VOLUME 71 □ NUMBER 9 □ SEPTEMBER 1985

FEDERAL RESERVE BULLETIN

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

The FEDERAL RESERVE BULLETIN is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Unit headed by Mendelle T. Berenson, the Graphic Communications Section under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

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current degree of reserve restraint, abstracting from special situation borrowing by thrift institutions. The members expected such an approach to policy implementation to be consistent with growth of M1 at an annual rate of about 6 percent or a little higher for the period from March to June. Given the weakness in M2 and M3 in April, growth in these broader aggregates over the three-month period was now expected to be slower than had been anticipated at the time of the previous meeting. The members agreed that somewhat lesser restraint on reserve conditions would be acceptable in the context of substantially slower growth in the monetary aggregates, while somewhat greater restraint might be appropriate if monetary growth were substantially faster. It was understood that the need for lesser or greater restraint would be considered against the background of developments relating to the strength of the business expansion, inflationary pressures, and conditions in domestic credit and foreign exchange markets. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 6 to 10 percent.

Monetary Policy Report to the Congress

Report submitted to the Congress on July 16, 1985, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1985 AND 1986

The fundamental objective of the Federal Reserve in charting a course for monetary and debt expansion remains unchanged—to foster a financial environment conducive to sustained growth of the economy, consistent with progress over time toward price stability. In working toward those goals, developments with respect to the dollar and our external position have necessarily assumed greater prominence. More generally, while policy initiatives are stated in terms of growth rates of certain monetary and credit aggregates, the Federal Open Market Committee has emphasized the need to interpret those aggregates in the light of other information about the economy, prices, and financial markets. Moreover, the monetary targets for 1985 needed to be evaluated, and in the case of M1 adjusted, in light of the unusual and unexpected behavior of gross national product relative to money during the first half of this year.

Economic and Financial Background

Economic activity continued to expand during the first half of 1985, but at a relatively slow pace. Real gross national product probably increased at an annual rate of less than 2 percent, falling short of the expectations of many forecasters and of the rate anticipated for the year by members of the Federal Open Market Committee (FOMC) when they formulated their annual monetary policy plans in February. While the economic environment was conducive to the containment of inflation within the 3½ to 4 percent range of the past few years, there has been no further progress toward full employment of the nation's labor resources or industrial capacity. Indeed, the unemployment rate has remained at about 7¼ percent, well below the peak of the 1981–82 recession, but still at a historically high level.

The slowing of output growth, which began in the middle of 1984, has brought into sharper focus the unevenness of this business expansion and the significance of some basic structural imbalances in the economy. The federal budget deficit has remained in the neighborhood of $200 billion, rather than moving in the direction of balance as might normally be expected in the course of an upswing in economic activity. The heavy demands placed on the credit markets by the Treasury's financing activities have, in turn, been one factor helping to hold real interest rates at historically high levels. And those high rates have contributed to the strong demand of international investors for dollar-denominated assets and thus to the strength of the dollar on foreign exchange markets.

Although the dollar was little changed on balance over the first half, with a spike in its value early in the year being subsequently reversed, the adverse effects on the U.S. trade position of the appreciation of the preceding several years, together with slow economic growth abroad, were very much in evidence. U.S. firms continued to face severe competitive pressures, and our exports fell while our imports rose. The widening current account deficit was mirrored in the continuing gap between the growth of domestic spending and domestic production. Moreover, the effects of this imbalance were felt with particular severity in the manufacturing, mining, and agricultural sectors of the economy, in which

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

profitability was squeezed overall and employment declined.

The lagging growth of production, relatively well contained inflationary pressures on resources, and the high value of the dollar on exchange markets provided the backdrop for the conduct of monetary policy in the past several months. Reserves available to the banking system expanded substantially over the first half of the year, and the discount rate was cut one-half percent in the spring. With the economic expansion slowing, interest rates—which had declined sharply from the summer of 1984 to early 1985—dropped somewhat further on balance by midyear.

The declines in market interest rates in the latter part of last year and this year had substantial effects, lasting for a number of months, on the demands for assets contained in M1. Some savings apparently were shifted into interest-earning checking accounts (negotiable order of withdrawal accounts) from other instruments, and demand deposits also rose, as the cost of holding these accounts in terms of earnings forgone was reduced. As a result of the shifts of funds, M1 expanded at an annual rate of about 10½ percent over the first half of the year (measured from the fourth quarter of 1984 to the second quarter of 1985), well above the range of 4 to 7 percent established by the FOMC in February. At the same time, however, the broader monetary aggregates remained within their designated ranges. Over the period, M2 and M3 expanded at annual rates of 8¾ and 8 percent respectively, as compared with their growth ranges of 6 to 9 and 6 to 9½ percent. Growth in domestic nonfinancial sector debt over the first two quarters of the year was a little above its monitoring range of 9 to 12 percent, as debt issued to finance mergers and otherwise retire stock issues continued stronger than had been expected earlier.

The rapid growth of M1 in the first half of the year was accompanied by a sharp drop in the velocity of the aggregate: M1 velocity—the ratio of nominal GNP to money—declined at an annual rate of about 5 percent. In some respects, that development is reminiscent of experience in 1982–83, when a large drop in interest rates also was accompanied by a marked decline in M1 velocity, with the attractiveness of M1-type balances enhanced by the availability of explicit interest on NOW accounts. There is evidence from recent experience, as well as from research on the interest responsiveness of the demand for money, suggesting that such episodes might be expected as the economy and financial markets adjust over time to further progress toward price stability and as the inflation premium in interest rates consequently diminishes. As this occurs, probably in unpredictable spurts, the public's demand for M1 will tend to rise and the level of M1 velocity could drop more or less "permanently." However, there will be uncertainty about such a conclusion until it becomes apparent in the period ahead whether velocity is returning toward trend or whether it is tending to rise rapidly because the public is reducing its "excess" money balances by spending or investing them; in the latter case, the drop in velocity in the past two quarters could be reversed to some extent.

The recent developments affecting M1 illustrate the still considerable uncertainties about the shorter-run behavior and trend of its velocity. Over the past three and a half years, the income velocity of M1 actually has declined slightly on balance. In contrast, over the preceding three decades, velocity had increased more than 3 percent per year, on average. Velocity changes are influenced by the behavior of interest rates, but the extent of interest rate impact is variable and may be changing as the public and depository institutions adjust to the new deposit instruments and deregulation of deposit ceiling rates of recent years. Moreover, the underlying trend of velocity will also be influenced by the rate of financial innovation. While that may slow down once the adjustment is made to a deregulated environment and with lower interest rates, increased computerization could also work toward a rise in velocity over time as the efficiency of the payments system increases.

Ranges for Money and Debt Growth in 1985 and 1986

In reexamining its M1 range for 1985 and in setting a tentative range for 1986, the Committee expected that velocity, after its sharp decline in the first half of this year, would cease falling rapidly—while recognizing that much of the recent decline may not be reversed. Allowance also needed to be made for the high degree of uncertainty surrounding the behavior of M1 velocity, given the experience of the past few years. To take account of these considerations, the base for the range of M1 was shifted forward to the second quarter of 1985, and the range was set to encompass growth at an annual rate of 3 to 8 percent over the second half of this year. This range contemplates a substantial slowing in growth from the pace of the first half, and the lower part of the range implies a willingness to see relatively slow growth should the recent velocity decline be reversed and economic growth be satisfactory.

The appropriateness of the new range will be under continuing review in light of evidence with respect to economic and financial developments, including conditions in foreign exchange markets. It was noted that, because of the burst of money growth in June, the current level of M1 is high relative to the new range. The Committee expected that the aggregate would move into the new range gradually over time as more usual behavior of velocity emerged.

For 1986, the M1 range was tentatively set at 4 to 7 percent. The Committee recognized that uncertainties about interest rates and other factors that could affect velocity would require careful reappraisal of the range at the beginning of that year. In addition, it was noted that actual experience with institutional and depositor behavior after the completion early next year of deposit-rate deregulation would need to be taken into account in judging the appropriateness of the ranges. At the beginning of next year, regulatory minimum balance requirements on Super NOW accounts and money market deposit accounts will be removed, and at the end of March 1986, deposit ceiling rates will be lifted entirely, affecting savings deposits and regular NOW accounts.

The accompanying table summarizes decisions with respect to the ranges of growth for the aggregates for 1985 and 1986. Except for M1 in 1985, the growth ranges apply to one-year periods measured on a fourth-quarter-to-fourth-quarter basis. The M1 range for 1985 applies to the second half of the year, as noted above.

With respect to the broader monetary and credit aggregates, the Committee reaffirmed the

Ranges of growth for monetary and debt aggregates
Percent changes

Aggregate	1985	Tentative for 1986
M1	3 to 8[1]	4 to 7
M2	6 to 9	6 to 9
M3	6 to 9½	6 to 9
Debt	9 to 12	8 to 11

1. Applies to period from second quarter to fourth quarter.

1985 ranges for M2, M3, and domestic debt that had been established in February. It is recognized, as at the start of the year, that actual growth over the four quarters of 1985 might be toward the upper parts of the ranges, and it was felt that this would be acceptable, depending on developments in the velocities of the various measures, as long as inflationary pressures remained subdued.

The tentative ranges for 1986 for M3 and total debt embody reductions from 1985—in the case of debt by a full percentage point and in the case of M3 by ½ percentage point on the upper limit. The range for M2 was left unchanged. In the case of the monitoring range for debt, it was assumed that, while debt might well continue its tendency of recent years to grow considerably faster than GNP, its expansion would be tempered by a drop-off in the net redemption of equity shares that has boosted corporate credit use dramatically in the past year or two.

Economic Projections

All the monetary ranges specified were felt to be consistent with somewhat more rapid economic growth than has characterized the first half of the year, as long as inflationary pressures remain contained. At the same time, Committee members felt that the present circumstances in the economy contain particular risks and uncertainties that can imperil progress toward either growth or price stability over the next year and a half. Clearly, the serious imbalances referred to earlier cannot be remedied through the actions of the central bank alone. Attainment of fully satisfactory economic performance and minimization of risks will require timely action in other areas of policy, here and abroad.

The economic projections of the members of the FOMC, as well as of the Reserve Bank Presidents who are not at present members of the Committee, are summarized in the accompanying table. The central tendency of the forecasts for real GNP points to some pickup in the pace of expansion in the second half of this year. The expected strengthening, given the slow growth in the first half, still would leave the GNP expansion for the year as a whole short of the range reported by the Federal Reserve in February and below the forecasts published by the administration to date.

The FOMC members and the other Reserve Bank Presidents expect growth in the range of 2½ to 3¼ percent during 1986. Such a rise in output is seen as entailing substantial gains in employment, enough to bring about a small decrease in the civilian unemployment rate to around 7 percent by the end of next year. With pressures in labor and product markets limited, most FOMC members and other Presidents foresee only a marginal increase, if any, in the rate of inflation in 1986. It should be noted, however, that these projections are based on an assumption that the exchange value of the dollar will not deviate substantially from its recent levels.

Economic projections for 1985 and 1986[1]

Item	FOMC members and other FRB Presidents: Range	FOMC members and other FRB Presidents: Central tendency
	1985	
Percent change, fourth quarter to fourth quarter		
Nominal GNP	6¼ to 7¾	6½ to 7
Real GNP	2¼ to 3¼	2¾ to 3
Implicit deflator for GNP	3½ to 4¼	3¾ to 4
Average level in the fourth quarter, percent		
Unemployment rate	6¾ to 7¼	7 to 7¼
	1986	
Percent change, fourth quarter to fourth quarter		
Nominal GNP	5½ to 8½	7 to 7½
Real GNP	2 to 4	2½ to 3¼
Implicit deflator for GNP	3 to 5½	3¾ to 4¾
Average level in the fourth quarter, percent		
Unemployment rate	6¾ to 7½	6¾ to 7¼

1. The administration has yet to publish its mid-session budget review document, and consequently the customary comparison of FOMC forecasts and administration economic goals has not been included in this report.

The projections for a pickup in GNP growth over the reduced rate of the first half of this year are based in part on the expectation that the declines in interest rates (and concomitant rise in stock prices) that have occurred over the past few quarters will be providing impetus to demand for goods and services in the months ahead. Consumer attitudes toward spending appear favorable, and housing activity already has shown improvement, although the FOMC members are somewhat concerned by the rising debt burdens of households and the increasing payment problems suggested by figures on consumer and mortgage loan delinquencies. In the business sector, inventory overhangs appear to be limited in scope and degree, and fixed investment seems to have picked up a little after exhibiting some weakness earlier this year; the lower cost of capital and desires to cut costs and maintain competitiveness are expected to keep investment on a moderate uptrend, even though pressures on capacity may not be great. Spending by the federal government and by states and localities is expected to grow rather slowly.

A key ingredient in many of the projections is the expectation that there will be a tendency in the coming year for our external position to stabilize, so that domestic production will more fully reflect the expansion of domestic demand. Developments in this area will, of course, depend in part on the course of economic expansion abroad. Were the U.S. external position to continue deteriorating as it has been, the sectoral imbalances in the economy would be exacerbated, creating further difficulties for many companies, their employees, and their communities. The draining off of income would jeopardize the sustainability of economic expansion, and the risks of economic and financial dislocations would intensify.

The FOMC members and other Presidents also assumed in their policy deliberations and in their projections that the Congress and the administration would achieve deficit reductions in the range of those in the recent House and Senate budget resolutions. Failure to move forward with those proposals would run a serious risk of reversing the favorable effects that congressional actions to date have had on investor expectations and would create a real impediment to the solution of the structural problems plaguing our economy today.

THE PERFORMANCE OF THE ECONOMY IN THE FIRST HALF OF 1985

After a year and a half of extraordinarily rapid growth, economic activity decelerated abruptly in the middle of 1984 and slowed somewhat further in the first half of 1985. Growth in real gross national product is estimated to have averaged less than 2 percent at an annual rate so far this year; the unemployment rate has remained flat at about 7¼ percent. Inflation has held at the lower pace reached during the 1981–82 recession.

To some extent, the moderation in growth during the past year has reflected the slowing in household and business spending that often occurs after the initial phase of cyclical recovery. Pent-up demand for housing and consumer durables generally fades as an expansion period lengthens, and growth in business fixed investment often exhibits some cyclical deceleration over time. However, the recent slowing in growth also reflects factors unique to this expansion.

In particular, this expansion has taken place in the context of a highly stimulative federal fiscal policy. Real GNP grew more rapidly in 1983 and the first half of 1984 than in any previous recovery since the Korean War. Ultimately, some slowing in growth would have been required to avoid inflationary overheating of the economy. However, even before that point was reached, the initial effect of the fiscal stimulus began to wane, dissipated in part through its contribution to a worsening U.S. competitive position in international trade and diversion of demand away from goods produced in the United States.

The pronounced increases in the merchandise trade and current account deficits have occurred as enormous federal deficits and resultant heavy borrowing by the federal government have added to other factors helping to keep U.S. interest rates at high levels, relative both to historical experience and to the rate of inflation. These credit demands have been met partly through a substantial inflow of foreign capital, which has been associated with a large appreciation in the foreign exchange value of the U.S. dollar. The strong dollar has encouraged U.S. consumers and businesses to increase greatly the portion of their expenditures devoted to imports, and at the same time has inhibited U.S. exports. Exports also have been restrained by slow growth in demand abroad. As a result, gains in domestic demand have outstripped those in domestic production by a wide margin throughout the expansion period.

The effects of the weakening trade balance in the past few years have been felt keenly in the manufacturing sector. Industrial production, which began to level off in the summer of 1984, remained stagnant in the first half of 1985, and employment in the manufacturing sector declined. The strong dollar also has exacerbated the economic problems of farmers, many of whom face difficult adjustments because of falling product prices and the need to service a large volume of debt accumulated during the inflationary period of the 1970s and early 1980s.

Thus far, however, the weakness in the manufacturing and agricultural areas has been more than offset by strong gains in other sectors. Domestic final demand rose at an annual rate of 3½ percent in the first quarter of 1985, about the same as in the second half of last year; second-quarter gains also appear to have been substantial. Spending in such interest-sensitive areas as autos and housing was particularly strong in the first half of 1985, reflecting in part lower credit costs that have emerged since mid-1984.

The strength of the dollar also has had a restraining influence on inflation, by reducing import prices and by forcing U.S. producers to adopt more competitive pricing strategies. Inflationary pressures have been limited, too, by the lack of pressure on resources here and the slack abroad. Most measures of overall price increase remained in the 4 percent range in the first half of 1985, but prices of manufactured goods rose little and significant downward pressures on prices were evident in markets for oil and basic commodities.

Growth in real disposable income continued to slow in the first half of 1985, reflecting smaller increases in interest income as well as weakness in manufacturing payrolls and in farm income. Nonetheless, gains in household spending, especially in the interest-sensitive sectors, were sizable and supported by continued heavy borrowing. As a result, the personal saving rate fell appreciably below last year's level of 6 percent.

Consumer spending for new cars was particularly strong in the first half. Total auto sales averaged nearly 11 million units at an annual rate, with sales of domestic models around their highest level for a six-month period since 1979. The strength in auto sales was partly attributable to the improved availability of many popular domestic models since the strike-related disruptions in production last fall. In addition, auto demand was bolstered by generally lower interest rates compared with those of last year and by some special financing programs offered by manufacturers. Sales of foreign cars were held down in the first quarter because supplies of Japanese models were limited at the end of the annual period for the voluntary export restraint program. Foreign car sales picked up in the spring and early summer, however, when Japanese cars shipped after the start of the new annual period began to arrive at U.S. dealerships.

Meanwhile, activity in the housing market has rebounded since last fall. Housing starts rose to an annual rate of 1.8 million units on average in the first five months of 1985, retracing nearly all of the decline that occurred in the latter half of last year after rates on fixed-rate mortgages temporarily rose to the 14 percent range. Housing activity generally has been quite robust in this expansion period despite high real interest rates. Demand for owner-occupied units has been buoyed by the movement of the "baby boom" generation into its prime home-buying years, as well as by the beneficial effects of stable house prices and innovative financing techniques, such as adjustable-rate mortgages, on the affordability of homes.

The strong gains in household spending over the past two and a half years have been accompanied by considerable alterations in balance sheets. The ratio of household debt to income has increased rapidly and is now well above its 1980 peak. Asset growth has been strong as well, however, and the ratio of financial assets to income has risen sharply in the past year, owing in part to the rapid rise in stock prices.

The incidence of payment difficulties on consumer installment debt has risen somewhat in the past half year or so from relatively low levels. Delinquency and foreclosure rates on home mortgages have been at high levels for some time, and they rose further in early 1985. The large number of defaulted mortgage loans partly reflects rates of unemployment that are still high and the weakness of home prices in many locales, which has left some homeowners with little equity to protect when they encounter financial difficulties. However, aggressive underwriting of some mortgages, including loans carrying lower payments in the first years, appears to be a contributing factor.

The Business Sector

Conditions in the business sector were mixed in the first half of 1985. Many industrial firms experienced pressures on profit margins in an environment of intense price competition and declining capacity utilization, and widespread financial strains continued to be present in the agricultural and energy sectors. At the same time, however, some other sectors of the economy recorded good gains in sales and income. Economic profits for corporations in the aggregate remained at the higher level reached after the sharp runup earlier in the expansion, with after-tax profits as a percent of GNP at the highest levels seen for any sustained period since the late 1960s.

Growth in business spending for fixed capital began to slow in the latter half of 1984, after a period of extraordinary expansion, and a further slowing occurred in the first part of 1985. The weakening has been most pronounced in equipment outlays, affecting both the high-technology categories and more traditional types of industrial equipment. Nevertheless, surveys of capital spending intentions taken in the first half of the year indicated that businesses still planned a healthy expansion in outlays for 1985 as a whole. A relatively large proportion of these expenditures reportedly was earmarked for replacement and modernization rather than expansion of capacity, reflecting a desire to cut costs and improve competitiveness. Meanwhile, spending for nonresidential construction, particularly offices and stores, continued at strong rates in the first half of 1985, and construction contracts rose further despite very high vacancy rates in many parts of the country.

The pace of inventory accumulation in the business sector has been moderate in recent months. In real terms, business inventories rose about $19 billion at an annual rate in the first quarter of 1985, compared with an average gain of $25 billion in 1984; inventory accumulation probably was still lower in the second quarter. Manufacturers, especially those facing intense import competition, have continued to be cautious in adding to inventories. Total stocks in this sector declined in both April and May, and inventory–sales ratios for the most part remain near historical lows. In the trade sector—with the notable exception of the car industry—inventory–sales ratios have remained a bit high, though, and selected efforts to pare stocks have continued.

With slower growth in investment in the first half of 1985, the gap between capital expenditures and internal funds of firms remained moderate. Nevertheless, businesses continued to borrow heavily, reflecting a continued massive amount of equity retirements by firms engaged in mergers and other corporate restructurings. As a result, debt–equity ratios have risen for a number of firms, especially in the petroleum industry in which a major restructuring is currently taking place. However, for most other firms, equity additions through retained earnings or sales of new shares have been considerable. With rising stock prices, debt–equity ratios for these firms, when their assets and liabilities are measured at current market values, have shown some decline in recent months.

Nonetheless, financial strains, in many cases related to the high foreign exchange value of the dollar, persist in some areas of the economy. In particular, low capacity utilization rates in a number of import-sensitive manufacturing industries, including machine tools, steel, some types of chemicals, and textiles, have intensified pressures on profitability. In addition, large segments of the farm sector continue to suffer greatly from reduced exports, depressed land prices, and low incomes; many farmers face serious debt-servicing problems, causing problems in turn for agricultural lenders. In the energy sector, continued downward pressure on world oil prices has caused petroleum drilling to be curtailed, which has strained the earnings of many oilfield equipment and servicing firms.

The Government Sector

Federal tax receipts continued to rise substantially in the first half of 1985, but so too did outlays, and the deficit for fiscal year 1985 likely will be around $200 billion. This deficit represents about 5 percent of total GNP and more than half of net private domestic saving. Federal purchases of goods and services, the part of federal spending that enters directly into GNP and constitutes about a third of total outlays, rose comparatively moderately in the first half of 1985; defense procurement, an area of rapid growth in spending over the past few years, grew at a reduced pace as outlays lagged more than is typical relative to appropriations. Real nondefense purchases (excluding the Commodity Credit Corporation) continued to be relatively flat.

Purchases by state and local governments were essentially unchanged in the first quarter but evidently rose in the second as construction outlays increased significantly in the spring. States and localities, many of which had serious fiscal difficulties in the last recession, generally have been cautious in raising spending throughout this expansion period, though they have been endeavoring to address the problem of an aging infrastructure. The combination of spending restraint and improved revenues, owing both to legislated tax increases and to rising incomes, has resulted in a substantial rise in the operating and capital account surpluses of state and local governments since 1982.

The External Sector

The external sector has come to play an increasingly important role in the U.S. economy. Merchandise imports have risen rapidly in this expansion, moving above 15 percent of real domestic expenditures on goods in the first half of 1985. The increase in import penetration has been widespread, occurring in both the consumer and the capital goods sectors as well as in industrial supplies.

Although U.S. exports increased in 1983 and 1984, they grew much less than imports and have not yet regained their previous peak. In the first half of 1985, exports, particularly of agricultural products, have declined somewhat. As a result of these trends, the current account deficit has widened dramatically over the past few years, reaching an annual rate of $120 billion in the first quarter of 1985.

Part of this imbalance reflects the stronger growth of demand in the U.S. economy since 1982 relative both to the other industrial countries and to the debt-burdened developing countries. Although this influence has lessened with the slowing of the U.S. economic expansion since the middle of last year, there has been no acceleration in growth in the other industrial countries, and many developing countries have continued to face financial constraints. The greater share of the imbalance, however, probably is attributable to the substantial appreciation of the dollar over the past few years. On average during the first half of this year, the trade-weighted value of the dollar was roughly 70 percent above its level five years earlier.

The appreciation of the dollar and the underlying demand of investors for dollar-denominated assets and other claims on the United States have been partly associated with differentials between real rates of return on U.S. and foreign assets. The enormous federal budget deficits have been an important factor contributing to these differentials. The moderation in interest rates that has accompanied the slowing of the economic expansion in the United States since mid-1984 appears to have eased some of the upward pressure on the dollar; after rising sharply through the first two months of this year, the exchange value of the dollar has trended downward and is now around the level of late last summer. Nevertheless, the high level of the dollar continues to limit the ability of U.S. producers to compete both at home and abroad.

Labor Markets

Growth in labor demand generally remained strong in the first half of 1985, and the number of workers on nonfarm payrolls increased 1.4 million. The bulk of the job growth was in the service and trade sectors, in which employment in the past six months has expanded at rates similar to last year's rapid pace. Increases in the restaurant and business services areas have been especially large. Construction employment also showed a sizable gain in the first half of 1985, along with significant growth in both residential and nonresidential construction. In contrast, manufacturing employment dropped about 220,000, with cutbacks in payrolls widespread among industries.

Despite the substantial gains in overall payroll employment, the unemployment rate has remained at about 7¼ percent, the level that has prevailed since last June. The labor force participation rate was up appreciably on average during the first half; the rise occurred primarily among adult women, who evidently were responding to the increase in job opportunities in the service and trade sectors in which 80 percent of adult women are now employed.

Wage inflation has remained restrained. Year-over-year changes in the employment cost index for wages and salaries, a relatively comprehensive measure for the private nonfarm business economy, have held steady at just over 4 percent for nearly a year. This is about 1 percentage point less than in 1983 and early 1984, and substantially below the peak rate of about 9 percent reached in 1980. The slowing in union wage increases over the past several years has been especially large. Union wage gains both in and out of manufacturing have been below the increases posted in nonunionized sectors for the past year and a half, causing a partial erosion of the differential that had built up over the years before the last recession. Major collective bargaining agreements negotiated in early 1985 indicate continued moderate wage growth in the unionized sectors.

Productivity in the nonfarm business sector appears to have declined in the first half of 1985, after increases amounting to 4 percent in 1983 and 2½ percent in 1984. Both the recent slowing in productivity and the substantial gains earlier in the recovery largely reflect the fact that employment tends to respond more slowly than output to changes in demand. However, improvements in productivity appear to continue to be a major priority of both workers and management, as evidenced by widespread reports of modernization of facilities as well as relaxation of work rules and other steps to enhance efficiency and hold down costs.

The combination of improved productivity growth and relatively restrained wage gains in this expansion has resulted in a sizable deceleration in the average rate of increase in unit labor costs relative to the previous several years. Although unit labor costs have risen this year in response to the downturn in productivity, they are still only about 3 percent above their year-ago level.

Price Developments

After slowing sharply in the recession, the broadest measures of inflation have held fairly steady at about 4 percent during much of the expansion. While the stability of the inflation rate during this expansion partly reflects some special factors, significant progress appears to have been made in reversing the underlying momentum of the inflationary process that sustained the wage–price spiral of previous years. Inflation expectations have been more subdued, and both labor and management have exhibited a better appreciation of the fact that gains in real incomes cannot be achieved simply by marking up nominal wages or prices.

The strong dollar has reinforced other factors holding down inflation in this expansion period, both directly by reducing the prices of imported goods and indirectly by forcing U.S. manufacturers to restrain price increases in order to remain competitive. Retail prices of goods excluding food and energy rose about 3½ percent, at an annual rate, in the first half of 1985, about the same as the average rate of change in the two preceding years. Increases in prices of nonenergy services, which have not been affected nearly so much by import competition, have continued to be substantial, averaging a 5½ percent rate in the past six months, the same as in 1984.

Energy prices have been quite volatile over the past year, mainly reflecting movements in gasoline prices. From the autumn of 1984 through February of this year, gasoline prices fell about 3½ percent, as refiners sought to reduce excess inventories. Production was adjusted downward as well, resulting in a spurt in prices in the spring. However, gasoline prices appear to have stabilized more recently, as inventory levels have returned to normal while crude oil supplies remain abundant. Food prices have risen only a little this year, reflecting the moderate rate of increase in processing costs as well as plentiful agricultural supplies.

Prices of basic industrial commodities, which rose markedly in the initial stages of this upswing in business activity, have been trending downward for the past year and a half. The demand for materials by U.S. manufacturers has been weak, and world supplies have been ample, owing in part to the expansion of capacity in many developing countries in the past decade and their need to maintain export revenues.

MONEY, CREDIT, AND FINANCIAL MARKETS IN THE FIRST HALF OF 1985

In February of this year, the FOMC established target growth ranges for the year (measured from the fourth quarter of 1984 to the fourth quarter of 1985) of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3. For domestic nonfinancial sector debt, an associated monitoring range was set at 9 to 12 percent. The M1 range for 1985 represented a reduction of 1 percentage point at the upper end from the range of the preceding year, while the range for M2 was unchanged. To reflect changes in the pattern of financial flows, the 1985 range for M3 was raised ½ point at the upper end, and the whole range for the debt aggregate was raised 1 percentage point. It was expected that these ranges would be adequate to encourage further real economic growth at a sustainable pace consistent with containment of inflationary pressures and a movement over time toward reasonable price stability.

In implementing policy throughout the period, the FOMC emphasized the need to evaluate growth in the monetary aggregates in the context of information available on economic activity, prices, and financial market conditions. Among other factors, the strength of the dollar and the related sluggishness of manufacturing activity required attention. As an operational matter, the degree of pressure on reserve positions of depository institutions was relatively unchanged during the period, and the discount rate was reduced once.

Money, Credit, and Monetary Policy

The unusually sharp drop in velocity in 1982 and early 1983, when growth of M1 greatly exceeded that of nominal GNP, had led the FOMC to place less reliance on M1 as an operational guide to policy. During the latter part of 1983 and in 1984, however, the patterns of M1 growth relative to other economic variables proved more consistent with historical experience, and Ml was given more weight in the conduct of policy. Nonetheless, considerable uncertainty remained, in part because of limited experience with the impact of deposit deregulation and financial market innovations on the behavior of M1 under varying economic and financial circumstances. Similar concerns about possible changes in the account offerings and pricing behavior of depositories and the asset demands of households affect all the monetary aggregates to some extent. These factors accounted in part for the need to interpret movement in the aggregates in the light of other information, including evidence on shifts in velocity.

In the event, monetary policy during the first half of the year had to be adapted to a further slowing in economic growth as manufacturing activity was essentially flat and the agricultural sector remained under pressure, to a continued high value of the dollar on exchange markets, and to a tendency for the velocity of money, particularly of M1, to fall. Price and wage pressures remained relatively well contained; indications of some acceleration in the early part of the year were followed by more moderate increases in subsequent months.

In that context, monetary policy basically accommodated the strong demands for reserves by depository institutions that emerged during the first half of the year. The total of adjustment plus seasonal borrowing varied within a generally narrow range over the period, though increasing for a time in the spring as a result of special situations affecting nonfederally insured thrift institutions in Ohio and Maryland. Reserve positions had been eased considerably in the latter part of 1984 and the early weeks of 1985. With an easing of reserve pressures and a slowing in

Growth of money and credit

Percent changes

Period	M1	M2	M3	Domestic nonfinancial sector debt
1984:4 to 1985:2	10.5	8.8	7.9	12.8e
1984:4 to June 1985	11.6	9.3	8.2	12.7e
Fourth quarter to fourth quarter				
1979	7.5	8.1	10.3	12.1
1980	7.5	9.0	9.6	9.6
1981	5.1(2.5)[1]	9.2	12.4	10.0
1982	8.8	9.1	10.0	9.1
1983	10.4	12.2	10.0	10.8
1984	5.2	7.7	10.4	13.6
Quarterly growth rates				
1984:1	6.2	7.2	9.2	13.0
2	6.5	7.1	10.5	13.0
3	4.5	6.8	9.5	12.6
4	3.2	9.1	11.0	13.4
1985:1	10.6	12.0	10.7	13.4
2	10.1	5.3	5.0	11.8e

1. M1 figure in parentheses is adjusted for shifts to NOW accounts in 1981.

e Estimated.

economic growth, interest rates had declined sharply from their late summer peaks through the very early weeks of this year.

The decline of interest rates appeared to stimulate, with usual lags of some months, a sizable increase in demands for assets contained in M1, principally interest-bearing checking accounts (NOW accounts). Shifts of long-term savings and liquid funds out of market instruments and time deposits into these accounts in the early months of the year entailed a substantial rise in total reserves to support them. As the public's asset preferences shifted toward components of M1, its income velocity declined sharply because holdings of these assets increased relative to the GNP. Only minimal effects on M1 growth likely resulted from shifts of funds into Super NOW accounts after the minimum-balance requirement was reduced from $2,500 to $1,000 at the beginning of the year because the bulk of the funds shifted appeared to come out of regular NOW accounts.

Most market interest rates rose about a full percentage point from their January lows in the course of the winter, though the level of rates remained well below the 1984 peaks. Demands for credit remained strong. Economic growth had picked up in the fourth quarter and early data for the first quarter, though mixed, seemed generally consistent with moderate growth. While, as noted, reserve growth was sizable during the quarter to accommodate shifts in the public's asset preference, reserves were provided somewhat more cautiously through open market operations during the period of most rapid acceleration of M1 growth in the first quarter.

By early spring, incoming economic data made it clear that the rate of economic expansion remained limited. Inflation rates continued generally low, prospects for further oil price declines helped damp inflation expectations, and the market responded positively to signs of possible congressional action to reduce the budget deficit. Growth of M1 moderated substantially, and the aggregate began to decelerate toward its longer-run range in late winter and early spring. Interest rates reversed their earlier rise as market expectations changed. Rate declines were also influenced by a cut in the Federal Reserve's discount rate in May of ½ percentage point to 7½ percent, which took place in the context of continued signs of economic weakness and against the background of restrained inflationary pressures and a strong dollar on exchange markets. By midyear, short-term rates were down to ¾ to 1¼ percentage points from levels around year-end, while long-term rates had declined about 1 to 1¼ percentage points.

Growth in M1 spurted once again in the late spring. To some extent, interest rate decreases contributed to a strengthening of demand for M1-type assets during the latter part of the second quarter. Growth of NOW accounts, which had moderated in late winter, picked up as offering rates on Super NOW accounts adjusted sluggishly to the renewed decline in market rates of interest. However, the strength of M1 also reflected an unusual surge in demand deposit expansion in May that extended into June at an even more rapid pace. The rise seems greater than is explainable by usual reactions to the reduced opportunity cost of holding such funds or to adjustments in compensating balances and may be partly related to sharp swings in U.S. Treasury balances. A question has been raised as to whether corporate cash management practices have become less aggressive in recent months, but there is no clear evidence on the point.

With the sharp late-spring expansion of M1, its velocity in the second quarter again declined at about the same rate as in the first. The decline in the velocity of M1 over the first half of this year—as well as the lesser declines in the velocity of M2 and M3—is reminiscent of experience in 1982–83. Indeed, both in the first half of this year and over the one-year period from mid-1982 to mid-1983 the income velocity of M1 declined at annual rates of about 4½ to 5 percent. The drop in M1 velocity in both periods appears to have reflected, to a considerable degree and with usual lags, declines in market interest rates, although the magnitude of the declines was in both cases somewhat more than could be expected based on past relationships of money, income, and interest rates.

Episodes of velocity decline may be inherent in the disinflationary process. As interest rates adjust downward in reflection of lowering inflation rates, households and firms become increasingly less reluctant to tie up portions of their funds in lower-earning transaction balances. The adjustment has not been steady. Yield declines have been bunched in time, and the ensuing bunched additions to money balances have led to sudden drops in velocity. Unfortunately, the timing of such velocity changes is no easier to predict than is the timing of interest rate changes. Deposit deregulation may have contributed to the extent of velocity adjustments by making the demand for the group of assets in Ml more responsive to interest rate changes than it used to be.

While growth of M1 was quite high relative to its long-run range for 1985, the broader aggregates remained generally within their ranges. Growth of M2 from the fourth quarter of 1984 to the second quarter of 1985, at an 8¾ percent annual rate, was a little below the upper limit of its range, expressed graphically as a cone based in the fourth quarter of 1984. However, expansion of this aggregate in June brought its monthly average a little above the upper end of the range.

Given the deregulation of bank deposit rates, the growth of M2 should be less affected over periods of as long as a half year by interest rate developments because offering yields on most of its components are adjusted in line with market rates and many of the shifts of funds engendered by interest rate changes are among assets within this broader aggregate. But because the adjustments in offering yields tend to lag market changes, M2 does show considerable short-term responsiveness to interest rate changes. Deposit rates, especially on money market deposit accounts (MMDAs), fell much less than market yields last fall, so M2 rose rapidly for several months. Then rising market yields in February and March held back M2. The nontransaction portion of M2 actually declined in April for the first time in 15 years, although this may have been partly the result of difficulties in seasonal adjustment owing to the limited experience with individual retirement accounts (IRAs), which are excluded from M2, and with tax payments made out of MMDAs and money market funds. After rates fell back, M2 picked up again strongly in late spring.

M3 growth, meanwhile, was comfortably within its target range during the first half of the year. Issuance of large CDs has slowed substantially from last year at both banks and thrift institutions. Core deposit flows have accelerated while the rate of loan expansion has held about steady. Furthermore, perhaps in response to new Federal Home Loan Bank Board regulations raising net worth requirements for fast-growing institutions, thrift institutions have reduced net acquisitions of assets. In doing so, some institutions have taken advantage of declining yields by using the capital gains from asset sales to boost reported earnings.

Growth in total debt remained extremely strong in the past two quarters, averaging a bit above its monitoring range, though below the record pace of 1984. Federal government borrowing continued to absorb more than a fourth of total funds made available to domestic nonfinancial sectors. An increasing proportion of the Treasury's debt carries distant maturity dates; 90 percent of net marketable borrowing this year has been in issues of notes and bonds maturing in 2 to 30 years. Issues of 20- and 30-year debt, in particular, are increasing and now dominate the new-issue market for taxable long-term bonds, accounting for more than two-thirds of new offerings in that maturity class. This large volume of new long-term debt has changed the makeup of the secondary market as well. The supply of Treasury issues outstanding with 15 or more years remaining to maturity has doubled in little more than 2 years, while the amount of private issues in that maturity range has shown little net change.

Borrowing of state and local governments has been unexpectedly strong so far this year, but an unusually high proportion has been for advance refunding of existing issues, as governments have sought to take advantage of lower interest rates. Because the funds borrowed in such operations are reinvested in financial instruments, they have little net impact on credit market pressures. Indeed, most of these funds are required by law to be invested in specially issued Treasury debt, thus reducing the Treasury's need for public offerings. Single-family housing revenue bonds have slowed from the second half of last year. But last year's issues were heavily concentrated in the later part of the year because of delays in the reauthorization of such bonds; recent volume has been close to the 1984 average rate.

Business credit demands have remained strong this year. Slowing growth of both profits and expenditures for fixed capital and inventories has, on balance, had little effect on total borrowing needs. Corporate borrowing has been heavier in the short-term paper and loan categories than in bonds, but not to the same extent as in the early part of 1984 when interest rates were rising. In addition, while new-issue bond volume has picked up in response to the lowest long-term yields in five years, maturities of new bond issues have been concentrated in the short- and intermediate-term areas, as they were last year.

An unusual portion of the borrowing, also like last year, has been used to finance equity retirements of one sort or another. Mergers, buyouts, share repurchases, and swaps with shareholders of new debt for stock have continued on the same massive scale as last year. Borrowing initiated with the purpose of financing these transactions may have accounted in gross terms for more than a percentage point of the growth rate of total nonfinancial debt over the first half. But such an estimate may overstate the net effects of recent corporate recapitalizations on debt growth. A number of firms involved in mergers or restructurings this year and last have recently completed large asset sales, some for the explicit purpose of repaying debt. Furthermore, merger activity may be indirectly responsible for some of the increased new equity offerings because of its generally stimulative effect on stock prices as funds paid to shareholders are reinvested.

Household borrowing also has remained strong. Demand for mortgage loans has been buoyed by declining interest costs. At the lower rates, households have found adjustable-rate loans less attractive than last year, reducing from two-thirds to about one-half the proportion of new conventional mortgages with these features. Installment debt continued to rise faster than income in the first half of the year, but the second-quarter data show some deceleration in line with signs of a slowing in the growth of consumption spending on large-ticket items.

Other Developments in Financial Markets

Signs of strain in financial markets have persisted this year, but without causing major disruptions in general credit market conditions. Although the government securities market as a whole has been performing well, the failures of three secondary government securities dealers caused losses, sometimes substantial, for some of their customers. A number of local governments and savings and loans were among those hurt, and losses by one large thrift institution in Ohio had further repercussions, threatening to bankrupt the statewide private insurance system and, for a time, generating some concerns here and abroad about the safety of other financial institutions. Runs on privately insured savings and loans in Maryland, some of which also lost money as a result of the failure of securities firms, followed the problems in Ohio. Privately insured savings and loans in both states were closed or limited to small withdrawals for a time, causing serious inconvenience to some depositors, and some institutions remain closed or restricted.

However, these various problems have been relatively well contained, without significant effects on other institutions and markets. A number of institutions have switched to federal insurance. And the Federal Reserve, acting in its role as lender of last resort, made advances to nonfederally insured thrift institutions in Ohio and Maryland to help facilitate adjustments in the face of large deposit outflows. For a while, the borrowing affected the amount of adjustment credit at the discount window but because of the special conditions did not add to reserve market pressures as perceived by other institutions. After a time the borrowings were classified as extended credit.

The thrift industry as a whole continues to suffer from low net worth and mismatched balance sheets, but the recent declines in interest rates are improving earnings. The Federal Home Loan Bank Board (FHLBB) has taken a number of steps, including increased capital requirements for rapidly growing institutions, to encourage the stabilization of the industry over time. Capital requirements also have been raised for banks, some of which have suffered from a high incidence of nonperforming loans and loan losses in recent quarters. The troubled loans are concentrated in energy, agriculture, and real estate sectors and to borrowers of some foreign countries. Bad news about the loan portfolios of individual institutions and other reported losses have produced some ripples in market rates generally, but spreads between borrowing rates of financial institutions and the Treasury have been quite low for the most part. To some extent, loan losses reflect overly aggressive lending decisions, but the problems of borrowers in the hardest hit industries are partly a result of difficult adjustment to a higher value of the dollar and lower rates of inflation than were expected when the loans were made. In the agricultural as in other sectors, investors and borrowers have discovered that the inflation of land and commodity prices can no longer be taken for granted.

In light of strains relating to agricultural credit, the Federal Reserve liberalized its regular seasonal borrowing program and initiated a temporary special seasonal program. However, there has been only relatively limited use of seasonal credit owing to the easing of money market conditions as the spring progressed.

