	4.5	4.4	4.3	4.3	4.6	4.2	4.0	4.0
53 U.S.S.R.	.3	.2	.2	.2	.1	.2	.3	.2	.1	.3	.3
54 Yugoslavia	2.2	2.4	2.3	2.3	2.3	2.2	2.2	2.4	2.2	2.0	2.0
55 Other	3.7	2.8	2.4	2.1	2.0	1.9	1.8	1.9	1.8	1.7	1.7
56 Offshore banking centers	66.0	68.9r	72.8r	65.1r	65.6r	63.2	63.9	58.8	65.4	61.5	57.2
57 Bahamas	19.0	21.7r	27.4	23.3	21.5	20.1	21.1	16.6	21.4	21.5	17.3
58 Bermuda	.9	.9	.7	1.0	.9	.7	.9	.8	.7	.7	.4
59 Cayman Islands and other British West Indies	12.8	12.2r	12.2	11.1	11.8	12.3	12.1	12.3	13.4	11.3	12.8
60 Netherlands Antilles	3.3	4.2r	3.3	3.1	3.4	3.3	3.2	2.3	2.3	2.3	2.3
61 Panama[5]	7.5	5.8	6.5	5.6	6.7	5.5	5.4	6.1	6.0	5.9	5.5
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.0	.1	.1	.1
63 Hong Kong	13.3r	13.8r	12.4r	11.6r	11.4r	11.4	11.4	11.4	11.5	11.4	9.4
64 Singapore	9.1	10.3r	10.2	9.4	9.8	9.9	9.7	9.4	9.9	8.4	9.4
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	17.5r	16.8r	17.3r	17.1r	17.3r	16.9	16.9	17.3	16.9	16.8	17.4

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. 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. 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).
4. Excludes Liberia.
5. Includes Canal Zone beginning December 1979.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1982	1983	1984	1985				1986
				Mar.	June	Sept.	Dec.	Mar.^{p}
1 **Total**	**27,512**	**25,346**	**29,357**	**26,206**	**24,535**	**25,184**	**27,018**	**25,714**
2 Payable in dollars	24,280	22,233	26,389	23,429	21,889	22,364	23,811	22,101
3 Payable in foreign currencies	3,232	3,113	2,968	2,777	2,646	2,820	3,208	3,613
By type								
4 Financial liabilities	11,066	10,572	14,509	11,722	11,489	11,743	12,856	12,407
5 Payable in dollars	8,858	8,700	12,553	9,873	9,533	9,780	10,835	10,284
6 Payable in foreign currencies	2,208	1,872	1,955	1,849	1,956	1,963	2,021	2,123
7 Commercial liabilities	16,446	14,774	14,849	14,484	13,046	13,441	14,162	13,307
8 Trade payables	9,438	7,765	7,005	7,015	5,797	5,694	6,685	5,598
9 Advance receipts and other liabilities	7,008	7,009	7,843	7,469	7,249	7,747	7,477	7,710
10 Payable in dollars	15,423	13,533	13,836	13,556	12,356	12,584	12,976	11,817
11 Payable in foreign currencies	1,023	1,241	1,013	928	690	857	1,186	1,490
By area or country								
Financial liabilities								
12 Europe	6,501	5,742	6,728	6,138	5,934	6,534	7,146	7,026
13 Belgium-Luxembourg	505	302	471	298	351	367	329	338
14 France	783	843	995	896	865	849	857	871
15 Germany	467	502	489	506	474	493	419	428
16 Netherlands	711	621	590	619	604	624	745	640
17 Switzerland	792	486	569	541	566	593	676	724
18 United Kingdom	3,102	2,839	3,297	3,039	2,825	3,318	3,822	3,682
19 Canada	746	764	863	840	850	826	760	778
20 Latin America and Caribbean	2,751	2,596	5,086	3,147	3,106	2,619	3,152	2,788
21 Bahamas	904	751	1,926	1,341	1,107	1,145	1,120	954
22 Bermuda	14	13	13	25	10	4	4	13
23 Brazil	28	32	35	29	27	23	29	26
24 British West Indies	1,027	1,041	2,103	1,521	1,734	1,234	1,814	1,610
25 Mexico	121	213	367	25	32	28	15	20
26 Venezuela	114	124	137	3	3	3	3	4
27 Asia	1,039	1,424	1,777	1,555	1,555	1,728	1,765	1,798
28 Japan	715	991	1,209	1,033	965	1,098	1,148	1,191
29 Middle East oil-exporting countries[2]	169	170	155	124	147	82	82	78
30 Africa	17	19	14	12	14	14	12	12
31 Oil-exporting countries[3]	0	0	0	0	0	0	0	0
32 All other[4]	12	27	41	31	30	22	21	4
Commercial liabilities								
33 Europe	3,831	3,245	4,001	3,500	3,461	3,897	4,011	3,915
34 Belgium-Luxembourg	52	62	48	37	53	56	62	66
35 France	598	437	438	400	423	431	453	382
36 Germany	468	427	622	587	428	601	607	546
37 Netherlands	346	268	245	272	284	386	364	545
38 Switzerland	367	241	257	228	349	289	379	251
39 United Kingdom	1,027	732	1,095	741	730	858	976	957
40 Canada	1,495	1,841	1,975	1,727	1,494	1,383	1,449	1,442
41 Latin America and Caribbean	1,570	1,473	1,871	1,713	1,225	1,262	1,088	1,097
42 Bahamas	16	1	7	11	12	2	12	26
43 Bermuda	117	67	114	112	77	105	77	210
44 Brazil	60	44	124	101	90	120	58	64
45 British West Indies	32	6	32	21	1	15	44	7
46 Mexico	436	585	586	654	492	415	430	256
47 Venezuela	642	432	636	393	309	311	212	364
48 Asia	8,144	6,741	5,285	5,708	5,246	5,353	6,046	5,384
49 Japan	1,226	1,247	1,256	1,228	1,219	1,567	1,799	2,039
50 Middle East oil-exporting countries[2,5]	5,503	4,178	2,372	2,786	2,396	2,109	2,829	2,171
51 Africa	753	553	588	765	631	572	587	486
52 Oil-exporting countries[3]	277	167	233	294	265	235	238	148
53 All other[4]	651	921	1,128	1,070	988	975	982	983

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	1982	1983	1984	1985 Mar.	1985 June	1985 Sept.	1985 Dec.	1986 Mar.^{p}
1 **Total**	**28,725**	**34,911**	**29,901**	**28,804**	**26,750**	**28,666**	**28,071**	**30,915**
2 Payable in dollars	26,085	31,815	27,304	26,232	24,121	25,800	25,769	28,728
3 Payable in foreign currencies	2,640	3,096	2,597	2,571	2,629	2,866	2,302	2,187
By type								
4 Financial claims	17,684	23,780	19,254	18,506	16,695	19,203	18,031	21,507
5 Deposits	13,058	18,496	14,621	14,500	12,839	15,315	14,805	18,113
6 Payable in dollars	12,628	17,993	14,202	14,003	12,283	14,611	14,190	17,657
7 Payable in foreign currencies	430	503	420	497	556	704	615	457
8 Other financial claims	4,626	5,284	4,633	4,007	3,856	3,889	3,227	3,394
9 Payable in dollars	2,979	3,328	3,190	2,442	2,375	2,351	2,192	2,301
10 Payable in foreign currencies	1,647	1,956	1,442	1,565	1,480	1,538	1,035	1,093
11 Commercial claims	11,041	11,131	10,646	10,297	10,055	9,463	10,040	9,408
12 Trade receivables	9,994	9,721	9,177	8,784	8,688	7,988	8,750	8,107
13 Advance payments and other claims	1,047	1,410	1,470	1,513	1,367	1,475	1,290	1,301
14 Payable in dollars	10,478	10,494	9,912	9,787	9,463	8,839	9,387	8,771
15 Payable in foreign currencies	563	637	735	510	592	624	652	637
By area or country								
Financial claims								
16 Europe	4,873	6,488	5,762	5,786	5,477	6,463	6,306	6,833
17 Belgium-Luxembourg	15	37	15	29	15	12	10	10
18 France	134	150	126	92	51	132	184	217
19 Germany	178	163	224	196	175	158	223	172
20 Netherlands	97	71	66	81	46	127	61	61
21 Switzerland	107	38	66	46	16	53	74	166
22 United Kingdom	4,064	5,817	4,864	5,053	4,900	5,736	5,492	5,960
23 Canada	4,377	5,989	3,988	3,942	3,756	4,037	3,256	4,024
24 Latin America and Caribbean	7,546	10,234	8,216	7,721	6,616	7,603	7,650	9,928
25 Bahamas	3,279	4,771	3,306	3,052	2,204	2,315	2,638	3,503
26 Bermuda	32	102	6	4	6	5	6	2
27 Brazil	62	53	100	98	96	92	78	77
28 British West Indies	3,255	4,206	4,043	3,998	3,747	4,632	4,440	5,904
29 Mexico	274	293	215	201	206	201	180	178
30 Venezuela	139	134	125	101	100	73	48	43
31 Asia	698	764	961	859	640	969	696	621
32 Japan	153	297	353	509	281	725	475	350
33 Middle East oil-exporting countries[2]	15	4	13	6	6	6	4	2
34 Africa	158	147	210	101	111	104	103	87
35 Oil-exporting countries[3]	48	55	85	32	25	31	29	27
36 All other[4]	31	159	117	97	95	26	21	14
Commercial claims								
37 Europe	3,826	3,670	3,801	3,360	3,680	3,235	3,533	3,386
38 Belgium-Luxembourg	151	135	165	149	212	158	175	148
39 France	474	459	440	375	408	360	426	385
40 Germany	357	349	374	358	375	336	346	396
41 Netherlands	350	334	335	340	301	286	284	221
42 Switzerland	360	317	271	253	376	208	284	249
43 United Kingdom	811	809	1,063	885	950	779	898	789
44 Canada	633	829	1,021	1,248	1,065	1,100	1,023	1,062
45 Latin America and Caribbean	2,526	2,695	2,052	1,973	1,803	1,717	1,808	1,604
46 Bahamas	21	8	8	9	11	18	13	27
47 Bermuda	261	190	115	164	65	62	93	82
48 Brazil	258	493	214	210	193	211	206	232
49 British West Indies	12	7	7	6	29	7	6	7
50 Mexico	775	884	583	493	468	416	510	384
51 Venezuela	351	272	206	192	181	149	157	172
52 Asia	3,050	3,063	3,073	2,985	2,707	2,712	2,982	2,620
53 Japan	1,047	1,114	1,191	1,154	954	884	1,016	803
54 Middle East oil-exporting countries[2]	751	737	668	666	593	541	638	632
55 Africa	588	588	470	510	464	434	437	491
56 Oil-exporting countries[3]	140	139	134	141	137	131	130	167
57 All other[4]	417	286	229	221	336	264	257	245