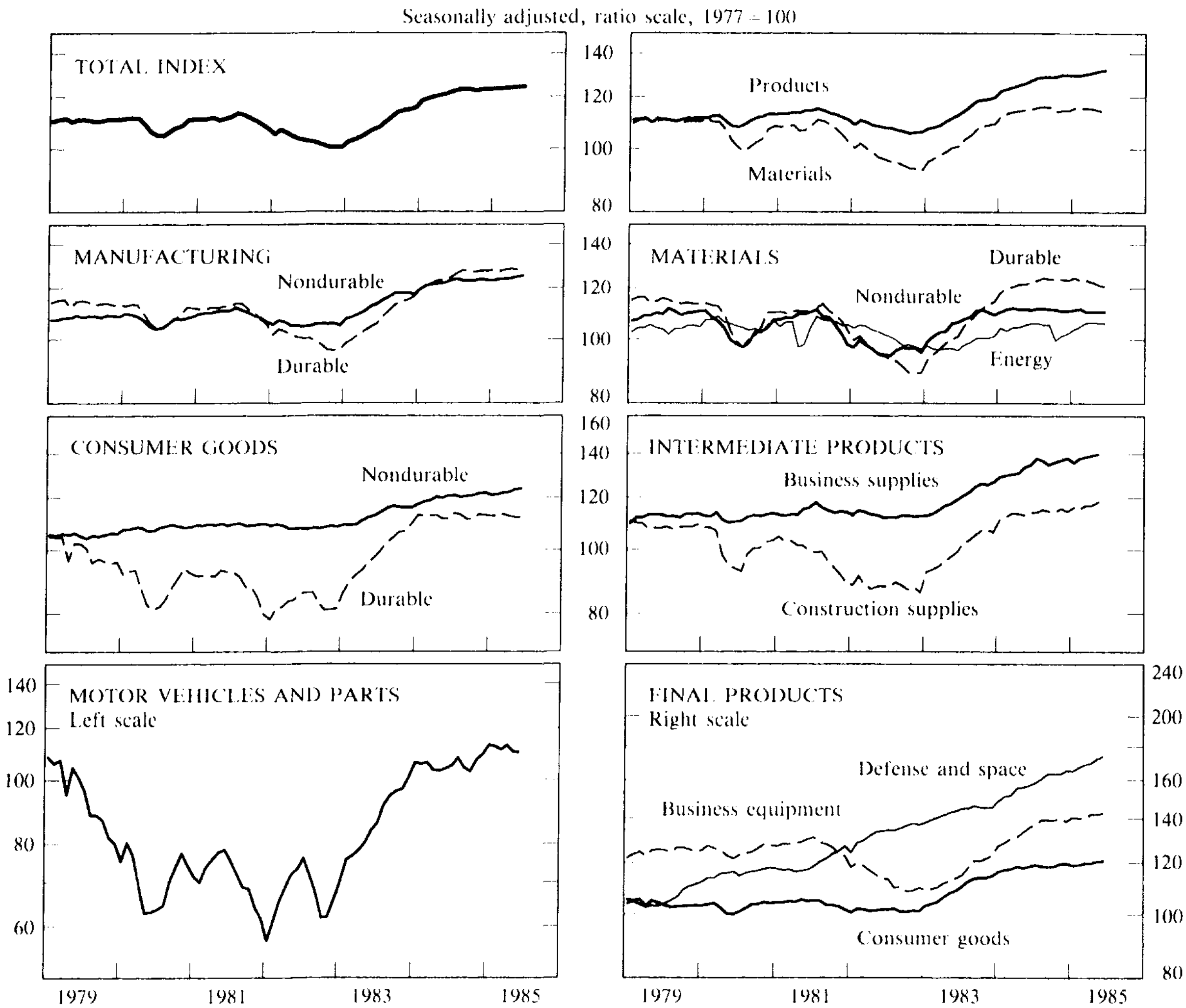
With regard to conditions among nonfinancial businesses, the prospects of some of those in the weaker industries—especially those most adversely affected by the high dollar—are subject, of course, to considerable uncertainty. But, in addition, many firms have deliberately chosen a more precarious financial structure in order to enhance current market valuations of shares or to fend off undesired takeover bids. Nevertheless, financial markets have not shown generalized concern about corporate financial structure; notably, spreads between corporate and Treasury debt are unusually narrow, having shrunk since the beginning of the year. □

Industrial Production

Released for publication July 18

Industrial production edged up 0.1 percent in June following a similar rise in May. At 124.6 percent of 1977, the new base year, output is 1.8 percent above a year earlier. In June, gains in production occurred in consumer goods, equipment, and intermediate products; but output of materials declined. Second-quarter industrial output was 0.5 percent above the first quarter.

In market groups, production of consumer goods increased 0.2 percent in June, largely reflecting a gain in nondurable consumer goods. Autos were assembled at an annual rate of 8.0 million units—off slightly from the May rate. Business equipment, one of the groups affected



All series are seasonally adjusted and are plotted on a ratio scale.

Auto sales and stocks include imports. Latest figures: June.

Group	1977 = 100		Percentage change from preceding month					Percentage change, June 1984 to June 1985
	1985		1985					
	May	June	Feb.	Mar.	Apr.	May	June	
	Major market group							
Total industrial production	**124.4**	**124.6**	**.1**	**.3**	**.2**	**.1**	**.1**	**1.8**
Products, total	131.6	132.1	.1	.4	.5	.5	.4	3.6
Final products	132.1	132.6	.0	.3	.5	.5	.3	3.4
Consumer goods	120.6	120.8	.2	.6	.1	.6	.2	2.0
Durable	112.3	112.4	.1	.5	−.5	−.5	.1	.7
Nondurable	123.6	123.9	.3	.6	.3	.9	.2	2.5
Business equipment	142.1	142.6	−.3	.1	1.3	.0	.3	5.2
Defense and space	172.6	174.3	1.2	1.1	6	1.5	1.0	10.9
Intermediate products	130.0	130.6	.7	.7	.4	.7	.5	4.2
Construction supplies	118.3	118.8	−.5	1.0	.2	1.0	.4	4.0
Materials	114.5	114.2	.0	.1	−.3	−.6	−.2	−.8
	Major industry group							
Manufacturing	126.7	126.9	−.1	.4	.3	.0	.2	2.2
Durable	128.0	128.1	−.5	.6	.3	−.3	.1	2.7
Nondurable	124.9	125.3	.5	.1	.3	.5	.3	1.7
Mining	110.6	110.4	−.9	.9	.2	.0	−.2	−2.7
Utilities	113.0	112.8	2.5	−1.7	−.2	−.5	−.2	1.2

NOTE. Indexes are seasonally adjusted.

by definitional changes, increased 0.3 percent following no change in May and a large rise in April. Output of defense equipment and of construction and business supplies continued to increase in June. Materials production, however, declined 0.2 percent, mainly reflecting further reductions in basic metals and in equipment parts. Nondurable goods materials and energy materials changed little.

In industry groups, manufacturing output gained 0.2 percent in June, but mining and utility output was down 0.2 percent.

The Revision of the Index[1]

The 1985 general revision of the index, the first since 1976 and the sixth since the 1920s, involves the following major modifications:

1. The reference year of the index was moved from 1967 to 1977 = 100, changing the level of the index.
2. The weights used to combine the production indexes were updated through 1977.
3. The number of basic index series was increased from 235 to 252.
4. The industry classification of the series now follows the 1977 Standard Industrial Classification (SIC); the old index used the 1967 SIC. Also, compositional changes have been made in the aggregates for a number of groups.
5. Indexes were revised, using various sources, including the 1972 and 1977 *Census of Manufactures*, the *Annual Surveys of Manufactures* through 1981, and others.
6. New seasonal factors were calculated from data through 1983 for the individual series and from data through 1984 for the aggregates.

The July 1985 issue of the FEDERAL RESERVE BULLETIN (pp. 487–501) contains an article providing a detailed description of the revision and its results. A technical manual, expected to be issued early in 1986, will describe the basic concepts; the estimating procedure of the monthly series; the benchmarking, aggregation, and weighting techniques; and the method of seasonal adjustment, as well as the uses, limitations, and history of the index.

1. Historical data for the seasonally adjusted total index and for several main groups of the production index are included in the supplement to this release. A complete historical tape (order no. PB85-217602) of all published series is available from the National Technical Information Service of the U.S. Department of Commerce, 5285 Port Royal Road, Springfield, Virginia 22161; telephone (703) 487-4650.

Those interested in selected industrial production series may receive copies of printouts that contain up to ten series by writing the Industrial Output Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 9, 1985.

I appreciate this opportunity to present the views of the Federal Reserve on regulation of the market for Treasury and federally sponsored agency securities. My remarks will be relatively brief, Mr. Chairman, because your subcommittee is already well informed about the developments that have prompted consideration of the need for formal regulation of these markets. Indeed, you and your colleagues have played a leading and a very valuable role through the years in exploring the difficulties that have arisen in these markets and the efforts of the Federal Reserve and others to deal with them.

Recently, in testimony before another subcommittee of the House, I set forth the basic position of the Federal Reserve on the need for regulation of the market for Treasury securities. We have concluded that legislation providing for registration, inspection, and *limited* regulation of government security dealers would be desirable.

In arriving at this conclusion, we have noted that the recent problems have not substantially affected the core of the government securities market—that is, dealers accounting for the bulk of trading activity and marketmaking and for participating regularly in the distribution of new Treasury securities. The market has continued to function with a high degree of efficiency and liquidity.

We also recognize that any regulation inevitably involves additional costs for at least some of the participants in the market. However, we believe that legislation can, and should, be framed in a manner to avoid unnecessarily detailed and costly regulation and supervision—that the mandate given to the regulatory body (or bodies) should provide only limited powers directly related to protecting the integrity of transactions in the market.

Moreover, as depositors and taxpayers in Ohio and Maryland can attest, there have been considerable costs growing out of recent market weaknesses, extending even beyond losses to the parties directly involved in government securities transactions. While regulation will not, and can not, avoid all potential losses from fraud or otherwise, we do believe that registration, inspection, and some regulation could help reduce the risks to third parties.

In our view, any structure of regulation for the Treasury market should embody—and be confined to—three principal elements.

First, it should provide for registration of dealers and for authority to bar or limit the participation of those who, through violations of securities laws or otherwise, have clearly demonstrated that they should not be allowed to occupy a position of trust in the government securities markets. While a registration requirement can raise difficult issues, including the necessity to define a dealer, it is important that those who have been disciplined in other markets not be allowed to find refuge in trading government securities—the very securities investors turn to for assurance of relative safety and liquidity.

Second, registration implies the need for certain minimum guidelines for recordkeeping and auditing so that continued adherence to the standards established for registered dealers can be monitored. To assure the adequacy of these reports and the conformance to standards, legislation should include the authority to inspect registered dealers on a regular basis and when problems are suspected.

Finally, there should be some mechanism for writing and enforcing rules to foster the financial soundness of government securities dealers and to encourage, in a limited area, market practices consistent with the safety and the efficiency of the market. Obvious cases in point are guidelines with respect to capital and such practices as the collateralization of repurchase agreements (RPs). Legislation might permit regulation of certain other practices—such as appropriate margins or when-issued trading, if needed—but authority should be confined to areas that involve a direct threat to the integrity of the marketplace.

Let me underline this last point. The potential costs of highly detailed and expansive regulations are real. Preserving the extraordinary liquidity and resiliency of this market is essential to the conduct of monetary policy and to the management of the public debt. Official intrusion into this market beyond that considered absolutely essential to promote its safety and soundness—for example, imposing on this market the degree of regulation characteristic of other securities markets—is unnecessary and could impair its basic efficiency and liquidity. Within the limited framework that we would propose, costs of regulation would be quite modest relative to the size of the market, and regulation could reinforce the performance of, and confidence in, the market.

The framework that we have in mind for regulation could be implemented through a number of different administrative structures to deploy effectively the expertise of the relevant regulatory bodies in the process of registration, supervision, and regulation. One such approach is embodied in the joint proposal developed by the Treasury, the Securities and Exchange Commission, and the Federal Reserve. That proposal, as you know, provides for registration with the Treasury, or with the Securities and Exchange Commission (SEC) if the preference of that agency were to be adopted, basic rulemaking authority by the Treasury in consultation with the Federal Reserve, and enforcement by banking agencies or by existing self-regulatory organizations (SRO) under supervision by the SEC, depending on whether the dealer firm is a bank or a nonbank. That proposal encompasses all the elements that we consider necessary, including limitation on the scope of regulation. Properly implemented, with ample consultation between Federal Reserve and the Treasury, we would find this approach acceptable.

The two bills under specific consideration by this subcommittee—H.R. 2521 and H.R. 1896—embody other approaches. Although there are large differences between the two bills in the scope of regulation, both bills would center the responsibility for registration and regulation in the Federal Reserve.

The Federal Reserve does have a strong interest in seeing that the job of overseeing the government securities market is done well, that the integrity of the marketplace is reinforced, and that regulation not be unduly burdensome. Reflecting those interests, we expect to continue to play a key role in the surveillance of the primary dealers with whom we trade. We would also want to work closely with those responsible for registration and for rulemaking authority generally. We have not felt it necessary or sought, however, to have these latter responsibilities directly under our authority. Alternative arrangements would be consistent with the requirements as we see them.

For instance, an alternative arrangement to the "joint proposal" with some appeal would fit regulation and oversight within a framework of a new SRO for dealers in Treasury and federally sponsored agency issues. The SRO approach would involve directly in the rulemaking process those with the fullest knowledge of market practices and the most intense interest in minimizing the burden of regulation. The mandate for rulewriting provided that such an SRO should be carefully prescribed and limited. The SRO would, of course, need to report to, and be subject to the jurisdiction of, a federal agency or some combination of agencies. We believe that we should participate in that oversight process.

Your bill, H.R. 2521, captures some of the advantages of this approach by creating an advisory council to work with the Federal Reserve, although the council would have no legal responsibility for rulemaking. If rulemaking were in any event narrowly circumscribed by law, an advisory council might serve as an alternative to an SRO.

The bill that was introduced by Congressmen Dingell and Wirth simply transformed an existing SRO, the Municipal Securities Rulemaking Board (MSRB), by providing it with authority over the entire government market. We have opposed this proposal because the two markets—for federal and municipal securities—are so different. The authority of the MSRB is considerably broader in scope than we view as necessary, growing out of the regulatory needs of a market with a large number of small issuers, a multiplicity of issues and financing techniques, and small investors. At the same time, the MSRB has no, or little, experience with one of the principal problems in the Treasury market, collateralization of repurchase agreements, since that instrument is not so widely employed in the municipal market. In addition, we question whether the SEC, acting alone as provided for in the Dingell–Wirth bill, is the most suitable agency for exercising ultimate oversight for the Treasury and the sponsored agency market.

With respect to the specific provisions of H.R. 1896 and H.R. 2521, we can see problems with each. The former is too sweeping; it simply grants the Federal Reserve Board the authority to regulate government securities dealers without specifying the nature of that regulation or its purpose. As I stated before, in our view any regulatory authority over this market given to any agency should be strictly limited to those market practices that threaten the integrity of the market.

Your bill is in some respects too narrow. For one, regulation of trading practices appears to be limited to the segregation of customer securities and to the delivery of collateral. These issues may be the most obvious ones now facing the market, but I would hesitate to rule out the possibility of problems emerging in other areas. It is for this reason that I would include authority to regulate when-issued trading and to set margin requirements, with the clear understanding that such authority would not be used unless it were needed to deal with practices that posed clear threats to the integrity and efficient functioning of the market.

In addition, rules promulgated by the Federal Reserve under your structure would apply only to nonbank, nonregistered, nonprimary dealers. Apparently depository institutions and dealers registered with other agencies would be subject to rules of those agencies. But we think that the basic rules governing dealer behavior should be applicable, in their essentials, to all dealers. It would seem to us most practical in that context to vest the basic rulemaking authority for the dealer market in one federal authority (whether a single agency or some combination).

H.R. 2521 seems to rely on the Federal Reserve to inspect the nonbank secondary dealers, rather than an existing SRO. No matter which authority registers these dealers or writes the rules for their trading practices, I believe that routine enforcement could more efficiently be conducted through existing channels. That enforcement could be accomplished by having nonbank dealers who are not otherwise registered be inspected by the National Association of Securities Dealers.

In any event, as I have mentioned, we feel it necessary and appropriate to continue our surveillance of all primary dealers through the Federal Reserve Bank of New York. I do not believe that we need any new or special legislative base for that effort.

We will continue to insist that primary dealers play an active role in Treasury financing operations and will continue to collect data from them that we need on a regular and a frequent basis. And we would anticipate that they will continue to meet high financial standards, even beyond those required of other dealers.

In conclusion the Federal Reserve supports legislation providing for registration, inspection, and limited regulation of dealers in government and sponsored-agency securities. For the reasons indicated, I do not believe that the provisions of either H.R. 2521 or H.R. 1896, as drafted, provide a wholly appropriate framework for such regulation.

We do find the joint Treasury–SEC–Federal Reserve plan acceptable for these purposes. At the same time, we do not exclude the possibility that other regulatory structures could work as well, or even better.

We would, of course, be glad to work further with the subcommittee in developing these concepts into appropriate legislation. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 17, 1985.

I welcome the opportunity to review with you monetary policy in the context of recent and prospective economic and financial developments. The economic setting and the decisions of the Federal Open Market Committee with respect to the target ranges for the monetary and credit aggregates are set out in the semiannual Humphrey–Hawkins report, which was transmitted to you this morning. (See pages 671–84 of this BULLETIN.) As usual, I would like to amplify and develop some aspects of those decisions in my testimony.

THE ECONOMIC AND FINANCIAL ENVIRONMENT

The pattern of slower, and more lopsided, growth in domestic output that developed during the latter part of 1984 became even more pronounced during the first half of 1985. Manufacturing activity overall has been essentially flat after exceptionally large gains earlier in the expansion period. The farming and mining sectors have remained under strong economic and financial pressure. But consumption—supported directly and indirectly by large increases in personal and federal debt—has continued to rise fairly strongly. Construction activity has also expanded, responding in part to lower interest rates. Despite recent losses of manufacturing jobs, employment growth in services and trade has been strong enough to keep the overall unemployment rate essentially unchanged at about 7¼ percent.

The contrast between marked sluggishness in the goods-producing sector of the economy and rising domestic consumption and demand is reflected in continuing strong growth in merchandise imports. Those imports in real terms are up about 60 percent in three years; in manufactured goods alone the increase has been even more rapid. Overall, imports have now reached a level equivalent to 21 percent of the value of domestic production of goods. In contrast, exports have stagnated and now account for only about 14 percent of goods output.

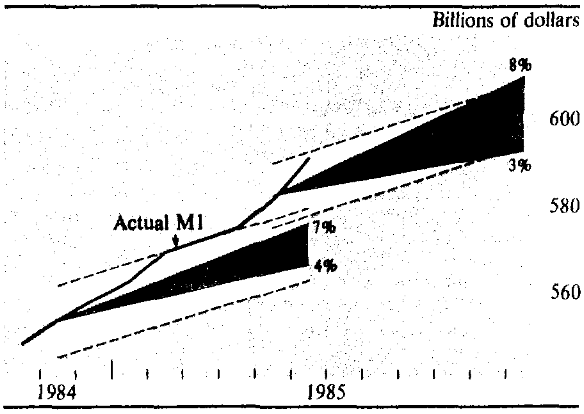
I can put the same point another way. Domestic final sales—to consumers, to businesses, and to governments—appear to have been expanding at a relatively brisk rate of more than 4 percent so far this year. Domestic output of goods and services has not nearly kept pace, rising at a rate of about 1½ percent or perhaps less. That is partly because inventory accumulation has slowed. But it is mostly because more of the domestic demand is being satisfied by growing imports.

That development was true earlier in the expansion period as well. But we have felt it more as growth in demand has slowed to a more sustainable rate. Another potentially disquieting development has been the apparent failure of productivity to maintain the strong gains that were achieved earlier in the expansion period. The implication is that the underlying trend may not have increased as much as had been hoped from the poor record of the 1970s.

Against those crosscurrents in the economy this year, the Federal Reserve, in conducting its open market operations, has not appreciably changed the degree of pressure on bank reserve positions, which had already been substantially eased by the end of 1984. In May, the discount rate was reduced from 8 percent to 7½ percent. That action was consistent with the general tendency of market interest rates to decline further over the period, extending the rather sharp reductions during the autumn and early winter. Both the discount rate and short-term market interest rates in May and June reached the lowest levels since 1978.

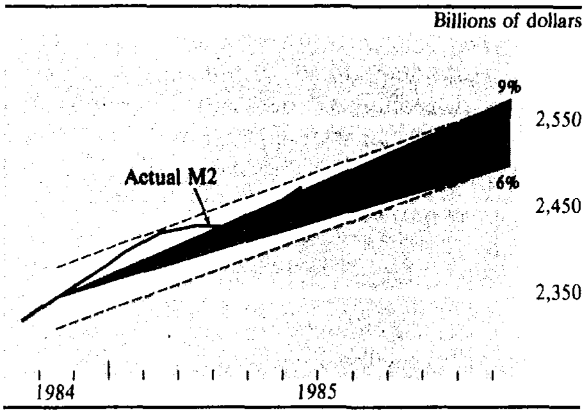
The relatively "accommodative" approach in the provision of reserves has been designed to provide support for the sustained growth of economic activity against a background of relatively well-contained inflationary and cost pressures. Indeed, sensitive agricultural and industrial prices—including prices of crude petroleum—have been declining appreciably, and prices at the wholesale level have been almost flat. It is somewhat reassuring that the trend in wage and salary increases has, overall, remained at the sharply reduced pace established at the start of the recovery period, although the slowdown in

1. M1 target ranges and actual M1



Monthly data.

2. M2 target ranges and actual M2



Monthly data.

productivity has been reflected in higher unit labor costs and some pressures on profit margins. Clearly, even if reduced, some momentum of inflation has persisted in the economy as a whole, and expectations remain sensitive. But so far this year, price increases have been concentrated largely in the service sectors.

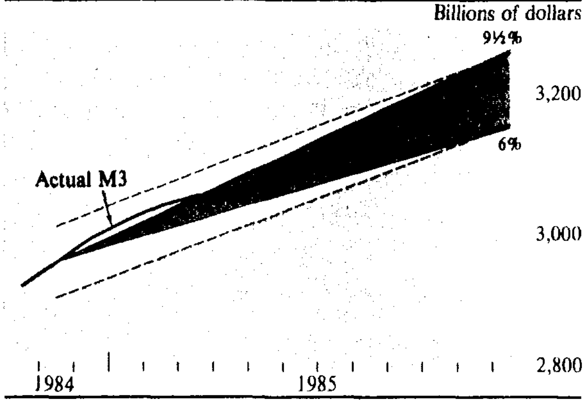
Meanwhile, the broader measures of monetary growth—M2 and M3—have remained generally within the target ranges established early in the year. However, currency and checkable deposits, measured by M1, have increased much more rapidly than envisaged. (See charts 1–4.)

Until May, growth in that aggregate remained in an area that was reasonably close to the upper band of the target range. Given that the more rapid growth during that period followed some months of subdued expansion, the outcome through April was reasonably in line with FOMC intentions and expectations. More recently, in May and June, a new surge in M1 carried that aggregate much further above the targeted range.

At the same time, total nonfinancial debt has continued to expand substantially more rapidly than the gross national product, propelled particularly by the federal deficit and consumer credit. As much as 1 percent of that debt expansion can be traced to a continuing—and, from a structural point of view, disquieting—substitution of debt for equity as a result of mergers and other financial reorganization. More generally, these developments also point up the apparent dependency of economic growth, under circumstances existing this year, on a relatively high level of debt and money creation.

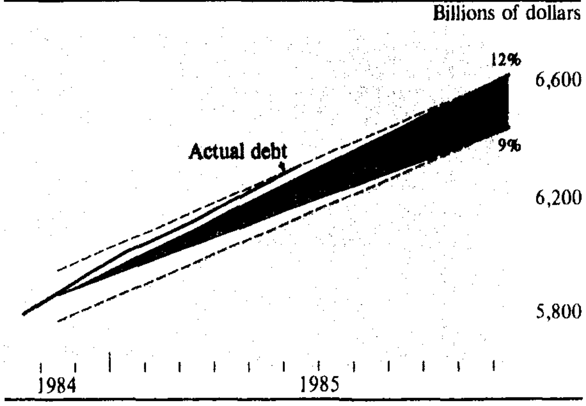
Unduly prolonged, those developments would

3. M3 target ranges and actual M3



Monthly data.

4. Debt monitoring ranges and actual debt



Monthly data.

not provide a satisfactory financial underpinning for sustaining growth in a context of greater price and financial stability. For the time being, however, taking account of current and likely economic developments, the downward pressures on commodity prices, and the high level of the dollar that has prevailed in the foreign exchange markets, the growth in M1 and debt has not, in itself, justified a more restrictive approach toward the provision of reserves to the banking system.

After increasing sharply from already high levels in the early weeks of the year, the dollar more recently has fallen back against the currencies of other leading industrial countries, dropping abruptly over the past week or so to about the average levels of last summer. At these exchange rates—still about 60 percent above the relatively depressed levels of 1979 and 1980—prospects for stemming the deterioration in our trade accounts, much less achieving a turnabout, remain uncertain. Much depends upon the rate of growth in other countries that provide the principal markets for our exports and are the source of our imports. In any event, the potential effects of interest rates and decisions with respect to monetary policy on exchange rates and the external sector of the economy have necessarily been a significant ingredient in FOMC deliberations.

THE OUTLOOK FOR THE ECONOMY

Members of the FOMC generally have projected a pickup in economic activity over the second half of 1985 and sustained growth through 1986. In those circumstances, while employment gains should remain substantial, unemployment would be expected to drop only a little if at all. The overall rate of price increase would be expected to remain close to the recent pattern, assuming dollar exchange rates do not vary widely from recent levels. (See attached table for the numerical projections.[1])

Obviously, neither the anticipated "stickiness" of the unemployment rate nor the projected inflation rate is entirely satisfactory, and a substantial range of uncertainty must be associated with any economic projections at this time. As I emphasized earlier, there are sharp differences in the performance of different sectors of the economy. Demand for and employment in services, the sector in which most upward price pressures have been concentrated, continue to expand rather strongly. Most sectors more immediately sensitive to interest rates and monetary conditions—including construction and automobile sales—have also been performing relatively well. Other sectors exposed to strong international competition are sluggish, and agriculture remains under strong financial pressure.

THE BROAD POLICY CHALLENGE

The crosscurrents, dislocations, and uncertainties in the present situation point up one uncomfortable but inescapable fact. We are dealing with a situation marked by gross imbalances that can neither be sustained indefinitely nor dealt with successfully by monetary policy alone, however conducted.

- We are borrowing, as a nation, far more than we are willing to save internally.
- We are buying abroad much more than we are able to sell.
- We reconcile borrowing more than we save and buying more than we sell by piling up debts abroad in amounts unparalleled in our history.
- Our key trading partners, directly or indirectly, have been relying on our markets to support their growth, and even so most of them remain mired in historically high levels of unemployment.
- Meanwhile, our high levels of consumption and employment are not being matched by the expansion in the industrial base that we will need as we restore external balance and service our growing external debt.
- And, after two and one-half years of economic expansion, too many borrowers at home and abroad remain under strain or are overextended.

At their core, these major imbalances and disequilibria may lie outside the reach of mone-

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

tary policy—or in some instances, U.S. policy generally. But they necessarily condition the environment in which the Federal Reserve acts, along with all the current evidence about monetary growth, economic conditions, and prices.

In all our decisions, whether with respect to monetary or regulatory policies, we would like to work in a direction that is consistent with reducing the imbalances, or at the least to avoid aggravating them. That sounds obvious and straightforward. The difficulty is that, as things now stand, some policy actions that might seem, on their face, to contribute toward easing one problem could aggravate others. Nor can we afford to apply a mere "poultice" at one point of strain in the hope of temporary relief at the expense of undermining basic objectives.

Our monetary policy actions need to be conducted with a clear vision of the continuing longer-term goals—a financial environment in which we as a nation can enhance prospects for sustained growth in a framework of greater stability. To succeed fully in that effort, monetary policy will need to be complemented by action elsewhere.

THE 1985 AND 1986 TARGET RANGES

As I indicated earlier, the recent surge in M1 in May and June has carried that monetary aggregate well above the target range set in February. M2 and M3, while also rising rather sharply in June, have remained generally within, or close to, their targeted ranges. Against the background of a high dollar, the sluggishness of manufacturing output, and relatively well-contained price pressures, quick and strong action to curtail the recent burst in M1 growth has not been appropriate. The potential implications of the relatively strong growth in M1 since last year nonetheless had to be considered carefully in developing our target ranges and policy approach.

You may recall that somewhat similar high growth rates in M1 developed during the second half of 1982 and during the first half of 1983. At that time, important regulatory changes involving new accounts and affecting the payment of interest on checking accounts had taken place. Pervasive uncertainty during the latter stages of the recession appeared to affect desires to hold cash. Both circumstances made interpretation of the monetary data particularly difficult, and M1 was de-emphasized. Those circumstances are not present today, at least not in the same degree.

However, one common factor, and an important factor, was at work during both periods. The rapid growth in M1 in 1982 and 1983 and this year followed sizable interest rate declines, with a lagged response evident for some months. Analysis strongly suggests that, as market interest rates decline, individuals and businesses are inclined to build up cash balances because they sacrifice less interest income in doing so. The possibility today of earning interest on checking accounts—and the fact that these interest rates change more sluggishly than market or market-oriented rates—probably increases that tendency.

Moreover, as I have suggested in earlier testimony, the payment of interest on checking accounts may, over time, encourage more holdings of M1 relative to other assets, or relative to economic activity, than was the case earlier. Partly for that reason, the upward trend in M1 "velocity"—the ratio of GNP to M1—characteristic of the earlier postwar period may be changing.

That trend was, of course, established during a period when inflation and interest rates were trending upward. In contrast, over the past three and one-half years, velocity has moved irregularly lower, with the declines concentrated in periods of declining interest rates.

The earlier 1982–83 period of rapid growth in M1 was correctly judged not to presage a resurgence of inflationary pressures, contrary to some expectations. I would emphasize in that connection, however, that M1 growth was moderated substantially after mid-1983 and that velocity rose during the period of strong economic expansion as anticipated.

We simply do not have enough experience with the new institutional framework surrounding M1, which will be further changed next year under existing law, to specify with any precision what new trend in velocity may be emerging or the precise nature of the relationship between fluctuations in interest rates and the money supply. Moreover, while the surge in M1, and the related drop in velocity, can be traced, at least in substantial part, to the interest rate declines of the past year, the permanence of the change in velocity will be dependent on inflationary expectations and interest rates remaining subdued. For those reasons, the committee has continued to take the view that, in the implementation of policy, developments with respect to M1 be judged against the background of the other aggregates and evidence about the behavior of the economy, prices, and financial markets, domestic and international.

None of that analysis contradicts the basic thrust of a proposition that we have emphasized many times—that excessive growth of money, sustained over time, will foster inflation. Certainly the burst in May and June cannot be explained by trend or interest rate factors. But, it is also true that monthly data are notoriously volatile, and sharp increases unrelated to more fundamental factors are typically moderated or partly reversed in following months.

In all these circumstances, the FOMC, in its meeting last week, decided to "rebase" the M1 target at the second-quarter average and to widen the range for the rest of the year to 3 percent to 8 percent at an annual rate. That decision implies that some adjustment in the base of the M1 target range is appropriate to take account both of some change in trend velocity and a return of interest rates closer to levels that are historically normal.

We are, of course, conscious that, because of strong growth in June, M1 currently is high relative to the rebased range, and the committee contemplates that M1 will return within its range only gradually as the year progresses. Consistent with the conviction that a marked slowing in the rate of M1 growth is appropriate over time, the committee tentatively set the target range at 4 to 7 percent for next year—a decision that will be reassessed on the basis of the further evidence available at that time. Meanwhile, the lower part of the range set for the remainder of this year reflects the willingness of the FOMC, in appropriate surrounding circumstances, to tolerate substantially slower M1 growth for a time should the recent bulge in effect "wash out."

No changes were made in the target ranges for M2 and M3 and the associated monitoring range for debt this year. As was the case at the beginning of 1985, the committee would find growth in the upper part of these ranges acceptable. The changes tentatively agreed for 1986 are small, limited to a ½ percent reduction in the upper limit for M3 and a 1 percent reduction in the monitoring range for debt.

These target ranges are felt to be fully consistent with sustained growth in the economy so long as inflationary pressures are contained. I should note again, however, that members of the FOMC are concerned about the persistent debt creation well in excess of the growth of the economy and historical experience, and therefore look toward some moderation in that growth next year, as reflected in the monitoring range set out.

The uncertainties surrounding M1, and to a lesser extent the other aggregates, in themselves imply the need for a considerable degree of judgment rather than precise rules in the current conduct of monetary policy—a need that, in my thinking, is reinforced by the strong crosscurrents and imbalances in the economy and in the financial markets. That may not be an ideal situation for either the central bank or for those exercising oversight—certainly the forces that give rise to it are not happy. But it is the world in which, for the time being, we find ourselves.

COMPLEMENTARY POLICIES

The massive trade deficit that has rapidly developed over the period of economic expansion is the most obvious and concrete reflection of underlying economic imbalances. The trade deficit, in an immediate sense, has been primarily related both to the strength of the dollar in the exchange markets and to relatively slow growth elsewhere in the world. In effect, much of the world has been dependent, directly or indirectly, on expanding demand in the United States to support its own growth. Put another way, growth in domestic demand in Japan, Canada, and Europe has been less than the growth in their GNP, the converse of our situation. And, even with surging exports to this market, output has been increasing too slowly to cut into high rates of unemployment in Europe and elsewhere. As a consequence, the demand of others for our products has been relatively weak.

The strong competition from abroad has, in an immediate sense, had benefits as well as costs for this country. It has been a powerful force restraining prices in the industrial sector and in encouraging productivity improvement. The related net capital inflow has eased pressures on our interest rates and capital markets. We have been able to readily satisfy the higher levels of consumption driven in part by the budget deficit.

But those benefits cannot last. Sooner or later our external accounts will have to come much closer toward balance. Indeed, as our debts increase, we will have to earn even more in our trade to help pay the interest.

In the meantime, the flood of imports and the perceptions of unfairness that accompany it foster destructive protectionist forces. The domestic investment that we will ultimately need is discouraged while our companies shift more of their planned expansion overseas. And the larger the external deficits and the longer they are prolonged, the more severe the subsequent adjustments in the exchange rate and in our economy are apt to be. We will have paid dearly indeed for any short-term benefits.

These considerations have tempered the conduct of monetary policy for some time. Specifically, our decisions with respect to providing reserves and to reducing the discount rate have been influenced to some extent by a desire to curb excessive and ultimately unsustainable strength in the foreign exchange value of the dollar. But we have also had to recognize the clear limitations and the risks in such an approach.

The possibility at some point that sentiment toward the dollar could change adversely, with sharp repercussions in the exchange rate in a downward direction, poses the greatest potential threat to the progress that we have made against inflation. Those risks would be compounded by excessive monetary and liquidity creation.

As I have said to this committee before, there is little doubt that the dollar could be driven lower by "bad" monetary policy—a policy that poses a clear inflationary threat of its own and undermines confidence. But such a policy could hardly be in our overall interest—it would in fact be destructive of all that has been achieved.

The hard fact remains that so long as we run massive budgetary deficits, we will remain dependent on unprecedented capital inflows to help finance, directly or indirectly, that deficit. The net capital inflows will be mirrored in a trade deficit—they are Siamese twins.

As things now stand, if our trade deficit narrowed sharply, both the budget deficit and investment needs would have to be financed internally, with new pressures on interest rates and a squeeze on other sectors of the economy—some of which are now doing relatively well, such as housing, and some, such as farmers and thrift institutions, already under strong financial pressure. The implications for our trading partners and for the heavily indebted developing countries would be severe as well.

There has to be a way out of the impasse—a way that would maintain, and even enhance, confidence in our own economy and prospects for stability, a way that would not simply shift the pressures from one sector of the economy to another, and a way consistent with the economic growth of other countries. But that way cannot be found by U.S. monetary policy alone.

What we can do is reduce our dependence on foreign capital and on the rising imports to meet our domestic demands by curtailing the budget deficits that importantly drive the process. In that sense, the choice is before you—in the decisions you will make in the budgetary deliberations that have been so prolonged.

The needed adjustments would be eased as well if other industrialized countries became less dependent on stimulus from the United States for growth in their own economies.

I am a central banker. I can well appreciate and sympathize with the priority that those countries have attached to budgetary restraint and particularly to the need to restore a sense of price stability in their own economies. They have had a large measure of success in those efforts in the face of depreciation of their currencies vis-à-vis the dollar, which has made the process more difficult. The pull of capital into the United States, and the reduced outflow from the United States, has also had effects on their own financial markets and interest rates, and thus on the possibilities for "home grown" expansion. But as those adverse factors diminish in force or even begin to be reversed, opportunities surely exist for fostering more expansion at home, in their own interest as well as that of a better balanced world economy.

All of the industrialized countries, working with the International Monetary Fund, the World Bank, and by other means, need to continue to support the efforts of much of the developing world to restore the financial and economic foundations for growth in their countries. That process, under the pressure of the "debt crisis," has been under way for some years. By its nature, the fundamental adjustments required pose challenging questions of economic and political management. There is a certain irony in observing the enormous difficulties in our own political process in achieving—so far without success—deficit reductions equivalent to 1 to 2 percent of our GNP while much poorer countries with much greater demands upon them are cutting their deficits by much larger relative amounts.

That effort—along with others—is justified only by its necessity to their own economic health. It is hardly surprising that progress has been uneven, that from time to time setbacks are encountered, and that impatience and frustration surface politically. But I know of no realistic shortcuts or substitutes for the effort to place their own economies on a sounder footing, any more than we can ultimately escape our own responsibilities to put our budget in order.

What is so encouraging is that the strong effort that has been made in most of the indebted countries is yielding some tangible results. A measure of growth has been restored in Latin America as a whole. With interest rates lower and many debts restructured, debt burdens are gradually but measurably being reduced.

For the most part, the heavily indebted countries are still a long way from regaining easy access to commercial credit markets. Extraordinary cooperative efforts by the International Monetary Fund (IMF), the World Bank, and commercial banks will continue to be required for a time to make sure that external financing obligations are structured in a way that matches ability to pay. As always, the ultimate success of all those efforts—most of all those by the borrowers themselves—will depend upon orderly growth, reasonable interest rates, and access to markets in the rest of the world, which will be determined by our actions and those of our trading partners.

CONCLUSION

We have had a relatively strong economic expansion in the United States over the past two and one-half years as a whole. At the same time, the rate of inflation has remained at the lowest level in more than fifteen years. That combination should be a source of great satisfaction. But two and one-half years is not, in itself, terribly significant in the economic life of the nation. What will count is whether we can build on that progress, and extend it over a long time ahead.

The inherent strength of our economy and the momentum of our expansion have carried us a long way. We have done a lot to lead the world to recovery. The longer-term opportunities are still there for the taking. But we also do not need to look far to see signs of strain, imbalance, and danger.

In these circumstances, monetary policy has accommodated a sizable increase in monetary and credit growth, and interest rates have dropped appreciably even though they are still relatively high in real terms. In that way, economic growth has been supported at a time when the dollar has been particularly strong and inflationary pressures, at least in contrast to the 1970s and the early 1980s, quiescent. But there are obvious limitations to the process of monetary expansion without threatening the necessary progress toward stability upon which so much rests.

Plainly, there are implications for other policies as well.

The widely shared sense that other nations should do more to open markets, to deal with the structural rigidities in their economic systems, to encourage growth—to get their own houses in order—is certainly right. We can legitimately cajole, and urge, and bargain to those ends.

But there can also be no doubt that it all will come much easier as the United States does its part. Monetary policy must be part of that effort. But we also do need to come to grips with the budget deficit. We do need to avoid a witch's brew of protectionism.

The success of the world economy—and of our fortunes within it—is in large measure dependent on us. That is the inescapable consequence of size and leadership. □

Chairman Volcker presented identical testimony before the Senate Committee on Banking, Housing, and Urban Affairs, July 18, 1985.

Statement by Preston Martin, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Economic Stabilization of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 18, 1985.

I appreciate the opportunity to discuss with you this morning, on behalf of the Federal Reserve Board, developments in the external position of the United States and related policies here and abroad. The openness of the U.S. economy is continuously being brought home to all sectors of our economy. The value of the dollar, other developments affecting our exports and imports, and the inflow of capital from abroad play a crucial role in determining the growth and the composition of U.S. output and income. Thus our policies must be deliberate, constructive, and farsighted; the costs over the long run of acting incautiously now are too great.

One of the most significant external economic developments for the United States in recent years has been the dramatic appreciation of the dollar. Since the end of 1980, the international value of the dollar against a weighted average of the other G-10 currencies has appreciated on balance about 60 percent, despite backing off significantly from its peak earlier this year. The appreciation has been great even after allowing for the somewhat faster rate of increase of prices abroad than in the United States. The increase in the dollar's value has been greater against European currencies than against the Japanese yen or the Canadian dollar. In a sense, those latter two currencies have been strong, just not as strong as the U.S. dollar.

The factors underlying the dollar's rise are complex. A great deal of the explanation centers on a combination of a highly expansionary fiscal policy and a decline in the rate of inflation in the United States. Reductions in taxes in recent years and increases in government spending have enhanced the attractiveness of investment in this country and have raised overall demands for goods and services. The federal government has increased substantially its demands for credit to finance its huge deficits. With Federal Reserve policy designed to avoid monetizing the deficit, real interest rates have been higher in the past five years than they were earlier in the postwar period. These interest rates, relatively robust rates of economic growth in this country, both actual and projected, as well as confidence and more general "safe-haven" factors, have produced a record volume of capital inflow from abroad, a moderation in U.S. capital outflow, and a rise in the foreign exchange value of the dollar.

The extreme volatility in exchange markets earlier this year and especially the dollar's substantial spurt in February provide convincing evidence that expectational and other factors have been at work, as well. However, the decline in the dollar since the end of February probably was related again mainly to more fundamental perceptions—for example, prospects for lower real interest rates on dollar assets in response to weaker U.S. economic growth and the market's views of improved chances for reducing our budget deficit. Another factor may have been the situation of thrift institutions in Ohio and elsewhere, which received widespread and, perhaps, exaggerated attention abroad.

The rise in the international value of the dollar since 1980 has been a significant proximate factor contributing to our unprecedented deficits on trade and current accounts. From a balance near zero in 1980, the current account has moved to a deficit at an annual rate of about $125 billion so far this year and is likely to widen further.

Our current account deficit has reflected primarily the unparalleled increase in our trade deficit, which occurred despite the significant decline in the value of oil imports from $80 billion in 1980 to less than $50 billion at an annual rate in the first half of 1985. The rise in the international value of the dollar has reduced the competitiveness of U.S. goods, both in foreign markets and here at home. Thus, the growth of our exports has been held down. At the same time, imports into the United States have grown phenomenally—about 65 percent in volume since 1980.

The rise in the dollar has not been the only factor underlying the deterioration in our trade position. Another factor has been that economic growth in our trading partners generally has lagged significantly behind growth in the United States, and their demands for imports have for this reason grown more slowly. Among the industrial countries, this has been especially true in Europe, where growth of real GNP has averaged only about 1½ percent over the past three years. Many developing countries, notably in Latin America, the Far East, and Eastern Europe, have adopted adjustment programs to service their external debts, which temporarily have had an adverse effect on their imports. Weak global demand and high real interest rates made the servicing of their external debts increasingly difficult.