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1984	1985	1986 Jan.–July	1986 Jan.	Feb.	Mar.	Apr.	May	June	July^{p}
	U.S. corporate securities									
Stocks										
1 Foreign purchases	59,834	81,994	86,254	9,312	10,593	13,503	15,306	13,107^{r}	11,168	13,265
2 Foreign sales	62,814	77,054	70,854	7,564	8,835	10,640	11,420	10,310^{r}	10,824	11,261
3 **Net purchases, or sales (−)**	**−2,980**	**4,940**	**15,400**	**1,748**	**1,758**	**2,863**	**3,886**	**2,796^{r}**	**345**	**2,005**
4 **Foreign countries**	**−3,109**	**4,856**	**15,426**	**1,760**	**1,738**	**2,816**	**3,823^{r}**	**2,754^{r}**	**465**	**2,070**
5 Europe	−3,077	2,057	9,145	1,151	1,395	2,205	2,049	1,577	193	574
6 France	−405	−438	375	−71	−68	−26	36	102	219	182
7 Germany	−50	730	440	134	234	229	47	99^{r}	−174	−130
8 Netherlands	−357	−123	905	109	121	166	123	236	97	53
9 Switzerland	−1,542	−75	2,036	309	420	698	566	375	−134	−198
10 United Kingdom	−677	1,665	4,040	577	635	1,021	719	568	41	478
11 Canada	1,691	356	573	117	−59	77	50	43	130	214
12 Latin America and Caribbean	495	1,718	2,000	−85	213	198	863^{r}	482	60	269
13 Middle East[1]	−1,992	238	717	208	−19	127	338	117	−236	181
14 Other Asia	−378	295	2,501	314	154	122	376	421	288	825
15 Africa	−22	24	233	25	30	59	48	43	−3	30
16 Other countries	175	168	258	29	24	28	98	70	32	−23
17 **Nonmonetary international and regional organizations**	**129**	**84**	**−26**	**−12**	**20**	**47**	**63**	**42**	**−121**	**−65**
Bonds[2]										
18 Foreign purchases	39,296	87,182	72,487	7,008	9,285^{r}	12,564	13,603^{r}	12,125^{r}	9,166	8,735
19 Foreign sales	26,399^{r}	43,046	41,904	3,782	4,936^{r}	7,420	8,967^{r}	5,350^{r}	5,758	5,691
20 **Net purchases, or sales (−)**	**12,897^{r}**	**44,137**	**30,583**	**3,226**	**4,350^{r}**	**5,144**	**4,636^{r}**	**6,776^{r}**	**3,408**	**3,044**
21 **Foreign countries**	**12,600^{r}**	**44,231**	**29,409**	**3,329**	**4,201**	**4,843**	**4,446^{r}**	**6,679^{r}**	**2,928**	**2,982**
22 Europe	11,697	40,047	24,788	2,923	3,123	3,690	3,641^{r}	6,221^{r}	2,956	2,234
23 France	207	210	37	26	−33	−17	−22^{r}	83	−6	6
24 Germany	1,724	2,001	−28	−11	45	−224	−73	205^{r}	188	−158
25 Netherlands	100	222	128	86	3	25	2	89	−37	−39
26 Switzerland	643	3,987	3,585	258	511	459	1,231	456	492	179
27 United Kingdom	8,429	32,762	21,078	2,544	2,617	3,374	2,578^{r}	5,631	2,214	2,120
28 Canada	−62	189	42	3	−31	−198	75	53^{r}	55	85
29 Latin America and Caribbean	376	498	940	30	27	200	263	142	64	215
30 Middle East[1]	−1,230^{r}	−2,643	−2,087	−174	0	15	−389	−202	−632	−706
31 Other Asia	1,817	6,091	5,697	558	1,064	1,144	840^{r}	464	480	1,147
32 Africa	1	11	2	1	1	0	3	−2	3	−3
33 Other countries	0	38	27	−9	17	−10	13^{r}	3	2	11
34 **Nonmonetary international and regional organizations**	**297**	**−95**	**1,174**	**−103**	**149^{r}**	**301**	**190**	**96**	**480**	**61**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−1,101	−3,888	−3,806	114	−771	−1,440	−1,675^{r}	−219^{r}	−238	423
36 Foreign purchases	14,816	20,856	24,958	2,521	2,937	3,618	4,384^{r}	3,457	3,761	4,279
37 Foreign sales	15,917	24,743	28,764	2,406	3,708	5,058	6,059^{r}	3,676^{r}	4,000	3,857
38 Bonds, net purchases, or sales (−)	−3,930	−4,042	−3,114	−55	−966	−3,003	−1,035^{r}	83^{r}	1,530	332
39 Foreign purchases	56,017	81,160	90,059	9,810	10,418	12,438	15,194^{r}	13,275	15,485	13,439
40 Foreign sales	59,948	85,202	93,173	9,865	11,385	15,441	16,229^{r}	13,192^{r}	13,955	13,106
41 **Net purchases, or sales (−), of stocks and bonds**	**−5,031**	**−7,930**	**−6,920**	**60**	**−1,737**	**−4,443**	**−2,711^{r}**	**−136^{r}**	**1,292**	**755**
42 **Foreign countries**	**−4,642**	**−8,993**	**−7,271**	**−28**	**−1,877**	**−4,119**	**−2,581^{r}**	**−208^{r}**	**1,112**	**431**
43 Europe	−8,655	−9,927	−10,529	−387	−1,916	−3,840	−2,435^{r}	123^{r}	−1,343	−731
44 Canada	542	−1,686	−974	−219	−319	−491	−286	80	16	244
45 Latin America and Caribbean	2,460	1,845	2,195	233	297	121	175^{r}	346	740	283
46 Asia	1,356	659	2,546	393	562	127	−130^{r}	−745	1,641	697
47 Africa	−108	75	42	7	10	4	6	3	3	9
48 Other countries	−238	41	−551	−56	−512	−40	89^{r}	−16	55	−70
49 **Nonmonetary international and regional organizations**	**−389**	**1,063**	**351**	**88**	**140**	**−324**	**−130**	**73^{r}**	**180**	**324**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1984	1985	1986	1986						
			Jan.–July	Jan.	Feb.	Mar.	Apr.	May^r	June	July^p
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**21,501**	**29,007**	**16,069**	**−2,933**	**206^r**	**9,572**	**8,363^r**	**−2,215**	**3,111**	**−34**
2 Foreign countries[2]	16,496	28,551	16,562	−2,459	3,737	2,361	8,103^r	−335	2,229	2,925
3 Europe[2]	11,014	4,145	11,797	149	1,672	1,813	1,625^r	1,434	2,561	2,543
4 Belgium-Luxembourg	287	476	−102	−9	−2	−196	29	39	82	−46
5 Germany[2]	2,929	1,917	2,693	129	459	322	139^r	468	357	818
6 Netherlands	449	269	1,568	27	−261	61	81	−31	−64	1,756
7 Sweden	40	976	384	−200	191	−14	113^r	236	16	42
8 Switzerland[2]	656	760	788	53	115	22	163	365	349	−278
9 United Kingdom	5,188	−1,954	4,545	36	1,240	1,474	−206^r	696	697	609
10 Other Western Europe	1,466	1,701	1,920	114	−72	144	1,307^r	−339	1,125	−358
11 Eastern Europe	0	0	0	0	0	0	0	0	0	0
12 Canada	1,586	−188	882	−477	−131	762	55	908	−302	67
13 Latin America and Caribbean	1,418	4,312	766	108	584	227	1,234^r	−954	−460	28
14 Venezuela	14	238	0	−53	−63	127	196	36	−170	−72
15 Other Latin America and Caribbean	536	2,343	1,056	87	448	171	173^r	372	−290	96
16 Netherlands Antilles	869	1,731	−289	74	200	−70	865	−1,363	0	5
17 Asia	2,431	19,859	2,385	−2,179	1,311	−446	4,797^r	−1,698	515	84
18 Japan	6,289	17,880	677	−2,474	1,601	140	1,973	−1,229	223	443
19 Africa	−67	112	−41	−8	−12	−18	−1	−2	−5	6
20 All other	114	311	773	−52	314	22	394	−22	−80	198
21 Nonmonetary international and regional organizations	5,009	458	−495	−475	−3,533^r	7,211	260^r	−1,881	882	−2,959
22 International	4,612	−420	−598	−194	−3,766^r	6,957	198^r	−1,889	899	−2,804
23 Latin American regional	0	18	123	14	51	23	30	0	5	0
MEMO										
24 Foreign countries[2]	16,496	28,551	16,562	−2,459	3,737	2,361	8,103^r	−335	2,229	2,925
25 Official institutions	505	8,088	8,550	362	619	394	3,862^r	157	1,612	1,544
26 Other foreign[2]	15,992	20,462	8,015	−2,820	3,119	1,967	4,242^r	−491	618	1,380
Oil-exporting countries										
27 Middle East[3]	−6,270	−1,581	412	220	−301	−607	1,334^r	−14	−290	69
28 Africa[4]	−101	7	3	1	0	−2	1	1	0	2

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Aug. 31, 1986		Country	Rate on Aug. 31, 1986		Country	Rate on Aug. 31, 1986	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.0	Aug. 1985	France[1]	7.0	June 1986	Norway	8.0	June 1983
Belgium	8.0	May 1986	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	12.0	May 1986	United Kingdom[2]	....	....
Canada	8.58	Aug. 1986	Japan	3.5	Apr. 1986	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1983	1984	1985	1986 Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	9.57	10.75	8.27	7.89	7.42	6.80	6.86	6.95	6.54	6.06
2 United Kingdom	10.06	9.91	12.16	12.60	11.70	10.43	10.16	9.70	9.91	9.79
3 Canada	9.48	11.29	9.64	11.81	10.94	9.57	8.60	8.72	8.45	8.50
4 Germany	5.73	5.96	5.40	4.47	4.49	4.48	4.58	4.59	4.61	4.56
5 Switzerland	4.11	4.35	4.92	3.85	3.84	4.04	4.32	4.96	4.80	4.30
6 Netherlands	5.58	6.08	6.29	5.74	5.44	5.23	5.76	5.90	5.69	5.28
7 France	12.44	11.66	9.91	8.81	8.28	7.66	7.21	7.23	7.13	7.09
8 Italy	18.95	17.08	14.86	15.91	16.05	13.62	12.35	11.78	11.70	11.18
9 Belgium	10.51	11.41	9.60	9.75	9.75	8.51	7.90	7.27	7.25	7.25
10 Japan	6.49	6.32	6.47	6.04	5.47	4.85	4.58	4.64	4.62	4.68

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1983	1984	1985	1986					
				Mar.	Apr.	May	June	July	Aug.
1 Australia/dollar[1]	90.14	87.937	70.026	70.79	72.28	72.72	68.89	62.91	61.23
2 Austria/schilling	17.968	20.005	20.676	15.976	15.965	15.667	15.699	15.117	14.502
3 Belgium/franc	51.121	57.749	59.336	46.603	46.394	45.497	45.633	44.304	42.701
4 Brazil/cruzeiro	573.27	1841.50	6205.10	13.84[3]	13.84	13.84	13.84	13.84	13.84
5 Canada/dollar	1.2325	1.2953	1.3658	1.4009	1.3879	1.3757	1.3899	1.3808	1.3885
6 China, P.R./yuan	1.9809	2.3308	2.9434	3.2202	3.2143	3.2014	3.2115	3.6435	3.7129
7 Denmark/krone	9.1483	10.354	10.598	8.4096	8.3928	8.2479	8.2822	8.0635	7.7657
8 Finland/markka	5.5636	6.0007	6.1971	5.1517	5.1235	5.0967	5.1954	5.0744	4.9377
9 France/franc	7.6203	8.7355	8.9799	6.9964	7.2060	7.0967	7.1208	6.9323	6.7215
10 Germany/deutsche mark	2.5539	2.8454	2.9419	2.2752	2.2732	2.2277	2.2337	2.1517	2.0621
11 Greece/drachma	87.895	112.73	138.40	141.43	142.50	139.64	140.98	138.40	134.68
12 Hong Kong/dollar	7.2569	7.8188	7.7911	7.8125	7.7957	7.8080	7.8107	7.8123	7.8003
13 India/rupee	10.1040	11.348	12.332	12.289	12.393	12.466	12.599	12.508	12.567
14 Ireland/pound[1]	124.81	108.64	106.62	132.87	133.71	136.62	135.68	139.00	134.67
15 Italy/lira	1519.30	1756.10	1908.90	1548.43	1559.45	1528.50	1533.10	1478.31	1420.33
16 Japan/yen	237.55	237.45	238.47	178.69	175.09	167.03	167.54	158.61	154.18
17 Malaysia/ringgit	2.3204	2.3448	2.4806	2.5367	2.5981	2.5978	2.6231	2.6455	2.6121
18 Netherlands/guilder	2.8543	3.2083	3.3184	2.5678	2.5629	2.5082	2.5154	2.4236	2.3242
19 New Zealand/dollar[1]	66.790	57.837	49.752	52.820	56.127	56.666	54.585	53.176	50.068
20 Norway/krone	7.3012	8.1596	8.5933	7.1711	7.1603	7.4106	7.6117	7.4800	7.3534
21 Portugal/escudo	111.610	147.70	172.07	149.40	150.79	149.12	151.09	148.67	146.17
22 Singapore/dollar	2.1136	2.1325	2.2008	2.1600	2.1880	2.2157	2.2232	2.1861	2.1601
23 South Africa/rand[1]	89.85	69.534	45.57	49.04	48.77	45.67	39.49	39.04	38.39
24 South Korea/won	776.04	807.91	861.89	886.66	887.95	889.09	890.74	888.59	886.45
25 Spain/peseta	143.500	160.78	169.98	143.06	144.11	141.62	142.91	137.58	134.11
26 Sri Lanka/rupee	23.510	25.428	27.187	27.623	27.791	27.932	27.955	28.065	28.187
27 Sweden/krona	7.6717	8.2706	8.6031	7.2610	7.2433	7.1458	7.2124	7.0715	6.9365
28 Switzerland/franc	2.1006	2.3500	2.4551	1.9150	1.9016	1.8538	1.8406	1.7445	1.6616
29 Taiwan/dollar	n.a.	39.633	39.889	39.027	38.689	38.460	38.163	38.119	37.422
30 Thailand/baht	22.991	23.582	27.193	26.418	26.429	26.327	26.400	26.204	26.093
31 United Kingdom/pound[1]	151.59	133.66	129.74	146.74	149.85	152.11	150.85	150.71	148.61
MEMO									
32 United States/dollar[2]	125.34	138.19	143.01	116.05	115.67	113.27	113.77	110.38	107.50