Given the importance of these relative demand factors in the evolution of the U.S. trade position, it is oversimplified but nevertheless instructive, I believe, to characterize external developments over the past few years in the following way. There has been a shift in the demand for claims on the U.S. economy by foreign, as well as by U.S., investors that has bid up the value of the dollar sufficiently to generate a current account deficit that corresponds to the desired increase in net claims on the United States. This shift contrasts with earlier periods in which it was typically believed that the exchange value of the dollar moved to equilibrate trade or current account positions; when those positions became too large or too small, a change in exchange rates was expected to correct the situation.

The more recent evolution of our external situation has both positive and negative implications for the U.S. and world economies. On the positive side, our government budget deficit has been financed at lower interest rates than would otherwise have been the case. As a consequence, there has been less crowding out in the interest-sensitive sectors of the U.S. economy, and, in particular, there has been more private investment and housing activity.

At the same time, the sharp increase in our imports has provided needed stimulus to the world economy and has helped improve the balance of payments of some heavily indebted developing countries.

We also have experienced lower inflation rates than we would have otherwise, given the vigor of the 1983–85 U.S. recovery and the robust increase in U.S. employment. The cost of the goods that we purchase has been lowered—directly, because of the lower price and the ready availability of imported goods and materials, and indirectly, because U.S. producers have been forced to adopt more efficient techniques to modernize and to cut costs, to innovate, and to invest in productivity enhancements to compete with foreign producers. The rate of increase in U.S. labor productivity has improved on balance, although it remains less than that in some of our major trading partners.

On the negative side, of course, have been severely adverse effects on some sectors of the U.S. economy. These are the sectors that are most vulnerable to foreign competition—both those whose sales abroad have been eroded and those who have lost shares of domestic markets to less expensive foreign products. Agriculture, manufacturing, and even "high technology" goods producers have lost world and domestic market shares. Whereas more than seven million jobs have been created since the end of 1980 in the private service sectors—which, by their nature, are less open to foreign competition—the number of jobs in our manufacturing industries has actually declined. Indeed, there is some evidence of U.S. firms beginning to shift some of their investment and production abroad.

Without in any sense denying the social and the economic costs that these adjustments entail, I should reiterate, however, that the high value of the dollar and the external developments that I have cited basically have shifted some of the burden of accommodating to the government deficit away from traditional interest-sensitive sectors and toward sectors relatively sensitive to movements in exchange rates. The specific sectoral impacts have been mitigated, but not avoided, by the strong overall recovery.

The severe strains that were imposed on certain sectors of our economy have contributed to serious pressures for more restrictive trade policies. I will come back to this issue in a few minutes when I discuss alternative policy responses. But it should be clear that such protectionist pressures must be resisted. This practice follows from our general policy of seeking to enhance the benefits of international trade for our citizens. Moreover, so long as we continue to run a huge federal budget deficit, the inflow of capital from abroad and our access to foreign goods provide welcome relief to our credit markets.

Let me turn now to one other implication of our large and growing current account deficit, namely, the continuing erosion of the net external financial position of the United States. Data recently released by the Department of Commerce suggest that the United States became a net debtor to the rest of the world sometime in spring 1985, falling from a peak position in which the United States had net claims on the rest of the world of about $150 billion at the end of 1982.

These statistics are subject to a variety of defects. For example, our stock of gold—amounting to more than 260 million ounces—is valued in these statistics at about $42 per ounce, compared with a market price now of more than $300 per ounce. Similarly, the stock of U.S. direct investments overseas, as well as foreigners' direct investments here, are expressed only at book value. At the same time, none of the statistical discrepancy in our balance of payments accounts has been counted as net capital inflows, contrary to the conventional wisdom that much of the discrepancy takes that form; to that extent, net foreign claims on the United States are understated.

Notwithstanding these statistical issues, it remains clear that if the United States is not now a net debtor country, we probably soon will be as we continue to run current account deficits of well over $100 billion a year.

One might ask, "How serious is this development?" One answer is that an increasing burden will be placed on current and future generations to service that debt. This burden will be especially onerous to the extent that foreign funds end up financing current consumption—for example, by the federal government—since in that case our ability to consume in the future will be adversely affected. However, I have argued already that we have had more investment in this country than we would have had without the inflow of capital. While it is impossible to know precisely how much more investment we have had, to some extent at least the inflow of capital has had as its direct or indirect counterpart some increase in the productive capacity of this country that will facilitate the servicing of our debt.

Also worrisome is the inference, based on the experience of several developing countries in recent years, that the vulnerability of an economy to shocks can be very sensitive to the level of its net external debt. But there are two major differences between our situation and that of many of the financially troubled developing countries. First, we are not building up large debts denominated in foreign currencies. Second, creditor confidence in the ability of the United States to service its debts is supported by a healthy, flexible economy with a large and diversified tradable goods sector and a broad and dynamic capital market.

Nevertheless, we must recognize that foreigners will not forever invest an increasing share of their wealth in this country, and we might wonder whether it is appropriate for one of the richest countries in the world to be a net absorber of capital from the rest of the world.

I want to emphasize that we must protect against the risk that the factors inducing investors to bid up the price of dollar assets could reverse abruptly. If that were to happen at a time when credit demands in this country were still strong, especially those from the federal government, the resulting pressures on our financial markets could have seriously harmful consequences. Interest rates would be driven up, private investment would be curtailed, and the housing sector would be hard hit.

It will come as no surprise to you, therefore, that I believe prompt action to reduce the federal budget deficit is an essential aspect of the appropriate policy response to the problem of our twin deficits. Indeed, action in this area is long overdue. In particular, I believe that progress in controlling the growth of the spending side of the budget is vital. Reductions in the government's demand on savings and on resources tend to reduce pressures on interest rates and to provide scope for strong private investment and for employment growth. Such a process would also tend to reduce upward pressures on the dollar and relieve some of the excessive burden on many of our manufacturing firms and on our farmers.

In contrast to the need to tighten the budget position in the United States, I am inclined to believe that there is scope for more vigorous economic expansion abroad. Authorities in other industrial countries have been reluctant to alter existing policies, which have been aimed at disinflation and moderate economic growth over the medium term. They apparently are concerned about the financing of government deficits, about the excessive role of the public sector in economic decisionmaking, and about the potential that a lowering of interest rates could weaken the value of their currencies and apply upward pressure on domestic prices. These are legitimate concerns, but they should be balanced by an awareness of the costs and the dangers of continued high unemployment and continued international imbalances. Moreover, more rapid expansion in several countries together would be mutually supportive. Tax revenues would be enhanced, and the value of their currencies would tend to move together against the dollar. Indeed, the prospects of stronger economic growth actually could tend to raise the demand for investments denominated in those currencies.

A more vigorous expansion abroad—together with an improvement in the U.S. fiscal position—would over time help to redress some of the major distortions in the global economy today. These distortions have adversely affected not just the U.S. economy but the economies of other industrial countries, as well, and have exacerbated the difficult adjustment process now under way in many of the developing economies, especially in Latin America.

In the face of the basic imbalances in the U.S. and world economy, resort to increased trade protection would be pointless and, in the long run, counterproductive. The list of reasons for opposing the imposition of additional import barriers is well known. Import barriers raise prices facing U.S. consumers and U.S. producers who use imported goods and materials as inputs in production processes. By raising prices, these barriers threaten to reignite the inflation psychology we have struggled so painfully to subdue. Import barriers distort the allocation of domestic resources and enable producers to postpone the investment and the rationalization of production that ultimately is necessary. Barriers can involve significant economic setbacks from some of our friends and trading partners—again, including those in Latin America—for whom access to markets in industrial countries is vital in economic, social, and political terms.

Trade barriers often violate or undermine international agreements. Especially in such cases, but surely not only then, they are likely to provoke retaliation and so threaten the global trading order on which U.S. exporters and therefore the U.S. economy in general importantly depend.

I have not so far explicity addressed the role of monetary policy in dealing with our external situation. An aggressive policy by the Federal Reserve of massive money growth to bring down short-term interest rates to reduce the value of the dollar would set the stage for higher inflation in the future. Excessively expansionary monetary policies obviously would not be a solution to the yawning trade deficit. The experience in the late 1970s taught us harsh lessons about the disruptive influence of high and variable inflation in the United States on the domestic and world economies. This experience also has demonstrated the high costs for the economy of substantially reducing inflation once it gains momentum.

This is not to say that the Federal Reserve is indifferent or insensitive to the problems that we have discussed this morning. The Board and the Federal Open Market Committee take into account the foreign exchange value of the dollar and the international economic situation explicitly in their policy deliberations. Moreover, to the extent that the dollar and the current account deficit affect U.S. prices, growth, and employment they are taken account of implicitly, as well. But the overriding task of monetary policy is to ensure long-run price stability, and thereby sustainable long-run economic growth. We cannot afford to jeopardize the successful accomplishment of that task.

We cannot deny that we have economic problems. What I have argued this morning is that those problems derive from fundamental imbalances that must be corrected. The search for easy, short-term palliatives such as trade barriers or overly expansionary monetary policy cannot ultimately be successful, and will only distract us from the tough decisions that must be made. There are, of course, a number of developments that would help in a real way. I am optimistic that the rapid growth in the U.S. capital stock so far in this recovery and other productivity-enhancing developments will improve the competitiveness of U.S. products in world markets. Moderately faster growth in industrial countries abroad also would help to correct international imbalances. But the most fundamental force behind the problems that I have discussed is the huge federal budget deficit, and thus substantial reductions in this deficit offer the best long-run solution to trade imbalances. Although the Federal Reserve will continue to consider exchange rates and trade imbalances in its deliberations, we should not be looked to as a main source of a solution. As I mentioned earlier, any attempt by the Federal Reserve to bring exchange rates down through highly expansionary policies would inevitably lead to more inflation. Thus our best hope for correcting international imbalances lies with efforts by the Congress and the administration to cut federal deficits. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on International Development Institutions and Finance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 30, 1985.

I appreciate your invitation to appear before this subcommittee to discuss the multilateral development institutions and their role with respect to the debt and growth problems in the developing countries. Over the years I have had some opportunity to observe the Bretton Woods institutions—the International Monetary Fund (IMF) and the World Bank—and, to a much lesser degree, the regional development banks. All these institutions, in my judgment, have important ongoing roles to play in safeguarding international stability and in promoting sound growth in the world economy.

In the process, these institutions necessarily have to adapt their programs and approaches to new circumstances as they emerge. That task is not an easy one for large institutions, and particularly for those institutions that must operate within the framework of a wide international consensus. At the same time, it is the fact that these institutions are international, with memberships drawn from all nations other than the USSR and most of its satellites, that provides a sense of cohesion and of political legitimacy that is essential to the success of their efforts—efforts that seem to me very much in accord with the larger interests of the United States.

I believe that the constructive response of these institutions to the severe debt and adjustment problems that emerged in the early 1980s illustrates these points. In the initial stages of the international debt crisis, the Fund played an essential and, in key respects, an innovative role. It worked with borrowing countries to develop strong adjustment programs that could command international support. Concurrently, it helped coordinate an unprecedented international cooperative effort to provide sufficient external funds to meet immediate needs and to support the adjustment efforts of the countries.

The World Bank and the regional lending institutions, geared toward a longer-range perspective and project lending, could not, in the circumstances, at first respond so forcibly. Indeed, borrowing countries cut back on some investment projects that could have received support by the World Bank.

Now, many of the borrowing countries are, or should be, moving into a second stage, looking beyond the immediate need for budgetary and monetary adjustments to the essential need to sustain growth within the constraints of servicing existing debt and the less ready availability of private credit. In that context, the role of the World Bank and of the regional development lending institutions is likely to become much more critical. The need for innovative approaches and for even closer cooperation with the Fund seems to me evident.

There is a natural division of labor between the two Bretton Woods institutions that must be respected. The Fund is concerned with monetary stability, with balance of payments equilibrium, and with the broad economic policies necessary to support that equilibrium. The Bank is concerned with longer-term development and with projects and policies that are designed to support that development in particular sectors of the economy.

These are valid distinctions. Essentially the roles are complementary, not competitive. But in practice, both institutions serve as sources of finance, as purveyors of policy analysis and advice to their members, and as forums for economic consultations among governments. In specific areas, those functions can overlap and should be coordinated. Management of the "debt problem" provides apt illustrations.

FIRST RESPONSES TO THE INTERNATIONAL DEBT PROBLEM

Beginning in 1982, many foreign borrowers, principally in Latin America but also in other areas of the world, experienced an abrupt curtailment of their access to new loans from the private market. The Fund responded by assisting in the design of stabilization programs to help restore confidence and external balance. It also provided temporary financial assistance to many of the most troubled borrowers. In one perspective, that kind of work is a normal part of the Fund's business. But it has been without precedent in scope and challenge. More or less simultaneous negotiations have been required with a large number of member countries in a highly charged atmosphere. Not only were the fortunes of particular countries at stake, but also the performance of the world economy and of the financial system as a whole.

In that situation, the Fund became involved to an unusual degree in consultations with the borrowing countries' commercial bank and official creditors. Those lenders clearly recognized that individual, uncoordinated responses to the crisis could not serve their mutual interest in the orderly adjustment and the servicing of loans. Restructuring of old debt and of some new private credit would typically be necessary to provide enough time for the adjustment process to be effective. By working with the Fund, lenders could both be better assured that appropriate adjustment programs were undertaken and that financial needs were appropriately assessed. From the viewpoint of the Fund, orderly refinancing of outstanding debt and the provision of new private credit, substantially supplementing its own resources, provided essential financial support during the period of economic adjustment.

With its traditional emphasis on investment planning and on project lending, the World Bank was not in a position to react as quickly as the IMF to the immediate adjustment needs of the major borrowing countries. Nor were borrowing countries—faced with overwhelming short-term needs to cut back on budget deficits, to bring monetary expansion under control, and to adjust exchange rates—able to give priority attention to long-term development and investment programs. Instead, cutbacks in overall investment and consumption expenditures by governments became unavoidable. In these circumstances, both existing and new investment projects assisted by the World Bank and other donors tended to slow down rather than increase.

Even in the "crisis" stage, however, there have been clear opportunities for mutually supportive approaches by the Fund and by the Bank.

In advising countries about "adjustment" programs, the Fund is always concerned with measures that should help promote economic efficiency and long-term development. Flexible pricing policies, more open and less discriminatory trade practices, and appropriate exchange rates are normal parts of Fund-sponsored programs. Such approaches are consistent with, and typically crucial to, long-term growth. At the same time, the Bank was, in fact, able to increase or to speed up its disbursements of funds to several of the countries that were affected by the debt crisis.

That response was assisted by the capability that the World Bank has developed in 1979 for nonproject lending through so-called structural adjustment loans (SALs). The Bank's new commitments for SALs and for broadly similar sectoral adjustment loans expanded from less than $½ billion in fiscal year 1980 to more than $2½ billion in fiscal year 1984, before declining somewhat in the fiscal year just ended.

The SALs and the sectoral adjustment loans have the advantage of being fast disbursing so that they can have an immediate effect on the short-term balance of payments financing requirements. At the same time, they are strongly linked to policy actions that are designed to promote economic efficiency in particular sectors and to support growth. The recipient government, in effect, commits itself to the changes in specific policies that will be sustained over time and that are expected to have a material positive impact on the effectiveness of its investment expenditures and on the growth of the economy.

There is, by now, a record of accomplishment by these kinds of programs in some countries. For example, Turkey has undertaken a series of major reforms, including major steps toward import liberalization, decontrol of interest rates, and reform of state economic enterprises with the support of the World Bank.

These efforts of the Bank overlap those of the Fund in two respects. The quick-disbursing Bank loans help provide the necessary external financing for the borrowing countries. And, at a sectoral or "micro" level, the policies supported by the Bank should reinforce and undergird the efforts of the Fund to promote economic efficiency and competitiveness.

The recent efforts by the Fund and by the Bank in Colombia exemplify these relationships, and could have implications for future cooperation. While that country has not requested or received IMF financial assistance, it has kept the Fund fully informed in developing its economic program. Just last Friday, the Fund, in turn, agreed to monitor progress in implementing the economic adjustment program, that, in the judgment of the Fund, is broadly appropriate to the needs of Colombia. Meanwhile, the World Bank is a major lender to the country, both for specific projects and for sectoral adjustment. The size of that lending program has been facilitated by the efforts of Colombia to implement suitable adjustment measures. The staffs of both institutions will work together in assessing Colombia's progress.

LOOKING AHEAD

The particular circumstances in Colombia are unique, and the arrangements in that country do not necessarily provide a precise prototype for others. However, all the heavily indebted countries in Latin America and elsewhere need to move from a situation of endemic financial crisis to another stage in development, looking toward what is necessary to sustain growth. As they do so, the particular skills and the resources of the World Bank become increasingly relevant. Heavy reliance on the shorter-term tools of the IMF should then be phased down and out.

Clearly, either or both of these institutions can only play a supporting role in the economic development of a country. The borrowing countries themselves must maintain a disciplined budgetary and financial environment, enabling them to consolidate the essential gains that they have made in achieving better balance in their external accounts and to respect the tight constraints that still prevail with respect to their access to external finance. I believe that these countries will also have to encourage more open and competitive economies that are able to sell into world markets as well as to increase their productivity. They will need well-conceived investment programs. More generally, they will need to encourage economic efficiency and well-functioning markets in agriculture, industry, and finance. These are the kinds of things that the World Bank and its affiliate, the International Finance Corporation (IFC), working especially with the private sector, can support, but not impose.

Internal reform is critical in circumstances in which access to new foreign bank and trade credits seems bound to remain limited for the time being. The hope that was occasionally expressed for really major increases in long-term official lending on concessional terms to the middle-income developing countries does not appear to be politically realistic. Moreover, I doubt that industrial countries are prepared to ease debt burdens substantially by taking over and by writing off existing debt to private lenders. Nor do such approaches seem to me essential if well-conceived adjustment efforts are maintained.

In time, renewed confidence could end capital flight and induce repatriation of capital by the citizens of the borrowing countries themselves as well as fresh flows from abroad. That process would be immensely helpful and the best possible evidence of success. But it is, of course, dependent upon a sense of sustained economic performance.

The implication of these conditions is that it is too early for the major borrowers to *plan* on significant net private inflows of capital. Imports will not be able to grow over time at a rate substantially exceeding the growth in exports. But that is *not* a recipe for stagnation, so long as exports, in fact, grow.

One of the lessons of experience is that rapid growth in developing countries, without excessive dependence on new debt, must go hand in hand with participation in international trade. That is why a competitive and a relatively open economy is so important. This theme is one that the World Bank has stressed in its structural and sectoral adjustment lending.

Without doubt, there will be more opportunities for working with borrowing countries to help encourage the process. In some countries, for instance, there are urgent needs to improve the efficiency and the effectiveness of agriculture, of transport, and of domestic financial markets and institutions. Review of the structure, operation, and performance of state enterprises is sorely needed, including the possibility of greater private participation and of incentives in some cases. Structural distortions that hamper or discourage sectors of the economy that potentially could become the most dynamic and efficient need to be eliminated. That in turn may require import liberalization so that companies that have high export potential can in fact make use of the most rational and efficient production techniques. Much of this seems to be recognized, for instance, in the latest steps announced by Mexico only last week, in conjunction with actions to reinforce budgetary discipline and to adjust exchange rates.

In all these areas, there should be potential opportunities for constructive collaboration by the World Bank, both in consultation as to the design of programs and in financing, dependent on effective implementation. That official financing not only will help the borrowing countries to cover external needs during a period when private financing is so slack but also will encourage some resumption of private lending, through so-called cofinancing or otherwise.

You are aware that the World Bank now has under development a proposed Multilateral Investment Guarantee Agency (or MIGA). MIGA would be designed to enhance prospects for foreign direct investment by providing guarantees against noncommercial (that is, currency transfer and expropriation) risks. Here in the United States the Overseas Private Investment Corporation has offered such guarantees to U.S. investors in many countries for more than 20 years, with a considerable measure of success. Some other countries have comparable programs. But, properly structured, I believe that the wider availability of such guarantees on a multilateral basis could help improve the climate for direct investment in the developing countries.

None of this suggests to me that the major focus of the World Bank on project lending will not, or should not, continue. The inherent discipline in project lending—the need to relate a loan to tangible projected returns—is important. But it also is quite possible that, as a matter of relative priority, heavily capital-intensive, long-lead-time projects, with returns deferred far into the future, could give way to areas in which more effective use of the existing capital stock is emphasized, with quicker and more evident returns.

I will not pretend to an expertise in these areas that I do not possess. But certain broad conclusions do seem valid to me.

- In the World Bank Group and the regional lending institutions the world has an enormously valuable resource. That resource lies not just in their technical skills and financial resources. As *international* institutions, they are in a uniquely advantageous position for working constructively with developing countries in the common interest.
- The role of those institutions will be more important—indeed potentially crucial—in Latin America and elsewhere if those countries are to be able to restore strong and sustained growth in the wake of the debt crisis.
- The development institutions can only be effective as they build on the stabilization efforts of the countries themselves—the effort that has been so strongly supported by the IMF.
- As that implies, the efforts of the IMF and the

World Bank in heavily indebted countries have become increasingly intertwined, and the need for close cooperation and operating relationships between the institutions has greatly increased.

• The entire effort deserves the continued strong support of the United States, including, as and when the need is demonstrated, financial backing in the form of capital increases.

Perhaps I need not emphasize at length that the success of all these efforts is also fundamentally dependent on prosperous, growing economies in the industrialized world. Here and elsewhere, we must maintain reasonably open markets for what others can produce more efficiently and economically. The developing countries, in turn, can again become the most promising and the most rapidly expanding markets for our products, as they were during much of the 1960s and 1970s. Flourishing two-way trade will be both the means for recovery and growth and a measure of our success. □

Announcements

Lyle E. Gramley: Resignation as a Member of the Board of Governors

Lyle E. Gramley resigned as a member of the Board of Governors, effective September 1, 1985. Following is the text of Governor Gramley's letter of resignation to President Reagan:

June 26, 1985

Dear Mr. President:

It has been a great privilege to serve as a Member of the Board of Governors of the Federal Reserve System during the past five years. For personal reasons, however, I must submit my resignation effective September 1, 1985.

Sincerely yours,

Lyle E. Gramley

Appointment of Large Dollar Payment Systems Advisory Group

The Federal Reserve Board has announced the appointment of a 14-member panel to assist in the development of its program to reduce risk on large dollar transfer systems.

Roland K. Bullard III, Executive Vice President of The Philadelphia National Bank, has agreed to serve as chairman of the panel, called the Large Dollar Payment Systems Advisory Group.

On May 17, 1985, the Board announced a statement of policy to control and reduce risks to depository institutions that participate in large dollar wire transfer networks. Large dollar networks are an integral part of the payment and clearing mechanism and daylight overdrafts on these systems now total about $110 billion to $120 billion per day. Daylight overdrafts occur when an institution has sent funds over the Federal Reserve wire transfer system in excess of the balance in its reserve or clearing account, or it has sent more funds over a private wire than it has received.

In adopting its policy statement to reduce daylight overdrafts, the Board agreed to set up an Advisory Group to study any and all matters that could reduce risk on large dollar transfers.

In addition to Bullard, the Advisory Group includes the following members:

William P. Ballard, Executive Vice President and Cashier, Citizens and Southern Georgia Corporation, Atlanta, Georgia.

Nathan C. Collins, Executive Vice President, Valley National Bank of Arizona, Phoenix, Arizona.

Thomas A. Cooper, Executive Vice President, Bank of America NT & SA, San Francisco, California.

David L. Eyles, Executive Vice President and Chief Credit Officer, Chemical Bank, New York, New York.

Donald R. Hollis, Senior Vice President, First Chicago Corporation, Chicago, Illinois.

Roger K. Lindland, Senior Executive Vice President, Great American First Savings Bank, San Diego, California.

David O. Nordby, Executive Vice President, Mellon Bank, N.A., Pittsburgh, Pennsylvania.

Peter C. Palmieri, Vice Chairman, Irving Trust Company, New York, New York.

Seymour R. Rosen, Vice President, Citibank, N.A., New York, New York.

John W. Sapanski, President and Chief Operating Officer, Dime Savings Bank, New York, New York.

O.J. Tomson, Chairman of the Board and CEO, Citizens National Bank, Charles City, Iowa.

Flavian E. Zeugin, First Vice President, Swiss Bank Corporation, New York, New York.

William C. Dudley, Vice President, Economic Analysis Department, Morgan Guaranty Trust Company, New York, New York.

Revised List of OTC Stocks Subject to Margin Regulations

The Federal Reserve Board has published a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective August 13, 1985.

The list includes all OTC securities designated by the Board pursuant to its established criteria as well as all securities qualified for trading in the national market system (NMS). This list includes all securities qualified for trading in tier 1 of the NMS through August 13 and those in tier 2 through July 16, 1985. Additional OTC securities may be designated as NMS securities in the interim between the quarterly publications of the Board's list and will be immediately marginable. The next publication of the Board's list is scheduled for November 1985.

This List of Marginable OTC Stocks supersedes the revised list that was effective on May 14, 1985. Changes that have been made in the list, which now includes 2,476 OTC stocks, are as follows: 157 stocks have been included for the first time, 122 under NMS designation; 43 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; 44 stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

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

Extension of Comment Period on Proposed Amendment to Regulation Z

The Federal Reserve Board extended the comment period from July 12, 1985, to August 30, 1985, on a proposed amendment to Regulation Z (Truth in Lending) to require lenders to provide more information to consumers about adjustable rate mortgages. The proposal was originally published May 10, 1985.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period July 1 through July 31, 1985:

Colorado
Thornton ...... Citywide Bank of Thornton
Florida
Miami .... Grovegate Bank
St. Petersburg ...... Bank of St. Petersburg
Georgia
Martinez .... First Columbia Bank
Pennsylvania
Ebensburg .... Laurel Bank
Texas
San Antonio .... Mercantile Bank and Trust Company
Virginia
Fairfax ... Fairfax Bank and Trust Company
Virginia Beach .... Bank of Tidewater

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 21, 1985

Domestic Policy Directive

The information reviewed at this meeting suggested only a modest pickup in real GNP in the current quarter from the 0.7 percent annual rate of growth reported for the first quarter. Spending by domestic sectors has been relatively well maintained, but a large share of the demand for goods apparently has been met by imports rather than through an expansion of domestic production. Broad measures of prices and wages generally were continuing to rise at rates close to those recorded in 1984.

After declining in March, total retail sales rebounded in April to a level nearly ¾ percent above the average for the first quarter. Gains were particularly strong at automotive outlets and at food and general merchandise stores. Sales of new domestic automobiles have been running at an annual rate of about 8½ million units since the beginning of April, in line with the strong pace posted in the first quarter and considerably above last year's average. Part of the recent strength in car sales was attributable to below-market financing incentives offered by major manufacturers.

Total private housing starts increased about 14½ percent in March to an annual rate of 1.9 million units and continued at that advanced level in April. Newly issued permits for residential building fell somewhat in April but, at an annual rate of nearly 1.7 million units, remained in the improved range recorded in the first quarter. Sales of new and existing homes improved in March, the latest month for which data were available, as the general decline in mortgage credit costs continued to bolster demand.

The index of industrial production declined 0.2 percent in April, after rising little in the first quarter. Production of defense and space equipment continued to advance, but output in most other major market sectors fell. Reflecting these widespread declines in output, the capacity utilization rate for total industry dropped ½ percentage point to 80.6 percent in April, its lowest level since January 1984.

The decline in industrial production in April was associated with further reductions in manufacturing employment. The loss of 45,000 manufacturing jobs in April brought the cumulative loss in that sector to 130,000 thus far in 1985. Outside of manufacturing, sizable job gains were reported for April in the services industry and in construction. On balance, total nonfarm payroll employment rose 215,000 in April compared with average monthly gains of 285,000 since last fall. The civilian unemployment rate remained at 7.3 percent in April, little changed from the rates recorded over the previous three quarters.

Information on business capital spending suggested that expansion was continuing at a much less rapid rate than earlier in the economic expansion, though trends in business equipment orders placed with domestic producers have been obscured lately by extreme volatility in monthly data for orders of office and computing equipment. Imports apparently have continued to account for a sizable share of outlays for equipment, but shipments of capital goods by domestic producers picked up in February and March. Spending on nonresidential construction has continued at a relatively brisk pace in recent months. Moreover, according to recent surveys of business spending plans, firms still expect to increase nominal outlays for plant and equipment by 8½ to 11 percent in 1985.

The producer price index for finished goods rose 0.3 percent in April, somewhat more than in other recent months. The rise was attributable to a surge in energy prices that apparently reflected a temporary reduction in petroleum inventories; prices of other finished goods changed little or declined. A sharp increase in prices of petroleum products was also the major factor in the 0.4 percent increase in the consumer price index in April. Thus far in 1985 consumer prices had risen at an annual rate of about 4¼ percent, close to the 4 percent rate in 1984. On balance, recent wage developments indicated little if any acceleration in wage costs from the pace in 1984. While the index of average hourly earnings increased at an annual rate of 2½ percent in the first four months of this year compared with a rise of about 3 percent in 1984, the increase in hourly compensation in the nonfarm business sector thus far this year was running above its year-earlier pace. The rise in compensation reflected in part legislated changes in social security taxes and higher employers' contributions for unemployment insurance.

Since the Committee's meeting in late March, the trade-weighted value of the dollar against major foreign currencies had continued to fluctuate widely in volatile market conditions and had declined a little more than 4 percent on balance. The U.S. merchandise trade deficit and the current account deficit widened in the first quarter as a rebound in non-oil imports from the low fourth-quarter level extended the pattern of sharp quarter-to-quarter swings experienced since the beginning of 1984.

At its meeting on March 26, 1985, the Committee had adopted a directive that called for maintaining the existing degree of pressure on reserve positions. That action was expected to be consistent with growth in M1, M2, and M3 at annual rates of around 6, 7, and 8 percent respectively during the period from March to June. The members agreed that somewhat lesser restraint might be acceptable in the event of substantially slower growth in the monetary aggregates while somewhat greater restraint might be acceptable in the event of substantially higher growth. In either case, adjustments in the degree of reserve pressures would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

Growth in M1, which had slowed markedly in March from the rapid pace of earlier months, remained moderate in April at an annual rate of about 6 percent. M2 and M3, after slowing appreciably in March to annual rates of growth of about 3¾ and 5½ percent respectively, were little changed in April. Thus, while expansion in M1 was about in line with the Committee's expectations for the March-to-June period, growth in the broader aggregates was running well below the rates anticipated. Weakness in these aggregates stemmed in large part from a substantial reversal of earlier increases in banks' managed liabilities, as banks obtained funds from a sharp rise in U.S. government deposits after mid-April. Expansion in total domestic nonfinancial debt continued relatively rapid at an annual rate of about 11¾ percent in April, the same as in March. For the period from the fourth quarter of 1984 through April, growth in M1 was running above the Committee's range for the year 1985 while M2 and M3 were growing at rates within their long-term ranges; expansion in domestic nonfinancial debt was somewhat above the upper limit of its monitoring range for the year.

The level of adjustment plus seasonal borrowing averaged about $475 million over the three complete reserve maintenance periods between meetings, enlarged by borrowing by some nonfederally insured thrift institutions to meet deposit withdrawals. Over the last week or so, total adjustment plus seasonal borrowing was running over $800 million, boosted in part by a further increase in borrowing by thrifts and overnight borrowing by a few large banks faced with unexpected needs for funds.

The federal funds rate had declined from the 8½ percent rate prevailing at the time of the March meeting and had averaged just over 8⅛ percent in recent weeks. Other market rates had fallen by about ¾ to 1¼ percentage points over the period since the previous Committee meeting until the announcement by the Federal Reserve on May 17 of a reduction in the discount rate from 8 to 7½ percent. On the day before this meeting, when the new discount rate went into effect, the federal funds rate moved lower, with trading averaging around 7¾ percent, and most other interest rates fell about 15 to 35 basis points further. The average rate on new commitments for fixed-rate conventional home mortgage loans declined about 30 basis points over the intermeeting period.

The staff projections presented at this meeting suggested that growth in real GNP, after a modest pickup in the current quarter from the reduced pace in the first quarter, would be slightly faster in the second half of the year. The unemployment rate was projected to edge down, and the rate of increase in prices was expected to remain close to that experienced in 1984 and early 1985.

During their review of the economic situation and outlook, Committee members focused with concern on evidence that the economy, despite elements of strength, was expanding at a relatively sluggish pace; and they also stressed the uncertainties that surrounded the prospects for some pickup in the rate of economic growth. The currently mixed pattern of developments greatly complicated the forecasting process, especially against the background of the distortions and pressures associated with massive deficits in the federal budget and the balance of trade, together with persisting strains in financial markets. While acknowledging the considerable risks of unexpected developments in these circumstances, several members commented that improvement in the rate of economic growth remained the most reasonable expectation for the second half of the year. Others gave more weight to the downside risks in the economy and were concerned that the expansion might well remain relatively weak and considerably below the economy's potential.

A number of members expressed particular concern about the depressing impact that the competition of foreign goods was having on domestic production, and some commented that the outlook for the dollar in the exchange markets constituted the major uncertainty in assessing economic prospects. While domestic final demands were being reasonably well maintained, a strong dollar was diverting these demands toward imports, which were growing rapidly, and holding back domestic output. The strength of the dollar was also tending to curb the expansion of exports. Members cited examples of a wide range of manufacturing firms, including small firms, that along with some agricultural and extractive businesses were being severely affected by foreign competition. The exchange value of the dollar also appeared to be curbing expansion in domestic plant and equipment spending and fostering decisions to establish or expand productive facilities abroad rather than in the United States.

Members who were relatively optimistic about the economic outlook stressed the favorable impact that recent declines in interest rates were likely to have on interest-sensitive sectors of the economy. Housing had already responded to earlier reductions in interest rates. Consumer spending was holding up well, with automobile sales continuing to display notable strength, and consumer sentiment remained favorable. Some members commented that the negative impact of growing imports might diminish over the quarters ahead, especially if the dollar fell further from its recent highs. Reference was also made to continuing indications that businesses were planning further, if more moderate, increases in their investment spending. One member expressed the view that rapid growth in M1 during late 1984 and early 1985 would exert an expansive influence on the economy over the months ahead.

Members who felt less comfortable with economic developments referred to the vulnerability of the manufacturing sector and also agriculture to the high value of the dollar on exchange markets. Moreover, business and consumer confidence could be adversely affected by ongoing problems in financial sectors of the economy. Other potential areas of vulnerability in the economy included nonresidential construction and multifamily housing; as they had at previous meetings, members cited instances of apparent overbuilding of office structures and of multifamily dwellings in various parts of the country. In addition, problems in agriculture and related industries might worsen, with retarding consequences for overall economic activity.

With regard to the outlook for inflation, members commented on the highly competitive pricing situation in many industries, and reference was also made to favorable developments in recent labor negotiations. In general, price pressures appeared to be relatively well contained in goods-producing sectors of the economy. Most commodity prices had fallen further to their lowest levels in about 2 years. At the same time, significant increases in prices and costs were continuing to occur in the service industries. Given the relatively low rates of capacity utilization and the outlook for only limited growth in economic activity, members indicated that the risks of an acceleration in the rate of inflation appeared to be low. Some members noted their concern, however, that current inflation rates were too high—with recent tendencies in consumer prices worrisome—especially in light of the inflationary implications of a possible decline over time in the foreign exchange value of the dollar.

At its meeting in February the Committee had agreed on policy objectives that called for monetary growth ranges for the period from the fourth quarter of 1984 to the fourth quarter of 1985 of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3. The associated range for total domestic nonfinancial debt was set at 9 to 12 percent for 1985. In keeping with the usual procedures under the Humphrey–Hawkins Act, these ranges would be reviewed at the July meeting and provisional ranges would be established for 1986.

In discussing policy implementation for the weeks ahead, Committee members, taking account of the recent reduction in the discount rate, generally favored maintaining about the same degree of pressure on bank reserve positions as in recent weeks, abstracting from special situation borrowing by thrift institutions. It was recognized that the recent decline in market rates and the lower discount rate would tend to increase the demands for money and credit under those circumstances as compared with what they otherwise would be. Most members found this acceptable particularly in view of the recent weakness in the broader monetary aggregates and sluggishness in the overall economy.

In the course of discussion it was noted that M1 had been growing about as expected at the previous meeting, but that some pickup in growth could develop in the period ahead. A number of members indicated that they were prepared to accept a little more rapid expansion against the background of relatively weak economic performance, strains in financial markets, and the recent behavior of the broader aggregates. It was also pointed out that much of the increase in M1 thus far this year reflected expansion in interest-bearing checking accounts. Banks and thrifts had reduced interest rates on these accounts only slowly in response to declines in market yields that had begun in the latter part of last year, thereby making it relatively more attractive for the public to hold savings in such instruments. Nonetheless, M1 was running above the path associated with its long-run target and some members stressed the desirability of holding down near-term M1 growth, partly because a rate of growth that appeared unduly high could risk having an adverse impact on inflationary sentiment. However, one member also questioned whether the behavior of M1 should be interpreted as in the past given the present institutional environment and taking account of such other factors as the very high level of the dollar in foreign exchange markets.

Given the strength of M1 relative to its long-run target for the year, members indicated that they were prepared to accept slower growth in M2 and M3 for the quarter than they had expected earlier. One member observed, however, that continued weakness in the broader aggregates would be a matter of some concern and that somewhat faster growth than was now expected for the quarter should not be resisted. A differing view emphasized that the broader aggregates had less information content than M1 and that some aberration in their behavior should be tolerated. Another member highlighted the desirability of a decline in long-term interest rates over time, but felt that further monetary ease at this point might work against that objective by fostering inflationary expectations.

In keeping with the Committee's usual practice, the members contemplated that operations might be adjusted during the intermeeting period toward implementing somewhat lesser or somewhat greater restraint on reserve positions if monetary growth should appear to be substantially slower or faster than was currently expected for the quarter. While no member wanted to rule out possible adjustments in either direction, a majority believed that policy implementation should be alert to the potential need for some easing of reserve conditions. Other members, however, put more stress on the desirability of moving promptly, if necessary, to curb unduly rapid monetary expansion. It was understood that any adjustment should not be made automatically in response to the behavior of the monetary aggregates, but should be undertaken only after an appraisal of the strength of economic activity and inflationary pressures and evaluations of conditions in domestic and international financial markets.

In light of recent declines in market interest rates and the reduction in the discount rate, it appeared likely that the degree of reserve restraint contemplated by most of the Committee members would be associated with a lower federal funds rate, on average, than had prevailed until just before today's meeting. Nonetheless, the members anticipated that the rate would remain well within the 6 to 10 percent federal funds range established earlier by the Committee, and no sentiment in favor of changing that range was expressed.

At the conclusion of the Committee's discussion, a majority of the members indicated their acceptance of a directive that, against the background of the recent reduction in the discount rate, called for maintaining the current degree of reserve restraint, abstracting from special situation borrowing by thrift institutions. The members expected such an approach to policy implementation to be consistent with growth of M1 at an annual rate of about 6 percent or a little higher for the period from March to June. Given the weakness in M2 and M3 in April, growth in these broader aggregates over the three-month period was now expected to be slower than had been anticipated at the time of the previous meeting. The members agreed that somewhat lesser restraint on reserve conditions would be acceptable in the context of substantially slower growth in the monetary aggregates, while somewhat greater restraint might be appropriate if monetary growth were substantially faster. It was understood that the need for lesser or greater restraint would be considered against the background of developments relating to the strength of the business expansion, inflationary pressures, and conditions in domestic credit and foreign exchange markets. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 6 to 10 percent.

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

The information reviewed at this meeting suggests only a modest pickup in real GNP in the current quarter from the reduced rate of growth in the first quarter. Total retail sales rose in April to a level somewhat above the average for the first quarter, and housing starts increased further after rising substantially in the first quarter. Information on business capital spending suggests further growth, though at a much less rapid pace than earlier in the economic expansion. Industrial production declined slightly in April after rising little over the first quarter. Total nonfarm payroll employment increased at a somewhat reduced pace in April with employment in manufacturing registering another decline. The civilian unemployment rate remained at 7.3 percent in April. Broad measures of prices and wages appear to be rising at rates close to those recorded in 1984.

Since the Committee's meeting in late March, the trade-weighted value of the dollar against major foreign currencies has continued to fluctuate widely in often volatile market conditions and has declined moderately on balance. The trade and current account deficits widened in the first quarter as a rebound in non-oil imports from their low fourth-quarter level extended the pattern of sharp quarter-to-quarter swings experienced since the beginning of 1984.

Growth in M1 slowed markedly in March from the rapid pace of earlier months and remained moderate in April. The broader aggregates showed little change in April after their growth had slowed appreciably in March. Expansion in total domestic nonfinancial debt has remained relatively rapid. Interest rates have declined considerably since the March meeting of the Committee. On May 17, the Federal Reserve Board approved a reduction in the discount rate from 8 to 7½ percent.

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

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

In the implementation of policy for the immediate future, and against the background of the recent reduction in the discount rate, the Committee seeks to maintain about the same degree of pressure on bank reserve positions. This action is expected to be consistent with growth in M1 at an annual rate of around 6 percent or a little higher during the period from March to June, while M2 and M3, in the light of their weakness in April, are expected to grow more slowly over the quarter than the 7 and 8 percent annual rates, respectively, anticipated earlier. Somewhat lesser reserve restraint would be acceptable in the event of substantially slower growth of the monetary aggregates while somewhat greater restraint might be acceptable in the event of substantially higher growth. In either case such a change would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Volcker, Corrigan, Balles, Forrestal, Gramley, Keehn, Martin, Partee, Rice, Ms. Seger, and Mr. Wallich. Vote against this action: Mr. Black.

Mr. Black dissented because he preferred to direct policy implementation in the weeks immediately ahead toward achieving somewhat slower expansion in M1. In his view, bringing M1 growth more promptly within the Committee's range for the year would help guard against a possible worsening of inflationary expectations and would limit the risk of a potentially unsettling movement in interest rates later in the year.

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 Bank Holding Company Act

Commerce Union Corporation Nashville, Tennessee

Order Approving Merger of Bank Holding Companies

Commerce Union Corporation, Nashville, Tennessee, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841, *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with Tennessee Eastern Bancshares, Inc., Oak Ridge, Tennessee ("Company"), and thereby indirectly to acquire Energy Bank, Oak Ridge, Tennessee.

Notice of this application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3 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, the third largest commercial banking organization in Tennessee, holds deposits of $2.0 billion, representing 7.6 percent of the total deposits in commercial banks in the state.[1] Company, the tenth largest commercial banking organization in Tennessee, controls $180.9 million in deposits, representing 0.7 percent of the total deposits in commercial banks in the state. Upon consummation of the transaction Applicant would remain the third largest commercial banking organization in Tennessee. Thus, the proposed transaction would have no significant effect on the concentration of banking resources in Tennessee.

1. Banking data are as of June 30, 1984 and market data are as of June 30, 1983.

Company and Applicant do not operate subsidiary banks in the same markets. Therefore, consummation of the proposal would not eliminate existing competition in any relevant geographic market.

The Board has considered the effects of this proposal on probable future competition and has examined the proposal in light of its proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions[2] in the six markets in which Company competes.[3] In view of the fact that none of these markets is highly concentrated under the Board's guidelines, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

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

Based on the foregoing and other facts of record, the Board has determined that the application under section 3(a)(5) should be, and hereby is, approved for the reasons set forth above. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 30, 1985.