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.
3. Currency reform.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregulary, with Latest Bulletin Reference

Special tables begin on next page.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1986[1]

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
1 **Total assets**[4]	**316,822**	**159,404**	**236,365**	**125,745**	**49,179**	**22,175**	**16,262**	**6,361**
2 Claims on nonrelated parties	290,051	136,821	219,319	107,712	42,397	19,540	16,195	6,237
3 Cash and balances due from depository institutions	70,603	55,863	59,749	46,923	6,027	5,458	3,882	3,074
4 Cash items in process of collection and unposted debits	283	0	252	0	12	0	10	0
5 Currency and coin (U.S. and foreign)	23	n.a.	16	n.a.	2	n.a.	2	n.a.
6 Balances with depository institutions in United States	38,353	26,322	31,557	21,176	3,872	3,388	2,283	1,541
7 U.S. branches and agencies of other foreign banks (including IBFs)	31,876	24,626	25,834	19,700	3,554	3,220	2,021	1,499
8 Other depository institutions in United States (including IBFs)	6,478	1,696	5,723	1,477	318	168	262	42
9 Balances with banks in foreign countries and with foreign central banks	30,331	29,541	26,425	25,746	2,102	2,070	1,551	1,532
10 Foreign branches of U.S. banks	2,297	2,228	2,032	1,964	122	121	135	135
11 Other banks in foreign countries and foreign central banks	28,033	27,313	24,393	23,782	1,980	1,950	1,416	1,397
12 Balances with Federal Reserve Banks	1,614	n.a.	1,499	n.a.	40	n.a.	35	n.a.
13 **Total securities and loans**	**181,390**	**77,248**	**128,933**	**57,705**	**30,551**	**13,710**	**11,499**	**3,012**
14 Total securities, book value	18,541	7,130	15,239	5,329	2,516	1,606	533	142
15 U.S. Treasury	3,714	n.a.	3,518	n.a.	67	n.a.	121	n.a.
16 Obligations of U.S. government agencies and corporations	1,491	n.a.	1,472	n.a.	18	n.a.	0	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	13,337	7,130	10,250	5,329	2,431	1,606	412	142
18 Federal funds sold and securities purchased under agreements to resell	9,533	1,059	8,702	1,001	476	11	118	0
19 U.S branches and agencies of other foreign banks	6,320	781	5,882	771	315	11	52	0
20 Commercial banks in United States	1,695	27	1,452	27	58	0	66	0
21 Other	1,518	251	1,368	204	103	0	0	0
22 Total loans, gross	162,998	70,142	113,793	52,396	28,077	12,107	10,969	2,870
23 Less: Unearned income on loans	149	24	99	20	42	3	4	0
24 Equals: Loans, net	162,849	70,118	113,694	52,376	28,035	12,104	10,965	2,870
Total loans, gross, by category								
25 Real estate loans	6,187	67	3,038	47	1,303	18	423	0
26 Loans to depository institutions	55,183	36,548	40,216	25,017	10,495	8,235	2,911	2,084
27 Commercial banks in United States (including IBFs)	30,903	14,258	22,142	8,588	6,593	4,447	1,821	1,071
28 U.S. branches and agencies of other foreign banks	24,754	10,981	16,842	5,869	6,031	3,970	1,638	998
29 Other commercial banks in United States	6,150	3,276	5,300	2,719	562	477	183	73
30 Other depository institutions in United States (including IBFs)	68	0	64	0	0	0	0	0
31 Banks in foreign countries	24,212	22,291	18,009	16,430	3,902	3,787	1,090	1,013
32 Foreign branches of U.S. banks	983	921	792	740	160	160	15	15
33 Other banks in foreign countries	23,229	21,370	17,217	15,689	3,742	3,627	1,075	998
34 Other financial institutions	4,215	413	2,997	342	261	37	879	18
35 Commercial and industrial loans	73,483	18,726	47,768	15,318	13,733	2,260	6,044	384
36 U.S. addressees (domicile)	49,874	64	28,861	52	10,920	11	5,528	0
37 Non-U.S. addressees (domicile)	23,609	18,662	18,907	15,266	2,813	2,249	516	384
38 Acceptances of other banks	843	23	705	16	97	3	20	5
39 U.S. banks	630	0	552	0	62	0	0	0
40 Foreign banks	214	23	153	16	35	3	20	5
41 Loans to foreign governments and official institutions (including foreign central banks)	16,250	14,186	13,143	11,545	1,646	1,501	448	379
42 Loans for purchasing or carrying securities (secured and unsecured)	5,314	4	4,939	4	374	0	0	0
43 All other loans	1,522	174	988	106	167	53	244	0
44 All other assets	28,524	2,652	21,935	2,083	5,343	361	697	151
45 Customers' liability on acceptances outstanding	20,580	n.a.	15,781	n.a.	4,368	n.a.	192	n.a.
46 U.S. addressees (domicile)	12,380	n.a.	8,659	n.a.	3,446	n.a.	188	n.a.
47 Non-U.S. addressees (domicile)	8,200	n.a.	7,122	n.a.	922	n.a.	4	n.a.
48 Other assets including other claims on nonrelated parties	7,944	2,652	6,154	2,083	975	361	505	151
49 Net due from related depository institutions[5]	26,772	22,583	17,046	18,032	6,782	2,635	67	124
50 Net due from head office and other related depository institutions[5]	26,772	n.a.	17,046	n.a.	6,782	n.a.	67	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	22,583	n.a.	18,032	n.a.	2,635	n.a.	124
52 **Total liabilities**[4]	**316,822**	**159,404**	**236,365**	**125,745**	**49,179**	**22,175**	**16,262**	**6,361**
53 Liabilities to nonrelated parties	272,540	133,155	209,822	105,260	43,983	19,559	9,211	4,130

4.30 Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
54 Total deposits and credit balances	42,560	107,501	35,605	92,043	1,587	9,404	2,078	2,188
55 Individuals, partnerships, and corporations	33,996	13,674	27,731	10,740	1,402	369	1,680	57
56 U.S. addressees (domicile)	25,157	527	21,301	526	455	0	1,566	0
57 Non-U.S. addressees (domicile)	8,839	13,147	6,430	10,213	947	369	114	57
58 Commercial banks in United States (including IBFs)	5,023	37,550	4,536	30,476	76	5,434	382	1,139
59 U.S. branches and agencies of other foreign banks	1,736	29,962	1,370	24,479	40	4,268	318	900
60 Other commercial banks in United States	3,287	7,588	3,166	5,997	36	1,166	64	239
61 Banks in foreign countries	1,365	51,292	1,312	45,984	15	3,553	4	978
62 Foreign branches of U.S. banks	112	7,210	112	6,025	0	832	0	250
63 Other banks in foreign countries	1,252	44,082	1,200	39,959	15	2,721	4	728
64 Foreign governments and official institutions (including foreign central banks)	1,426	4,966	1,355	4,824	66	48	1	15
65 All other deposits and credit balances	328	20	295	19	6	0	1	0
66 Certified and official checks	422	n.a.	374	n.a.	21	n.a.	10	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	4,928	n.a.	4,291	n.a.	139	n.a.	148	n.a.
68 Individuals, partnerships, and corporations	3,039	n.a.	2,519	n.a.	109	n.a.	133	n.a.
69 U.S. addressees (domicile)	1,932	n.a.	1,637	n.a.	68	n.a.	129	n.a.
70 Non-U.S. addressees (domicile)	1,106	n.a.	882	n.a.	41	n.a.	5	n.a.
71 Commercial banks in United States (including IBFs)	361	n.a.	343	n.a.	3	n.a.	0	n.a.
72 U.S. branches and agencies of other foreign banks	132	n.a.	130	n.a.	1	n.a.	0	n.a.
73 Other commercial banks in United States	229	n.a.	214	n.a.	1	n.a.	0	n.a.
74 Banks in foreign countries	761	n.a.	730	n.a.	4	n.a.	3	n.a.
75 Foreign branches of U.S. banks	55	n.a.	55	n.a.	0	n.a.	0	n.a.
76 Other banks in foreign countries	706	n.a.	675	n.a.	4	n.a.	3	n.a.
77 Foreign governments and official institutions (including foreign central banks)	248	n.a.	242	n.a.	1	n.a.	1	n.a.
78 All other deposits and credit balances	98	n.a.	83	n.a.	1	n.a.	1	n.a.
79 Certified and official checks	422	n.a.	374	n.a.	21	n.a.	10	n.a.
80 Demand deposits (included in transaction accounts and credit balances)	4,081	n.a.	3,573	n.a.	77	n.a.	140	n.a.
81 Individuals, partnerships, and corporations	2,673	n.a.	2,265	n.a.	49	n.a.	125	n.a.
82 U.S. addressees (domicile)	1,705	n.a.	1,487	n.a.	23	n.a.	120	n.a.
83 Non-U.S. addressees (domicile)	968	n.a.	778	n.a.	27	n.a.	5	n.a.
84 Commercial banks in United States (including IBFs)	142	n.a.	127	n.a.	1	n.a.	0	n.a.
85 U.S. branches and agencies of other foreign banks	3	n.a.	2	n.a.	0	n.a.	0	n.a.
86 Other commercial banks in United States	139	n.a.	124	n.a.	1	n.a.	0	n.a.
87 Banks in foreign countries	639	n.a.	610	n.a.	4	n.a.	3	n.a.
88 Foreign branches of U.S. banks	55	n.a.	55	n.a.	0	n.a.	0	n.a.
89 Other banks in foreign countries	585	n.a.	555	n.a.	4	n.a.	3	n.a.
90 Foreign governments and official institutions (including foreign central banks)	188	n.a.	183	n.a.	1	n.a.	1	n.a.
91 All other deposits and credit balances	17	n.a.	14	n.a.	1	n.a.	1	n.a.
92 Certified and official checks	422	n.a.	374	n.a.	21	n.a.	10	n.a.
93 Non-transaction accounts (including MMDAs, excluding IBFs)	37,632	n.a.	31,314	n.a.	1,448	n.a.	1,930	n.a.
94 Individuals, partnerships, and corporations	30,957	n.a.	25,213	n.a.	1,293	n.a.	1,547	n.a.
95 U.S. addressees (domicile)	23,225	n.a.	19,664	n.a.	387	n.a.	1,438	n.a.
96 Non-U.S. addressees (domicile)	7,733	n.a.	5,548	n.a.	906	n.a.	109	n.a.
97 Commercial banks in United States (including IBFs)	4,662	n.a.	4,193	n.a.	74	n.a.	381	n.a.
98 U.S. branches and agencies of other foreign banks	1,604	n.a.	1,240	n.a.	39	n.a.	318	n.a.
99 Other commercial banks in United States	3,058	n.a.	2,952	n.a.	35	n.a.	64	n.a.
100 Banks in foreign countries	604	n.a.	582	n.a.	11	n.a.	1	n.a.
101 Foreign branches of U.S. banks	57	n.a.	57	n.a.	0	n.a.	0	n.a.
102 Other banks in foreign countries	546	n.a.	525	n.a.	11	n.a.	1	n.a.
103 Foreign governments and official institutions (including foreign central banks)	1,179	n.a.	1,113	n.a.	65	n.a.	0	n.a.
104 All other deposits and credit balances	230	n.a.	213	n.a.	5	n.a.	0	n.a.
105 IBF deposit liabilities	n.a.	107,501	n.a.	92,043	n.a.	9,404	n.a.	2,188
106 Individuals, partnerships, and corporations	n.a.	13,674	n.a.	10,740	n.a.	369	n.a.	57
107 U.S. addressees (domicile)	n.a.	527	n.a.	526	n.a.	0	n.a.	0
108 Non-U.S. addressees (domicile)	n.a.	13,147	n.a.	10,213	n.a.	369	n.a.	57
109 Commercial banks in United States (including IBFs)	n.a.	37,550	n.a.	30,476	n.a.	5,434	n.a.	1,139
110 U.S. branches and agencies of other foreign banks	n.a.	29,962	n.a.	24,479	n.a.	4,268	n.a.	900
111 Other commercial banks in United States	n.a.	7,588	n.a.	5,997	n.a.	1,166	n.a.	239
112 Banks in foreign countries	n.a.	51,292	n.a.	45,984	n.a.	3,553	n.a.	978
113 Foreign branches of U.S. banks	n.a.	7,210	n.a.	6,025	n.a.	832	n.a.	250
114 Other banks in foreign countries	n.a.	44,082	n.a.	39,959	n.a.	2,721	n.a.	728
115 Foreign governments and official institutions (including foreign central banks)	n.a.	4,966	n.a.	4,824	n.a.	48	n.a.	15
116 All other deposits and credit balances	n.a.	20	n.a.	19	n.a.	0	n.a.	0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1986[1]—Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	31,853	1,330	24,624	782	5,869	489	836	5
118 U.S. branches and agencies of other foreign banks	8,495	680	6,378	413	1,815	240	118	5
119 Other commercial banks in United States	14,927	95	11,109	85	3,005	10	564	0
120 Other	8,431	555	7,137	284	1,048	239	154	0
121 Other borrowed money	61,568	21,947	34,773	10,535	21,746	9,368	3,629	1,798
122 Owed to nonrelated commercial banks in United States (including IBFs)	45,425	9,583	24,878	3,364	17,130	5,644	2,081	373
123 Owed to U.S. offices of nonrelated U.S. banks	21,919	2,297	13,051	1,176	7,070	960	837	48
124 Owed to U.S. branches and agencies of nonrelated foreign banks	23,506	7,285	11,827	2,188	10,060	4,684	1,244	325
125 Owed to nonrelated banks in foreign countries	11,667	11,077	6,407	5,888	3,737	3,720	1,451	1,425
126 Owed to foreign branches of nonrelated U.S. banks	1,840	1,676	599	453	1,000	1,000	231	213
127 Owed to foreign offices of nonrelated foreign banks	9,827	9,401	5,808	5,435	2,737	2,720	1,220	1,212
128 Owed to others	4,476	1,288	3,488	1,283	879	5	97	0
129 All other liabilities	29,058	2,376	22,778	1,900	5,377	298	480	139
130 Branch or agency liability on acceptances executed and outstanding	22,705	n.a.	17,580	n.a.	4,669	n.a.	204	n.a.
131 Other liabilities to nonrelated parties	6,353	2,376	5,197	1,900	709	298	275	139
132 Net due to related depository institutions[5]	44,283	26,250	26,543	20,485	5,196	2,615	7,051	2,230
133 Net due to head office and other related depository institutions[5]	44,283	n.a.	26,543	n.a.	5,196	n.a.	7,051	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	26,250	n.a.	20,485	n.a.	2,615	n.a.	2,230
MEMO								
135 Non-interest bearing balances with commercial banks in United States	2,109	63	1,938	63	68	0	49	0
136 Holding of commercial paper included in total loans	872	n.a.	465	n.a.	347	n.a.	45	n.a.
137 Holding of own acceptances included in commercial and industrial loans	3,807	n.a.	2,993	n.a.	615	n.a.	120	n.a.
138 Commercial and industrial loans with remaining maturity of one year or less	47,548	n.a.	29,731	n.a.	9,063	n.a.	4,755	n.a.
139 Predetermined interest rates	30,543	n.a.	17,571	n.a.	6,963	n.a.	3,581	n.a.
140 Floating interest rates	17,005	n.a.	12,160	n.a.	2,100	n.a.	1,174	n.a.
141 Commercial and industrial loans with remaining maturity of more than one year	25,935	n.a.	18,036	n.a.	4,670	n.a.	1,289	n.a.
142 Predetermined interest rates	9,291	n.a.	5,947	n.a.	1,670	n.a.	672	n.a.
143 Floating interest rates	16,644	n.a.	12,089	n.a.	3,000	n.a.	617	n.a.