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

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

2. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). While the proposed policy statement has not been approved by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

3. These banking markets are the Athens, Kingsport/Bristol, Knoxville, Roane, Scott, and Monroe markets.

First Central Bancorp, Inc.
Phoenix, Arizona

Order Approving Formation of a Bank Holding Company

First Central Bancorp, Inc., Phoenix, Arizona, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring 100 percent of the voting shares of First Central Bank, Phoenix, Arizona ("Bank").

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

Applicant is a nonoperating corporation organized for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $22.5 million.[1] Upon acquisition of Bank, Applicant would be the 19th largest of 43 commercial banking organizations in Arizona and would control approximately 0.1 percent of the total deposits in commercial banks in the state. The proposed acquisition would not have a significant effect on the concentration of banking resources in Arizona.

Bank, which operates in the Phoenix market,[2] was formed *de novo* by principals of Applicant in 1983, and this application represents a reorganization into a holding company structure. Applicant's principals are not affiliated with any other banking organizations in the relevant market, and consummation of the proposed transaction would not result in any adverse effects on competition or increase the concentration of banking resources in any relevant area.

In evaluating the financial factors in this case, the Board notes that Bank has placed significant reliance on large, high-cost certificates of deposit which have had a somewhat adverse effect on Bank's earnings and liquidity. Based on Bank's efforts and plans to reduce reliance on such certificates of deposit and based on evaluation of other financial factors, the Board concludes that the financial and managerial resources and future prospects of Applicant are consistent with approval. Considerations relating to convenience and needs of the community to be served also are consistent with approval. Accordingly, it is the Board's judgment that the proposed acquisition is in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be 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.

By order of the Board of Governors, effective July 8, 1985.

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

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

1. Statewide banking data are as of September 30, 1984.
2. The Phoenix market is approximated by the Phoenix Metropolitan Area.

First City Bancorporation of Texas, Inc.
Houston, Texas

Order Approving Acquisition of a Bank

First City Bancorporation of Texas, Inc., Houston, Texas, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of First City Bank-Sioux Falls, N.A., Sioux Falls, 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 the comments of 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, with consolidated assets of $17.3 billion,[1] is the 24th largest commercial banking organization in the nation. It operates 63 banking subsidiaries in Texas and is the fourth largest commercial banking organization in the state, with total domestic deposits of approximately $12 billion. Applicant also engages through subsidiaries in a variety of nonbanking activities.

Bank is a newly established national bank formed to engage primarily in offering bank credit card services

1. Banking data are as of December 31, 1984.

to customers in Texas, Louisiana, Arkansas, Oklahoma, Colorado, and New Mexico. Upon consummation of the proposed transaction, Applicant would transfer its existing credit card operations, now conducted through First City National Bank of Houston ("FCNB"), to Bank.[2]

Section 3(d) of the Bank Holding Company 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 the bank holding company's 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]

In addition, interstate acquisitions under the South Dakota statute are subject to approval by the South Dakota Banking Commission.[4] In acting on an application under the statute, the Banking Commission may consider the economic advantages to the state of the proposed acquisition, whether the acquisition may result in undue concentration of resources or substantial lessening of competition in South Dakota, whether the convenience and benefits to the public outweigh any adverse competitive effects, and whether the proposed *de novo* bank is likely by its location to attract business from the general public to the substantial detriment of existing banks. On July 25, 1984, 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. Based on the foregoing, 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 in the regional market of Texas, Louisiana, Arkansas, Oklahoma, Colorado, and New Mexico. 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.

Bank will also compete in the Sioux Falls, South Dakota, banking market,[5] where it will provide retail and commercial deposit-taking, lending, and checking services to the local community to the extent allowed by South Dakota law. Because of the limitations imposed on Bank's operations by South Dakota law, Bank will not generally compete directly with commercial banks in South Dakota; however, Bank will engage *de novo* in offering certain banking services, including the provision of overline banking services to other banks in South Dakota. To the extent that Bank will offer banking services *de novo*, the effect of this proposal will be procompetitive. Accordingly, the Board concludes that the competitive effects of this proposal are consistent with approval.

In evaluating this application, the Board has considered the financial and managerial resources of Applicant and the proposal's effect on these resources. The proposed acquisition represents a relocation of existing activities that would provide Applicant with increased income opportunities and have minimal effect on Applicant's primary and total capital ratios, which would remain above the minimum levels specified for bank holding companies under the Board's guidelines. In this context, the Board concludes that approval of the application is consistent with financial and managerial considerations. 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, as well as a request for a hearing, from the Independent Community Bankers Association of South Dakota, Inc. ("Protestant"). The Protestant first argues that the Douglas Amendment to the Bank Holding Company Act does not authorize the states to permit out-of-state bank holding companies to acquire national banks. The Protestant bases this argument on the state authorization clause of the Douglas Amendment, which reads: "unless the acquisition of . . . a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located . . . ." 12 U.S.C. § 1842(d). On the basis of this clause and the absence of any express mention of national banks in the Douglas Amendment, the Protestant asserts that Senator Douglas "deliberately chose" to limit section 3(d) to acquisition of state banks.

Contrary to the Protestant's assertions, however, the Douglas Amendment applies to the interstate acquisition of any bank, national or state-chartered: its

2. Applicant has stated that it would transfer approximately $500 million of credit card receivables from FCNB to Bank.

3. S.D. Codified Laws Ann. § 51-16-40, 51-16-41 (Supp. 1984).

4. S.D. Codified Laws § 51-16-42.

5. The Sioux Falls market includes Moody, McCook, Minnehaha, Turner, and Lincoln Counties and parts of Clay and Union Counties in South Dakota, as well as Clay County in Minnesota.

initial clause prohibits Federal Reserve Board approval of a bank holding company's acquisition of "voting shares of . . . *any additional bank*" (emphasis added) in another state, while the following clause permits that state to authorize such an acquisition.[6]

In a conscious attempt to parallel the McFadden Act (12 U.S.C. § 36(c)), on which it was based,[7] the Douglas Amendment permits the states to lift the Amendment's flat prohibition on the acquisition of state banks by out-of-state bank holding companies and ties the degree to which bank holding companies can make interstate acquisitions of *national* banks to state authorizations for interstate acquisitions of *state* banks. Clearly the intent of the Douglas Amendment, consistent with the policy of the McFadden Act, was to maintain competitive equality by allowing the acquisition of any similarly situated bank—whether national or state-chartered—on an equal basis. Thus, it appears to have been Senator Douglas' intent that, when the flat prohibition on interstate bank acquisitions is lifted by a state with respect to state banks, the Douglas Amendment itself lifts the prohibition, to the same degree, with respect to national banks. The Board concludes that the Douglas Amendment was not intended to allow only state-chartered banks to be acquired by out-of-state bank holding companies.

The Protestant also argues that the Board should deny this application in light of the "unauthorized restriction" placed by the South Dakota statute on the operations of national banks acquired under the statute. Specifically, the Protestant alleges that the statutory restrictions, such as those which limit Bank to a single office and require operation of that office in a manner and at a location so as to avoid attracting local customers, impose burdens on national banks that conflict with national banking laws. The Protestant argues, therefore, that the Board should not approve an application under such a restrictive state statute.

The Board finds no merit in the Protestant's position because, as stated above, it is Congress through the Douglas Amendment that imposes the conditions or restrictions on the operation of a national bank by an out-of-state bank holding company, or, at a minimum, it is Congress that authorizes the states to impose such restrictions. Where, as here, such restrictions are within the scope of those authorized by Congress,[8] they cannot be said to impose unauthorized burdens that conflict with the national banking laws.

Moreover, the restrictions are not so burdensome as to conflict with federal banking laws. The Comptroller of the Currency, the primary supervisor of national banks and the agency charged with interpretation and enforcement of the National Bank Act, reviewed the restrictions imposed by South Dakota in the course of issuing a preliminary national bank charter for a bank in South Dakota to Citicorp, New York, New York. In an opinion issued November 11, 1980, the Comptroller held that the South Dakota statute did not "so restrict the operations of the proposed bank as to be incompatible with the framework of federal law." Based upon the facts in the record and for the reasons stated, the Board finds the Protestant does not present adequate reasons to deny this application.

In addition, the Protestant has requested a hearing with respect to the legal and public policy issues raised by this proposal. The Board, however, has determined that there are no material factual issues in dispute that would warrant a hearing on this application. Accordingly, the Protestant's hearing request is denied.

While it has decided to approve this application, the Board wishes to reiterate the concerns it has expressed in previous orders[9] 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

6. Senator Douglas' statements on the Senate floor indicate that he did not intend the Amendment's authorization to the states to be limited to state banks. For example, in describing the effect of his Amendment, Senator Douglas stated that it:

"would prohibit bank holding companies from purchasing banks in other States unless such purchases by out-of-State bank holding companies were specifically permitted by law in such States."

102 Cong. Rec. 6860 (1956).

7. *See Northeast Bancorp, Inc. v. Board of Governors of the Federal Reserve System*, 53 U.S.L.W. 4699, 4702 (1985). In debate on his amendment, Senator Douglas stated:

[W]hat our amendment aims to do is to carry over into the field of holding companies the same provisions which already apply for branch banking under the McFadden Act—namely, our amendment will permit out-of-State holding companies to acquire banks in other States only to the degree that State laws expressly permit them.

102 Cong. Rec. 6858 (1956).

8. *See Northeast Bancorp*, 53 U.S.L.W. at 4702–4703 (1985).

9. *See Citicorp*, 71 Federal Reserve Bulletin 101 (1985); *MCorp*, 71 Federal Reserve Bulletin 642.

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 Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 12, 1985.

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

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

Haltom City Bancshares, Inc.
Dallas, Texas

Order Approving Acquisition of Bank

Haltom City Bancshares, Inc., Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act (the "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 American Bank of Commerce, Grapevine, Texas.

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 in light of the factors set forth in section 3(c) of the Act.

Applicant, a Texas corporation, owns one commercial banking subsidiary, Haltom City State Bank, Fort Worth, Texas, controlling deposits of $117.7 million.[1] Applicant is the 82nd largest commercial banking organization in the state, controlling 0.09 percent of the total deposits in commercial banking organizations in the state. Applicant seeks to acquire Bank, which holds deposits of $27.8 million and is the 591st largest commercial banking organization in the state, controlling 0.2 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicant would become the 61st largest commercial banking organization in the state, controlling deposits of $145.5 million, representing 0.1 percent of total deposits in commercial banking organizations in the state. Consummation of this transaction would not have any significant adverse effects upon the concentration of banking resources in the state.

Bank operates in the Dallas banking market,[2] where it is the 79th largest of 122 banking organizations, controlling 0.1 percent of the total deposits in commercial banks in the market. Neither Applicant nor any of its principals is associated with any other banking organization in the relevant market. Accordingly, the Board concludes that consummation of this proposal would have no significant adverse effect upon existing competition in any relevant market.

In evaluating this application, the Board has considered the financial and managerial resources of Applicant and the effect on these resources of this proposal. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, and that it will consider the implications of a significant level of intangible assets in evaluating an application.

Under the Board's Capital Adequacy Guidelines,[3] the Board has stated that, in reviewing acquisition proposals, the Board will take into consideration both the stated primary capital ratio and the primary capital ratio after deducting intangibles. In acting on applications under the revised guidelines, the Board also will take into account the nature and amount of intangible assets and will, as appropriate, adjust capital ratios to include intangible assets on a case-by-case basis.

In its assessment of Applicant's capital adequacy, the Board has considered the fact that at the time of consummation of this proposal, Applicant would meet the minimum capital required under the Board's guidelines without undue reliance on goodwill. Applicant has recently improved its tangible capital ratio. In addition, Applicant has submitted a capital plan which would cause its tangible capital ratio to reach 5.5 percent within twelve months following consummation of the proposal. Based upon these facts, the Board concludes that the financial and managerial resources and future prospects of Applicant, its subsidiary bank, and Bank are consistent with approval, particularly in light of commitments made by Applicant in connection with this application. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

1. All banking data are as of June 30, 1984.

2. The Dallas banking market consists of Dallas County, the southeast quadrant of Denton County, including Denton and Lewisville, the southwest quadrant of Collin County, including McKinney and Plano, the northern half of Rockwell County, the communities of Forrey and Terrell in Kaufman County, the communities of Midlothian, Waxahachie and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County, Texas.

3. Capital Adequacy Guidelines, 71 FEDERAL RESERVE BULLETIN 445 (1985).

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 Dallas pursuant to delegated authority.

By order of the Board of Governors, effective July 31, 1985.

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

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

Malta Banquo, Inc.
Malta, Montana

Order Denying Formation of a Bank Holding Company

Malta Banquo, Inc., Malta, Montana, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("Act") to become a bank holding company by acquiring at least 60 percent of the voting shares of First Security Bank of Malta, Malta, Montana ("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 in light of the factors set forth in section 3(c) of the Act.

Applicant, a nonoperating corporation with no subsidiaries, was organized under the laws of Montana for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $13.9 million.[1] Upon acquisition of Bank, Applicant would control the 76th largest of 106 banking organizations in Montana, representing approximately 0.2 percent of the total deposits in commercial banks in the state.

Bank operates in the Phillips County banking market[2] and is the smaller of two commercial banking organizations, controlling approximately 25.6 percent of the total deposits in commercial banks in the market. Neither Applicant nor any of its principals is associated with any other banking organization in the relevant market, and consummation of the proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations under the Act are consistent with approval.

The Board has indicated on previous occasions that a holding company should serve as a source of financial and managerial strength to its subsidiary bank and that the Board would closely examine the condition of an applicant in each case with this consideration in mind.[3]

In connection with this proposal, Applicant would incur a sizeable amount of debt. Using projections based upon Bank's performance in recent years and other facts of record, the Board concludes that Applicant may not have sufficient financial flexibility to be able to reduce its indebtedness in a satisfactory manner while maintaining adequate capital levels at Bank.[4] Accordingly, based on these and other facts of record, including Bank's level of loan classifications, the Board concludes that considerations relating to Applicant's financial and managerial resources and future prospects are adverse and weigh against approval of this application.

Applicant has proposed no new services for Bank upon consummation of this proposal. Considerations relating to the convenience and needs of the community to be served are consistent with, but lend no weight toward, approval of this application.

On the basis of all of the facts of record, the Board concludes that the banking considerations involved in this proposal are adverse and are not outweighed by any relevant competitive or convenience and needs considerations. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be, and hereby is, denied for the reasons summarized above.

1. All banking data are as of September 30, 1984.
2. The Phillips County banking market consists of Phillips County, Montana.
3. *See Northwest Wisconsin Banco, Inc.*, 71 FEDERAL RESERVE BULLETIN 105 (1985); *Singer & Associates, Inc.*, 70 FEDERAL RESERVE BULLETIN 883 (1984); *Central Minnesota Bancshares, Inc.*, 70 FEDERAL RESERVE BULLETIN 877 (1984).
4. The Board has previously stated that in small one-bank holding company formations, it expects, among other things, that the bank holding company's debt-to-equity ratio will be reduced to no more than 30 percent within 12 years. *Policy Statement for Formation of Small One-Bank Holding Companies*, 12 C.F.R. Part 225, Appendix B.

By order of the Board of Governors, effective July 17, 1985.

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

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

Manufacturers National Corporation Detroit, Michigan

Order Approving Acquisition of a Consumer Credit Bank

Manufacturers National Corporation, Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of Manufacturers Bank-Delaware, Wilmington, Delaware ("Bank"), a proposed consumer credit bank chartered under Delaware law that will engage in credit card operations and accept time deposits.[1]

Notice of the application, affording an opportunity for interested persons to submit comments, has been duly published. (50 *Federal Register* 13,286 (1985)). 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, the fourth largest commercial banking organization in Michigan, operating nine subsidiary banks with total deposits of $4.4 billion, has applied to acquire Bank, which will be located in Delaware.[2] This application involves the transfer of the credit card operations of Applicant's lead bank, Manufacturers National Bank of Detroit, Detroit, Michigan, to Bank in order to take advantage of Delaware's less restrictive policy regarding interest rates. Because Bank's activities are limited by state law, the proposed transaction would have no significant effect on concentration in Delaware.

Under the Douglas Amendment to the Act, the Board is prohibited from approving any application by a bank holding company to acquire a bank located in another state unless that state specifically authorizes the acquisition. In this case, Delaware has expressly authorized by statute the acquisition of consumer credit banks, such as Bank, by any bank holding company, including out-of-state bank holding companies. In this regard, the Board notes that on February 28, 1985, the State Banking Commissioner of Delaware approved the formation of Bank by Applicant. Based on the foregoing, the Board has determined that its approval of the proposed acquisition is not prohibited by the terms or policies of the Douglas Amendment.

Although Bank is located in the Wilmington banking market,[3] under the limitations imposed by Delaware law on Bank's operations, Bank is not likely to become a significant competitor in the Wilmington banking market.[4] The financial and managerial resources of Applicant and Bank are regarded as satisfactory and consistent with approval. There is no evidence in the record indicating that the banking needs of the communities to be served are not being met. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

Although approving this application, the Board has previously expressed its concern about the proliferation of statutes of this type, which 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 out-of-state owned banks to avoid competition with in-state banking organizations.[5] 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 Board has determined that approval of the application would be consistent with the public interest and that the application should be and hereby is approved. The

1. Although Bank's deposit-taking and commercial lending authority is circumscribed under the Delaware statute (Del. Code Ann. tit. 5 §1051 (Supp. 1984)), the Board has accepted this application under section 3 of the Act and has considered the proposal under the standards of section 3 of the Act applicable to bank acquisitions. *See*, *Florida Dep't of Banking and Finance v. Board of Governors of the Federal Reserve System*, 760 F.2d 1135 (11th Cir. 1985).

2. Banking data are as of June 30, 1984.

3. The Wilmington banking market is approximated by Cecil County in Maryland, Salem County in New Jersey, Chester County in Pennsylvania, and New Castle County in Delaware.

4. Del. Code Ann. tit. 5 § 1051 (Supp. 1984). In addition, Bank must be "operated in a manner and at a location that is not likely to attract customers from the general public in [Delaware] to the material detriment of existing banking institutions . . . located in this state." Del. Code Ann. tit. 5 § 1053 (Supp. 1984).

5. *See*, *Citicorp*, 71 FEDERAL RESERVE BULLETIN 101 (1985).

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 July 1, 1985.

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

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

Montgomery Financial Corporation Darlington, Indiana

Order Approving Formation of a Bank Holding Company

Montgomery Financial Corporation, Darlington, Indiana, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("Act") to become a bank holding company by acquiring 80.8 percent of the voting shares of Farmers & Merchants State Bank, Darlington, Indiana ("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 in light of the factors set forth in section 3(c) of the Act.

Applicant, a nonoperating corporation with no subsidiaries, was organized under the laws of Indiana for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $4.6 million.[1] Upon acquisition of Bank, Applicant would control one of the smaller banking organizations in Indiana, representing less than 0.1 percent of the total deposits in commercial banks in the state.

Bank operates in the Crawfordsville banking market[2] and is the smallest of five commercial banking organizations in the market, controlling approximately 1.8 percent of the total deposits in commercial banks in the market. Neither Applicant nor any of its principals is associated with any other banking organization in the relevant market, and consummation of the proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations under the Act are consistent with approval.

The financial and managerial resources and future prospects of Applicant and Bank are regarded as consistent with approval, especially in light of a commitment made by Applicant's principal in connection with this application. Considerations relating to the convenience and needs of the community to be served are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is in the public interest and that the application should be approved. Accordingly, the application is approved for the reasons summarized above. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective July 29, 1985.

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

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

State Bond and Mortgage Company New Ulm, Minnesota

Order Denying Acquisition of Bank

State Bond and Mortgage Company, New Ulm, Minnesota, 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 National Bank of Commerce, Mankato, Minnesota ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act.

1. All banking data are as of June 30, 1984.
2. The Crawfordsville banking market consists of Montgomery County, Indiana.

The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a one bank holding company by virtue of its control of State Bank and Trust Company of New Ulm, New Ulm, Minnesota ("New Ulm Bank"). Applicant, the 34th largest banking organization in the state, with aggregate deposits of $61.2 million, and Bank, the 73rd largest banking organization in the state, with aggregate deposits of $41.4 million, are among the smaller commercial banking organizations in Minnesota.[1] Upon consummation of the proposed transaction, Applicant would become the 17th largest commercial banking organization in Minnesota, with total deposits representing less than one percent of total deposits in commercial banks in the state. Consummation of the proposal would not result in a significant increase in the concentration of banking resources in Minnesota.

Applicant and Bank compete in separate but adjacent banking markets in Minnesota.[2] Neither New Ulm Bank nor Bank are market leaders. In the Board's judgment, consummation of the transaction would not have a significant adverse effect upon existing or potential competition in any relevant market.

The Board has indicated on previous occasions that a bank holding company should be a source of financial and managerial strength to its subsidiaries, and that the Board will closely examine the condition of an applicant in each case with these considerations in mind. The Board has stated in several orders that it views with concern proposals that would result in a significant decline in capital ratios.[3] The Board has also indicated that, as a matter of safety and soundness and competitive equity, the Board should, in analyzing a bank holding company's consolidated capital position, consider the capital levels represented by nonbanking activities in light of industry norms and standards and the risk factors of a particular industry.[4]

Applicant, its subsidiary bank and the bank to be acquired are in satisfactory condition. The proposed acquisition, however, involves a purchase premium and would be funded almost entirely through debt, resulting in a substantial decline in Applicant's tangible primary capital ratio. While Applicant's overall capital ratios would be slightly above the minimum levels required under the Board's Capital Adequacy Guidelines, the Board is concerned with the effect of the proposal on the capital adequacy of certain of Applicant's component activities. A substantial majority of Applicant's assets are devoted to insurance underwriting and to the issuance and underwriting of securities, including face amount certificates issued by Applicant and mutual fund shares, and to securities brokerage. The Board notes that, if the capital devoted to support Applicant's banking activities at an acceptable level is excluded, Applicant would not have adequate capital support for its nonbanking activities consistent with the risk factors involved in Applicant's nonbanking activities or generally accepted norms for companies engaged in similar activities.[5] Conversely, if the capital devoted to support Applicant's nonbanking activities at such acceptable levels is excluded, the capital available to support Applicant's banking activities would be below the levels specified in the Board's Capital Adequacy Guidelines.

Consequently, in the Board's view, Applicant's overall capital position is not sufficient to allow for the proposed debt-financed expansion of its banking activities, while maintaining an adequate capitalization for both its banking and nonbanking activities.

Based on these and other facts of record, the Board concludes that banking considerations involved in this proposal present adverse factors bearing upon financial resources and future prospects of Applicant and Bank.

Applicant has proposed no new services for Bank upon consummation of this proposal. Considerations relating to the convenience and needs of the community to be served are consistent with but lend no weight toward approval of this application.

1. Banking data are as of March 30, 1984.

2. New Ulm Bank operates in the New Ulm banking market, which is defined as the southern one-fourth of McLeod County, the western half of Nicollet County, all of Brown County, and the western two-thirds of Sibley County. Bank operates in the Mankato banking market, which is defined as Blue Earth and Watonwan Counties, the eastern one-half of Nicollet County, the eastern one-third of Sibley County, the western one-third of Waseca County, and Le Sueur County less Lanesburgh Township.

3. *See Security Banks of Montana*, 71 FEDERAL RESERVE BULLETIN 246 (1985); *National City Corp./BancOhio Corp.*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *Manufacturers Hanover/CIT Financial Corp.*, 70 FEDERAL RESERVE BULLETIN 452 (1984).

4. Capital Adequacy Guidelines, 50 *Federal Register* 16,057, 16,066 (1985), 71 FEDERAL RESERVE BULLETIN 445, 446 (1985); *Manufacturers Hanover/CIT Financial Corp.*, 70 FEDERAL RESERVE BULLETIN at 453 (1984).

5. Applicant argues that, in analyzing its proposal, the Board should reallocate part of the capital from an insurance subsidiary to other parts of the holding company. However, such a reallocation has not been made, and the record does not establish that such a reallocation would clearly be permitted by the relevant State Authority or would be consistent with the maintenance of adequate capital in the insurance subsidiary.

The Board has also considered Applicant's contention that certain face amount certificates should not be considered debt. The Board, however, believes that in evaluating capital adequacy, these certificates are appropriately considered liabilities and that the performance of this activity by Applicant must be supported by an adequate provision for capital, as in other business activities, in order to provide appropriate protection for the risks of doing business.

On the basis of the facts of record of this application, the Board concludes that the banking considerations involved in this proposal are adverse and are not outweighed by any relevant competitive or convenience and needs considerations. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and the application should be and hereby is denied for the reasons summarized above.

By order of the Board of Governors, effective July 5, 1985.

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

James McAfee
[SEAL] *Associate Secretary of the Board*

Orders Issued Under Section 4 of Bank Holding Company Act

RepublicBank Corporation
Dallas, Texas

Order Approving the Issuance of and Sale of Payment Instruments

RepublicBank Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23) to engage *de novo* through its subsidiary, Republic Money Orders, Inc., Dallas, Texas ("RMO"), in the issuance and sale of variably denominated payment instruments with a maximum face value of $10,000. These instruments will be sold primarily by RepublicBank's subsidiaries and unaffiliated financial institutions throughout the United States.

Notice of the application, affording interested persons an opportunity to submit comments on whether the proposed activity is closely related to banking and on the balance of public interest factors regarding the application, has been published (50 *Federal Register* 21,353 (1985)). 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.

RepublicBank, the third largest bank holding company in Texas, operates 38 commercial banks and controls total deposits of $12.4 billion, representing 9.2 percent of the total deposits in commercial banks in the state. Applicant also engages in a variety of nonbanking activities, including mortgage banking and insurance activities.

RepublicBank proposes to expand its current payment instrument activities by engaging *de novo* in the issuance and sale of variably denominated payment instruments with a face value of up to $10,000. These instruments will include money orders and will be issued on a nationwide basis. These instruments will be sold primarily by RepublicBank's subsidiaries, unaffiliated banks, savings and loan associations, and other financial institutions. Regulation Y includes on the list of permissible nonbanking activities[1] the issuance or sale of money orders and other similar consumer-type payment instruments with a face value not exceeding $1,000. The Board has previously approved applications to engage in the issuance of payment instruments with a maximum face value of $10,000. In its Orders, the Board found that an increase in the denomination of such instruments would not affect the fundamental nature of the payment instruments, and the Board concluded that the issuance and sale of the proposed instruments is closely related to banking.[2]

In order to approve this application, the Board must also find that the performance of the proposed activity by a nonbank affiliate of RepublicBank "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."

Consumer-type payment instruments, such as traditional money orders, are marketed nationally on the wholesale level by a few large organizations and locally on the retail level by a wide variety of financial and nonfinancial institutions. On the national scale, the market is concentrated, being dominated by only a few large organizations.[3] Entry into this business on a national scale involves overcoming significant barriers because a potential entrant must possess the capability for managing the extensive sales and servicing operation necessary for handling a low unit-price, high-volume product. Such capabilities frequently are associated with banking organizations of significant size, such as RepublicBank. RepublicBank's entry into this

1. 12 C.F.R. § 225.25(b)(12).
2. *BankAmerica Corporation*, 70 FEDERAL RESERVE BULLETIN 364 (1984); *Citicorp*, 71 FEDERAL RESERVE BULLETIN 58 (1985).
3. Money orders are primarily used to transmit money by members of the consumer public who do not or cannot maintain checking accounts. Traditionally, money orders have a maximum face value printed on the instrument, which is generally at or lower than the limit set by Regulation Y.

market would result in increased competition in this industry and may be expected ultimately to result in increased prospects for some deconcentration of the industry in the future. Accordingly, the Board views RepublicBank's proposal as procompetitive and in the public interest insofar as it relates to the issuance of instruments that are intended primarily for use by consumers.

In its past consideration of the issuance of variably denominated payment instruments, the Board has been concerned that the issuance of such instruments with a face value of over $1,000 would result in an adverse effect on the reserve base. Because reserve requirements serve as an essential tool of monetary policy, the Board is concerned that this proposal may result in adverse effects due to the erosion of the reservable deposits of the banking system.

In its *BankAmerica* Order, the Board decided that BankAmerica and any other bank holding company that receives approval to engage in this activity would be required to file with the Board weekly reports of daily data on this activity for use in conjunction with measuring and interpreting the money stock and for assessing the effects of the proposal on the reserve base. The Board also determined to monitor closely the effects of such proposals by bank holding companies on the Board's conduct of monetary policy. If it later appears that the result of such proposals is a significant reduction in the reserve base or other adverse effect on the conduct of monetary policy, the Board may impose reserve requirements on such transactions, pursuant to section 19 of the Federal Reserve Act (12 U.S.C. § 461(a)) and the Board's Regulation D (12 C.F.R. Part 204).

The record shows that the sale of these larger-denominated money orders by RepublicBank would increase competition in this field and enhance the convenience of the purchaser. The Board finds that these instruments, which will be issued by a large financial organization and will enjoy ready acceptability, will provide benefits to the public.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) is favorable with respect to the activity of issuing consumer-oriented payment instruments. This determination is subject to all of the conditions set forth in Regulation Y, including section 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective July 2, 1985.

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

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

The Wachovia Corporation
Winston-Salem, North Carolina

Order Approving Expansion of Student Loan Servicing Activities

The Wachovia Corporation, Winston-Salem, 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, pursuant to 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 expand the student loan servicing activities previously approved for its existing nonbank subsidiary, Wachovia Services, Inc. ("WSI"), Winston-Salem, North Carolina.[1] The prior approval included provision of such servicing activities to a state student loan authority. Applicant's current proposal would encompass the following expanded activities:

(1) WSI will provide state student loan authorities (the "Authority") with regular reports that include information in the aggregate and by individual lend-

1. WSI was organized *de novo* as a subsidiary of Wachovia Bank & Trust Company, N.A., Winston-Salem, North Carolina, in 1964 and became a wholly owned subsidiary of Applicant on January 1, 1969. On October 27, 1977, the Federal Reserve Bank of Richmond approved, under delegated authority, Applicant's notice to retain WSI, pursuant to section 4(c)(8) of the Act, and to continue to engage, *inter alia*, "in rendering data processing services related to banking, financial, or related economic data, and specifically in the following product areas:

c) data processing services to financial institutions, colleges, and universities in the accounting and servicing of student loans."

On November 30, 1984, the Richmond Reserve Bank approved Applicant's notice to engage in certain additional student loan servicing activities on a nationwide basis, including provision of such activities to a state student loan authority, and to establish an office of WSI in Baton Rouge, Louisiana, from which the proposed expanded activities initially would be conducted.

ers concerning the volume of loans being serviced by WSI for the Authority, and the volume of loan commitments outstanding;
(2) Based on the volume of loans being serviced and commitments outstanding (and in consultation with a bank trustee and the Authority), WSI will prepare projections for approval by the Authority of student loans to be purchased and commitments to be issued in the future, consistent with the amount of funds available to the Authority as a result of its sale of bonds;
(3) WSI will advise eligible lenders, borrowers and other interested parties of the Authority's student loan purchase program, including the criteria used by the Authority in purchasing student loans, and the extent to which the Authority will be purchasing loans in the future based on the funds available; and
(4) WSI will meet with the Authority on a regular basis to keep the Authority apprised of WSI's efforts in connection with the above proposed (and those previously approved) student loan servicing activities.

Under no circumstances would WSI be authorized to bind the Authority or its bank trustee to commit to purchase or actually to purchase student loans from eligible lenders. These activities have not been specified by the Board in section 225.25 of Regulation Y as permissible for bank holding companies.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published. 50 *Federal Register* 23,360 (1985). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant is the largest banking organization in North Carolina, with total consolidated assets of $8.5 billion,[2] and engages in numerous nonbanking activities.

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 a proper incident thereto. . . ." 12 U.S.C. § 1843(c)(8). In determining whether an activity is closely related to banking under section 4(c)(8), the Board has relied on guidelines established by the federal courts to determine whether a particular activity meets the "closely related to banking" test.[3] Under these guidelines, an activity may be found to be closely related to banking if it is demonstrated:

(1) that banks generally have, in fact, provided the proposed service;
(2) 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
(3) that banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form. The Board also may consider other factors in determining what is closely related to banking and has stated that it will consider evidence of any reasonable connection to banking in making its analysis.[4]

Applicant believes that these activities are so closely related to banking or managing or controlling banks as to be a proper incident thereto, because the activities are, in Applicant's opinion, either provided by banks or functionally similar to services provided by banks. Specifically, Applicant believes that these expanded activities, in addition to the previously approved student loan servicing activities, are permissible under section 225.25(b) of Regulation Y because they are an integral part of:

(1) making, acquiring and servicing loans for the account of others, as permitted by section 225.25(b)(1) of Regulation Y;
(2) rendering investment and financial advice, as permitted by section 225.25(b)(4); and
(3) data processing, as permitted by section 225.25(b)(7).

Utilizing the *National Courier* criteria, the Board believes that banks generally have, in fact, provided services operationally and functionally similar to the services proposed by Applicant and that Applicant, in light of its considerable experience in student loan servicing, is particularly well suited to provide these expanded loan servicing activities. On this basis, the Board concludes that the proposed services are closely related to banking.

The proposed activities appear to be substantially equivalent to the activities of a mortgage banking subsidiary of a bank holding company under section 225.25(b)(1) of Regulation Y, with respect to acquiring and servicing mortgage loans for institutional investors or in connection with the secondary mortgage market. The facts of record indicate that the activities conducted and proposed by Applicant, to the extent they are

2. Asset data are as of March 31, 1985.
3. *See National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975). *Accord, Securities Industry Ass'n v. Board of Governors*, U.S. , 104 S. Ct. 3003, 3008 (1984).

4. *See* 49 *Federal Register* 9215 (1984).

different from the services performed by any institution that services loans for others, appear to be different only in that they relate to servicing student loans for a governmental authority. Banks and their nonbank subsidiaries have generally provided comprehensive loan acquisition and servicing "packages" for investors in mortgage and other loans. In this regard, in 1974 the Board approved the acquisition by a bank holding company of a company engaged in the activity of arranging, negotiating and acquiring, for the account of institutional investors, loans and other financial transactions secured by income-producing property.[5] Moreover, as the nation's largest servicer of student loans, WSI provides similar services to more than 250 banks and other investors. Thus, WSI appears to be particularly well equipped to perform the proposed services.

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 also find that consummation of the proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Under this proposal, WSI would assist state authorities participating in the Guaranteed Student Loan Program ("GSLP") created by the Congress in the Higher Education Act of 1965, 20 U.S.C. § 1001 *et seq.* The GSLP provides insured loans to post-secondary school students through a complex delivery system that includes banks and other institutions that originate the loans, state agencies and authorities that purchase the loans, state guaranty agencies that insure the loans, and the federal government, which guarantees or reinsures the loans.

Many financial institutions find it difficult to hold student loans from the point of origination to maturity because of the ten-year repayment provisions and the necessity for compliance with a myriad of federal, state and guaranty agency regulations. These regulations require the assumption of detailed servicing responsibilities by the lending institution and the corresponding expense that those servicing responsibilities entail. By using the proceeds of a tax-exempt bond issue to create a secondary market for the loans and assuming the servicing responsibilities, a state hopes to increase the number of bank and nonbank lenders who would make funds available for student loans: Lenders would be assured that any student loans generated in reliance on an authority's loan purchase program can be sold to the Authority any time after origination, and that administration of the program would not be overly burdensome on the participating lenders because the loan servicing responsibilities would be performed by Applicant.

By providing state authorities with expertise in servicing such student loan programs and assisting state authorities in establishing a secondary market in such loans, WSI can ease the administration and enhance the liquidity of such programs. The record reflects there may be as much as $148 million of unmet need for student loans in Applicant's proposed initial service area (Louisiana). That amount could be reduced if the state authority, with Applicant's assistance, were to increase the number of lenders providing student loans by ensuring a liquid secondary market for such assets and relieving lenders of servicing responsibilities for such loans. Accordingly, consummation of the proposal would provide substantial public benefits outweighing any possible adverse effects.

Financial and managerial considerations are consistent with approval of this proposal. Moreover, there is no evidence in the record that consummation of this proposal would result in adverse effects, such as unsound banking practices, unfair competition, conflicts of interests, or undue concentration of resources.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b). The approval also is subject to the Board's authority to require 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.

This transaction 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 July 1, 1985.

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

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

5. *Fidelity Corporation of Pennsylvania*, 39 *Federal Register* 16,929 (1974).

Citizens and Southern Georgia Corporation Atlanta, Georgia

Order Approving Acquisition of Banks and Nonbanking Companies

Citizens and Southern Georgia Corporation, Atlanta, Georgia, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire the successor by merger to Landmark Banking Corporation of Florida, Fort Lauderdale, Florida ("Landmark").[1] As a result of the acquisition, Applicant would acquire indirectly 22 of Landmark's 23 subsidiary banks.[2]

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 Landmark's nonbanking subsidiaries, all in Florida: Capital Group, Inc., Fort Lauderdale, and its subsidiaries, Capital America, Inc., Fort Lauderdale, and Capital Associates, Inc., Pompano Beach, companies that engage in equipment leasing; Landmark Financial Services, Inc., Fort Lauderdale ("LFS"), a company that engages in real estate appraisal activities and acts as an agent with respect to the sale of credit life insurance directly related to extensions of credit by Landmark's subsidiary banks; Landmark Mortgage Corporation, Tampa ("Landmark Mortgage"), a company that engages in making and servicing residential real estate mortgage loans; The National Trust Company, Fort Myers, a company that engages in trust activities; and Florida Interchange Group, Inc., Orlando, a company that engages in data processing and related activities for an electronic funds transfer interchange system. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies, 12 C.F.R. §§ 225.25(b)(1), (3), (5), (7), (8), and (13). The determination related to the authority of bank holding companies to act as agent with respect to credit life insurance in connection with extensions of credit has not been affected by amendments to section 4(c)(8) of the Act limiting the permissible insurance investments of bank holding companies.[3]

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 (50 *Federal Register* 18,314 (1985)). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.[4]

Applicant is the largest commercial banking organization in Georgia, with six subsidiary banks that control aggregate deposits of approximately $4.7 billion, representing 17.1 percent of the total deposits in commercial banks in Georgia.[5] Landmark is the sixth largest commercial banking organization in Florida. Its 23 subsidiary banks control aggregate deposits of approximately $3 billion, representing 5.1 percent of the total deposits in commercial banks in Florida.

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

1. Applicant has also applied under section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) for approval for its wholly owned inactive subsidiary, Citizens and Southern Acquisition Corporation, Atlanta, Georgia ("Acquisition Corporation"), to become a bank holding company through merger with Landmark. Acquisition Corporation would be the surviving corporation in the merger and would change its name to Landmark Banking Corporation of Florida.

2. Landmark controls the following banks, all in Florida: Landmark Bank of Brevard, Melbourne; Landmark First National Bank, Fort Lauderdale; Charlotte County National Bank, Port Charlotte; First Bank of Marco Island, N.A., Marco Island; First National Bank and Trust Company of Naples, Naples; First County Bank, Riverview; Landmark Bank of Tampa, Tampa; Peoples Bank of Hillsborough County, Tampa; East First National Bank, East Fort Myers; First Commercial Bank of Fort Myers, Fort Myers; The First Bank of Fort Myers, Fort Myers; Gulf Coast First National Bank, Fort Myers; North First Bank, North Fort Myers; The Palmetto Bank and Trust Company, Palmetto; Landmark Bank of Orlando, Orlando; Landmark Bank of Palm Beach County, Boca Raton; Peoples Bank of Pasco County, Elfers; Gulf Coast Bank of Pinellas, Madeira Beach; Landmark Union Trust Bank of St. Petersburg, N.A., St. Petersburg; Palm State Bank, Palm Harbor; Gulf Coast National Bank, Sarasota; National Bank of Sarasota, Sarasota; and South County Bank, Venice.

3. *See* Garn–St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, § 601, 96 Stat. 1469, 1536–38 (1982) ("Garn–St Germain"). The Board received a comment on behalf of the National Association of Life Underwriters and the National Association of Professional Insurance Agents in connection with Applicant's proposed acquisition of LFS. This comment urges the Board to ensure that LFS's insurance agency activities are conducted in accordance with the standards established by section 4(c)(8) and, in particular, by Garn–St Germain. In this regard, the Board notes that LFS's insurance activities consist of acting as agent with respect to credit life insurance directly related to extensions of credit by Landmark's subsidiary banks. Such activities are explicitly permitted by the terms of section 4(c)(8)(A) of the Act.

4. The Board received a protest from Legal Services of Greater Miami, Inc., Gulf Coast Legal Services, Inc., Greater Orlando Legal Services, Inc., and Central Florida Legal Services, Inc., alleging that certain of Landmark's subsidiary banks are not fulfilling their responsibility under the Community Reinvestment Act to help meet the credit needs of their communities. The protestants withdrew their protest following several meetings with Applicant and Applicant's adoption of a Statement of Policy setting forth its corporate commitment to help meet community credit needs and its program for implementing this commitment in the markets served by Landmark.

5. Banking data are as of June 30, 1984.

holding company's home state,[6] 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 statute laws of Florida authorize the acquisition of a bank in Florida by a bank holding company that controls a bank located in other states in a defined southeastern region, including Georgia, if such other state authorizes on a reciprocal basis the acquisition of a bank in the state by a Florida bank holding company.[7] Georgia has enacted such a reciprocal statute.[8] Based on its review of the relevant Florida and Georgia statutes, the Board has determined that Florida has by statute expressly authorized a Georgia bank holding company, such as Applicant, to acquire a Florida bank or bank holding company, such as Landmark.[9] Furthermore, the United States Supreme Court has recently held, in *Northeast Bancorp, Inc. v. Board of Governors of the Federal Reserve System*, 105 S. Ct. 2545 (1985), that regional reciprocal banking statutes, such as those involved in this case, are authorized by the Douglas Amendment to the Bank Holding Company Act and consistent with the United States Constitution. Accordingly, the Board concludes that Board approval of Applicant's proposal to acquire banks in Florida is not barred by the Douglas Amendment.

Landmark's banking subsidiaries operate in 14 markets in Florida. None of Applicant's subsidiary banks operates in Florida and, accordingly, consummation of the proposal would have no effect on existing competition in any relevant market. The Board has also examined the effect of Applicant's acquisition of Landmark on probable future competition in the relevant geographic markets in light of the Board's proposed guidelines for assessing the competitive effects of market-extension mergers or acquisitions.[10] In view of the existence of numerous other potential entrants from within the three-state interstate banking region of Georgia, Florida, and North Carolina into each of the markets served by Landmark or Applicant,[11] the Board has concluded that the consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources of Applicant, Landmark, and their respective subsidiaries are considered satisfactory and their prospects appear favorable. Upon consummation of the proposed transaction, Applicant's primary and total capital ratios would exceed the minimum levels specified in the Board's Capital Adequacy Guidelines.[12] The Board concludes that banking factors are consistent with approval of this application.

Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of the application, particularly in light of Applicant's adoption of a Statement of Policy regarding the Community Reinvestment Act obligations of its proposed subsidiary banks.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire five nonbanking subsidiaries of Landmark that engage in equipment leasing, credit insurance, real estate appraisal, residential real estate mortgage lending and servicing, trust, and data processing activities. This proposal would eliminate a small amount of existing competition in Florida between Landmark's and Applicant's subsidiaries that engage in mortgage banking activities. Both Landmark Mortgage and Landmark's bank subsidiaries offer residential mortgage lending and servicing through numerous offices in Florida, while Applicant's subsidiary, Citizens and Southern Mortgage Company ("C&S Mortgage") operates offices in Tampa, Tallahassee, and Maitland, Florida. C&S Mortgage's share of the mortgage banking market in Florida is not significant, and the product market in Florida is unconcentrated, with numerous competitors and low barriers to entry. Accordingly, the proposed acquisition would not have a significant effect on competition for mortgage banking services in any relevant market. In addition, Appli-

6. 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.

7. Fla. Stat. Ann. § 658.295 (1984). The Florida statute also requires that all of the bank subsidiaries of a Florida bank holding company sought to be acquired by a regional bank holding company under the statute must have been in existence and in continuous operation for more than two years. Fla. Stat. Ann. § 658.295(3)(a)(3). Applicant has one bank subsidiary, Landmark Bank of Palm Beach County, that has been in existence for less than two years. Applicant has committed that this bank will be divested before or contemporaneously with Applicant's consummation of the proposed acquisition.

8. Ga. Code Ann. §§ 7-1-620 to 7-1-625 (Supp. 1985).

9. *See SunTrust Banks, Inc.*, 71 FEDERAL RESERVE BULLETIN 176, 177 (1985).

10. "Proposed Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). While the proposed policy statement has not been adopted by the Board, the Board has applied the criteria set forth in the proposed policy statement in its analysis of the effects of proposals on probable future competition.

11. North Carolina has in effect regional reciprocal interstate banking legislation that is similar to the Georgia and Florida laws in permitting interstate acquisitions of North Carolina banks by banking organizations located in certain Southern states, including Georgia and Florida. N.C. Gen. Stat. § 53-229 (1984). North Carolina is a state within the interstate banking regions defined by the Georgia and Florida statutes.

12. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (1985).

cant's discount brokerage subsidiary, First Southeastern Company, competes with Landmark's subsidiary banks in the market for discount brokerage services through its office in Tampa, Florida. However, in view of First Southeastern's *de minimis* market share in Florida and the unconcentrated nature of the product market, the Board concludes that the proposed acquisition would not eliminate any significant competition in the market for discount brokerage services.

After consideration of the above facts and other facts of record, the Board concludes that Applicant's acquisition of Landmark'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 to acquire Landmark's nonbanking subsidiaries.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The acquisition of Landmark's subsidiary banks shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of Landmark'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 July 29, 1985.

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

Society Corporation
Cleveland, Ohio

Order Approving the Merger of Bank Holding Companies and the Acquisition of Nonbank Subsidiaries

Society Corporation, Cleveland, Ohio, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to acquire Centran Corporation, Cleveland, Ohio ("Centran"). As a result of the acquisition, Applicant would acquire indirectly Centran's six subsidiary banks.

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)), to acquire Security Capital Leasing, Inc., Berea, Ohio, a company that engages in the leasing of personal property; CFS One, Inc. of Mississippi, Berea, Ohio, a company that engages in the activity of making consumer loans; Protective Loan Corporation, Berea, Ohio, a company that has authority to engage in making and acquiring consumer loans and to act as an agent with respect to the sale of credit life and credit health and accident insurance in connection with its extensions of credit; and Centran Life Insurance Company, Berea, Ohio, and Dallas, Texas, a company that engages in the activity of acting as a reinsurer with respect to credit life insurance written in connection with extensions of credit by Centran's affiliate banks. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies, 12 C.F.R. §§ 225.25(b)(1),(5),(8) and (9), and those determinations related to the authority of bank holding companies to act as agent or reinsurer with respect to credit life and credit health and accident insurance in connection with extensions of credit, have not been affected by amendments to section 4(c)(8) of the Act limiting the permissible insurance activities of bank holding companies.[1]

Applicant has also applied to acquire CFS One, Inc., Berea, Ohio, another subsidiary of Centran, that engages in the activity of making consumer and commercial loans, and has the authority to act as an agent with respect to the sale of credit life and credit health and accident insurance in connection with its extensions of credit, and with respect to the sale of fire insurance and extended coverage insurance on real property, furniture and household goods taken as

1. *See* Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, § 601, 96 Stat. 1469, 1536-38 (1982).

collateral on loans made or purchased by CFS One, Inc., pursuant to section 4(c)(8)(D) of the Act. The scope of permissible activities under section 4(c)(8)(D) is currently the subject of a rulemaking proceeding.[2] Applicant has committed that it will not exercise the authority of CFS One, Inc., to act as agent with respect to the sale of property and casualty insurance directly related to extensions of credit prior to the conclusion of the Board's adoption of final provisions of Regulation Y, 12 C.F.R. § 225 *et seq.*, implementing section 4(c)(8)(D) of the Act, and that it will do so only in compliance with such final provisions, and only after consultation with the Federal Reserve Bank of Cleveland.

Notice of the applications, affording an opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (50 *Federal Register* 19,808 (1985)). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.[3]

Applicant is the fourth largest banking organization in Ohio, with ten subsidiary banks that control aggregate deposits of approximately $4.7 billion, representing 8.4 percent of the total deposits in commercial banks in the state.[4] Centran is the seventh largest banking organization in Ohio, with six subsidiary banks that control aggregate deposits of $2.2 billion, representing 4.0 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed merger, including divestitures proposed by Applicant, Applicant's share of the total deposits in commercial banks in Ohio would increase to 11.9 percent, and Applicant would become the third largest commercial banking organization in the state.

The Board has carefully considered the effects of the proposal on statewide banking structure. This proposal involves the combination of sizeable commercial banking organizations that are among the leading banking organizations in the state. However, Ohio's banking structure is relatively unconcentrated, with the state's four largest banking organizations holding approximately 46 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed merger, including the divestitures, the four-firm concentration ratio would increase to 49.9 percent, and the state would not become highly concentrated. Accordingly, the Board concludes that consummation of this transaction would not have a significant adverse effect on the concentration of banking resources in the state.

Applicant's subsidiary banks compete directly with Centran's subsidiary banks in the Cleveland, Akron, Columbus, and Seneca County banking markets. Applicant is the fourth largest of 20 commercial banking organizations in the Cleveland banking market,[5] with $1.5 billion in deposits, representing 12.0 percent of the total deposits in commercial banks therein.[6] Centran is the third largest banking organization in the Cleveland banking market, with deposits of $1.5 billion, representing 12.4 percent of the total deposits in commercial banks therein. Upon consummation of this proposal, absent any divestiture, Applicant would become the second largest commercial banking organization in the market, controlling 24.4 percent of the market's commercial banking deposits. The HHI in the market would increase by 298 points to 1978, and the market would be considered highly concentrated.[7]

To minimize the competitive effects of the proposal in the Cleveland banking market, Applicant has committed to divest 18 of Centran's Cleveland market offices and the deposit accounts associated with those facilities, to a financial institution not presently represented in the market.[8] Upon consummation of the transaction, including the proposed divestiture, Applicant would control 22.1 percent of the total deposits in commercial banks in the Cleveland banking market, and the HHI would increase by 215 points to 1895.

The effect of this transaction is further mitigated by the extent of competition offered by thrift institutions

2. 49 *Federal Register* 9215 (1984).
3. The Board received a comment on behalf of the Independent Insurance Agents of America, Inc., the National Association of Casualty and Surety Agents, Inc., and the National Association of Surety Bond Producers ("Protestants"), in connection with Applicant's acquisition under section 4(c)(8) of the Act of CFS One, Inc. Protestants stated that the Board should limit its approval of the acquisition of a subsidiary engaged in insurance-related activities to those activities permissible under sections 4(c)(8)(A) and (B) of the Act, 12 U.S.C. § 1843(c)(8)(A),(B). In view of Applicant's commitment, discussed above, the Board does not believe that the limitations suggested by Protestants are necessary.
4. Unless otherwise indicated, banking data are as of December 31, 1984.

5. The Cleveland market is approximated by Cuyahoga, Lake, Lorain, and Geauga Counties and parts of Summit, Medina, Portage, and Erie Counties.
6. Market data are as of June 30, 1983.
7. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984), any market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge 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.
8. The divestiture would be completed before or contemporaneously with Applicant's consummation of the proposed merger with Centran.

in the market.[9] Thirty-three thrift institutions operate in the Cleveland banking market and control $11.0 billion in deposits representing 47 percent of total deposits in the market. The thrift institutions in the market currently offer a full range of consumer services and transaction accounts. Twenty-three of the 33 thrift institutions offer commercial loans (other than commercial real estate loans) and 21 offer commercial checking accounts.[10] In view of the extent of competition offered by thrift institutions and the proposed divestiture the Board has determined that consummation of this proposal would not have a significantly adverse effect on existing competition in the Cleveland banking market.

Applicant is the fifth largest of nine commercial banking organizations in the Akron banking market,[11] with $209.2 million in deposits, representing approximately 7.5 percent of the total deposits in commercial banks in the market. Centran is the fourth largest banking organization in the Akron banking market, with $257.0 million in deposits, representing approximately 9.2 percent of the total deposits in commercial banks in the market. After consummation of this proposal, Applicant would become the fourth largest commercial banking organization in the market, controlling 16.6 percent of total deposits in commercial banks in the market. The HHI in the market would increase by 137 points to 2294, and the market would be considered highly concentrated. While consummation of the proposal would eliminate some existing competition in the Akron banking market, the Board believes that the anticompetitive effects of this proposal are mitigated by the presence of 20 thrift institutions in the market, controlling $2.1 billion in deposits, which represents approximately 42.3 percent of the total deposits in the market. The thrift institutions in the market currently offer a full range of consumer services and transaction accounts. Seventeen of the 20 thrift institutions offer commercial loans (other than commercial real estate loans) and 14 offer commercial checking accounts. Accordingly, in view of the facts cited above and other facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on existing competition in the Akron banking market.[12]

Applicant is the fifth largest of nineteen commercial banking organizations in the Columbus banking market,[13] with $250.7 million in deposits, representing approximately 4.2 percent of the total deposits in commercial banks in the market. Centran is the ninth largest banking organization in the Columbus banking market, with $73.1 million in deposits, representing approximately 1.2 percent of the total deposits in commercial banks in the market. After consummation of this proposal, Applicant would remain the fifth largest commercial banking organization in the market, controlling approximately 5.4 percent of total deposits in commercial banks in the market. The HHI in the market would increase by 10 points to 2182. Consummation of the proposal would eliminate existing competition in this market. However, in view of the small resulting market share and the fact that 17 commercial banking organizations would remain in the market following consummation of the proposal, the Board concludes that the acquisition would not have any significant effect on competition in the Columbus banking market.

Applicant is the second largest of eight banking organizations in the Seneca County banking market,[14] with $71.0 million in deposits, representing approximately 21.7 percent of the total deposits in commercial banks in the market. Centran is the fourth largest banking organization in the Seneca County market, with $21.9 million in deposits, representing approximately 6.7 percent of the total deposits in commercial banks in the market. The market is highly concentrated, with a four-firm concentration ratio of 85 percent and an HHI of 2576. The combination of Applicant and Centran would increase Applicant's share of commercial bank deposits in the market to 28.3 percent. The HHI in the market would increase by 289 points to 2865.

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

10. Following Applicant's divestiture of 18 Cleveland offices, if 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Applicant would control 8.3 percent of the total deposits in the market and Bank would control 8.6 percent. Consummation of the proposal would increase the HHI by 108 points, from 878 to 986, and the four-firm concentration ratio would be 56.1 percent.

11. The Akron market is approximated by portions of Summit, Portage, Medina, Stark, and Wayne Counties.

12. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Applicant would control 5.5 percent of deposits and Centran would control 6.7 percent. Consummation of the proposal would increase the HHI by 73 points, from 1321 to 1394, and the four-firm concentration ratio would be 66.7 percent.

13. The Columbus market is approximated by Franklin, Fairfield, Licking, Delaware, and Pickaway Counties and parts of Madison, Perry, and Hocking Counties.

14. The Seneca County banking market is defined as Seneca County and those portions of the City of Fostoria that lie in adjacent counties.

To minimize the competitive effects of the proposal in the Seneca County market, Applicant proposes to divest Centran's sole banking office in the market to a recently formed bank holding company that currently does not operate there. The divestiture would be completed before or contemporaneously with Applicant's consummation of the proposed merger with Centran.[15] Thus, upon consummation of the transaction, including the proposed divestiture, Applicant's share of commercial bank deposits and the number of competitors in the market would remain unchanged. Accordingly, consummation of the proposal would not have any significant adverse effect on competition in the Seneca County market.

There are 21 markets in Ohio in which either Applicant or Centran, but not both, operates.[16] The Board has considered the effect of this proposal on probable future competition in these markets and has evaluated the proposal in light of its guidelines for assessing the competitive effects of market extension mergers and acquisitions.[17]

There are two markets in which Centran, but not Applicant, competes. Each market has numerous potential entrants. Accordingly, the Board finds that consummation of the proposal would not have a substantially adverse effect on probable future competition in these markets.

As noted above, Centran has a banking office in the Seneca County banking market that will be divested upon consummation of this proposal. While the divestiture would eliminate any adverse effect the proposal may have upon existing competition, the Board has also examined the proposal for any adverse effect upon probable future competition in this market. Because of its size and financial resources and the fact that it had already entered the Seneca County market, Centran is viewed as a likely probable future entrant into this market. However, there are numerous probable future entrants into the market. Therefore, the Board does not view the elimination of Centran as a probable future entrant into this market as substantially anticompetitive.

Of the remaining 19 markets in which only Applicant now competes, 16 have numerous probable future entrants, and the remaining three markets are not highly concentrated. Based on the foregoing and other facts of record, the Board concludes that consummation of the proposal would not have any significant adverse effect on probable future competition in any relevant market. Thus, competitive considerations are consistent with approval of the application.

The financial and managerial resources of Applicant and its subsidiaries are regarded as generally satisfactory, and their future prospects appear favorable. Banking factors are consistent with approval of the application. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of the application.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire Centran Life Insurance Company, Security Capital Leasing, Inc., CFS One, Inc., CFS One, Inc. of Mississippi, and Protective Loan Corporation. It does not appear that Applicant's acquisition of these subsidiaries would have any significant adverse effect upon existing or potential competition.

Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire Centran Life Insurance Company, Security Capital Leasing, Inc., CFS One, Inc., CFS One, Inc., of Mississippi, and Protective Loan Corporation.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3(a)(5) and 4(c)(8) of the Act should be, and hereby are, approved.[18] The merger shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the merger nor the acquisition of the nonbanking subsidiaries shall occur later than three months after the

15. In this respect, Applicant's proposed divestiture conforms to the requirement announced in *Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *see also InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243, 244 (1982).

16. The 19 markets in which only Applicant operates are: Ashtabula, Canton, Carrollton, Cincinnati, Crawford, Dayton, Findlay, Fremont, Huron, Mercer, Mt. Gilead, Oxford, Port Clinton, Salem, Sandusky, Springfield, Toledo, Wapakoneta, and Youngstown-Warren. The two markets in which only Centran operates are Ashland and Mansfield.

17. "Proposed Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act", 47 *Federal Register* 9017 (1982). Although the proposed policy statement has not been approved by the Board, the Board is using the policy guidelines as part of its analysis of the effect of proposals on probable future competition.

18. As part of this proposal, Marine Midland Banks, Inc., New York, New York ("Marine"), will receive nonvoting shares of Applicant in exchange for its existing nonvoting equity investment in Centran, together with cash and a warrant for the purchase of certain voting shares of Applicant. Applicant has committed that it will not consummate this proposal until the Board has reviewed and approved the terms of Marine's proposed investment in Applicant.

effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with 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 July 15, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger. Governor Wallich abstained from the insurance portion of these applications.

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

Valley Bancorporation
Appleton, Wisconsin

Order Approving Acquisition of Banks and a Mortgage Finance Company

Valley Bancorporation, Appleton, Wisconsin, has applied for the Board's approval under section 3 of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842), to acquire United Banks of Wisconsin, Inc., Madison, Wisconsin ("United Banks"), a bank holding company within the meaning of the Act, and thereby to acquire indirectly its four subsidiary banks: United Bank, Madison, Wisconsin ("United Madison"); Farmers & Citizens United Bank, Sauk City, Wisconsin ("United Sauk"); United Bank in Menomonie, Menomonie, Wisconsin ("United Menomonie"); and United Bank in Sun Prairie, Sun Prairie, Wisconsin ("United Sun Prairie"). Applicant proposes to merge United Banks into Valley-Capital Corporation, Appleton, Wisconsin, a recently organized wholly owned subsidiary of Applicant that would be the surviving institution. The banks to be acquired will continue to operate under their existing names and charters.

Applicant has also applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)), to acquire United Mortgage of Wisconsin, Inc., Madison, Wisconsin ("United Mortgage"), a subsidiary of United Banks. United Mortgage is engaged in mortgage financing, an activity that the Board has determined to be closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(1).

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, 50 *Federal Register* 15,683 (1985). 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 a multibank holding company that currently controls 24 subsidiary banks.[1] It is the fourth largest banking organization in Wisconsin and controls total domestic deposits of $1.1 billion, representing approximately 4.0 percent of the total deposits in commercial banks in the state.[2] United Banks, the 13th largest banking organization in the state, controls total domestic deposits of $258.0 million, representing approximately 0.9 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed transaction, Applicant would remain the fourth largest banking organization in Wisconsin, controlling 28 commercial banks with total deposits of $1.3 billion, representing 4.9 percent of the total deposits in commercial banks in the state. The proposed transaction would have no significant effect on the concentration of banking resources in Wisconsin.

Applicant and United Banks compete directly in one market, the Madison banking market.[3] Applicant's banking subsidiary in the Madison market, Bank of Oregon, Oregon, Wisconsin, controls deposits of $30.5 million, representing approximately 1.8 percent of the total deposits in commercial banks in the market.[4] United Banks is the third largest commercial banking organization in the market, operating two banking subsidiaries that together control deposits of approximately $167.3 million, representing approximately 9.6 percent of the total deposits in commercial banks in the market.[5] Upon consummation of the proposed transaction, Applicant would control approximately

1. This figure includes Applicant's recent acquisition of BancWis Corporation, Janesville, Wisconsin, and Bank of Oregon, Oregon, Wisconsin, which were consummated, respectively, on March 31 and May 7, 1985.
2. Banking data are as of June 30, 1984.
3. The Madison banking market is defined as all of Dane County except for the eastern tier, which includes the townships of York, Medina, Dearfield, Christiana and Albion, all in Wisconsin.
4. Deposit data are as of September 30, 1984.
5. United Madison and United Sun Prairie control, respectively, deposits of $138.0 million and $29.3 million, representing 7.9 percent and 1.7 percent of total deposits in commercial banks in the Madison banking market.

11.4 percent of the total deposits in commercial banks in the market.

The share of deposits held by the four largest banking organizations in the Madison banking market is 57 percent and would increase to 58.8 percent upon consummation of this proposal. The market's Herfindahl-Hirschman Index is 1103 and would increase by 35 points to 1138 upon consummation of the proposal.[6] Although the proposed acquisition would eliminate some existing competition between Applicant and United Banks in the Madison banking market, the market would not become highly concentrated as a result of this transaction and 25 competitors would remain in the market upon consummation. On the basis of these and other facts of record, the Board concludes that the effects of consummation of the proposal on existing competition in the Madison banking market would not be significantly adverse. United Banks operates in two other banking markets, the Sauk County and Dunn County banking markets,[7] in which Applicant does not compete. Thus, consummation of this proposal would not have any effect on existing competition in these markets.

The Board has also examined the effect of the proposed acquisition upon probable future competition in the three geographic markets in which United Banks operates and has evaluated the proposal in light of the Board's proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions.[8] None of these markets is highly concentrated under the Board's Guidelines. Accordingly, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market. Accordingly, competitive considerations are consistent with approval of this application.

In evaluating this application, the Board has considered the financial and managerial resources of Applicant and the effect on these resources of the proposed acquisition of United Banks. The Board has stated that a bank holding company should serve as a source of strength to its banking subsidiaries. In addition, the Board has stated that capital adequacy is an especially important factor in the analysis of bank holding company proposals.[9] While Applicant's existing primary and total capital ratios are above the minimum levels specified for bank holding companies in the Board's Capital Adequacy Guidelines,[10] consummation of the proposed transaction would result in a slight decline in Applicant's tangible primary capital ratio to the minimum acceptable primary capital ratio under the Board's Guidelines. Furthermore, Applicant will incur additional debt in connection with this proposal. It appears from the facts of record, however, that Applicant is capable of improving its tangible capital ratio, servicing its debt, and serving as a source of strength to its subsidiaries. Therefore, based on these and other facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicant and United Banks are generally satisfactory, and that banking factors are consistent with approval of this application.

Considerations relating to the convenience and needs of the community to be served are also consistent with approval. Consummation of this proposal would result in the expansion of banking services offered by United Banks' subsidiaries, to include the provision of trust and discount brokerage services.

Applicant has also applied under section 4(c)(8) of the Act to acquire United Mortgage, a mortgage financing company that makes, acquires and services mortgage loans for itself and for others. This activity has been determined by the Board to be closely related to banking under section 225.25(b)(1) of the Board's Regulation Y. 12 C.F.R. § 225.25(b)(1)). Consummation of this proposal would have no effect on competition or the concentration of resources in any relevant market. The record does not contain any evidence that consummation of the proposal would result in any other adverse factors, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. 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 application.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are

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 only moderately concentrated. In such a market, the Department is unlikely to challenge a merger producing an increase in the HHI of less than 100 points.

7. The Sauk County banking market is approximated by Sauk County, Wisconsin, excluding Spring Green township, and includes the Westford and Wellon townships in Richland County, Wisconsin. The Dunn County banking market is defined as Dunn County, Wisconsin.

8. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). While the proposed policy statement has not been adopted by the Board, the Board is using the policy Guidelines as part of its analysis of the effect of a proposal on probable future competition.

9. *See, e.g., National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984).

10. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (1985).

approved. The acquisition of banks shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of United Mortgage 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 modification 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 July 15, 1985.

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

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

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

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

Section 3

Applicant	Bank(s)	Board action (effective date)
Bankers Trust New York Corporation, New York, New York	Bankers Trust Delaware, Wilmington, Delaware	July 19, 1985
Barnett Banks of Florida, Inc., Jacksonville, Florida	Niceville Bankshares Corporation, Niceville, Florida	June 26, 1985
Fifth Third Bancorp, Cincinnati, Ohio	The Fifth Third Bank of Columbus, Columbus, Ohio	June 27, 1985
RepublicBank Corporation, Dallas, Texas	RepublicBank Countryside, N.A., San Antonio, Texas	July 1, 1985

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
American National Bancshares, Inc., Noblesville, Indiana	The American National Bank of Noblesville, Noblesville, Indiana	Chicago	July 16, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Amcorp Financial, Inc., Ardmore, Oklahoma	American National Bank, Ardmore, Oklahoma	Kansas City	July 9, 1985
BancTenn Corp., Kingsport, Tennessee	Bank of Tennessee, Kingsport, Tennessee	Atlanta	July 19, 1985
Barclays PLC, London, England	Barclays Bank PLC, London, England Barclays USA, Inc., Wilmington, Delaware Barclays Bank of Delaware, N.A., Wilmington, Delaware	New York	June 20, 1985
BFW Financial Corporation, Burleson, Texas	Shady Oaks National Bank, Lake Worth, Texas	Dallas	June 21, 1985
BoRC Financial Corporation, Harriman, Tennessee	Bank of Roane County, Harriman, Tennessee	Atlanta	July 15, 1985
Carroll Financial Corporation, Burlington, Indiana	First Bank of Carroll County, Burlington, Indiana	Chicago	July 18, 1985
Cascade Bancorporation, Inc., Cascade, Wisconsin	State Bank of Cascade, Cascade, Wisconsin	Chicago	July 2, 1985
Citicorp, New York, New York	Quadstar Corporation, Wilmington, Delaware	New York	July 15, 1985
Citizens Bancorporation of New Ulm, New Ulm, Minnesota	Citizens Bank of New Ulm, New Ulm, Minnesota	Minneapolis	July 10, 1985
Commerce Bancshares of Roswell, Inc., Roswell, New Mexico	Valley Bank of Commerce, Roswell, New Mexico	Dallas	June 27, 1985
Community Financial Corporation, Littlestown, Pennsylvania	Community National Bank of Southern Pennsylvania, Littlestown, Pennsylvania	Philadelphia	July 11, 1985
Commonwealth Bancshares Corp., Williamsport, Pennsylvania	Commonwealth National Financial Corporation, Harrisburg, Pennsylvania Heritage Financial Services Corporation, Lewistown, Pennsylvania	Philadelphia	July 19, 1985
Cosmos Bancorporation, Inc., Cosmos, Minnesota	First State Bank of Cosmos, Cosmos, Minnesota	Minneapolis	July 10, 1985
Darmen Financial of Wisconsin, Inc., Fennimore, Wisconsin	The First State Bank, Fennimore, Wisconsin	Chicago	July 12, 1985
Edna Bancshares, Inc., Edna, Kansas	First State Bank of Edna, Edna, Kansas	Kansas City	June 21, 1985
Elston Corporation, Crawfordsville, Indiana	Lizton Financial Corporation, Lizton, Indiana	Chicago	June 27, 1985
Evergreen Bancshares, Inc., Crossett, Arkansas	First State Bank, Crossett, Arkansas	St. Louis	July 3, 1985
Farmers & Merchants Bancorp, Inc., Archbold, Ohio	The Farmers & Merchants State Bank, Archbold, Ohio	Cleveland	June 21, 1985

Section 3—Continued

Applicant	Bank (s)/Nonbanking Company	Reserve Bank	Effective date
Farmers & Merchants Bancshares, Inc., Mart, Texas	The Farmers and Merchants Bank of Mart, Mart, Texas	Dallas	July 18, 1985
Financial Dominion of Kentucky, Inc., Radcliff, Kentucky	Farmers Deposit Bank, Brandenburg, Kentucky	St. Louis	July 12, 1985
Financial Holdings, Inc., Louisville, Colorado	Boulder Valley National Bank, Boulder, Colorado	Kansas City	July 5, 1985
Financial Management Services of Jefferson, Inc., Jefferson, Wisconsin	The Farmers & Merchants Bank of Jefferson, Jefferson, Wisconsin	Chicago	July 3, 1985
F M Fincorp, Laotto, Indiana	Farmers & Merchants Bank, Laotto, Indiana	Chicago	July 10, 1985
First Commonwealth Financial Corporation, Indiana, Pennsylvania	The Dale National Bank, Dale, Pennsylvania	Cleveland	July 16, 1985
First Corinth Corp., Corinth, Mississippi	National Bank of Commerce of Corinth, Corinth, Mississippi	St. Louis	July 3, 1985
First Crockett Bancshares, Inc., Crockett, Texas	Allied First National Bank of Crockett, Crockett, Texas	Dallas	June 28, 1985
First Fidelity Bancorporation, Newark, New Jersey	First Fidelity Bank, Princeton, West Windsor, New Jersey	New York	July 1, 1985
First National Shares of Louisiana, Baton Rouge, Louisiana	First National Bank of East Baton Rouge, Baton Rouge, Louisiana	Atlanta	July 10, 1985
First National Bancorp, Gainesville, Georgia	Peoples Bancorp, Cleveland, Georgia	Atlanta	July 3, 1985
First National Talladega Corporation, Talladega, Alabama	The First National Bank of Talladega, Talladega, Alabama	Atlanta	July 19, 1985
First Railroad & Banking Company of Georgia, Augusta, Georgia	Washington Loan & Banking Company, Washington, Georgia	Atlanta	July 1, 1985
First Railroad & Banking Company of Georgia, Augusta, Georgia	Decimus Data Services Corporation, Chicago, Illinois	Atlanta	July 11, 1985
First Wyoming Bancorporation, Cheyenne, Wyoming	First Wyoming Bank, N.A.-Riverton, Riverton, Wyoming	Kansas City	June 18, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
FirstPlace Financial Corp., Lincoln, Illinois	First National Bank in Lincoln, Lincoln, Illinois	Chicago	July 3, 1985
Forsyth Bancshares, Inc., Cumming, Georgia	Forsyth County Bank, Cumming, Georgia	Atlanta	June 21, 1985
Ft. Elliott Bancshares, Inc., Mobeetie, Texas	The First State Bank of Mobeetie, Mobeetie, Texas	Dallas	July 12, 1985
Harris Bankcorp, Inc., Chicago, Illinois	Bankmont Financial Corp., New York, New York First Canadian Financial U.S. Holdings, Inc., Montreal, Quebec, Canada First National Bank and Trust Company of Barrington, Barrington, Illinois Bank of Montreal, Montreal, Quebec, Canada	Chicago	June 28, 1985
Headland Capital Corporation, Headland, Alabama	Wiregrass Bank & Trust, Headland, Alabama	Atlanta	June 28, 1985
Inwood Holding Corporation, Irving, Texas	Inwood Bancshares, Inc., Dallas, Texas Inwood National Bank of Dallas, Dallas, Texas	Dallas	July 17, 1985
KGG Ban Corp., Hampton, Iowa	Community State Bank, Rockwell, Iowa	Chicago	July 11, 1985
Kingfisher Bancorp, Inc., Kingfisher, Oklahoma	Kingfisher Bank and Trust Company, Kingfisher, Oklahoma	Kansas City	June 28, 1985
Kootenai Bancorp, Libby, Montana	First National Bank in Libby, Libby, Montana	Minneapolis	June 20, 1985
Madison Bank Corp., Madison, Georgia	Bank of Madison, Madison, Georgia	Atlanta	July 10, 1985
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	M&I Bank of Dodgeville, Dodgeville, Wisconsin	Chicago	June 18, 1985
NEB Corporation, Fond du Lac, Wisconsin	American Bank of Fond du Lac, Fond du Lac, Wisconsin	Chicago	June 27, 1985
Old-First National Corporation, Bluffton, Indiana	Old-First National Bank in Bluffton, Bluffton, Indiana	Chicago	July 16, 1985
Ontario Bancorporation, Inc., Ontario, Wisconsin	Genoa State Bank, Genoa, Wisconsin	Chicago	July 11, 1985
PSB Bancshares, Ltd, Postville, Iowa	Postville State Bank, Postville, Iowa	Chicago	July 3, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
River Bend Bancshares, Inc., Wood River, Illinois	Illinois State Bank of East Alton, East Alton, Illinois	St. Louis	July 12, 1985
Rock Springs American Bancorporation, Inc., Rock Springs, Wyoming	The American National Bank of Rock Springs, Rock Springs, Wyoming	Kansas City	July 12, 1985
Rockford Bancorporation, Inc., Rockford, Minnesota	State Bank, Rockford, Minnesota	Minneapolis	July 19, 1985
Ruston Bancshares, Inc., Ruston, Louisiana	Security Bancshares, Inc., Monroe, Louisiana Security Bank, Monroe, Louisiana	Dallas	July 12, 1985
Sand Ridge Financial Corp., South Bend, Indiana	Bank of Highland, Highland, Indiana	Chicago	July 15, 1985
Security Pacific Corporation, Los Angeles, California	Vierling, Devaney & Maguire, Inc., New York, New York	San Francisco	June 24, 1985
Sequatchie County Bancorp, Inc., Dunlap, Tennessee	Sequatchie County Bank, Dunlap, Tennessee	Atlanta	July 3, 1985
SouthTrust Corporation, Birmington, Alabama	Elba Exchange Bank, Elba, Alabama	Atlanta	June 27, 1985
Southwest Banc Shares, Inc., Chatom, Alabama	Chatom State Bank, Chatom, Alabama	Atlanta	June 27, 1985
State Financial Services Corporation, Hales Corners, Wisconsin	University National Bank, Milwaukee, Wisconsin	Chicago	July 10, 1985
Tolna Bancorp, Inc., Tolna, North Dakota	The Farmers & Merchants State Bank, Tolna, North Dakota	Minneapolis	July 9, 1985
United Banks of Colorado, Inc., Denver, Colorado	United Banks of Westminster, Westminster, Colorado	Kansas City	July 12, 1985
Wanamingo Bancshares, Inc., Wanamingo, Minnesota	Security State Bank of Wanamingo, Inc., Wanamingo, Minnesota	Minneapolis	July 16, 1985
Warrick Financial Corporation, Boonville, Indiana	Warrick National Bank of Boonville, Boonville, Indiana	St. Louis	July 12, 1985
WGNB Corporation, Carrollton, Georgia	West Georgia National Bank of Carrollton, Carrollton, Georgia	Atlanta	June 21, 1985

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First Bank System, Inc., Minneapolis, Minnesota	The John Fawcett Company, Duluth, Minnesota The Byers Company, Duluth, Minnesota Robert H. Heimbach Agency, Inc., Duluth, Minnesota Montana International Insurance, Inc., Helena, Montana	Minneapolis	July 16, 1985
First Eastern Corp., Wilkes-Barre, Pennsylvania	Ideal Consumer Discount Company, Nanticoke, Pennsylvania	Philadelphia	June 28, 1985
Marion National Corporation, Marion, South Carolina	Gasque-Clemmons Agency, Inc., Marion, South Carolina Marion Investment Corporation, Inc., Marion, South Carolina	Richmond	July 19, 1985

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Barclays U.S. Holdings, Inc., New York, New York	BarclaysAmericanCorporation, Charlotte, North Carolina Barclays Bank of Delaware, N.A., Wilmington, Delaware consumer finance, credit-related insurance, sale of money orders and travelers checks, data processing activities	New York	June 20, 1985
Key Bancshares of New York Inc., Albany, New York	Several New York-domiciled subsidiary banks of Key Banks Inc., Albany, New York lending, leasing, data processing, investment advisory services, underwriting of credit-related insurance	New York	July 17, 1985
National Commerce Corporation, Birmingham, Alabama	MetroBank, Birmingham, Alabama extension of credit	Atlanta	July 17, 1985

Legal Developments continued on next page

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.

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 and No. 84-3832 (11th Cir., filed Feb. 15, 1985).

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

Lewis v. Paul A. Volcker and Arthur D. Merman, Bank of Ohio, No. C-1-85-0099 (S.D. Ohio, filed Jan. 14, 1985).

Brown v. United States Congress, et al., No. 84-2887-6(IG) (filed Dec. 7, 1985).

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

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

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

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

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

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

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

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

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

Financial and Business Statistics

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WEEKLY REPORTING COMMERCIAL BANKS

FINANCIAL MARKETS

FEDERAL FINANCE

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1984		1985		1985				
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.r	Mayr	June
Reserves of depository institutions[2]									
1 Total	6.9r	3.8r	17.4r	12.2	24.1r	1.1r	7.1	18.1	24.9
2 Required	6.7r	3.0r	16.9r	12.3	19.7r	5.4r	8.1	16.4	22.3
3 Nonborrowed	−44.7r	36.3r	57.3r	14.1	28.3r	−8.1r	15.7	18.3	29.6
4 Monetary base[3]	7.1r	4.7r	8.2r	7.5	11.0r	5.3r	3.6	10.6	13.5
Concepts of money, liquid assets, and debt[4]									
5 M1	4.5	3.2	10.6	10.2	14.3	5.7	5.9	14.0	19.8
6 M2	6.8	9.1	12.0	5.3	11.1	4.1	−.9	8.6	14.0
7 M3	9.5	11.0	10.7	5.2	8.1	5.6r	.2	7.8	10.9
8 L	12.1r	9.5r	9.8	n.a.	10.1	8.7r	.7	n.a.	n.a.
9 Debt	12.6	13.4	13.4	11.7	11.1r	10.9r	12.1	11.7	n.a.
Nontransaction components									
10 In M2[5]	7.6	10.9	12.5	3.8	10.1	3.5	−3.0	6.9	12.2
11 In M3 only[6]	20.5	18.7	5.4r	4.8	−3.3	11.8r	5.0	4.6	−1.0
Time and savings deposits									
Commercial banks									
12 Savings[7]	−5.6	−10.4	−8.7	−1.7	−2.0	−10.9	−7.0	8.0	14.9
13 Small-denomination time[8]	13.4	6.9	−1.8	6.5	−8.4	2.5	15.0	7.1	2.5
14 Large-denomination time[9,10]	19.3	12.2	2.6	8.3	9.6	23.1	15.1	−4.0	−19.0
Thrift institutions									
15 Savings[7]	−6.5	−6.6	2.2	3.3	7.9	2.9	−.7	5.0	9.2
16 Small-denomination time	17.1	15.2	1.7	4.2	−3.9	.5	4.8	10.6	4.8
17 Large-denomination time[9]	37.8	29.8	21.0	2.3	2.3	−5.4	.8	13.2	2.3
Debt components[4]									
18 Federal	14.7	15.6	15.9	13.1	13.7	10.6	13.2	14.8	n.a.
19 Nonfederal	12.0	12.7	12.6	11.2	10.3r	10.9r	11.8	10.8	n.a.
20 Total loans and securities at commercial banks[11]	9.1	9.2	9.9	n.a.	12.7	11.4	n.a.	9.3	9.6

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1985			1985						
	Apr.	May	June	May 15	May 22	May 29	June 5	June 12	June 19	June 26
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**187,124**	**189,001**	**188,651**	**188,009**	**186,050**	**185,768**	**187,266**	**188,845**	**188,490**	**188,052**
2 U.S. government securities[1]	164,467	166,708	166,584	164,869	164,355	164,223	165,262	166,676	166,052	166,709
3 Bought outright	163,690	165,365	166,451	164,869	164,355	164,223	164,694	166,676	166,052	166,709
4 Held under repurchase agreements	777	1,343	133	0	0	0	568	0	0	0
5 Federal agency obligations	8,454	8,461	8,325	8,364	8,363	8,363	8,382	8,337	8,303	8,303
6 Bought outright	8,372	8,365	8,321	8,364	8,363	8,363	8,363	8,337	8,303	8,303
7 Held under repurchase agreements	82	96	4	0	0	0	19	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,316	1,178	1,227	1,393	1,474	1,174	1,861	819	1,427	735
10 Float	503	587	600	589	591	496	144	1,055	798	314
11 Other Federal Reserve assets	12,384	12,067	11,915	12,793	11,267	11,512	11,617	11,958	11,910	11,991
12 Gold stock	11,093	11,091	11,090	11,091	11,091	11,091	11,091	11,091	11,090	11,090
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	16,634	16,696	16,749	16,687	16,701	16,715	16,728	16,739	16,750	16,761
ABSORBING RESERVE FUNDS										
15 Currency in circulation	180,973	183,019	185,414	182,900	183,037	183,966	184,906	185,548	185,640	185,139
16 Treasury cash holdings	575	600	596	600	602	601	602	597	597	594
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,711	6,591	2,874	6,883	3,138	3,245	2,400	2,077	2,514	3,754
18 Foreign	218	227	229	241	233	226	217	211	240	210
19 Service-related balances and adjustments	1,556	1,549	1,657	1,516	1,618	1,507	1,494	1,669	1,768	1,608
20 Other	427	603	470	647	784	487	541	426	622	400
21 Other Federal Reserve liabilities and capital	6,424	6,310	6,301	6,290	6,328	6,258	6,254	6,275	6,357	6,307
22 Reserve balances with Federal Reserve Banks[2]	22,587	22,508	23,568	21,328	22,722	21,902	23,290	24,490	23,211	22,508

Factors	End-of-month figures			Wednesday figures						
	1985			1985						
	Apr.	May	June	May 15	May 22	May 29	June 5	June 12	June 19	June 26
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**197,652**	**185,262**	**191,442**	**186,438**	**190,176**	**186,578**	**189,908**	**188,647**	**190,224**	**188,027**
24 U.S. government securities[1]	173,913	164,245	169,110	164,212	164,262	164,714	165,240	166,816	165,431	166,282
25 Bought outright	166,460	164,245	169,110	164,212	164,262	164,714	164,066	166,816	165,431	166,282
26 Held under repurchase agreements	7,453	0	0	0	0	0	1,174	0	0	0
27 Federal agency obligations	8,903	8,363	8,303	8,363	8,363	8,363	8,373	8,303	8,303	8,303
28 Bought outright	8,372	8,363	8,303	8,363	8,363	8,363	8,363	8,303	8,303	8,303
29 Held under repurchase agreements	531	0	0	0	0	0	10	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	1,525	1,765	1,338	1,484	4,769	1,419	3,549	688	3,806	776
32 Float	254	−816	262	743	1,336	162	774	961	517	391
33 Other Federal Reserve assets	13,057	11,705	12,429	11,636	11,446	11,920	11,972	11,879	12,167	12,275
34 Gold stock	11,091	11,091	11,090	11,091	11,091	11,091	11,091	11,090	11,090	11,090
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	16,673	16,726	16,770	16,699	16,713	16,726	16,737	16,748	16,759	16,770
ABSORBING RESERVE FUNDS										
37 Currency in circulation	180,858	184,691	185,886	183,114	183,325	184,853	185,233	185,818	185,478	185,414
38 Treasury cash holdings	586	602	588	602	601	602	598	597	594	588
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	19,305	1,933	3,288	3,414	3,110	3,853	1,975	1,778	3,541	3,892
40 Foreign	348	205	310	319	213	223	211	207	168	243
41 Service-related balances and adjustments	1,302	1,337	1,348	1,326	1,327	1,336	1,337	1,422	1,423	1,348
42 Other	324	557	321	1,469	472	530	444	432	567	349
43 Other Federal Reserve liabilities and capital	6,652	6,242	6,291	6,123	6,119	6,086	6,091	6,067	6,186	6,144
44 Reserve balances with Federal Reserve Banks[2]	20,660	22,131	25,888	22,480	27,431	21,531	26,466	24,783	24,734	22,527

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1982	1983	1984	1984	1985					
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 *Reserve balances with Reserve Banks*[1]	24,939	21,138	21,738	21,738	21,577	20,416	22,065	23,217	22,385	23,369
2 Total vault cash[2]	20,392	20,755	22,316	22,316	23,044	23,927	21,863	21,567	21,898	22,180
3 Vault cash used to satisfy reserve requirements[3]	17,049	17,908	18,958	18,958	19,547	19,857	18,429	18,435	18,666	18,984
4 Surplus vault cash[4]	3,343	2,847	3,358	3,358	3,497	4,070	3,434	3,132	3,231	3,196
5 *Total reserves*[5]	41,853	38,894	40,696	40,696	41,125	40,273	40,494	41,652	41,051	42,354
6 Required reserves	41,353	38,333	39,843	39,843	40,380	39,370	39,728	40,914	40,247	41,446
7 Excess reserve balances at Reserve Banks[6]	500	561	853	853	745	903	766	738	804	907
8 Total borrowings at Reserve Banks	697	774	3,186	3,186	1,395	1,289	1,593	1,323	1,334	1,205
9 *Seasonal borrowings at Reserve Banks*	33	96	113	113	62	71	88	135	165	151
10 Extended credit at Reserve Banks[7]	187	2	2,604	2,604	1,050	803	1,059	868	534	665
	Biweekly averages of daily figures for weeks ending									
	1985									
	Feb. 27	Mar. 13	Mar. 27	Apr. 10	Apr. 24	May 8	May 22	June 5	June 19	July 3
11 Reserve balances with Reserve Banks[1]	20,731	22,407	21,458	23,073	23,520	22,751	22,032	22,610	23,861	23,087
12 Total vault cash[2]	23,203	21,518	22,353	21,274	21,880	21,327	22,357	21,692	21,688	23,029
13 Vault cash used to satisfy reserve requirements[3]	19,272	18,093	18,828	18,126	18,764	18,182	19,068	18,473	18,724	19,549
14 Surplus vault cash[4]	3,931	3,425	3,148	3,148	3,116	3,145	3,289	3,220	2,964	3,481
15 Total reserves[5]	40,002	40,500	40,286	41,199	42,284	40,933	41,100	41,082	42,585	42,637
16 Required reserves	39,191	39,719	39,477	40,642	41,400	40,234	40,248	40,260	41,861	41,458
17 Excess reserve balances at Reserve Banks[6]	812	782	810	557	884	699	852	823	724	1,179
18 Total borrowings at Reserve Banks	1,174	1,865	1,289	1,775	1,158	953	1,434	1,518	1,123	1,167
19 Seasonal borrowings at Reserve Banks	81	69[r]	98	121	131	169	160	171	171	142
20 Extended credit at Reserve Banks[7]	603	1,224	839	1,295	766	396	369	914	914	612

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

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1985 week ending Monday								
	May 20	May 27	June 3	June 10	June 17	June 24	July 1	July 8	July 15
One day and continuing contract									
1 Commercial banks in United States	60,948	57,948	60,878	71,025[r]	67,155	60,567	58,209	68,283	64,586
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	28,373	29,995	28,822	32,686	33,019	32,298	31,173	33,003	32,320
3 Nonbank securities dealers	8,583	9,936	12,702	8,428	8,134	9,063	8,244	8,408	9,459
4 All other	27,378	26,803	26,897	25,487	26,465	25,282	24,718	22,106	25,570
All other maturities									
5 Commercial banks in United States	9,626	9,547[r]	9,180[r]	8,870[r]	8,883	9,278	9,728	9,732	9,326
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	8,163	7,646[r]	7,572[r]	7,696[r]	7,517	7,671	7,890	7,861	8,397
7 Nonbank securities dealers	9,499	10,135	8,996	9,214	8,870	9,238	9,517	9,139	9,004
8 All other	8,719	8,758	8,701	8,724	8,488	8,545	7,943	9,061	7,528
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	29,212	27,759	30,412	33,482[r]	31,755	30,618	31,795	34,998	30,423
10 Nonbank securities dealers	7,492	6,982	7,379	7,920[r]	7,505	7,671	7,108	6,456	7,335

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 7/29/85	Effective date	Previous rate	Rate on 7/29/85	Previous rate	Rate on 7/29/85	Previous rate	Rate on 7/29/85	Previous rate	
Boston	7½	5/20/85	8	7½	8	8½	9	9½	10	5/20/85
New York		5/20/85								5/20/85
Philadelphia		5/24/85								5/24/85
Cleveland		5/21/85								5/21/85
Richmond		5/20/85								5/20/85
Atlanta		5/20/85								5/20/85
Chicago		5/20/85								5/20/85
St. Louis		5/21/85								5/21/85
Minneapolis		5/20/85								5/20/85
Kansas City		5/20/85								5/20/85
Dallas		5/20/85								5/20/85
San Francisco	7½	5/21/85	8	7½	8	8½	9	9½	10	5/21/85

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1978— July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
5	13–14	14

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981— May 8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985— May 20	7½–8	7½
28	7½	7½
In effect July 29, 1985	7½	7½

1. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was set at 8½ percent at that time. On May 20 this rate was lowered to 8 percent.