4.30 Continued

Millions of dollars

Item	All states[2] Total excluding IBFs	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only[3]	California Total excluding IBFs	California IBFs only[3]	Illinois Total excluding IBFs	Illinois IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	47,054	n.a.	40,199	n.a.	1,503	n.a.	2,412	n.a.
145 Time CDs in denominations of $100,000 or more	30,837	n.a.	25,806	n.a.	1,131	n.a.	1,616	n.a.
146 Other time deposits in denominations of $100,000 or more	4,077	n.a.	3,758	n.a.	151	n.a.	124	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	12,140	n.a.	10,635	n.a.	221	n.a.	673	n.a.
	All states[2]		**New York**		**California**		**Illinois**	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
148 Market value of securities held	17,889	7,100	14,811	5,310	2,373	1,595	535	142
150 Immediately available funds with a maturity greater than one day included in other borrowed money	41,292	n.a.	23,826	n.a.	14,775	n.a.	2,078	n.a.
150 Number of reports filed[6]	471	....	219	....	117	....	46	....

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." Details may not add to totals because of rounding. This form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate International Banking Facilities (IBFs). As of December 31, 1985, data for IBFs are reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data are reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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Staff Studies 115–125 are out of print.

114. MULTIBANK HOLDING COMPANIES: RECENT EVIDENCE ON COMPETITION AND PERFORMANCE IN BANKING MARKETS, by Timothy J. Curry and John T. Rose. Jan. 1982. 9 pp.
126. DEFINITION AND MEASUREMENT OF EXCHANGE MARKET INTERVENTION, by Donald B. Adams and Dale W. Henderson. August 1983. 5 pp.
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Index to Statistical Tables

References are to pages A3–A73 although the prefix "A" is omitted in this index

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK, branch, or *facility*	Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON*	02106	Joseph A. Baute	Frank E. Morris	
		George N. Hatsopoulos	Robert W. Eisenmenger	
NEW YORK*	10045	John Brademas	E. Gerald Corrigan	
		Clifton R. Wharton, Jr.	Thomas M. Timlen	
Buffalo	14240	Mary Ann Lambertsen		John T. Keane
PHILADELPHIA	19105	Robert M. Landis	Edward G. Boehne	
		Nevius M. Curtis	Richard L. Smoot	
CLEVELAND*	44101	William H. Knoell	Karen N. Horn	
		E. Mandell de Windt	William H. Hendricks	
Cincinnati	45201	Owen B. Butler		Charles A. Cerino
Pittsburgh	15230	James E. Haas		Harold J. Swart
RICHMOND*	23219	Leroy T. Canoles, Jr.	Robert P. Black	
		Robert A. Georgine	Jimmie R. Monhollon	
Baltimore	21203	Robert L. Tate		Robert D. McTeer, Jr.
Charlotte	28230	Wallace J. Jorgenson		Albert D. Tinkelenberg
Culpeper Communications and Records Center	*22701*			John G. Stoides
ATLANTA	30303	John H. Weitnauer, Jr.	Robert P. Forrestal	
		Bradley Currey, Jr.	Jack Guynn	Delmar Harrison
Birmingham	35283	A. G. Trammell		Fred R. Herr
Jacksonville	32231	E. William Nash, Jr.		James D. Hawkins
Miami	33152	Sue McCourt Cobb		Patrick K. Barron
Nashville	37203	Patsy R. Williams		Jeffrey J. Wells
New Orleans	70161	Sharon A. Perlis		Henry H. Bourgaux
CHICAGO*	60690	Robert J. Day	Silas Keehn	
		Marcus Alexis	Daniel M. Doyle	
Detroit	48231	Robert E. Brewer		Roby L. Sloan
ST. LOUIS	63166	W.L. Hadley Griffin	Thomas C. Melzer	
		Mary P. Holt	Joseph P. Garbarini	
Little Rock	72203	Sheffield Nelson		John F. Breen
Louisville	40232	William C. Ballard, Jr.		James E. Conrad
Memphis	38101	G. Rives Neblett		Paul I. Black, Jr.
MINNEAPOLIS	55480	John B. Davis, Jr.	Gary H. Stern	
		Michael W. Wright	Thomas E. Gainor	
Helena	59601	Marcia S. Anderson		Robert F. McNellis
KANSAS CITY	64198	Irvine O. Hockaday, Jr.	Roger Guffey	
		Robert G. Lueder	Henry R. Czerwinski	
Denver	80217	James E. Nielson		Wayne W. Martin
Oklahoma City	73125	Patience S. Latting		William G. Evans
Omaha	68102	Kenneth L. Morrison		Robert D. Hamilton
DALLAS	75222	Robert D. Rogers	Robert H. Boykin	
		Bobby R. Inman	William H. Wallace	James L. Stull
El Paso	79999	Peyton Yates		Joel L. Koonce, Jr.
Houston	77252	Walter M. Mischer, Jr.		J.Z. Rowe
San Antonio	78295	Ruben M. Garcia		Thomas H. Robertson
SAN FRANCISCO	94120	Alan C. Furth	Robert T. Parry	
		Fred W. Andrew	Carl E. Powell	
Los Angeles	90051	Richard C. Seaver		Robert M. McGill
Portland	97208	Paul E. Bragdon		Angelo S. Carella
Salt Lake City	84125	Don M. Wheeler		E. Ronald Liggett
Seattle	98124	John W. Ellis		Gerald R. Kelly

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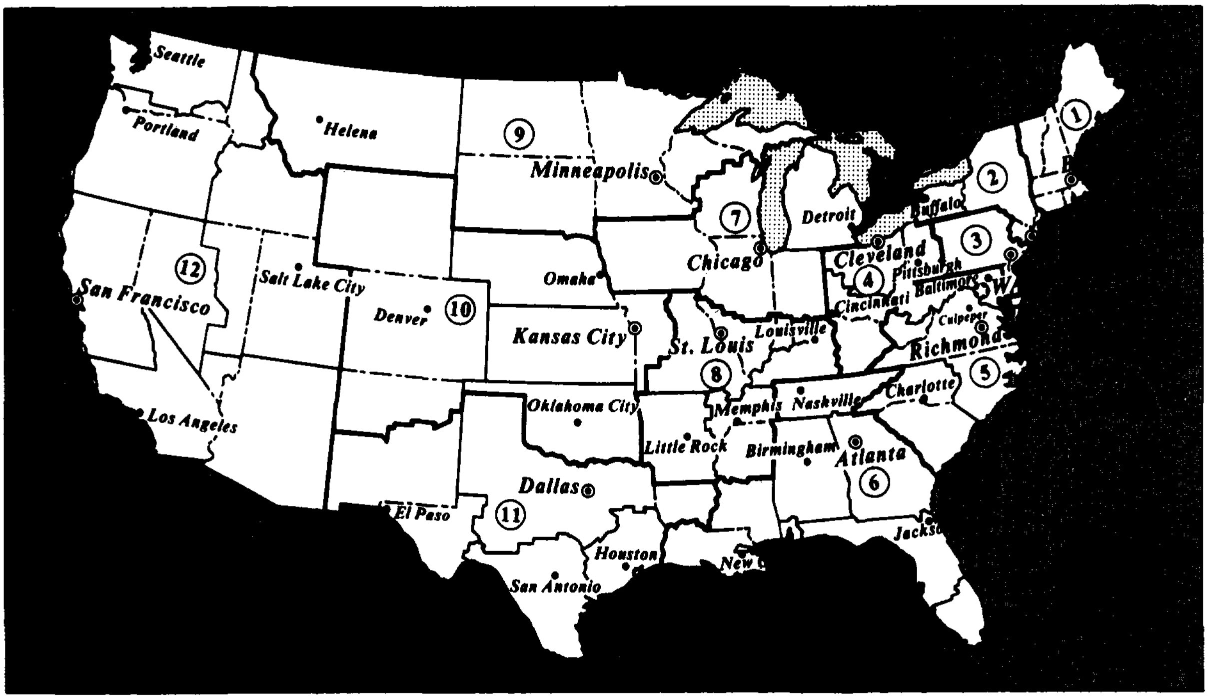
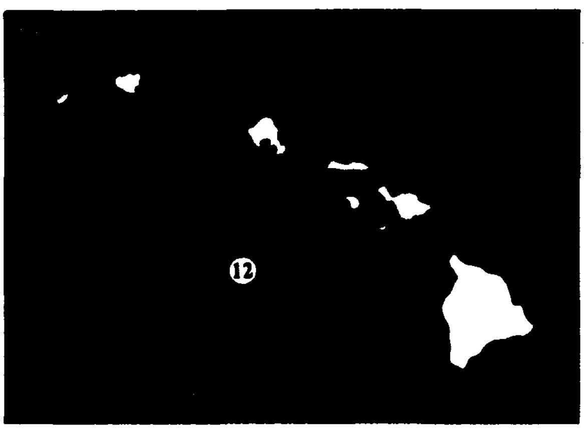
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories





LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

✪ Board of Governors of the Federal Reserve System

◉ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

· Federal Reserve Bank Facility