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

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

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.
2. Effective Dec. 1, 1983, IRA/Keogh (HR10) Plan accounts are not subject to minimum deposit requirements. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000.
3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average maintenance balance requirements was lowered to $1,000. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals. When the average balance is less than $1,000, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.
4. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000. Deposits of less than $1,000 issued to governmental units continue to be subject to an interest rate ceiling of 8 percent.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS
Millions of dollars

Type of transaction	1982	1983	1984	1984		1985				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,067	18,888	20,036	4,463	3,410	0	2,976	916	6,026	274
2 Gross sales	8,369	3,420	8,557	0	0	2,668	214	554	0	417
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,000	2,400	7,700	0	0	1,600	400	500	0	800
Others within 1 year										
5 Gross purchases	312	484	1,126	146	182	0	0	961	245	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	17,295	18,887	16,354	1,348	771	596	1,987	1,299	1,129	2,443
8 Exchange	−14,164	−16,553	−20,840	−3,363	−966	−625	−2,739	0	−1,463	−2,945
9 Redemptions	0	87	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,797	1,896	1,638	830	0	0	0	465	846	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−14,524	−15,533	−13,709	594	−771	−596	−1,902	−1,299	−1,114	−2,101
13 Exchange	11,804	11,641	16,039	1,763	966	625	1,645	0	1,463	1,940
5 to 10 years										
14 Gross purchases	388	890	536	335	0	0	0	0	108	0
15 Gross sales	0	0	300	0	0	100	0	0	0	0
16 Maturity shift	−2,172	−2,450	−2,371	−1,893	0	0	−54	0	−16	42
17 Exchange	2,128	2,950	2,750	850	0	0	600	0	0	600
Over 10 years										
18 Gross purchases	307	383	441	164	0	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−601	−904	−275	−49	0	0	−30	0	0	−384
21 Exchange	234	1,962	2,052	750	0	0	493	0	0	405
All maturities										
22 Gross purchases	19,870	22,540	23,476	5,938	3,591	0	2,976	2,343	7,321	274
23 Gross sales	8,369	3,420	7,553	0	0	2,768	214	554	0	417
24 Redemptions	3,000	2,487	7,700	0	0	1,600	400	500	0	800
Matched transactions										
25 Gross sales	543,804	578,591	808,986	51,904	63,674	66,668	57,076	54,718	65,845	78,870
26 Gross purchases	543,173	576,908	810,432	55,516	61,537	66,367	57,283	57,288	64,001	77,597
Repurchase agreements										
27 Gross purchases	130,774	105,971	139,441	12,063	3,888	20,225	19,584	4,922	11,540	21,716
28 Gross sales	130,286	108,291	139,019	12,063	2,261	21,852	17,077	7,429	4,088	29,168
29 Net change in U.S. government securities	8,358	12,631	8,908	9,549	3,080	−6,295	5,077	1,351	12,931	−9,668
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	189	292	256	90	0	0	17	*	*	8
Repurchase agreements										
33 Gross purchases	18,957	8,833	1,205	698	506	1,463	2,428	445	983	1,336
34 Gross sales	18,638	9,213	817	698	119	1,851	2,048	825	452	1,867
35 Net change in federal agency obligations	130	−672	132	−90	388	388	363	−380	531	−540
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	1,285	−1,062	−418	0	0	0	0	0	0	0
37 **Total net change in System Open Market Account**	**9,773**	**10,897**	**6,116**	**9,459**	**3,468**	**−6,683**	**5,440**	**971**	**13,462**	**−10,208**

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1985					1985		
	May 29	June 5	June 12	June 19	June 26	Apr.	May	June
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,091	11,091	11,090	11,090	11,090	11,091	11,091	11,090
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	491	481	489	482	481	561[r]	490	474
Loans								
4 To depository institutions	1,419	3,549	688	3,806	776	1,525	1,765	1,338
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	8,363	8,363	8,303	8,303	8,303	8,372	8,363	8,303
8 Held under repurchase agreements	0	10	0	0	0	531	0	0
U.S. government securities								
Bought outright								
9 Bills	73,905	73,257	76,007	74,622	75,473	75,651	73,436	78,301
10 Notes	67,066	67,066	67,066	67,066	67,066	67,269	67,066	67,066
11 Bonds	23,743	23,743	23,743	23,743	23,743	23,540	23,743	23,743
12 Total bought outright[1]	164,714	164,066	166,816	165,431	166,282	166,460	164,245	169,110
13 Held under repurchase agreements	0	1,174	0	0	0	7,453	0	0
14 Total U.S. government securities	164,714	165,240	166,816	165,431	166,282	173,913	164,245	169,110
15 Total loans and securities	**174,496**	**177,162**	**175,807**	**177,540**	**175,361**	**184,341**	**174,373**	**178,751**
16 Cash items in process of collection	8,278	7,557	7,304	7,782	6,316	9,730	6,865	6,277
17 Bank premises	581	581	582	584	583	577	581	585
Other assets								
18 Denominated in foreign currencies[2]	4,026	4,058	4,069	4,072	4,075	4,007	4,058	4,149
19 All other[3]	7,313	7,333	7,228	7,511	7,617	8,473	7,066	7,695
20 Total assets	**210,894**	**212,881**	**211,187**	**213,679**	**210,141**	**223,398[r]**	**209,142**	**213,639**
LIABILITIES								
21 Federal Reserve notes	169,219	169,574	170,155	169,795	169,713	165,331[r]	169,056	170,178
Deposits								
22 To depository institutions	22,867	27,803	26,205	26,157	23,875	21,962	23,468	27,236
23 U.S. Treasury—General account	3,853	1,975	1,778	3,541	3,892	19,305	1,933	3,288
24 Foreign—Official accounts	223	211	207	168	243	348	205	310
25 Other	530	444	432	567	349	324	557	321
26 Total deposits	**27,473**	**30,433**	**28,622**	**30,433**	**28,359**	**41,939**	**26,163**	**31,155**
27 Deferred availability cash items	8,116	6,783	6,343	7,265	5,925	9,476	7,681	6,015
28 Other liabilities and accrued dividends[4]	2,335	2,320	2,305	2,423	2,381	2,614	2,359	2,315
29 Total liabilities	**207,143**	**209,110**	**207,425**	**209,916**	**206,378**	**219,360[r]**	**205,259**	**209,663**
CAPITAL ACCOUNTS								
30 Capital paid in	1,714	1,713	1,717	1,716	1,721	1,702	1,713	1,721
31 Surplus	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626
32 Other capital accounts	411	432	419	421	416	710	544	629
33 Total liabilities and capital accounts	**210,894**	**212,881**	**211,187**	**213,679**	**210,141**	**223,398[r]**	**209,142**	**213,639**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	120,328	122,203	120,826	122,401	121,759	116,712	119,753	121,276
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	198,229	198,487	198,882	199,819	200,227	196,490	198,021	200,234
36 LESS: Held by bank	29,010	28,913	28,727	30,024	30,514	31,159[r]	28,965	30,056
37 Federal Reserve notes, net	169,219	169,574	170,155	169,795	169,713	165,331[r]	169,056	170,178
Collateral held against notes net:								
38 Gold certificate account	11,091	11,091	11,090	11,090	11,090	11,091	11,091	11,090
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	153,510	153,865	154,447	154,087	154,005	149,622[r]	153,347	154,470
42 Total collateral	**169,219**	**169,574**	**170,155**	**169,795**	**169,713**	**165,331[r]**	**169,056**	**170,178**

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

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1985					1985		
	May 29	June 5	June 12	June 19	June 26	Apr. 30	May 31	June 28
1 Loans—Total	1,419	3,549	688	3,806	776	1,525	1,765	1,338
2 Within 15 days	1,363	3,465	620	3,792	759	1,438	1,700	937
3 16 days to 90 days	56	84	68	14	17	87	65	401
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	164,714	165,240	166,816	165,431	166,282	173,913	164,245	169,110
10 Within 15 days[1]	7,975	8,784	7,585	5,042	7,230	12,305	4,256	7,604
11 16 days to 90 days	35,578	35,562	39,303	38,375	37,122	38,406	38,379	39,719
12 91 days to 1 year	47,935	47,758	46,792	48,878	48,794	50,568	48,474	48,651
13 Over 1 year to 5 years	37,132	37,042	37,042	37,042	37,042	37,204	37,042	37,042
14 Over 5 years to 10 years	15,281	15,281	15,281	15,281	15,281	14,638	15,281	15,281
15 Over 10 years	20,813	20,813	20,813	20,813	20,813	20,792	20,813	20,813
16 Federal agency obligations—Total	8,363	8,373	8,303	8,303	8,303	8,903	8,363	8,303
17 Within 15 days[1]	162	89	0	120	159	613	162	159
18 16 days to 90 days	566	678	778	658	619	533	566	677
19 91 days to 1 year	1,918	1,931	1,871	1,871	1,871	1,991	1,918	1,813
20 Over 1 year to 5 years	4,089	4,053	4,023	4,023	4,023	4,083	4,089	4,023
21 Over 5 years to 10 years	1,229	1,223	1,232	1,232	1,232	1,284	1,229	1,232
22 Over 10 years	399	399	399	399	399	399	399	399

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1984		1985					
					Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^r	June
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves**[2]	**32.10**	**34.28**	**36.14**	**39.08^r**	**38.47^r**	**39.08^r**	**39.64^r**	**40.43^r**	**40.47^r**	**40.71^r**	**41.32**	**42.18**
2 Nonborrowed reserves	31.46	33.65	35.36	35.90^r	33.85^r	35.90^r	38.24^r	39.14^r	38.88^r	39.39^r	39.99	40.97
3 Nonborrowed reserves plus extended credit[3]	31.61	33.83	35.37	38.50^r	37.69^r	38.50^r	39.29^r	39.95^r	39.94^r	40.26^r	40.52	41.64
4 Required reserves	31.78	33.78	35.58	38.23^r	37.77^r	38.23^r	38.89^r	39.53^r	39.71^r	39.97^r	40.52	41.27
5 Monetary base[4]	158.10	170.14	185.49	199.03^r	197.67^r	199.03^r	200.21^r	202.05^r	202.95^r	203.56^r	205.35	207.66
	Not seasonally adjusted											
6 **Total reserves**[2]	**32.82**	**35.01**	**36.86**	**40.13**	**38.69**	**40.13**	**40.70**	**39.88**	**40.07**	**41.25**	**40.64**	**41.96**
7 Nonborrowed reserves	32.18	34.37	36.09	36.94	34.07	36.94	39.31	38.59	38.47	39.93	39.31	40.76
8 Nonborrowed reserves plus extended credit[3]	32.33	34.56	36.09	39.55	37.91	39.55	40.36	39.39	39.53	40.80	39.84	41.42
9 Required reserves	32.50	34.51	36.30	39.28	37.99	39.28	39.96	38.97	39.30	40.52	39.84	41.05
10 Monetary base[4]	160.94	173.17	188.76	202.02	198.22	202.02	200.93	199.54	200.86	203.42	204.54	207.99
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**41.92**	**41.85**	**38.89**	**40.70**	**39.23**	**40.70**	**41.12**	**40.27**	**40.49**	**41.65**	**41.05**	**42.35**
12 Nonborrowed reserves	41.29	41.22	38.12	37.51	34.62	37.51	39.73	38.98	38.90	40.33	39.72	41.15
13 Nonborrowed reserves plus extended credit[3]	41.44	41.41	38.12	40.09	38.54	40.09	40.88	39.83	40.03	40.77	40.45	41.88
14 Required reserves	41.61	41.35	38.33	39.84	38.54	39.84	40.38	39.37	39.73	40.91	40.25	41.45
15 Monetary base[4]	170.47	180.52	192.36	202.59	198.77	202.59	201.35	199.94	201.29	203.81	204.94	208.39

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Mar.	1985 Apr.	1985 May	1985 June
				Seasonally adjusted				
1 M1	441.8	480.8	528.0	558.5	572.1	574.9r	581.6	591.2
2 M2	1,794.4	1,954.9	2,188.8	2,371.7	2,429.2	2,427.3r	2,444.6r	2,473.1
3 M3	2,235.8	2,446.8	2,701.8	2,995.0	3,055.3r	3,055.9r	3,075.7r	3,103.7
4 L	2,596.5	2,857.4	3,176.4	3,543.8	3,624.1r	3,626.3r	n.a.	n.a.
5 Debt	4,309.5	4,709.7	5,224.6	5,953.2	6,129.6r	6,191.4r	6,251.9	n.a.
M1 components								
6 Currency[2]	124.0	134.3	148.4	158.7	161.3	161.7	163.1r	164.5
7 Travelers checks[3]	4.4	4.3	4.9	5.2	5.4	5.5	5.5	5.7
8 Demand deposits[4]	235.2	238.6	243.5	248.6	251.9	252.5	255.7	260.7
9 Other checkable deposits[5]	78.2	103.5	131.3	146.0	153.6	155.3	157.3	160.3
Nontransactions components								
10 In M2[6]	1,352.6	1,474.0	1,660.8	1,813.2	1,857.0	1,852.3r	1,863.0r	1,882.0
11 In M3 only[7]	441.4	492.0	512.9	623.3	626.1r	628.7r	631.1r	630.6
Savings deposits[9]								
12 Commercial Banks	158.6	163.5	133.4	122.6	120.3	119.6	120.4	121.9
13 Thrift institutions	185.8	194.4	173.6	166.0	168.4	168.3	169.0	170.3
Small denomination time deposits[9]								
14 Commerical Banks	347.8	379.8	350.7	387.0	382.8	387.6	389.9	390.7
15 Thrift institutions	475.8	471.7	433.8	498.6	495.8	497.8	502.2r	504.2
Money market mutual funds								
16 General purpose and broker/dealer	150.6	185.2	138.2	167.5	177.6	176.2r	172.2	175.4
17 Institution-only	38.0	51.1	43.2	62.7	59.5	59.5	63.5	67.1
Large denomination time deposits[10]								
18 Commercial Banks[11]	247.5	262.0	228.9	264.4	269.5	272.9r	272.0r	267.7
19 Thrift institutions	54.6	66.2	101.9	151.8	154.2	154.3	156.0	156.3
Debt components								
20 Federal debt	825.9	979.3	1,172.8	1,367.0	1,413.5	1,429.0	1,446.6	n.a.
21 Non-federal debt	3,483.6	3,730.4	4,051.8	4,586.2r	4,716.2r	4,762.4r	4,805.3	n.a.
				Not seasonally adjusted				
22 M1	452.2	491.8	539.7	570.4	564.9	581.6	576.2	592.2
23 M2	1,798.7	1,959.6	2,194.0	2,376.7	2,429.4r	2,439.2r	2,440.7r	2,476.8
24 M3	2,243.4	2,454.4	2,709.2	3,002.2	3,057.0r	3,067.8r	3,073.6r	3,106.4
25 L	2,604.7	2,862.1	3,180.1	3,545.1	3,631.5r	3,639.5r	n.a.	n.a.
26 Debt	4,304.7	4,703.8	5,218.8	5,947.3r	6,100.8r	6,160.9r	6,223.1	n.a.
M1 components								
27 Currency[2]	126.2	136.5	150.5	160.9	159.8	161.2	163.2r	165.2
28 Travelers checks[3]	4.1	4.0	4.6	4.9	5.1	5.2	5.4	6.0
29 Demand deposits[4]	243.4	247.2	252.2	257.4	246.3	255.1	251.4	259.7
30 Other checkable deposits[5]	78.5	104.1	132.4	147.2	153.6	160.1	156.2	161.3
Nontransactions components								
31 M2[6]	1,346.5	1,467.8	1,654.2	1,806.2	1,864.6	1,857.6r	1,864.5r	1,884.6
32 M3 only[7]	444.7	494.8	515.2	625.5	627.6r	628.7r	632.9r	629.6
Money market deposit accounts								
33 Commercial banks	n.a.	26.3	230.5	267.1	294.0	295.9	298.2r	307.3
34 Thrift institutions	.0	16.9	148.7	147.9	163.9	164.4	165.4r	167.6
Savings deposits[8]								
35 Commercial Banks	157.5	162.1	132.2	121.4	120.6	120.9	121.7	123.2
36 Thrift institutions	184.7	193.2	172.5	164.9	168.2	169.3	170.2	172.7
Small denomination time deposits[9]								
37 Commercial Banks	347.7	380.1	351.1	387.6	383.7	383.9	385.2	386.3
38 Thrift institutions	475.5	471.7	434.2	499.4	496.2	495.6	495.7r	497.5
Money market mutual funds								
39 General purpose and broker/dealer	150.6	185.2	138.2	167.5	177.6	176.2r	172.2	175.4
40 Institution-only	38.0	51.1	43.2	62.7	59.5	59.5	63.5	67.1
Large denomination time deposits[10]								
41 Commercial Banks[11]	251.7	265.2	230.8	265.9	269.8	270.4r	269.9r	267.2
42 Thrift institutions	54.4	65.9	101.4	151.1	153.3	153.4	156.0r	155.8
Debt components								
43 Federal debt	823.0	976.4	1,170.2	1,364.7	1,412.0	1,427.1	1,443.8	n.a.
44 Non-federal debt	3,481.7	3,727.4	4,048.6	4,582.5	4,688.8r	4,733.8r	4,779.4	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1981[1]	1982[1]	1983[1]	1984	1985				
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	80,858.7	90,914.4	109,642.3	137,512.0	140,678.6	143,281.5	139,608.3	156,513.2	149,252.8
2 Major New York City banks	34,108.1	37,932.9	47,769.4	62,341.0	64,474.7	63,157.0	62,523.7	70,621.4	66,394.3
3 Other banks	46,966.5	52,981.5	61,873.1	75,171.0	76,203.9	80,124.5	77,084.6	85,891.8	82,858.4
4 ATS–NOW accounts[3]	761.0	1,036.2	1,405.5	1,677.5	1,552.0	1,618.6	1,567.0	1,689.3	1,771.1
5 Savings deposits[4]	679.6	720.3	741.4	486.0	501.3	499.8	539.2	589.0	636.4
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	285.8	324.2	379.7	453.4	468.6	471.4	456.3	515.4	484.6
7 Major New York City banks	1,116.7	1,287.6	1,528.0	1,903.0	2,008.6	1,902.2	1,967.0	2,183.9	2,079.6
8 Other banks	185.9	211.1	240.9	277.8	284.2	295.9	281.1	316.5	300.2
9 ATS–NOW accounts[3]	14.4	14.5	15.6	16.3	14.6	15.0	14.4	15.4	16.1
10 Savings deposits[4]	4.1	4.5	5.4	4.0	4.2	4.2	4.6	5.0	5.4
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	81,197.9	91,031.8	109,517.6	140,166.0	148,880.1	129,297.2	143,154.3	151,536.1	151,342.3
12 Major New York City banks	34,032.0	38,001.0	47,707.4	64,498.9	68,203.1	57,337.4	64,188.9	67,422.3	67,249.3
13 Other banks	47,165.9	53,030.9	64,310.2	75,667.1	80,677.0	71,959.8	78,965.4	84,113.8	84,093.0
14 ATS–NOW accounts[3]	737.6	1,027.1	1,397.0	1,625.4	1,838.9	1,524.4	1,624.7	1,946.1	1,775.5
15 MMDA[5]	...	...	567.4	899.7	1,103.9	980.9	1,032.5	1,221.4	1,146.7
16 Savings deposits[4]	672.9	720.0	742.0	470.6	544.7	455.5	552.9	644.4	621.1
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	286.4	325.0	379.9	447.1	486.0	437.2	480.9	498.1	505.5
18 Major New York City banks	1,114.2	1,295.7	1,510.0	1,910.8	2,025.9	1,780.6	1,990.7	2,138.6	2,205.8
19 Other banks	186.2	211.5	240.5	270.5	295.9	273.0	297.5	308.4	312.7
20 ATS–NOW accounts[3]	14.0	14.4	15.5	15.4	17.1	14.3	14.9	17.2	16.2
21 MMDA[5]	...	...	2.8	3.4	4.0	3.4	3.5	4.2	3.9
22 Savings deposits[4]	4.1	4.5	5.4	3.9	4.6	3.9	4.7	5.4	5.2

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

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
	Seasonally adjusted											
1 **Total loans and securities**[2]	**1,652.6**	**1,662.1**	**1,674.8**	**1,682.8**	**1,701.0**	**1,714.8**	**1,724.0**	**1,742.3**	**1,758.9**	**1,765.8**	**1,785.3**	**1,799.1**
2 U.S. government securities	256.4	257.1	258.0	257.0	259.4	260.2	260.1	265.8	266.9	261.1	265.9	266.6
3 Other securities	139.5	140.8	141.9	141.5	141.1	139.9	142.4	140.8	138.7	140.1	142.1	144.5
4 Total loans and leases[2]	1,256.7	1,264.2	1,274.9	1,284.3	1,300.6	1,314.7	1,321.5	1,335.6	1,353.3	1,364.6	1,377.3	1,388.0
5 *Commercial and industrial*	455.0	458.1	460.0	463.0	467.1	468.1	468.4	473.4	480.4	480.9	483.3	483.6
6 Bankers acceptances held[3]	6.2	5.8	5.4	5.6	6.0	5.2	5.0	6.1	6.4	5.4	4.9	4.7
7 Other commercial and industrial	448.8	452.3	454.6	457.3	461.1	462.9	463.4	467.2	474.1	475.5	478.4	478.9
8 U.S. addressees[4]	437.2	440.6	443.5	446.7	450.7	453.3	453.8	457.1	463.8	465.3	468.7	469.8
9 *Non-U.S. addressees*[4]	*11.7*	*11.6*	*11.1*	*10.6*	10.3	9.6	9.7	10.2	10.3	10.3	9.6	9.1
10 Real estate	358.3	361.2	364.7	367.7	371.8	375.6	377.9	382.1	385.8	389.9	393.8	397.4
11 Individual	236.3	238.5	241.3	243.5	246.7	251.0	254.6	257.7	261.9	265.5	268.7	271.4
12 Security	28.0	26.1	28.8	30.3	30.2	31.5	31.9	31.6	32.8	35.1	37.5	40.0
13 Nonbank financial institutions	31.4	30.8	31.2	31.1	31.2	31.4	31.2	30.9	30.6r	31.2	31.5	31.2
14 Agricultural	40.6	40.6	40.7	40.6	40.5	40.3	40.2	40.2	40.3	40.1	39.8	39.3
15 State and political subdivisions	40.4	41.2	41.7	41.2	42.1	44.0	46.9	46.6	46.8	47.1	47.4	47.4
16 *Foreign banks*	12.5	12.2	11.7	11.7	11.9	11.5	11.4	11.5	11.2	10.8	10.6	10.3
17 Foreign official institutions	9.3	9.4	8.9	8.5	8.4	8.3	7.9	7.9	7.7	7.8	7.8	7.6
18 Lease financing receivables	14.5	14.8	15.0	15.1	15.3	15.5	15.6	15.8	16.1	16.4	16.7	16.9
19 All other loans	30.6	31.4	30.9	31.6	35.5	37.4	35.4	38.0	39.5	39.8	40.1	42.7
	Not seasonally adjusted											
20 **Total loans and securities**[2]	1,646.7	1,656.1	1,673.2	1,684.0	1,701.9	1,725.8	1,732.0	1,740.4	1,755.0	1,766.0	1,781.4	1,800.0
21 U.S. government securities	256.2	255.5	255.7	254.1	255.2	256.9	260.1	266.8	269.0	266.6	268.0	270.3
22 Other securities	138.2	140.4	141.3	140.9	141.2	141.5	143.3	141.0	138.9	139.8	142.7	144.2
23 Total loans and leases[2]	1,252.4	1,260.2	1,276.2	1,289.0	1,305.5	1,327.4	1,328.7	1,332.6	1,347.1	1,359.7	1,370.7	1,385.5
24 Commercial and industrial	454.3	456.1	459.9	463.8	467.3	471.2	470.3	472.9	480.0	481.2	481.9	482.1
25 Bankers acceptances held[3]	6.0	5.6	5.3	5.5	5.9	5.7	5.1	6.0	6.3	5.5	4.9	4.8
26 Other commercial and industrial	448.2	450.4	454.6	458.3	461.4	465.5	465.2	466.9	473.7	475.7	477.0	477.2
27 U.S. addressees[4]	436.5	438.8	443.3	447.2	450.5	455.0	455.4	457.2	463.9	466.2	467.8	468.3
28 Non-U.S. addressees[4]	*11.7*	*11.6*	*11.3*	*11.1*	*11.0*	10.5	9.8	9.7	9.8	9.5	9.2	8.9
29 Real estate	357.7	361.4	365.8	368.9	372.8	376.2	378.6	381.7	384.7	388.6	392.8	396.9
30 Individual	234.7	238.3	242.3	245.3	248.4	254.0	257.0	257.4	259.7	263.2	266.5	269.5
31 Security	26.6	25.4	27.7	30.2	31.7	35.2	33.0	30.8	32.2	35.0	36.0	39.9
32 Nonbank financial institutions	31.4	30.9	31.3	31.0	31.1	31.5	31.3	30.7	30.6	31.3	31.3	31.2
33 Agricultural	41.4	41.4	41.5	41.2	40.6	40.0	39.6	39.4	39.3	39.4	39.7	39.8
34 State and political subdivisions	40.4	41.2	41.7	41.2	42.1	44.0	46.9	46.6	46.8	47.1	47.4	47.4
35 Foreign banks	12.3	11.9	11.9	12.0	12.2	12.2	11.7	11.4	11.0	10.5	10.3	10.0
36 Foreign official institutions	9.3	9.4	8.9	8.5	8.4	8.3	7.9	7.9	7.7	7.8	7.8	7.6
37 Lease financing receivables	14.4	14.7	14.9	15.0	15.1	15.5	15.8	16.0	16.3	16.4	16.7	16.9
38 All other loans	30.0	29.5	30.3	31.8	35.6	39.3	36.6	37.8r	38.7	39.2	40.3	44.3

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	1984						1985					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Total nondeposit funds												
1 Seasonally adjusted[2]	100.3	103.5	106.5	107.9	112.0	108.5	102.2r	113.8	116.8	105.0	111.7r	112.4
2 Not seasonally adjusted	99.9	105.7	107.0	109.6	117.5	111.1	104.6	117.2	119.2	108.2	116.9r	114.7
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	134.5	139.3	141.6	141.4	145.0	140.5	138.8r	146.8r	147.2	138.8r	142.0	146.9
4 Not seasonally adjusted	134.0	141.5	142.1	143.1	150.5	143.1	141.1	150.2	149.7r	141.9	147.2	149.2
5 Net balances due to foreign-related institutions, not seasonally adjusted	-34.2	-35.8	-35.1	-33.5	-33.1	-32.0	-36.5	-33.0	-30.4	-33.7	-30.3r	-34.4
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-33.1	-35.0	-35.2	-34.2	-32.7	-31.4	-35.0	-31.7	-29.7	-32.6	-29.7r	-32.6
7 Gross due from balances	71.2	72.8	71.5	69.8	68.3	69.0	71.4	70.5	71.4	75.0	74.6r	76.6
8 Gross due to balances	38.1	37.7	36.3	35.6	35.6	37.6	36.5	38.8	41.7	42.4	44.9r	43.9
9 *Foreign-related institutions' net* positions with directly related institutions, not seasonally adjusted[5]	-1.1	-.8	.1	.7	-.4	-.6	-1.6r	-1.2r	-.8r	-1.2r	-.6r	-1.8
10 Gross due from balances	51.9	51.6	51.7	50.8	50.7	52.0	53.0r	54.0r	53.4r	51.8r	52.4	53.7
11 Gross due to balances	50.8	50.8	51.8	51.5	50.4	51.4	51.4	52.7	52.6r	50.7r	51.8	51.9
Security RP borrowings												
12 Seasonally adjusted[6]	77.5	79.9	81.4	82.0	84.0	81.1	82.3	90.1	92.0	85.4	85.5	86.5
13 Not seasonally adjusted	74.6	79.6	79.4	81.2	87.0	81.1	82.2	91.1	92.0	86.0	88.3	86.3
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	12.8	13.1	16.0	8.0	17.3	16.1	14.7	13.0	11.8	14.6	22.6	17.4
15 Not seasonally adjusted	11.9	10.3	17.5	11.0	10.4	12.5	18.5	15.8	12.8	15.4	20.9	14.9
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	314.8	314.2	315.4	321.4	323.0	325.8	324.8	325.4	329.9	332.6r	331.0	326.6
17 Not seasonally adjusted	313.7	315.6	316.8	322.2	322.9	327.3	325.6	324.9	330.3	330.0	328.9	326.1

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

NOTE. These data also appear in the Board's G.10 (411) release. For address see inside front cover.

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

Billions of dollars

Account	1984					1985					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,784.5	1,798.3	1,822.7	1,822.7	1,864.0	1,853.8	1,873.4	1,880.5	1,895.9	1,905.1r	1,921.2
2 Investment securities	376.2	377.2	375.2	374.4	377.5	381.0	382.0	383.3	383.4	389.8r	391.1
3 U.S. government securities	243.5	243.4	241.2	240.4	242.5	244.9	248.0	250.9	250.0	254.0	254.6
4 Other	132.7	133.8	134.0	133.9	134.9	136.1	134.1	132.5	133.4	135.8r	136.5
5 Trading account assets	20.0	20.9	22.5	21.9	22.9	24.2	27.6	23.7	23.5	23.5	23.1
6 Total loans	1,388.4	1,400.2	1,424.9	1,426.4	1,463.7	1,448.7	1,463.7	1,473.5	1,489.0	1,491.8	1,507.0
7 Interbank loans	127.1	123.3	126.1	122.6	126.9	125.2	128.6	125.9	130.7	123.8	123.7
8 Loans excluding interbank	1,261.2	1,276.9	1,298.8	1,303.8	1,336.8	1,323.4	1,335.1	1,347.6	1,358.3	1,368.0	1,383.2
9 Commercial and industrial	455.2	459.8	467.7	468.7	476.8	469.8	476.5	482.7	481.5	482.8	482.2
10 Real estate	361.8	366.6	369.8	374.4	377.7	380.2	382.5	386.0	389.8	394.9r	398.7
11 Individual	240.0	243.3	247.1	249.6	255.5	257.4	258.1	260.4	264.2	267.3r	270.9
12 All other	204.2	207.3	214.2	211.1	226.8	216.1	218.0	218.4	222.8	223.0	231.4
13 Total cash assets	177.3	181.0	188.0	188.4	201.9	187.8	189.2	183.4	187.3	202.0r	190.0
14 Reserves with Federal Reserve Banks	17.4	18.0	18.1	20.4	20.5	20.9	19.6	19.8	22.9	20.7	22.0
15 Cash in vault	22.2	21.6	21.4	23.9	23.3	21.9	21.8	21.3	21.3	23.3	22.2
16 Cash items in process of collection	60.7	63.2	70.2	66.5	75.9	66.9	68.8	63.9	64.1	76.5	68.5
17 Demand balances at U.S. depository institutions	29.5	30.8	32.0	30.9	34.5	30.9	32.2	31.6	30.1	35.1r	31.2
18 Other cash assets	47.5	47.4	46.3	46.7	47.7	47.3	46.7	46.8	48.9	46.5r	46.2
19 Other assets	190.6	196.8	201.6	190.1	196.8	191.7	195.4	188.5	188.7	183.4r	189.7
20 **Total assets/total liabilities and capital**	**2,152.4**	**2,176.1**	**2,212.2**	**2,201.2**	**2,262.6**	**2,233.3**	**2,257.9**	**2,252.4**	**2,272.0**	**2,290.5r**	**2,300.9**
21 Deposits	1,539.0	1,549.9	1,578.9	1,578.2	1,631.2	1,604.3	1,617.8	1,625.6	1,636.4	1,659.2	1,657.7
22 Transaction deposits	440.0	442.3	462.7	453.1	491.1	456.8	459.2	457.6	465.3	479.9	473.8
23 Savings deposits	365.1	364.9	371.1	378.1	386.3	400.0	406.8	409.8	409.4	418.0	424.7
24 Time deposits	734.0	742.7	745.0	747.0	753.8	747.5	751.8	758.2	761.7	761.3r	759.2
25 Borrowings	301.5	307.1	314.3	298.8	304.1	306.5	308.8	300.6	309.8	304.9	312.6
26 Other liabilities	169.7	172.9	175.1	179.4	181.1	173.7	182.2	176.9	175.3	175.6r	179.3
27 Residual (assets less liabilities)	142.1	146.2	144.0	144.8	146.2	148.8	149.2	149.2	150.5	150.8r	151.3
MEMO											
28 U.S. government securities (including trading account)	255.1	255.4	256.3	255.2	256.9	261.9	269.5	268.4	266.4	268.9	270.3
29 Other securities (including trading account)	141.0	142.7	141.5	141.1	143.4	143.2	140.2	138.7	140.6	144.3r	143.9
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	1,688.4	1,707.4	1,728.5	1,726.7	1,765.4	1,759.6	1,774.6	1,781.9	1,796.4	1,809.2r	1,825.3
31 Investment securities	369.1	369.8	367.9	367.5	370.5	373.7	374.7	376.6	376.7	383.3	384.6
32 U.S. government securities	238.5	238.4	236.1	235.8	237.9	240.2	243.2	246.6	246.0	250.3	250.9
33 Other	130.7	131.5	131.8	131.6	132.6	133.5	131.5	130.0	130.6	133.0r	133.7
34 Trading account assets	20.0	20.9	22.5	21.9	22.9	24.2	27.6	23.7	23.5	23.5	23.1
35 Total loans	1,299.4	1,316.6	1,338.0	1,337.3	1,372.1	1,361.7	1,372.3	1,381.6	1,396.2	1,402.5	1,417.6
36 Interbank loans	97.6	99.9	103.3	96.1	102.8	100.6	100.9	99.9	103.1	100.4	100.3
37 Loans excluding interbank	1,201.8	1,216.7	1,234.7	1,241.2	1,269.3	1,261.2	1,271.4	1,281.6	1,293.1	1,302.1	1,317.3
38 Commercial and industrial	414.5	418.7	423.0	424.7	430.2	425.7	431.5	435.5	436.0	435.9	435.3
39 Real estate	358.0	362.3	365.5	369.1	372.1	375.1	377.3	380.9	384.5	389.4	393.3
40 Individual	239.8	243.1	246.9	249.4	255.3	257.2	257.9	260.2	263.9	267.1	270.6
41 All other	189.6	192.5	199.3	198.0	211.7	203.1	204.8	205.0	208.7	209.6	218.1
42 Total cash assets	165.9	169.0	176.6	176.8	190.3	175.7	177.8	172.5	175.7	191.0r	179.0
43 Reserves with Federal Reserve Banks	16.7	17.4	17.1	19.7	19.2	20.2	18.7	19.2	22.3	19.6	20.9
44 Cash in vault	22.2	21.6	21.4	23.9	23.3	21.9	21.8	21.3	21.3	23.2	22.2
45 Cash items in process of collection	60.5	63.0	69.9	66.3	75.6	66.7	68.5	63.7	63.9	76.2	68.1
46 Demand balances at U.S. depository institutions	28.2	29.4	30.7	29.4	32.9	29.5	30.9	30.3	28.7	33.7r	29.7
47 Other cash assets	38.3	37.7	37.5	37.5	39.3	37.5	37.9	38.0	39.5	38.2	38.0
48 Other assets	140.6	141.2	147.9	139.7	142.1	137.6	139.0	137.2	137.6	131.6r	137.8
49 **Total assets/total liabilities and capital**	**1,995.0**	**2,017.6**	**2,053.1**	**2,043.2**	**2,097.8**	**2,072.9**	**2,091.4**	**2,091.7**	**2,109.7**	**2,131.8r**	**2,142.1**
50 Deposits	1,500.3	1,510.9	1,539.1	1,538.0	1,587.8	1,561.8	1,573.7	1,580.5	1,591.7	1,616.0	1,614.5
51 Transaction deposits	433.7	435.9	456.2	446.8	484.5	450.6	452.9	451.4	458.9	473.5	467.3
52 Savings deposits	364.2	363.9	370.1	377.1	385.2	398.9	405.6	408.6	408.3	416.8r	423.5
53 Time deposits	702.4	711.1	712.8	714.1	718.1	712.3	715.2	720.5	724.5	725.8	723.7
54 Borrowings	236.0	243.5	251.3	240.9	243.1	246.5	247.0	239.9	247.9	245.6	253.3
55 Other liabilities	119.3	119.7	120.5	122.3	123.5	118.4	124.2	124.7	122.3	122.0r	125.7
56 Residual (assets less liabilities)	139.3	143.4	142.1	142.0	143.4	146.1	146.5	146.6	147.8	148.1r	148.6

1. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.
2. Data are not comparable with those of later dates. See the Announcements section of the March 1985 BULLETIN for a description of the differences.
3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

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

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

Millions of dollars, Wednesday figures

Account	1985								
	May 8	May 15r	May 22	May 29	June 5	June 12	June 19	June 26	July 3
1 Cash and balances due from depository institutions	90,371	98,309	94,106r	98,124r	97,189r	95,014	92,874	92,218	100,547
2 Total loans, leases and securities, net	**838,857r**	**853,778**	**844,944r**	**838,796r**	**857,652r**	**848,180**	**860,666**	**848,227**	**863,734**
3 U.S. Treasury and government agency	85,607	87,905	88,037	87,417	88,146	86,043	87,992	86,212	87,993
4 Trading account	15,533	15,999	15,854	14,918	16,327	16,075	18,343	15,657	16,339
5 Investment account, by maturity	70,073	71,906	72,183	72,499	71,819	69,968	69,650	70,555	71,654
6 One year or less	20,937r	20,898	20,434r	20,689r	20,718r	20,868	21,172	21,812	21,930
7 Over one through five years	35,211r	37,083	37,015r	37,097r	35,606r	34,189	34,084	34,765	35,590
8 Over five years	13,925	13,925	14,734	14,713	15,494	14,911	14,393	13,978	14,134
9 Other securities	48,533	48,492	48,891r	49,552	49,094	49,179	49,337	49,387	48,902
10 Trading account	4,263	4,393	4,475	4,984	4,304	4,084	4,266	4,388	4,455
11 Investment account	44,270	44,099	44,416	44,568	44,790	45,095	45,071	44,998	44,446
12 States and political subdivisions, by maturity	39,213	39,323	39,398	39,566	39,822	40,048	39,957	39,949	39,360
13 One year or less	4,998	5,000	4,946	5,220	5,255	5,422	5,287	5,192	4,824
14 Over one year	34,214	34,323	34,451r	34,346	34,567	34,626	34,670	34,757	34,536
15 Other bonds, corporate stocks, and securities	5,057	4,776	5,018	5,002	4,968	5,046	5,114	5,049	5,086
16 Other trading account assets	3,061	3,371	2,866	3,550r	4,205	4,078	2,986	3,095	4,362
17 Federal funds sold[1]	51,786r	59,522	54,476	50,918	63,878	56,653	60,729	55,004	62,530
18 To commercial banks	35,045r	40,568	37,052	34,128	44,665	37,933	43,143	36,350	43,720
19 To nonbank brokers and dealers in securities	10,904	12,887	11,605	11,298	12,347	11,303	11,656	12,583	12,521
20 To others	5,837	6,067	5,818	5,491	6,866	7,417	5,929	6,071	6,290
21 Other loans and leases, gross[2]	666,795r	671,444	667,650r	664,311r	669,451r	669,422	676,828	671,742	677,209
22 Other loans, gross[2]	653,248r	657,886	653,988r	650,709r	655,767r	655,708	663,103	657,984	663,256
23 Commercial and industrial[2]	255,635r	254,718	254,202r	253,450r	253,938r	253,173	253,436	252,237	253,957
24 Bankers acceptances and commercial paper	2,234	2,256	2,200	2,287	2,448	2,277	2,025	2,335	2,656
25 All other	253,401r	252,461	252,002r	251,162r	251,489r	250,896	251,411	249,902	251,302
26 U.S. addressees	248,000r	246,972	246,556r	246,149r	246,391r	245,885	246,441	244,900	246,234
27 Non-U.S. addressees	5,400	5,490	5,446	5,014	5,098	5,010	4,970	5,002	5,068
28 Real estate loans[2]	166,277r	167,149	167,164r	167,272r	167,236r	167,880	168,295	168,713	168,811
29 To individuals for personal expenditures	119,000r	119,248	119,536r	119,983r	120,231r	120,444	120,964	121,669	122,282
30 To depository and financial institutions	40,845r	40,917	40,569	39,974r	40,146	39,576	40,537	39,879	40,403
31 Commercial banks in the United States	11,513r	11,342	11,232r	10,783r	10,450r	10,416	10,975	11,018	10,534
32 Banks in foreign countries	5,575r	5,530	5,489	5,157r	5,369r	5,113	5,229	5,110	5,409
33 Nonbank depository and other financial institutions	23,756r	24,044	23,848r	24,035r	24,326r	24,048	24,333	23,750	24,460
34 For purchasing and carrying securities	17,502	20,504	17,871	14,924	19,466	19,741	24,736	19,618	21,977
35 To finance agricultural production	7,099r	7,164	7,185r	7,188r	7,238	7,238	7,234	7,282	7,351
36 To states and political subdivisions	30,002r	30,070	30,064r	30,030r	29,933r	30,156	29,970	30,008	30,015
37 To foreign governments and official institutions	3,706r	4,143	3,819r	3,745r	3,602	3,613	3,598	3,609	3,473
38 All other	13,182r	13,974	13,577	14,142	13,978r	13,887	14,333	14,969	14,986
39 Lease financing receivables	13,546	13,557	13,662	13,601	13,683	13,714	13,725	13,758	13,953
40 Less: Unearned income	5,165	5,179	5,190	5,194	5,147	5,165	5,178	5,219	5,193
41 Loan and lease reserve[2]	11,760r	11,777	11,786	11,759	11,975r	12,030	12,028	11,993	12,070
42 Other loans and leases, net[2]	649,870r	654,488	650,674r	647,358r	652,329r	652,226	659,622	654,530	659,946
43 All other assets	127,871r	128,796	127,532r	124,347r	131,828r	130,237	131,818	129,772	138,158
44 Total assets	**1,057,099**	**1,080,883**	**1,066,583r**	**1,061,267**	**1,086,669r**	**1,073,432**	**1,085,358**	**1,070,218**	**1,102,439**
45 Demand deposits	182,513r	200,380	184,706r	192,625r	197,483r	194,403	196,171	190,798	206,263
46 Individuals, partnerships, and corporations	138,662r	150,563	140,673r	146,211r	148,239r	148,839	146,598	143,760	153,774
47 States and political subdivisions	4,718	5,735	4,809	5,169	5,378	4,814	5,705	5,268	5,550
48 U.S. government	2,595	3,388	2,271	1,047	4,133	2,560	4,422	2,350	4,456
49 Depository institutions in United States	21,731r	24,253	22,336r	25,257r	23,560r	21,948	24,102	22,159	25,513
50 Banks in foreign countries	5,712	5,813	5,449	5,347	6,008r	5,202	5,448	5,701	5,114
51 Foreign governments and official institutions	918	1,089	789	813	787	1,057	842	772	898
52 Certified and officers' checks	8,179	9,539	8,379	8,780	9,378	9,983	9,054	10,788	10,956
53 Transaction balances other than demand deposits	37,129	36,905	36,408	36,401r	38,887	38,400	37,943	36,671	39,412
54 Nontransaction balances	465,111r	466,160	467,152	467,566r	469,398	470,367	471,175	469,761	471,662
55 Individuals, partnerships and corporations	428,595r	429,373	429,835r	430,697r	433,045r	434,061	434,986	433,818	436,616
56 States and political subdivisions	24,478	24,678	25,051	24,813	24,219	24,161	23,939	23,781	23,017
57 U.S. government	338	345	357	376	340	376	366	397	402
58 Depository institutions in the United States	9,243r	9,334	9,523r	9,373r	9,395r	9,415	9,541	9,466	9,392
59 Foreign governments, official institutions and banks	2,458	2,430	2,386	2,307	2,398	2,354	2,342	2,299	2,235
60 Liabilities for borrowed money	203,636r	206,946	208,024r	194,905r	210,271r	199,467	210,439	201,470	216,998
61 Borrowings from Federal Reserve Banks	70	830	3,831	730	2,919	123	3,212	118	3,472
62 Treasury tax-and-loan notes	15,946	12,104	11,126	7,575	2,563r	2,130	12,659	14,467	15,230
63 All other liabilities for borrowed money[3]	187,620r	194,012	193,068r	186,600r	204,788r	197,215	194,568	186,885	198,296
64 Other liabilities and subordinated note and debentures	94,391r	96,204	95,993r	95,416r	95,645r	95,521	94,478	96,613	92,800
65 Total liabilities	**982,781**	**1,006,596**	**992,284r**	**986,913**	**1,011,684r**	**998,158**	**1,010,205**	**995,314**	**1,027,135**
66 Residual (total assets minus total liabilities)[4]	74,318	74,287	74,299	74,354	74,985	75,274	75,152	74,904	75,304
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	809,224r	818,824	813,636r	810,838r	819,659r	817,027	823,754	818,071	826,742
68 Total loans and leases (gross) adjusted[2,5]	672,023r	679,056	673,842r	670,318r	678,214r	677,726	683,439	679,377	685,485
69 Time deposits in amounts of $100,000 or more	155,906	155,579	155,972r	155,572r	155,276r	155,405	155,595	154,441	154,085
70 Loans sold outright to affiliates—total[6]	2,768	2,605	2,586	2,601	2,448	2,413	2,300	2,221	2,200
71 Commercial and industrial	1,875	1,786	1,758	1,721	1,591	1,593	1,492	1,402	1,412
72 Other	894	820	827	880	857	819	808	819	788
73 Nontransaction savings deposits (including MMDAs)	177,377	178,723	179,052	179,792	181,912r	182,728	183,050	182,876	184,832

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	May 8	May 15	May 22	May 29	June 5	June 12	June 19	June 26	July 3
1 Cash and balances due from depository institutions	23,542	25,981	24,995	24,824	24,404	23,722	21,524	24,448	23,061
2 **Total loans, leases and securities, net[1]**	**178,735**	**184,914**	**179,165**	**176,578**	**183,282**	**179,667**	**185,111**	**182,871**	**185,193**
Securities									
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	12,295	12,639	12,383	12,352	10,657	9,925	10,167	10,660	10,614
6 One year or less	1,664	1,681	1,428	1,416	1,304	1,301	1,758	2,021	2,005
7 Over one through five years	8,840	9,217	9,218	9,222	7,450	6,915	6,702	6,933	6,868
8 Over five years	1,791	1,741	1,737	1,713	1,903	1,708	1,707	1,707	1,741
9 Other securities[2]	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......
11 Investment account	9,674	9,739	9,764	9,769	9,934	9,921	9,914	9,989	9,933
12 States and political subdivisions, by maturity	8,643	8,689	8,670	8,671	8,805	8,820	8,825	8,891	8,827
13 One year or less	1,227	1,243	1,119	1,248	1,236	1,222	1,213	1,160	1,203
14 Over one year	7,416	7,446	7,550	7,423	7,570	7,598	7,611	7,731	7,624
15 Other bonds, corporate stocks and securities	1,031	1,050	1,094	1,098	1,129	1,101	1,090	1,098	1,106
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......
Loans and leases									
17 Federal funds sold[3]	21,200	24,037	21,578	21,590	25,905	23,527	23,583	25,256	26,126
18 To commercial banks	11,461	12,137	11,736	11,282	13,890	11,588	12,466	13,910	14,326
19 To nonbank brokers and dealers in securities	5,744	7,818	5,694	6,289	7,081	6,315	6,785	6,872	7,500
20 To others	3,996	4,082	4,147	4,019	4,934	5,625	4,332	4,474	4,300
21 Other loans and leases, gross	140,473	143,419	140,365	137,789	141,727	141,301	146,464	141,997	143,565
22 Other loans, gross	138,007	140,950	137,781	135,275	139,209	138,782	143,934	139,460	140,906
23 Commercial and industrial	62,552	62,048	61,765	61,419	61,794	61,277	61,245	60,662	60,907
24 Bankers acceptances and commercial paper	656	712	720	755	813	646	543	721	948
25 All other	61,897	61,336	61,045	60,664	60,981	60,630	60,702	59,941	59,959
26 U.S. addressees	61,227	60,611	60,350	59,956	60,273	59,932	60,036	59,277	59,281
27 Non-U.S. addressees	670	725	695	708	708	699	666	664	678
28 Real estate loans	25,800	25,986	26,043	26,030	26,012	26,202	26,296	26,261	26,351
29 To individuals for personal expenditures	16,789	16,770	16,795	16,870	16,853	16,861	16,976	17,052	17,143
30 To depository and financial institutions	11,938	11,607	11,704	11,506	11,502	10,974	11,797	11,354	11,196
31 Commercial banks in the United States	2,493	2,188	2,150	2,297	2,346	2,123	2,503	2,515	2,110
32 Banks in foreign countries	2,169	2,013	2,025	1,743	1,892	1,638	1,898	1,749	1,924
33 Nonbank depository and other financial institutions	7,276	7,406	7,528	7,466	7,264	7,213	7,396	7,090	7,162
34 For purchasing and carrying securities	8,680	11,397	8,704r	6,551	10,446	10,593	14,895	10,642	12,189
35 To finance agricultural production	435	426	439	434	421	394	396	405	388
36 To states and political subdivisions	7,944	7,973	8,009	7,911	7,869	7,890	7,855	7,897	7,828
37 To foreign governments and official institutions	816	1,191	891	848	769	822	851	888	789
38 All other	3,051	3,552	3,431	3,704	3,543	3,769	3,622	4,299	4,116
39 Lease financing receivables	2,466	2,468	2,583	2,514	2,518	2,519	2,530	2,537	2,659
40 LESS: Unearned income	1,446	1,450	1,455	1,453	1,419	1,424	1,426	1,460	1,450
41 Loan and lease reserve	3,462	3,469	3,470	3,469	3,521	3,584	3,591	3,571	3,595
42 Other loans and leases, net	135,566	138,499	135,440	132,866	136,787	136,294	141,447	136,966	138,520
43 All other assets[4]	64,733	66,882	66,732	64,185	69,640	68,200	70,480	65,644	73,245
44 **Total assets**	**267,010**	**277,777**	**270,892**	**265,587**	**277,326**	**271,590**	**277,116**	**272,963**	**281,499**
Deposits									
45 Demand deposits	44,634	52,418	47,262	48,147	48,651	48,319	49,956	49,793	49,806
46 Individuals, partnerships, and corporations	29,691	34,536	31,708	32,921	32,183	32,066	32,957	32,459	32,944
47 States and political subdivisions	780	1,431	835	771	1,037	930	990	933	1,014
48 U.S. government	537	646	513	120	825	455	870	442	931
49 Depository institutions in the United States	4,624	5,701	5,176	5,303	4,938	4,703	6,073	5,029	5,400
50 Banks in foreign countries	4,425	4,577	4,268	4,110	4,674	3,956	4,269	4,510	3,820
51 Foreign governments and official institutions	746	933	612	640	582	890	675	575	693
52 Certified and officers' checks	3,832	4,594	4,149	4,283	4,413	5,319	4,121	5,844	5,001
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	3,919	3,933	3,850	3,864	4,044	4,076	4,108	3,931	4,172
54 Nontransaction balances	85,688	86,125	85,950	85,700	86,158	85,925	85,676	84,775	86,207
55 Individuals, partnerships and corporations	77,508	77,997	77,717	77,711	78,378	78,246	77,912	77,224	78,817
56 States and political subdivisions	4,440	4,457	4,553	4,459	4,373	4,373	4,334	4,266	4,178
57 U.S. government	66	76	80	78	50	56	54	58	52
58 Depository institutions in the United States	2,454	2,404	2,436	2,380	2,336	2,263	2,406	2,273	2,225
59 Foreign governments, official institutions and banks	1,220	1,191	1,163	1,071	1,020	988	969	953	935
60 Liabilities for borrowed money	68,889	70,348	69,653	62,852	73,830	68,686	72,281	68,277	76,096
61 Borrowings from Federal Reserve Banks	......	......	2,615	......	1,980	......	2,615	......	1,465
62 Treasury tax-and-loan notes	4,144	2,895	2,486	1,746	645	477	3,425	3,669	3,582
63 All other liabilities for borrowed money[5]	64,744	67,454	64,552	61,107	71,205	68,209	66,241	64,608	71,049
64 Other liabilities and subordinated note and debentures	40,341	41,390	40,529	41,485	40,887	40,732	41,201	42,510	41,366
65 **Total liabilities**	**243,470**	**254,216**	**247,244**	**242,048**	**253,570**	**247,739**	**253,221**	**249,287**	**257,647**
66 Residual (total assets minus total liabilities)[6]	23,539	23,562	23,647	23,538	23,757	23,851	23,894	23,676	23,852
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	169,689	175,509	170,204	167,922	171,986	170,964	175,159	171,477	173,803
68 Total loans and leases (gross) adjusted[7]	147,720	153,131	148,056	145,800	151,395	151,118	155,077	150,828	153,256
69 Time deposits in amounts of $100,000 or more	33,842	34,001	33,829	33,267	33,500	33,010	32,694	32,010	32,815

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	May 8	May 15	May 22	May 29	June 5	June 12	June 19	June 26	July 3
1 Cash and due from depository institutions	6,950	6,606	6,436	6,302	6,969	6,521	6,808	6,347	6,638
2 Total loans and securities	44,862	44,426	45,989	44,614	45,283	44,856	46,093	46,111	47,538
3 U.S. Treasury and govt. agency securities	3,439	3,375	3,324	3,143	3,269	3,386	3,238	3,413	3,413
4 Other securities	1,642	1,629	1,630	1,632	1,687	1,723	1,751	1,779	1,764
5 Federal funds sold[1]	4,246	3,302	4,389	3,925	3,772	3,037	4,231	3,419	4,276
6 To commercial banks in the United States	3,837	3,066	4,075	3,553	3,385	2,653	3,769	3,001	4,061
7 To others	409	236	314	372	388	383	461	418	215
8 Other loans, gross	35,535	36,120	36,645	35,914	36,554	36,710	36,874	37,500	38,085
9 Commercial and industrial	20,639	20,670	21,351	21,261	21,697	21,954	21,513	21,959	22,320
10 Bankers acceptances and commercial paper	1,776	1,663	1,628	1,819	2,029	2,020	1,902	1,813	1,994
11 All other	18,863	19,006	19,723	19,442	19,669	19,934	19,611	20,146	20,326
12 U.S. addressees	17,743	17,885	18,429	18,389	18,569	18,873	18,473	18,962	19,096
13 Non-U.S. addressees	1,119	1,122	1,294	1,053	1,099	1,061	1,138	1,184	1,230
14 To financial institutions	10,832	11,175	11,209	10,714	10,604	10,441	10,618	10,713	10,794
15 Commercial banks in the United States	8,552	8,853	9,062	8,444	8,251	8,196	8,287	8,639	8,429
16 Banks in foreign countries	1,024	1,070	1,023	1,112	1,137	1,164	1,096	1,079	1,080
17 Nonbank financial institutions	1,255	1,252	1,124	1,158	1,216	1,081	1,235	995	1,285
18 To foreign govts. and official institutions	680	667	670	667	707	700	703	690	703
19 For purchasing and carrying securities	1,275	1,264	1,089	938	1,195	1,275	1,687	1,791	1,856
20 All other	2,108	2,345	2,326	2,334	2,350	2,340	2,352	2,348	2,412
21 Other assets (claims on nonrelated parties)	18,734	18,774	18,723	18,911	18,408	18,478	18,455	18,261	18,174
22 Net due from related institutions	10,368	11,106	9,998	9,290r	10,503	9,720	10,184	9,668	9,788
23 Total assets	80,914	80,913	81,146	79,117r	81,162	79,575	81,541	80,387	82,138
24 Deposits or credit balances due to other than directly related institutions	24,127	23,715	23,606	23,645r	23,525	23,357	23,354	23,438	23,350
25 Credit balances	135	158	172	193	157	168	223	166	187
26 Demand deposits	1,581	1,789	1,556	1,627r	1,670	1,713	1,777	1,716	1,815
27 Individuals, partnerships, and corporations	829	877	843	866	854	883	910	906	998
28 Other	752	912	714	760r	816	830	866	810	817
29 Time and savings deposits	22,410	21,768	21,878	21,825	21,699	21,477	21,354	21,556	21,348
30 Individuals, partnerships, and corporations	17,774	17,274	17,458	17,390	16,969	16,888	16,745	16,928	16,749
31 Other	4,636	4,493	4,420	4,435	4,730r	4,588	4,609	4,628	4,599
32 Borrowings from other than directly related institutions	29,874	30,695	30,230	27,894	30,664	29,762	30,839	29,344	31,566
33 Federal funds purchased[2]	12,484	13,093	12,384	10,645	13,598	12,284	13,216	11,611	13,231
34 From commercial banks in the United States	10,166	11,103	10,313	8,425	11,340	9,987	10,642	9,022	10,634
35 From others	2,318	1,990	2,071	2,220	2,258	2,298	2,574	2,590	2,597
36 Other liabilities for borrowed money	17,390	17,603	17,846	17,249	17,066	17,478	17,623	17,733	18,335
37 To commercial banks in the United States	16,080	16,288	16,412	16,044	15,850	16,127	16,254	16,333	16,982
38 To others	1,309	1,315	1,434	1,205	1,215	1,350	1,368	1,401	1,352
39 Other liabilities to nonrelated parties	20,749	20,777	20,659	20,866	20,317	20,376	20,374	20,129	20,224
40 Net due to related institutions	6,164	5,726	6,651	6,712	6,657	6,080	6,974	7,476	6,998
41 Total liabilities	80,914	80,913	81,146	79,117r	81,162	79,575	81,541	80,387	82,138
MEMO									
42 Total loans (gross) and securities adjusted[3]	32,472	32,506	32,851	32,617	33,646	34,007	34,037	34,470	35,049
43 Total loans (gross) adjusted[3]	27,391	27,502	27,897	27,842	28,690	28,898	29,048	29,279	29,872

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

1. Includes securities purchased under agreements to resell.
2. Includes securities sold under agreements to repurchase.
3. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

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

Billions of dollars, estimated daily-average balances

Type of holder	1979[2] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984 Mar.	1984 June[r]	1984 Sept.	1984 Dec.	1985 Mar.[5, p]
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**302.3**	**315.5**	**288.9**	**291.8**	**293.5**	**279.3**	**286.3**	**288.8[r]**	**302.7[r]**	**288.3**
2 Financial business	27.1	29.8	28.0	35.4	32.8	31.7	30.8	30.4[r]	31.7[r]	28.3
3 Nonfinancial business	157.7	162.8	154.8	150.5	161.1	150.3	156.7	158.9[r]	166.3	159.7
4 Consumer	99.2	102.4	86.6	85.9	78.5	78.1	78.7	79.9[r]	81.5[r]	77.3
5 Foreign	3.1	3.3	2.9	3.0	3.3	3.3	3.5	3.3	3.6	3.5
6 Other	15.1	17.2	16.7	17.0	17.8	15.9	16.7	16.3[r]	19.7[r]	19.6
	Weekly reporting banks									
	1979[3] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.[4]	1984 Mar.	1984 June	1984 Sept.	1984 Dec.	1985 Mar.[5, p]
7 **All holders—Individuals, partnerships, and corporations**	**139.3**	**147.4**	**137.5**	**144.2**	**146.2**	**139.2**	**145.3**	**145.3**	**157.1**	**147.9**
8 Financial business	20.1	21.8	21.0	26.7	24.2	23.5	23.6	23.7	25.3	22.6
9 Nonfinancial business	74.1	78.3	75.2	74.3	79.8	76.4	79.7	79.2	87.1	82.8
10 Consumer	34.3	35.6	30.4	31.9	29.7	28.4	29.9	29.8	30.5	29.3
11 Foreign	3.0	3.1	2.8	2.9	3.1	3.2	3.2	3.2	3.4	3.3
12 Other	7.8	8.6	8.0	8.4	9.3	7.7	8.9	9.3	10.9	9.9

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.
2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.
3. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.
4. In January 1984 the weekly reporting panel was revised; it now includes 168 banks. Beginning with March 1984, estimates are constructed on the basis of 92 sample banks and are not comparable with earlier data. Estimates in billions of dollars for December 1983 based on the newly weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.
5. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1979[1] Dec.	1980 Dec.	1981 Dec.	1982 Dec.[2]	1983 Dec.	1984[3] Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**112,803**	**124,374**	**165,829**	**166,436**	**188,312**	**239,117**	**245,322**	**247,095**	**250,575**	**255,236**	**258,943**
Financial companies[4]											
Dealer-placed paper[5]											
2 Total	17,359	19,599	30,333	34,605	44,622	56,917	59,713	60,186	60,895	63,405	61,282
3 Bank-related (not seasonally adjusted)	2,784	3,561	6,045	2,516	2,441	2,035	2,137	2,265	2,304	2,180	2,295
Directly placed paper[6]											
4 Total	64,757	67,854	81,660	84,393	96,918	110,474	113,101	114,824	118,029	117,841	119,975
5 Bank-related (not seasonally adjusted)	17,598	22,382	26,914	32,034	35,566	42,105	43,046	42,759	43,334	42,405	43,126
6 Nonfinancial companies[7]	30,687	36,921	53,836	47,437	46,772	71,726	72,508	72,085	71,651	73,990	77,686
	Bankers dollar acceptances (not seasonally adjusted)[8]										
7 **Total**	**45,321**	**54,744**	**69,226**	**79,543**	**78,309**	**75,470**	**72,273**	**76,109**	**73,726**	**72,825**	**69,689**
Holder											
8 Accepting banks	9,865	10,564	10,857	10,910	9,355	10,255	10,060	10,623	10,473	9,666	9,265
9 Own bills	8,327	8,963	9,743	9,471	8,125	9,065	8,839	9,726	9,166	8,263	7,578
10 Bills bought	1,538	1,601	1,115	1,439	1,230	1,191	1,220	897	1,340	1,403	1,687
Federal Reserve Banks											
11 Own account	704	776	195	1,480	418	0	0	0	0	0	0
12 Foreign correspondents	1,382	1,791	1,442	949	729	671	679	761	737	728	575
13 Others	33,370	41,614	56,731	66,204	68,225	64,543	61,603	64,779	65,865	65,965	58,739
Basis											
14 Imports into United States	10,270	11,776	14,765	17,683	15,649	16,975	16,733	17,115	16,124	16,417	16,670
15 Exports from United States	9,640	12,712	15,400	16,328	16,880	15,859	15,445	15,881	15,179	14,875	14,214
16 All other	25,411	30,257	39,060	45,531	45,781	42,635	40,095	43,113	42,423	41,533	38,805

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
3. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
4. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
5. Includes all financial company paper sold by dealers in the open market.
6. As reported by financial companies that place their paper directly with investors.
7. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
8. Beginning October 1984, the number of respondents in the bankers acceptance survey will be reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1983—Jan. 11	11.00	1984—Oct. 17	12.50	1983—Jan.	11.16	1984—Apr.	11.93
Feb. 28	10.50	29	12.00	Feb.	10.98	May	12.39
Aug. 8	11.00	Nov. 9	11.75	Mar.	10.50	June	12.60
		28	11.25	Apr.	10.50	July	13.00
1984—Mar. 19	11.50	Dec. 20	10.75	May	10.50	Aug.	13.00
Apr. 5	12.00			June	10.50	Sept.	12.97
May 8	12.50	1985—Jan. 15	10.50	July	10.50	Oct.	12.58
June 25	13.00	May 20	10.00	Aug.	10.89	Nov.	11.77
1984—Sept.27	12.75	June 18	9.50	Sept.	11.00	Dec.	11.06
				Oct.	11.00		
				Nov.	11.00	1985—Jan.	10.61
				Dec.	11.00	Feb.	10.50
						Mar.	10.50
				1984—Jan.	11.00	Apr.	10.50
				Feb.	11.00	May	10.31
				Mar.	11.21	June	9.78

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1982	1983	1984	1985				1985, week ending				
				Mar.	Apr.	May	June	May 31	June 7	June 14	June 21	June 28
MONEY MARKET RATES												
1 Federal funds[1,2]	12.26	9.09	10.22	8.58	8.27	7.97	7.53	7.60	7.75	7.62	7.13	7.46
2 Discount window borrowing[1,2,3]	11.02	8.50	8.80	8.00	8.00	7.81	7.50	7.50	7.50	7.50	7.50	7.50
Commercial paper[4,5]												
3 1-month	11.83	8.87	10.05	8.74	8.31	7.80	7.34	7.46	7.37	7.41	7.13	7.45
4 3-month	11.89	8.88	10.10	8.90	8.37	7.83	7.35	7.48	7.33	7.40	7.16	7.49
5 6-month	11.89	8.89	10.16	9.23	8.47	7.88	7.38	7.54	7.31	7.40	7.21	7.60
Finance paper, directly placed[4,5]												
6 1-month	11.64	8.80	9.97	8.70	8.29	7.74	7.31	7.44	7.34	7.38	7.07	7.47
7 3-month	11.23	8.70	9.73	8.67	8.26	7.71	7.19	7.42	7.19	7.22	7.00	7.36
8 6-month	11.20	8.69	9.65	8.65	8.27	7.69	7.16	7.39	7.17	7.21	6.99	7.26
Bankers acceptances[5,6]												
9 3-month	11.89	8.90	10.14	8.88	8.33	7.77	7.32	7.43	7.30	7.36	7.19	7.42
10 6-month	11.83	8.91	10.19	9.20	8.42	7.81	7.34	7.47	7.25	7.38	7.23	7.52
Certificates of deposit, secondary market[7]												
11 1-month	12.04	8.96	10.17	8.73	8.35	7.83	7.38	7.49	7.38	7.45	7.22	7.47
12 3-month	12.27	9.07	10.37	9.02	8.49	7.91	7.44	7.56r	7.39	7.49	7.29	7.60
13 6-month	12.57	9.27	10.68	9.60	8.75	8.08	7.58	7.74	7.46	7.59	7.44	7.83
14 Eurodollar deposits, 3-month[8]	13.12	9.56	10.73	9.32	8.74	8.13	7.60	7.86	7.63	7.58	7.50	7.70
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	10.61	8.61	9.52	8.52	7.95	7.48	6.95	7.19	7.01	7.03	6.81	6.97
16 6-month	11.07	8.73	9.76	8.90	8.23	7.65	7.09	7.32	7.10	7.15	6.97	7.16
17 1-year	11.07	8.80	9.92	9.06	8.44	7.85	7.27	7.53	7.25	7.31	7.14	7.37
Auction average[10]												
18 3-month	10.66	8.64	9.56	8.56	7.99	7.56	7.01	7.22	7.03	7.21	6.73	7.06
19 6-month	10.80	8.76	9.79	8.92	8.31	7.75	7.16	7.39	7.16	7.35	6.90	7.24
20 1-year	11.10	8.85	9.91	9.24	8.44	7.94	7.18	n.a.	n.a.	7.18	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	12.27	9.57	10.89	9.86	9.14	8.46	7.80	8.09	7.80	7.85	7.66	7.91
22 2-year	12.80	10.21	11.65	10.71	10.09	9.39	8.69	9.01	8.63	8.72	8.55	8.85
23 2-1/2-year[13]	......	......	......	......	......	......	......	......	9.15	n.a.	8.80	n.a.
24 3-year	12.92	10.45	11.89	11.05	10.49	9.75	9.05	9.36	8.97	9.06	8.90	9.27
25 5-year	13.01	10.80	12.24	11.52	11.01	10.34	9.60	9.84	9.45	9.60	9.50	9.85
26 7-year	13.06	11.02	12.40	11.82	11.34	10.72	10.08	10.25	9.93	10.06	10.01	10.32
27 10-year	13.00	11.10	12.44	11.86	11.43	10.85	10.16	10.39	10.00	10.12	10.08	10.43
28 20-year	12.92	11.34	12.48	12.06	11.69	11.19	10.57	10.79r	10.46	10.53	10.50	10.77
29 30-year	12.76	11.18	12.39	11.81	11.47	11.05	10.45	10.68r	10.37	10.43	10.38	10.60
Composite[14]												
30 Over 10 years (long-term)	12.23	10.84	11.99	11.78	11.42	10.96	10.36	10.58	10.27	10.33	10.29	10.56
State and local notes and bonds												
Moody's series[15]												
31 Aaa	10.86	8.80	9.61	9.18	8.95	8.52	8.24	8.30	8.15	8.25	8.25	8.30
32 Baa	12.46	10.17	10.38	10.18	9.95	9.54	9.03	9.30	8.90	9.05	9.05	9.10
33 *Bond Buyer* series[16]	11.66	9.51	10.10	9.77	9.42	9.01	8.69	8.81	8.60	8.66	8.69	8.80
Corporate bonds												
Seasoned issues[17]												
34 All industries	14.94	12.78	13.49	13.13	12.89	12.47	11.70	12.01	11.71	11.66	11.63	11.80
35 Aaa	13.79	12.04	12.71	12.56	12.23	11.72	10.94	11.27	10.93	10.88	10.86	11.09
36 Aa	14.41	12.42	13.31	12.91	12.69	12.30	11.46	11.82	11.50	11.48	11.36	11.52
37 A	15.43	13.10	13.74	13.36	13.14	12.70	11.98	12.24	12.04	11.97	11.91	12.02
38 Baa	16.11	13.55	14.19	13.69	13.51	13.15	12.40	12.69	12.36	12.32	12.37	12.56
39 A-rated, recently-offered utility bonds[18]	15.49	12.73	13.81	13.17	12.75	12.25	11.62	11.78	11.57	11.50	11.71	11.62
MEMO: Dividend/price ratio[19]												
40 Preferred stocks	12.53	11.02	11.59	10.97	10.75	10.60	10.05	10.25	10.07	10.10	9.95	10.07
41 Common stocks	5.81	4.40	4.64	4.37	4.37	4.31	4.21	4.23	4.17	4.23	4.26	4.19

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1982	1983	1984	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.93	92.63	92.46	95.09	95.85	94.85	99.11	104.73	103.92	104.66	107.00	109.52
2 Industrial	78.18	107.45	108.01	110.44	110.91	109.05	113.99	120.71	119.64	119.93	121.88	124.11
3 Transportation	60.41	89.36	85.63	86.82	87.37	88.00	94.88	101.76	98.30	96.47	99.66	105.79
4 Utility	39.75	47.00	46.44	49.02	49.93	50.58	51.95	53.44	53.91	55.51	57.32	59.61
5 Finance	71.99	95.34	89.28	92.94	95.28	95.29	101.34	109.58	107.59	109.39	115.31	118.44
6 Standard & Poor's Corporation (1941–43 = 10)[1]	119.71	160.41	160.50	164.82	166.27	164.48	171.61	180.88	179.42	180.62	180.94	188.89
7 American Stock Exchange[2] (Aug. 31, 1973 = 100)	282.62r	216.48	207.96	210.39	209.47	202.28	211.82	228.40	225.62	229.46	228.75	227.48
Volume of trading (thousands of shares)												
8 New York Stock Exchange	64,617	85,418	91,084	91,676	83,692	89,032	121,545	115,489	102,591	94,387	106,827	105,849
9 American Stock Exchange	5,283	8,215	6,107	5,587	6,008	7,254	9,130	10,010	8,677	7,801	7,171	7,128
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers**[3]	**13,325**	**23,000**	**22,470**	**22,330**	**22,350**	**22,470**	**22,090**	**22,970**	**23,230**	**23,900**	**24,300**	**25,260**
11 Margin stock	12,980	22,720										
12 Convertible bonds	344	279	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Subscription issues	1	1										
Free credit balances at brokers[4]												
14 Margin-account	5,735	6,620	7,015	6,580	6,700r	7,015	6,770	6,680	6,780	6,910	6,865r	7,300
15 Cash-account	8,390	8,430	10,215	8,650	8,420	10,215	9,725	9,840	10,155r	9,230	9,230	10,115
	Margin-account debt at brokers (percentage distribution, end of period)											
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
By equity class (in percent)[5]												
17 Under 40	21.0	41.0	46.0	44.0	47.0	46.0	35.0	36.0	38.0	39.0	36.0	37.0
18 40–49	24.0	22.0	18.0	21.0	19.0	18.0	19.0	20.0	20.0	19.0	19.0	19.0
19 50–59	24.0	16.0	16.0	14.0	13.0	16.0	20.0	18.0	18.0	18.0	19.0	19.0
20 60–69	14.0	9.0	9.0	9.0	9.0	9.0	11.0	11.0	10.0	10.0	11.0	10.0
21 70–79	9.0	6.0	5.0	6.0	6.0	5.0	7.0	8.0	7.0	7.0	7.0	7.0
22 80 or more	8.0	6.0	6.0	6.0	6.0	6.0	8.0	8.0	7.0	7.0	8.0	8.0
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[6]	**35,598**	**58,329**	**75,840**	**73,500r**	**73,904**	**75,840**	**79,600**	**81,830**	**81,930r**	**82,990**	**87,120**	**86,910**
Distribution by equity status (percent)												
24 Net credit status	62.0	63.0	59.0	59.0	59.0	59.0	59.0	59.0	60.0	60.0	60.0	59.0
Debt status, equity of												
25 60 percent or more	29.0	28.0	29.0	30.0	29.0	29.0	30.0	31.0	30.0	30.0	30.0	31.0
26 Less than 60 percent	9.0	9.0	11.0	11.0	12.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0

Margin requirements (percent of market value and effective date)[7]

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

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

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1982	1983	1984						1985				
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
			Savings and loan associations										
1 **Assets**	**707,646**	**773,417**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**	**906,995r**	**911,696**
2 Mortgages	483,614	494,789	535,814	540,644	550,129	552,516	556,229	555,277	558,276	556,184	559,263	563,376r	566,396
3 Cash and investment securities[1]	85,438	104,274	108,456	108,820	112,350	112,023	114,879	125,358	119,673	119,724	119,713	114,641r	116,432
4 Other	138,594	174,354	206,510	210,624	215,163	217,088	216,588	221,814	220,588	222,178	225,851	228,978r	228,868
5 **Liabilities and net worth**	**707,646**	**773,417**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**	**906,995r**	**911,696**
6 Savings capital	567,961	634,455	687,817	691,704	704,558	708,846	714,780	724,301	730,709	726,308	732,406	731,914r	737,704
7 Borrowed money	97,850	92,127	110,238	114,747	121,329	119,305	117,775	126,169	114,806	116,879	119,461	118,655r	115,391
8 FHLBB	63,861	52,626	57,115	60,178	63,627	63,412	63,383	64,207	63,152	63,452	63,187	63,941r	65,239
9 Other	33,989	39,501	53,123	54,569	57,702	55,893	54,392	61,962	51,654	53,427	56,274	54,714r	50,152
10 Loans in process[2]	9,934	21,117	26,122	26,773	27,141	26,754	26,683	26,959	26,546	26,636	27,004	27,406r	27,404
11 Other	15,602	15,968	19,970	20,599	18,050	19,894	21,302	17,215	18,358	19,857	17,471	20,539r	21,671
12 Net worth[3]	26,233	30,867	32,755	33,038	33,705	33,582	33,839	34,764	34,664	35,042	35,489	35,887r	36,930
13 MEMO: Mortgage loan commitments outstanding[4]	18,054	32,996	43,878	41,182	40,089	38,530	37,856	34,841	33,305	34,217	35,889	36,269r	36,953
			Mutual savings banks[5]										
14 **Assets**	**174,197**	**193,535**	**199,128**	**200,722**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859**	**206,175**	**210,568r**	**210,469**	**212,509**
Loans													
15 Mortgage	94,091	97,356	100,091	101,211	101,621	102,704	102,953	102,895	103,393	103,654	104,340r	105,102	105,869
16 Other	16,957	19,129	23,213	24,068	24,535	24,486	24,884	24,954	25,747	26,456	27,798r	28,000	28,530
Securities													
17 U.S. government[6]	9,743	15,360	15,457	15,019	14,965	15,295	15,034	14,643	14,628	14,917	15,098r	14,504	14,895
18 State and local government	2,470	2,177	2,037	2,055	2,052	2,080	2,077	2,077	2,067	2,069	2,092r	2,097	2,094
19 Corporate and other[7]	36,161	43,580	42,682	42,632	42,605	43,003	43,361	42,962	43,351	43,063	43,888r	43,889	43,871
20 Cash	6,919	6,263	4,896	4,981	4,795	4,605	4,795	4,954	4,140	4,423	4,864r	4,679	5,004
21 Other assets	7,855	9,670	10,752	10,756	10,872	11,101	11,395	11,413	11,533	11,593	12,488r	12,288	12,246
22 **Liabilities**	**174,197**	**193,535**	**199,128**	**200,722**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859**	**206,175**	**210,568r**	**210,469**	**212,509**
23 Deposits	155,196	172,665	174,823	176,085	177,345	178,624	180,073	180,616	181,062	181,849	185,197r	184,478	185,802
24 Regular[8]	152,777	170,135	171,740	172,990	174,296	175,727	177,130	177,418	177,954	178,791	181,742r	180,804	182,113
25 Ordinary savings	46,862	38,554	35,511	34,787	34,564	34,221	34,009	33,739	33,413	33,413	33,715r	33,211	33,457
26 Time	96,369	95,129	98,410	101,270	102,934	104,151	104,849	104,732	104,098	103,536	105,204r	104,527	104,843
27 Other	2,419	2,530	3,083	3,095	3,049	2,897	2,943	3,198	3,108	3,058	3,455r	3,689	3,674
28 Other liabilities	8,336	10,154	13,269	13,604	12,979	13,853	13,453	12,504	12,931	13,387	14,393r	14,959	15,546
29 General reserve accounts	9,235	10,368	10,495	10,498	10,488	10,459	10,535	10,510	10,619	10,670	10,720r	10,803	10,913
30 MEMO: Mortgage loan commitments outstanding[9]	1,285	2,387	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
			Life insurance companies										
31 **Assets**	**588,163**	**654,948**	**684,573**	**694,082**	**699,996**	**705,827**	**712,271**	**720,807**	**730,120**	**734,920**	**741,442**	**747,683**	
Securities													
32 Government	36,499	50,752	54,688	56,263	57,552	59,825	62,678	64,683	65,367	67,111	66,641	67,265	
33 United States[10]	16,529	28,636	32,654	33,886	35,586	37,594	40,288	41,970	42,183	43,929	43,317	43,840	
34 State and local	8,664	9,986	9,236	9,357	9,221	9,344	9,385	9,757	9,895	9,956	9,770	9,772	
35 Foreign[11]	11,306	12,130	12,798	13,020	12,745	12,887	13,005	12,956	13,289	13,226	13,554	13,653	
36 Business	287,126	322,854	341,802	348,614	350,512	352,059	354,815	354,902	364,617	367,411	370,582	374,904	n.a.
37 Bonds	231,406	257,986	281,113	283,673	285,543	287,607	291,021	290,731	297,666	298,381	302,072	305,945	
38 Stocks	55,720	64,868	60,689	64,941	64,969	64,452	63,794	64,171	66,951	69,030	68,510	68,959	
39 Mortgages	141,989	150,999	154,299	155,438	155,802	156,064	156,691	157,283	157,583	158,052	158,956	160,250	
40 Real estate	20,264	22,234	24,019	24,117	24,685	24,947	25,467	25,985	26,343	26,567	26,911	27,202	
41 Policy loans	52,961	54,063	54,441	54,517	54,551	54,574	54,571	54,610	54,442	54,523	54,466	54,472	
42 Other assets	48,571	54,046	55,324	55,133	56,894	58,358	58,049	63,344	61,768	61,256	63,886	63,590	
			Credit unions[12]										
43 **Total assets/liabilities and capital**	**69,585**	**81,961**	**90,145**	**90,503**	**91,651**	**91,619**	**92,521**	**93,036**	**94,646**	**96,183**	**98,646**	**101,268**	**104,992**
44 Federal	45,493	54,482	61,163	61,500	62,107	61,935	62,690	63,205	64,505	65,989	67,799	68,903	71,342
45 State	24,092	27,479	28,982	29,003	29,544	29,684	29,831	29,831	30,141	30,194	30,847	32,365	33,650
46 Loans outstanding	43,232	50,083	57,286	58,802	59,874	60,483	62,170	62,561	62,662	62,393	62,936	64,341	65,298
47 Federal	27,948	32,930	38,490	39,578	40,310	40,727	41,762	42,337	42,220	42,283	42,804	43,414	44,042
48 State	15,284	17,153	18,796	19,224	19,564	19,756	20,408	20,224	20,442	20,110	20,132	20,927	21,256
49 Savings	62,990	74,739	82,402	82,135	83,172	83,129	84,000	84,348	86,047	86,048	88,560	91,275	95,278
50 Federal (shares)	41,352	49,889	56,278	56,205	56,734	56,655	57,302	57,539	58,820	59,914	61,758	62,867	66,680
51 State (shares and deposits)	21,638	24,850	26,124	25,930	26,438	26,474	26,698	26,809	27,227	26,134	26,802	28,408	28,598

1.37 Continued

Account	1982	1983	1984						1985				
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	FSLIC-insured federal savings banks												
52 **Assets**	**6,859**	**64,969**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**	**106,657**	**109,720**	**110,511r**	**113,739**
53 Mortgages	3,353	38,698	49,996	52,039	48,841	51,554	55,861	57,429	57,667	60,938	62,608	63,519r	64,822
54 Cash and investment securities[1]	......	10,436	13,184	13,331	12,867	13,615	14,826	16,001	15,378	17,511	18,237	17,923r	18,886
55 Other	......	15,835	20,809	21,839	20,466	22,574	23,849	25,129	25,702	28,208	28,875	29,069r	30,031
56 **Liabilities and net worth**	**6,859**	**64,969**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**	**106,657**	**109,720**	**110,511r**	**113,739**
57 Savings and capital	5,877	53,227	66,227	68,443	65,079	70,080	76,167	79,572	80,091	85,632	88,001	88,205r	90,414
58 Borrowed money	......	7,477	12,060	12,863	11,828	11,935	11,937	12,798	12,372	14,079	14,860	15,187r	15,220
59 FHLBB	......	4,640	6,897	7,654	6,600	6,867	7,041	7,515	7,361	8,023	8,491	8,849r	8,925
60 Other	......	2,837	5,163	5,209	5,228	5,068	4,896	5,283	5,011	6,056	6,369	6,338r	6,295
61 Other	......	1,157	1,807	1,912	1,610	1,896	2,259	1,903	1,982	2,356	2,174	2,400r	3,032
62 Net worth[3]	......	3,108	3,895	3,991	3,657	3,832	4,173	4,286	4,302	4,590	4,685	4,719r	5,073
MEMO													
63 Loans in process[2]	98	1,264	1,901	1,895	1,505	1,457	1,689	1,738	1,685	1,747	1,919	2,010r	2,068
64 Mortgage loan commitments outstanding[4]	......	2,151	3,988	3,860	2,970	2,925	3,298	3,234	3,510	3,646	3,752	3,937r	4,229

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Beginning in 1982, loans in process are classified as contra-assets and are not included in total liabilities and net worth. Total assets are net of loans in process.
3. Includes net undistributed income accrued by most associations.
4. Excludes figures for loans in process.
5. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
6. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
7. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.
8. Excludes checking, club, and school accounts.
9. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.
10. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
11. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
12. As of June 1982, data include only federal or federally insured state credit unions serving natural perons.

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

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Calendar year					
				1983		1984	1985		
				H1	H2	H1	Apr.	May	June
U.S. budget									
1 Receipts[1]	617,766	600,562	666,457	306,331	306,584	341,808	94,593	39,794	72,151
2 Outlays[1]	728,375	795,917	841,800	396,477	406,849	420,700	82,228	80,245	71,506
3 Surplus, or deficit (−)	−110,609	−195,355	−175,343	−90,146	−100,265	−78,892	12,365	−40,451	645
4 Trust funds	5,456	23,056	30,565	22,680	7,745	18,080	5,182	6,699	10,268
5 Federal funds[2,3]	−116,065	−218,410	−205,908	−112,822	−108,005	−96,971	7,183	−47,149	−9,623
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,142	−10,404	−7,277	−5,418	−3,199	−2,813	−1,108	−1,192	−1,573
7 Other[3,4]	−3,190	−1,953	−2,719	−528	−1,206	−838	128	−354	−441
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−127,940	−207,711	−185,339	−96,094	−104,670	−84,884	11,386	−41,997	−1,369
Source of financing									
9 Borrowing from the public	134,993	212,425	170,817	102,538	84,020	80,592	17,036	16,333	11,857
10 Cash and monetary assets (decrease, or increase (−))[4]	−11,911	−9,889	5,636	−9,664	−16,294	−3,127	−27,927	−29,808	−12,697
11 Other[5]	4,858	5,176	8,885	3,222	4,358	7,418	−495	−4,143	2,209
MEMO									
12 Treasury operating balance (level, end of period)	29,164	37,057	22,345	27,997	11,817	13,567	40,022	11,138	24,013
13 Federal Reserve Banks	10,975	16,557	3,791	19,442	3,661	4,397	19,305	1,933	3,288
14 Tax and loan accounts	18,189	20,500	18,553	8,764	8,157	9,170	20,717	9,204	20,725

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Half-year figures are calculated as a *residual (total surplus/deficit less trust* fund surplus/deficit).
3. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; Rural Telephone Bank; and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
4. Includes U.S. Treasury operating cash accounts; SDRs; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" *Treasury Bulletin*, and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS
Millions of dollars

Source or type	Fiscal year 1983	Fiscal year 1984	Calendar year						
			1983		1984		1985		
			H1	H2	H1	H2	Apr.	May	June
RECEIPTS									
1 **All sources**	**600,563**	**666,457**	**306,331**	**305,122**	**341,808**	**341,392**	**94,593**	**39,794**	**72,151**
2 Individual income taxes, net	288,938	295,955	144,551	147,663	144,691	157,229	51,602	3,611	34,764
3 Withheld	266,010	279,345	135,531	133,768	140,657	145,210	26,343	27,640	23,448
4 Presidential Election Campaign Fund	36	35	30	6	29	5	9	8	3
5 Nonwithheld	83,586	81,346	63,014	20,703	61,463	19,403	43,235	1,945	13,579
6 Refunds	60,692	64,771	54,024	6,815	57,458	7,387	17,986	25,982	2,226
Corporation income taxes									
7 Gross receipts	61,780	74,179	33,522	31,064	40,328	35,190	11,265	2,205	11,373
8 Refunds	24,758	17,286	13,809	8,921	10,045	6,847	2,409	975	585
9 Social insurance taxes and contributions, net	209,001	241,902	110,520	100,832	131,372	118,690	28,032	28,423	21,049
10 Payroll employment taxes and contributions[1]	179,010	203,476	90,912	88,388	106,436	104,540	18,822	19,204	18,924
11 Self-employment taxes and contributions[2]	6,756	8,709	6,427	398	7,667	1,086	5,757	590	1,298
12 Unemployment insurance	18,799	25,138	10,984	8,714	14,942	10,706	3,062	8,192	501
13 Other net receipts[3]	4,436	4,580	2,197	2,290	2,329	2,360	391	437	367
14 Excise taxes	35,300	37,361	16,904	19,586	18,304	18,961	2,700	3,235	2,733
15 Customs deposits	8,655	11,370	4,010	5,079	5,576	6,329	939	946	997
16 Estate and gift taxes	6,053	6,010	2,883	3,050	3,102	3,029	671	566	428
17 Miscellaneous receipts[4]	15,594	16,965	7,751	7,811	8,481	8,812	1,793	1,783	1,391
OUTLAYS									
18 *All types*	**795,917**	**841,800**	**396,477**	**406,849**	**420,700**	**446,943**	**82,228**	**80,245**	**71,506**
19 National defense	210,461	227,405	105,072	108,967	114,639	118,286	20,239	22,198	20,815
20 International affairs	8,927	13,313	4,705	6,117	5,426	8,550	946	1,201	974
21 General science, space, and technology	7,777	8,271	3,486	4,216	3,981	4,473	743	722	656
22 Energy	4,035	2,464	2,073	1,533	1,080	1,423	355	408	-874
23 Natural resources and environment	12,676	12,677	5,892	6,933	5,463	7,370	1,006	1,016	1,073
24 Agriculture	22,173	12,215	10,154	5,278	7,129	8,524	2,822	903	822
25 Commerce and housing credit	4,721	5,198	2,164	2,648	2,572	2,663	1,128	-187	266
26 Transportation	21,231	24,705	9,918	13,323	10,616	13,673	2,045	2,124	2,130
27 Community and regional development	7,302	7,803	3,124	4,327	3,154	4,836	683	508	652
28 Education, training, employment, social services	25,726	26,616	12,801	13,246	13,445	13,737	2,344	2,448	1,949
29 Health	28,655	*30,435*	*41,206*	*42,150*	*15,748*	*15,692*	*2,909*	*3,016*	*2,735*
30 Social security and medicare	223,311	235,764	143,001			119,613	21,355	21,378	23,074
31 Income security	106,211	96,714		135,579	65,212	57,411	13,347	10,740	7,809
32 Veterans benefits and services	24,845	25,640	11,334	13,621	12,849	13,317	2,293	3,207	907
33 Administration of justice	5,014	5,616	2,522	2,628	2,807	2,992	572	492	443
34 General government	4,991	4,836	2,434	2,479	2,462	2,552	80	848	643
35 General-purpose fiscal assistance	6,287	6,577	3,124	3,290	2,943	3,458	1,258	91	-131
36 Net interest[6]	89,774	111,007	42,358	47,674	53,729	61,293	10,858	11,536	9,972
37 Undistributed offsetting receipts[7]	-21,424	-15,454	-8,887	-7,262	-7,333	-12,914	-2,754	-2,403	-2,410

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. In accordance with the Social Security Amendments Act of 1983, the Treasury now provides social security and medicare outlays as a separate function. Before February 1984, these outlays were included in the income security and health functions.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1983				1984				1985
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**1,249.3**	**1,324.3**	**1,381.9**	**1,415.3**	**1,468.3**	**1,517.2**	**1,576.7**	**1,667.4**	**1,715.1**
2 Public debt securities	1,244.5	1,319.6	1,377.2	1,410.7	1,463.7	1,512.7	1,572.3	1,663.0	1,710.7
3 Held by public	1,043.3	1,090.3	1,138.2	1,174.4	1,223.9	1,255.1	1,309.2	1,373.4	1,415.2
4 Held by agencies	201.2	229.3	239.0	236.3	239.8	257.6	263.1	289.6	295.5
5 Agency securities	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.5	4.4
6 Held by public	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.3
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,245.3**	**1,320.4**	**1,378.0**	**1,411.4**	**1,464.5**	**1,513.4**	**1,573.0**	**1,663.7**	**1,711.4**
9 Public debt securities	1,243.9	1,319.0	1,376.6	1,410.1	1,463.1	1,512.1	1,571.7	1,662.4	1,710.1
10 Other debt[1]	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,290.2	1,389.0	1,389.0	1,490.0	1,490.0	1,520.0	1,573.0	1,823.8	1,823.8

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

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

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

Billions of dollars, end of period

Type and holder	1980	1981	1982	1983	1984		1985	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**930.2**	**1,028.7**	**1,197.1**	**1,410.7**	**1,572.3**	**1,663.0**	**1,710.7**	**1,774.6**
By type								
2 Interest-bearing debt	928.9	1,027.3	1,195.5	1,400.9	1,559.6	1,660.6	1,695.2	1,759.8
3 Marketable	623.2	720.3	881.5	1,050.9	1,176.6	1,247.4	1,271.7	1,310.7
4 Bills	216.1	245.0	311.8	343.8	356.8	374.4	379.5	381.9
5 Notes	321.6	375.3	465.0	573.4	661.7	705.1	713.8	740.9
6 Bonds	85.4	99.9	104.6	133.7	158.1	167.9	178.4	187.9
7 Nonmarketable[1]	305.7	307.0	314.0	350.0	383.0	413.2	423.6	449.1
8 State and local government series	23.8	23.0	25.7	36.7	41.4	44.4	47.7	53.9
9 Foreign issues[2]	24.0	19.0	14.7	10.4	8.8	9.1	9.1	8.3
10 Government	17.6	14.9	13.0	10.4	8.8	9.1	9.1	8.3
11 Public	6.4	4.1	1.7	.0	.0	.0	.0	.0
12 Savings bonds and notes	72.5	68.1	68.0	70.7	73.1	73.3	74.4	75.7
13 Government account series[3]	185.1	196.7	205.4	231.9	259.5	286.2	292.2	311.0
14 Non-interest-bearing debt	1.3	1.4	1.6	9.8	12.7	2.3	15.5	14.8
By holder[4]								
15 U.S. government agencies and trust funds	192.5	203.3	209.4	236.3	263.1	289.6	295.5	
16 Federal Reserve Banks	121.3	131.0	139.3	151.9	155.0	160.9	161.0	
17 Private investors	616.4	694.5	848.4	1,022.6	1,154.1	1,212.5	1,254.1	
18 Commercial banks	112.1	111.4	131.4	188.8	183.0	183.4	195.0	
19 Money market funds	3.5	21.5	42.6	22.8	13.6	25.9	26.6	
20 Insurance companies	24.0	29.0	39.1	56.7	73.2	82.3	84.0	
21 Other companies	19.3	17.9	24.5	39.7	47.7	51.1	51.9	n.a.
22 State and local governments	87.9	104.3	127.8	155.1	n.a.	n.a.	n.a.	
Individuals								
23 Savings bonds	72.5	68.1	68.3	71.5	73.7	74.5	75.4	
24 Other securities	44.6	42.7	48.2	61.9	68.7	69.3	69.9	
25 Foreign and international[5]	129.7	136.6	149.5	166.3	175.5	192.8	186.3	
26 Other miscellaneous investors[6]	122.8	163.0	217.0	259.8	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

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

	Item	1982	1983	1984	1985			1985 week ending Wednesday					
					Apr.r	Mayr	June	May 22	May 29	June 5	June 12	June 19	June 26
	Immediate delivery[1]												
1	U.S. government securities	32,260	42,135	52,786	72,507	83,324	86,999	80,340r	71,499r	97,539	80,176	88,813	80,373
	By maturity												
2	Bills	18,392	22,393	26,040	35,900	34,179	34,591	30,498	27,109r	39,748	35,662	36,591	28,575
3	Other within 1 year	810	708	1,305	1,971	1,933	1,664	2,172	1,296	2,031	1,515	1,531	1,582
4	1–5 years	6,271	8,758	11,734	17,007	23,116	23,482	25,202r	23,146r	22,718	17,941	24,554	27,761
5	5–10 years	3,555	5,279	7,607	10,899	13,088	15,600	10,814r	11,434r	19,685	14,719	15,065	13,051
6	Over 10 years	3,232	4,997	6,100	6,729	11,008	11,662	11,655r	8,515r	13,356	10,340	11,072	9,405
	By type of customer												
7	U.S. government securities dealers	1,770	2,257	2,920	3,895	3,050	2,947	2,595	2,357	3,751	2,904	2,371	2,062
8	U.S. government securities brokers	15,794	21,045	25,584	34,705	40,053	42,822	38,351	34,870r	45,452	40,373	44,469	40,340
9	All others[2]	14,697	18,832	24,282	33,907	40,222	41,230	39,395r	34,273r	48,336	36,899	41,973	37,971
10	Federal agency securities	4,140	5,576	7,846	10,176	10,954	12,876	11,127	7,619r	13,513	11,349	16,177	10,165
11	Certificates of deposit	5,000	4,333	4,947	4,355	4,693	4,661	4,690r	4,130	5,418	3,937	5,236	4,099
12	Bankers acceptances	2,502	2,642	3,244	3,499	3,923	4,001	3,998r	4,231	4,490	3,659	4,550	3,648
13	Commercial paper	7,595	8,036	10,018	12,019	11,378	12,714	10,832	11,020	13,062	11,606	13,541	12,222
	Futures transactions[3]												
14	Treasury bills	5,055	6,655	6,947	6,662	4,572	6,416	3,770	4,050	7,332	6,163	7,539	5,223
15	Treasury coupons	1,487	2,501	4,503	5,517	5,730	7,627	5,906	4,627	7,506	7,870	8,536	6,388
16	Federal agency securities	261	265	262	120	148	222	311	121	202	300	99	347
	Forward transactions[4]												
17	U.S. government securities	835	1,493	1,364	1,017	1,719	1,319	1,735r	1,399	1,387	666	1,922	1,317
18	Federal agency securities	978	1,646	2,843	2,632	3,268	3,747	3,820	2,032	3,394	3,912	4,809	2,974

1. Data for immediate transactions does not include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

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

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1982	1983	1984	1985			1985 week ending Wednesday				
					Apr.	May	June	May 29	June 5	June 12	June 19	June 26
		Positions										
	Net immediate[1]											
1	U.S. government securities	13,663	10,701	5,538	8,531	5,481r	1,886	−125r	5,810	4,643	2,564	−3,462
2	Bills	7,297	8,020	5,500	11,538	8,004r	4,588	3,832r	7,193	7,132	5,379	1,155
3	Other within 1 year	972	394	63	1,203	1,083r	845	913	1,014	1,083	745	585
4	1–5 years	3,256	1,778	2,159	2,235	3,797	5,698	3,802	5,783	5,744	5,681	5,125
5	5–10 years	−318	−78	−1,119	−4,464r	−5,687	−7,179	−7,165	−7,218	−7,088	−7,065	−7,928
6	Over 10 years	2,026	528	−1,174	−2,307r	−2,075	−2,394	−1,858	−1,302	−2,563	−2,515	−2,731
7	Federal agency securities	4,145	7,232	15,294	18,049	19,815r	22,746	20,721r	22,165	23,420	22,541	22,628
8	Certificates of deposit	5,532	5,839	7,369	8,652	9,368r	9,492	9,226r	9,821	10,241	9,491	8,908
9	Bankers acceptances	2,832	3,332	3,874	3,949	4,476r	4,544	4,949r	5,218	5,267	4,204	3,875
10	Commercial paper	3,317	3,159	3,788	4,959	5,469	5,232	5,204	6,512	5,989	4,425	4,616
	Futures positions											
11	Treasury bills	−2,507	−4,125	−4,525	−2,885r	−5,927r	−4,925	−7,887	−7,451	−6,009	−5,672	−3,411
12	Treasury coupons	−2,303	−1,032	1,794	6,316r	6,589	4,239r	5,284	4,842	4,617	4,736	3,664
13	Federal agency securities	−224	171	233	38	−99	−469	−421	−175	−252	−330	−776
	Forward positions											
14	U.S. government securities	−788	−1,936	−1,643	−818r	−344r	225	813	−123	−998	−76	1,318
15	Federal agency securities	−1,432	−3,561	−9,205	−7,881	−7,803r	−9,144	−7,634r	−8,683	−9,830	−9,342	−8,908
		Financing[2]										
	Reverse repurchase agreements[3]											
16	Overnight and continuing	26,754	29,099	44,078	62,325	64,824	66,347	66,126	67,633	68,551	67,572	65,057
17	Term agreements	48,247	52,493	68,357	77,440	74,562	75,308	72,491	73,949	71,940	75,144	78,893
	Repurchase agreements[4]											
18	Overnight and continuing	49,695	57,946	75,717	94,055	97,989	146,450	97,482	97,714	99,708	98,638	298,069
19	Term agreements	43,410	44,410	57,047	65,621	67,542	66,486	65,962	66,185	63,166	64,648	65,772

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Before 1984, securities owned, and hence dealer positions, do not include all securities acquired under reverse RPs. After January 1984, immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions does not include forward positions.

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1981	1982	1983	1984	1985				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**	**221,946**	**237,085**	**239,716**	**271,564**	**270,965**	**271,479**	**275,093**	**275,209**	**278,901p**
2 Federal agencies	31,806	33,055	33,940	35,145	35,235	35,360	35,140	35,182	35,282
3 Defense Department[1]	484	354	243	142	133	122	116	107	102
4 Export-Import Bank[2,3]	13,339	14,218	14,853	15,882	15,882	15,881	15,709	15,707	15,706
5 Federal Housing Administration[4]	413	288	194	133	132	129	127	123	122
6 Government National Mortgage Association participation certificates[5]	2,715	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,538	1,471	1,404	1,337	1,337	1,337	1,337	1,337	1,337
8 Tennessee Valley Authority	13,115	14,365	14,970	15,435	15,535	15,675	15,635	15,776	15,776
9 United States Railway Association[6]	202	194	111	51	51	51	51	74	74
10 Federally sponsored agencies[7]	190,140	204,030	205,776	236,419	235,730	236,120	239,953	240,027	243,619p
11 Federal Home Loan Banks	54,131	55,967	48,930	65,085	64,705	64,706	65,700	65,257	67,765
12 Federal Home Loan Mortgage Corporation	5,480	4,524	6,793	10,270	10,195	11,237	11,882	12,004	n.a.
13 Federal National Mortgage Association[8]	58,749	70,052	74,594	83,720	84,612	84,701	86,297	86,913	88,170
14 Farm Credit Banks	71,359	71,896	72,409	71,255	70,642	70,012	70,161	69,882	69,321
15 Student Loan Marketing Association	421	1,591	3,050	5,369	5,576	5,464	5,913	5,971	6,359
MEMO									
16 **Federal Financing Bank debt[9]**	**110,698**	**126,424**	**135,791**	**145,217**	**146,034**	**146,611**	**147,507**	**148,718r**	**149,597**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	12,741	14,177	14,789	15,852	15,852	15,852	15,690	15,690	15,690
18 Postal Service[6]	1,288	1,221	1,154	1,087	1,087	1,087	1,087	1,087	720
19 Student Loan Marketing Association	5,400	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	11,390	12,640	13,245	13,710	13,810	13,950	13,910	14,051	14,154
21 United States Railway Association[6]	202	194	111	51	51	51	51	74	74
Other Lending[10]									
22 Farmers Home Administration	48,821	53,261	55,266	58,971	59,066	59,041	59,756	60,641	61,461
23 Rural Electrification Administration	13,516	17,157	19,766	20,693	20,653	20,804	20,730	20,894	21,003
24 Other	12,740	22,774	26,460	29,853	30,515	30,826	31,283	31,281r	31,495

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

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.[r]	1985 Apr.
1 **All issues, new and refunding**[1]	**79,138**	**86,421**	**106,641**	**7,967**	**12,558**	**13,548**	**17,713**	**6,275**	**8,109**	**9,647**	**10,962**
Type of issue											
2 General obligation	21,094	21,566	26,485	1,433	3,770	2,611	2,185	1,804	3,463	2,875	3,187
3 U.S. government loans[2]	225	96	16	4	1	3	2	7	0	5	0
4 Revenue	58,044	64,855	80,156	6,534	8,788	10,937	15,528	4,471	4,646	6,772	7,775
5 U.S. government loans[2]	461	253	17	1	3	1	0	3	0	0	2
Type of issuer											
6 State	8,438	7,140	9,129	596	1,110	405	725	367	1,542	252	958
7 Special district and statutory authority	45,060	51,297	63,550	5,202	7,087	7,265	11,894	3,847	4,282	5,644	6,540
8 Municipalities, counties, townships, school districts	25,640	27,984	33,962	2,169	4,361	5,878	5,094	2,061	2,285	3,751	3,464
9 **Issues for new capital, total**	**74,804**	**72,441**	**94,050**	**7,454**	**11,105**	**12,352**	**16,354**	**4,904**	**5,580**	**8,042**	**8,096**
Use of proceeds											
10 Education	6,482	8,099	7,553	333	755	999	671	661	930	1,045	863
11 Transportation	6,256	4,387	7,552	590	1,018	2,151	1,339	341	472	153	92
12 Utilities and conservation	14,259	13,588	17,844	2,013	2,784	534	4,133	1,315	912	1,483	2,286
13 Social welfare	26,635	26,910	29,928	3,018	3,500	3,701	3,598	1,567	1,847	3,017	2,738
14 Industrial aid	8,349	7,821	15,415	679	1,522	3,866	5,572	376	185	565	293
15 Other purposes	12,822	11,637	15,758	821	1,526	1,101	1,041	644	1,234	1,779	1,824

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

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May
1 **All issues**[1]	**84,638**	**120,074**	**132,311**	**12,350**	**11,931**	**6,940**	**7,294**	**6,743**	**14,005**	**11,462[r]**	**13,285**
2 **Bonds**[2]	**54,076**	**68,495**	**109,683**	**10,403**	**9,524**	**5,918**	**5,739**	**4,027**	**11,641**	**8,850[r]**	**9,738**
Type of offering											
3 Public	44,278	47,369	73,357	10,403	9,524	5,918	5,739	4,027	11,641	8,850[r]	9,738
4 Private placement	9,798	21,126	36,326	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	12,822	16,851	24,607	2,989	1,447	1,741	1,326	1,476	5,660	922	1,500
6 Commercial and miscellaneous	5,442	7,540	13,726	988	1,198	555	144	469	974	1,317	899
7 Transportation	1,491	3,833	4,694	161	19	110	297	30	130	334	357
8 Public utility	12,327	9,125	10,679	1,150	555	575	309	80	500	860	1,136
9 Communication	2,390	3,642	2,997	240	1,557	169	375	353	300	0	150
10 Real estate and financial	19,604	27,502	52,980	4,875	4,749	2,768	3,288	1,619	4,077	5,418[r]	5,696
11 **Stocks**[3]	**30,562**	**51,579**	**22,628**	**1,947**	**2,407**	**1,022**	**1,555**	**2,716**	**2,364**	**2,612**	**3,547**
Type											
12 Preferred	5,113	7,213	4,118	555	655	91	170	218	311	208	634
13 Common	25,449	44,366	18,510	1,392	1,752	931	1,385	2,498	2,053	2,404	2,913
Industry group											
14 Manufacturing	5,649	14,135	4,054	712	227	137	172	229	224	283	504
15 Commercial and miscellaneous	7,770	13,112	6,277	489	1,025	112	234	760	472	978	616
16 Transportation	709	2,729	589	16	66	71	0	153	32	419	30
17 Public utility	7,517	5,001	1,624	146	150	66	225	283	197	157	185
18 Communication	2,227	1,822	419	69	3	26	271	101	15	5	119
19 Real estate and financial	6,690	14,780	9,665	515	936	610	653	1,190	1,424	770	2,093

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

SOURCE. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1983	1984	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.[r]	1985 May
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	84,345	107,485	9,517	9,458	10,006	19,152	14,786	14,582	18,049	16,394
2 Redemptions of own shares[3]	57,100	77,033	6,766	6,343	8,948	9,183	8,005	9,412	13,500	10,070
3 Net sales	27,245	30,452	2,751	3,115	1,058	9,969	6,781	5,170	4,549	6,324
4 Assets[4]	113,599	137,126	131,539	132,709	137,126	151,534	154,707	157,065	164,087	178,265
5 Cash position[5]	8,343	11,978	11,417	11,518	11,978	13,114	14,567	13,082	15,444	14,326
6 Other	105,256	125,148	120,122	121,191	125,148	138,420	140,140	143,983	148,643	163,939

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

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1982	1983	1984	1983 Q2	1983 Q3	1983 Q4	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	159.1	225.2	285.7	216.7	245.0	260.0	277.4	291.1	282.8	291.6	292.3
2 Profits before tax	165.5	203.2	235.7	198.2	227.4	225.5	243.3	246.0	224.8	228.7	222.3
3 Profits tax liability	60.7	75.8	89.8	74.8	84.7	84.5	92.7	95.8	83.1	87.7	85.3
4 Profits after tax	104.8	127.4	145.9	123.4	142.6	141.1	150.6	150.2	141.7	141.0	137.0
5 Dividends	69.2	72.9	80.5	71.7	73.3	75.4	77.7	79.9	81.3	83.1	84.5
6 Undistributed profits	35.6	54.5	65.3	51.7	69.3	65.6	72.9	70.2	60.3	58.0	52.5
7 Inventory valuation	-9.5	-11.2	-5.6	-12.1	-19.3	-9.2	-13.5	-7.3	-.2	-1.6	.9
8 Capital consumption adjustment	3.1	33.2	55.7	30.6	36.9	43.6	47.6	52.3	58.3	64.5	69.1

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1979	1980	1981	1982	1983	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1
1 **Current assets**	**1,214.8**	**1,327.0**	**1,418.4**	**1,432.7**	**1,557.3**	**1,599.6**	**1,630.1**	**1,666.1**	**1,682.0**	**1,694.2**
2 Cash	118.0	126.9	135.5	147.0	165.8	159.0	154.7	150.0	160.9	153.8
3 U.S. government securities	16.7	18.7	17.6	22.8	30.6	35.0	36.9	33.2	36.6	35.3
4 Notes and accounts receivable	459.0	506.8	532.0	519.2	577.8	599.7	615.4	630.6	622.3	634.8
5 Inventories	505.1	542.8	583.7	578.6	599.3	619.6	629.8	656.9	655.6	664.6
6 Other	116.0	131.8	149.5	165.2	183.7	186.3	193.4	195.4	206.6	205.7
7 **Current liabilities**	**807.3**	**889.3**	**970.0**	**976.8**	**1,043.0**	**1,077.0**	**1,111.9**	**1,142.2**	**1,150.7**	**1,159.1**
8 Notes and accounts payable	460.8	513.6	546.3	543.0	577.8	584.0	605.1	623.9	627.4	614.7
9 Other	346.5	375.7	423.7	433.8	465.3	493.0	506.9	518.2	523.3	544.4
10 **Net working capital**	**407.5**	**437.8**	**448.4**	**455.9**	**514.3**	**522.6**	**518.1**	**523.9**	**531.3**	**535.1**
11 MEMO: Current ratio[1]	1.505	1.492	1.462	1.467	1.493	1.485	1.466	1.459	1.462	1.462

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	1983	1984	1985[1]	1983 Q4	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1	1985 Q2[1]	1985 Q3[1]
1 **Total nonfarm business**	**304.78**	**353.74**	**386.10**	**325.45**	**337.48**	**348.34**	**361.12**	**367.21**	**371.16**	**385.31**	**392.61**
Manufacturing											
2 Durable goods industries	53.08	65.95	75.24	57.56	61.26	63.12	68.31	71.13	69.87	75.72	77.83
3 Nondurable goods industries	63.12	72.43	80.74	66.19	68.71	72.21	73.72	75.07	75.78	79.83	82.96
Nonmanufacturing											
4 Mining	15.19	16.88	16.06	16.27	17.61	16.01	16.96	16.93	15.66	16.47	16.19
Transportation											
5 Railroad	4.88	6.77	7.35	6.04	5.76	7.46	7.47	6.40	6.02	7.44	8.30
6 Air	4.36	3.55	4.09	3.75	3.23	3.52	3.73	3.73	4.20	3.60	4.54
7 Other	4.72	6.17	6.21	5.48	5.96	6.06	6.50	6.16	6.01	6.12	6.47
Public utilities											
8 Electric	37.27	37.09	35.23	37.79	38.36	37.82	36.82	35.37	36.65	35.35	33.93
9 Gas and other	7.70	10.30	12.51	8.07	8.77	10.07	11.07	11.31	11.81	12.36	12.83
10 Commercial and other[2]	114.45	134.39	148.68	124.30	127.83	132.07	136.55	141.10	145.17	148.42	149.56

▲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	1980	1981	1982	1983		1984				1985
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	63.2	72.4	78.1	85.4	87.4	87.4	90.5	95.6	96.7	99.1
2 Business	90.3	100.3	101.4	106.3	113.4	120.5	124.4	124.5	135.2	141.4
3 Real estate	13.8	17.9	20.2	21.8	22.5	22.2	23.0	25.2	26.3	27.2
4 Total	167.3	190.5	199.7	213.5	223.4	230.1	238.0	245.3	258.3	267.8
Less:										
5 Reserves for unearned income	23.6	30.0	31.9	32.7	33.0	32.8	33.9	36.0	36.5	36.5
6 Reserves for losses	2.8	3.2	3.5	3.8	4.0	4.1	4.4	4.3	4.4	4.8
7 Accounts receivable, net	140.9	157.3	164.3	177.0	186.4	193.2	199.6	205.0	217.3	226.5
8 All other	23.1	27.1	30.7	33.7	34.0	35.7	35.8	36.4	35.4	36.2
9 **Total assets**	**164.0**	**184.4**	**195.0**	**210.7**	**220.4**	**228.9**	**235.4**	**241.3**	**252.7**	**262.6**
LIABILITIES										
10 Bank loans	14.3	16.1	18.3	17.5	18.7	16.2	18.3	19.7	21.3	19.8
11 Commercial paper	47.7	57.2	51.1	56.5	59.7	64.8	68.5	66.8	72.5	79.1
Debt										
12 Other short-term	10.4	11.3	12.7	12.7	13.9	14.1	15.5	16.1	16.2	16.8
13 Long-term	52.4	56.0	64.4	66.9	68.1	70.3	69.7	73.8	77.2	78.4
14 All other liabilities	15.9	18.5	21.2	26.8	30.1	32.4	32.1	32.6	33.1	35.2
15 Capital, surplus, and undivided profits	23.3	25.3	27.4	30.3	29.8	31.1	31.4	32.3	32.3	33.3
16 **Total liabilities and capital**	**164.0**	**184.4**	**195.0**	**210.7**	**220.4**	**228.9**	**235.4**	**241.3**	**252.7**	**262.6**

▲ Finance company asset and liability data have been revised from June 1980 forward. Revised quarterly data will appear in the Board's forthcoming *Annual Statistical Digest*.

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 May 31, 1985[1]	Changes in accounts receivable			Extensions			Repayments		
		1985			1985			1985		
		Mar.	Apr.	May	Mar.	Apr.	May	Mar.	Apr.	May
1 **Total**	**143,269**	**1,499r**	**1,166r**	**692**	**27,588r**	**26,098r**	**26,710**	**26,089r**	**24,932r**	**26,018**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	12,214	298	119	354	1,060	889	1,135	762	770	781
3 Business, industrial, and farm equipment	20,251	84	−102	4	1,427	1,063	1,238	1,343	1,165	1,234
Wholesale financing										
4 Automotive	20,846	476	417	−462	10,201	9,090	9,493	9,725	8,673	9,955
5 Equipment	4,887	105	−213	34	540	479	588	435	692	554
6 All other	6,705	86	−59	−249	1,652	1,627	1,569	1,566	1,686	1,818
Leasing										
7 Automotive	14,592	271	538	363	872	1,093	1,034	601	555	671
8 Equipment	36,877	−252	628	141	1,222	1,313	992	1,474	685	851
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,719	207r	−44r	243	9,567r	9,448r	9,396	9,360r	9,492r	9,153
10 All other business credit	11,178	224	−118	264	1,047	1,096	1,265	823	1,214	1,001

1. Not seasonally adjusted.

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

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1982	1983	1984	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	94.6	92.8	96.8	102.6	94.8	101.8	91.3	101.4	106.4r	102.4
2 Amount of loan (thousands of dollars)	69.8	69.5	73.7	76.9	71.4	76.5	69.9	76.9	78.4r	79.7
3 Loan/price ratio (percent)	76.6	77.1	78.7	77.9	77.9	77.6	79.8	78.9	76.1r	79.9
4 Maturity (years)	27.6	26.7	27.8	28.0	27.7	28.1	27.2	27.4	26.8r	27.7
5 Fees and charges (percent of loan amount)[2]	2.95	2.40	2.64	2.65	2.65	2.58	2.65	2.65	2.49r	2.40
6 Contract rate (percent per annum)	14.47	12.20	11.87	12.05	11.77	11.74	11.42	11.55	11.55r	11.31
Yield (percent per annum)										
7 FHLBB series[3]	15.12	12.66	12.37	12.55	12.27	12.21	11.92	12.05	12.01r	11.75
8 HUD series[4]	15.79	13.43	13.80	13.05	12.88	13.06	13.26	13.01	12.49	12.06
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	15.30	13.11	13.81	12.99	13.01	13.27	13.43	12.97	12.28	11.89
10 GNMA securities[6]	14.68	12.25	13.13	12.54	12.26	12.23	12.68	12.31	11.93	11.54
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	66,031	74,847	83,339	87,940	89,353	90,369	91,975	92,765	93,610	94,777
12 FHA/VA-insured	39,718	37,393	35,148	34,711	34,602	34,553	34,585	34,516	34,428	34,307
13 Conventional	26,312	37,454	48,191	53,229	54,751	55,816	57,391	58,250	59,182	60,470
Mortgage transactions (during period)										
14 Purchases	15,116	17,554	16,721	1,962	1,943	1,559	2,256	1,515	1,703	1,904
15 Sales	2	3,528	978	0	0	0	100	0	0	0
Mortgage commitments[7]										
16 Contracted (during period)	22,105	18,607	21,007	2,758	1,230	1,895	1,636	1,921	2,074	1,593
17 Outstanding (end of period)	7,606	5,461	6,384	6,384	5,678	5,665	5,019	5,361	5,589	5,062
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,131	5,996	9,283	10,399	10,362	11,118	11,549	11,615		
19 FHA/VA	1,027	974	910	881	876	859	854	850		
20 Conventional	4,102	5,022	8,373	9,518	9,485	10,259	10,694	10,765		
Mortgage transactions (during period)										
21 Purchases	23,673	23,089	21,886	4,137	2,197	3,247	3,232	2,201		
22 Sales	24,170	19,686	18,506	3,635	2,162	2,428	2,751	1,973		
Mortgage commitments[9]										
23 Contracted (during period)	28,179	32,852	32,603	4,174	4,264	3,622	3,453	4,141		
24 Outstanding (end of period)	7,549	16,964	13,318r	13,318r	29,654	30,135	30,436	n.a.		

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

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1982	1983	1984	1984				1985
				Q1	Q2	Q3	Q4	Q1
1 **All holders**	**1,658,450**	**1,825,647r**	**2,027,818r**	**1,869,278r**	**1,928,619r**	**1,980,361r**	**2,027,818r**	**2,070,982r**
2 1- to 4-family	1,110,315	1,217,439r	1,346,017r	1,247,468r	1,284,075r	1,315,544r	1,346,017r	1,376,918r
3 Multifamily	140,063	149,733r	163,701r	152,962r	157,655r	159,965r	163,701r	167,394r
4 Commercial	301,362	349,102r	407,236r	359,231r	376,397r	393,784r	407,236r	415,408r
5 Farm	106,710	109,373r	110,864r	109,617r	110,492r	111,068r	110,864r	111,262r
6 Major financial institutions	1,024,680	1,108,249r	1,241,690r	1,133,720r	1,177,662r	1,215,047r	1,241,690r	1,261,329r
7 Commercial banks[1]	301,272	330,521	374,689	339,653	352,258	363,043	374,689	383,187
8 1- to 4-family	173,804	182,514	196,112	185,213	190,185	193,138	196,112	200,024
9 Multifamily	16,480	18,410	21,395	19,836	20,501	20,040	21,395	22,033
10 Commercial	102,553	120,210	146,653	124,890	131,533	139,663	146,653	150,401
11 Farm	8,435	9,387	10,529	9,714	10,039	10,202	10,529	10,729
12 Mutual savings banks	97,805	131,940r	154,441r	139,113r	143,387r	146,073r	154,441r	160,696r
13 1- to 4-family	66,777	93,649r	109,890r	98,975r	102,122r	103,824r	109,890r	114,507r
14 Multifamily	15,305	17,247r	19,385r	17,917r	18,227r	18,580r	19,385r	20,030r
15 Commercial	15,694	21,016r	25,136r	22,192r	23,009r	23,639r	25,136r	26,129r
16 Farm	29	28r	30r	29r	29r	30r	30r	30r
17 Savings and loan associations	483,614	494,789	555,277	503,509	528,172	550,129	555,277	559,263
18 1- to 4-family	393,323	390,883	431,450	397,017	414,087	429,101	431,450	433,429
19 Multifamily	38,979	42,552	48,309	43,553	45,951	47,861	48,309	48,936
20 Commercial	51,312	61,354	75,518	62,939	68,134	73,167	75,518	76,898
21 Life insurance companies	141,989	150,999	157,283	151,445	153,845	155,802	157,283	158,183
22 1- to 4-family	16,751	15,319	14,180	14,917	14,437	14,204	14,180	14,153
23 Multifamily	18,856	19,107	19,017	19,083	19,028	18,828	19,017	19,114
24 Commercial	93,547	103,831	111,642	104,890	107,796	110,149	111,642	112,641
25 Farm	12,835	12,742	12,444	12,555	12,584	12,621	12,444	12,275
26 Federal and related agencies	138,138	147,370	157,377	150,784	152,669	153,355	157,377	162,416
27 Government National Mortgage Association	4,227	3,395	2,301	2,900	2,715	2,389	2,301	1,964
28 1- to 4-family	676	630	585	618	605	594	585	576
29 Multifamily	3,551	2,765	1,716	2,282	2,110	1,795	1,716	1,388
30 Farmers Home Administration	1,786	2,141	1,276	2,094	1,344	738	1,276	1,062
31 1- to 4-family	783	1,159	213	1,005	281	206	213	156
32 Multifamily	218	173	119	303	463	126	119	82
33 Commercial	377	409	497	319	81	113	497	421
34 Farm	408	400	447	467	519	293	447	403
35 Federal Housing and Veterans Administration	5,228	4,894	4,782	4,832	4,753	4,749	4,782	4,938
36 1- to 4-family	1,980	1,893	2,007	1,956	1,894	1,982	2,007	2,113
37 Multifamily	3,248	3,001	2,775	2,876	2,859	2,767	2,775	2,825
38 Federal National Mortgage Association	71,814	78,256	87,940	80,975	83,243	84,850	87,940	91,975
39 1- to 4-family	66,500	73,045	82,175	75,770	77,633	79,175	82,175	86,129
40 Multifamily	5,314	5,211	5,765	5,205	5,610	5,675	5,765	5,846
41 Federal Land Banks	50,350	51,052	50,679	51,004	51,136	51,182	50,679	50,929
42 1- to 4-family	3,068	3,000	2,948	2,982	2,958	2,954	2,948	2,998
43 Farm	47,282	48,052	47,731	48,022	48,178	48,228	47,731	47,931
44 Federal Home Loan Mortgage Corporation	4,733	7,632	10,399	8,979	9,478	9,447	10,399	11,548
45 1- to 4-family	4,686	7,559	9,654	8,847	8,931	8,841	9,654	10,642
46 Multifamily	47	73	745	132	547	606	745	906
47 Mortgage pools or trusts[2]	216,654	285,073	332,057	296,481	305,051	317,548	332,057	347,793
48 Government National Mortgage Association	118,940	159,850	179,981	166,261	170,893	175,770	179,981	185,954
49 1- to 4-family	115,831	155,801	175,084	161,943	166,415	171,095	175,084	180,878
50 Multifamily	3,109	4,049	4,897	4,318	4,478	4,675	4,897	5,076
51 Federal Home Loan Mortgage Corporation	42,964	57,895	70,822	59,376	61,267	63,964	70,822	76,759
52 1- to 4-family	42,560	57,273	70,253	58,776	60,636	63,352	70,253	75,781
53 Multifamily	404	622	569	600	631	612	569	978
54 Federal National Mortgage Association[3]	14,450	25,121	36,215	28,354	29,256	32,888	36,215	39,370
55 1- to 4-family	14,450	25,121	35,965	28,354	29,256	32,730	35,965	38,772
56 Multifamily	n.a.	n.a.	250	n.a.	n.a.	158	250	598
57 Farmers Home Administration	40,300	42,207	45,039	42,490	43,635	44,926	45,039	45,710
58 1- to 4-family	20,005	20,404	21,813	20,573	21,331	21,595	21,813	21,928
59 Multifamily	4,344	5,090	5,841	5,081	5,081	5,618	5,841	6,041
60 Commercial	7,011	7,351	7,559	7,456	7,764	7,844	7,559	7,681
61 Farm	8,940	9,362	9,826	9,380	9,459	9,869	9,826	10,060
62 Individual and others[4]	278,978	284,955	296,694	288,293	293,237	294,411	296,694	299,444
63 1- to 4-family[5]	189,121	189,189	193,688	190,522	193,304	192,753	193,688	194,832
64 Multifamily	30,208	31,433	32,918	31,776	32,169	32,624	32,918	33,541
65 Commercial	30,868	34,931	40,231	36,545	38,080	39,209	40,231	41,237
66 Farm	28,781	29,402	29,857	29,450	29,684	29,825	29,857	29,834

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. Implemented by FNMA in October 1981.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.
5. Includes estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

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

Millions of dollars

Holder, and type of credit	1983	1984	1984				1985				
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Amounts outstanding (end of period)										
1 **Total**	**383,701**	**460,500**	**437,469**	**441,358**	**447,783**	**460,500**	**461,530**	**463,628**	**471,567**	**479,935**	**488,666**
By major holder											
2 Commercial banks	171,978	212,391	202,452	204,582	206,635	212,391	213,951	215,778	219,970	223,850	226,973
3 Finance companies	87,429	96,747	95,594	95,113	95,753	96,747	96,732	97,360	99,133	101,324	104,130
4 Credit unions	53,471	67,858	63,808	64,716	66,528	67,858	68,538	68,939	70,432	71,418	72,381
5 Retailers[2]	37,470	40,913	35,595	35,908	37,124	40,913	38,978	37,483	37,082	37,091	37,472
6 Savings and loans	23,108	29,945	27,880	28,781	29,358	29,945	30,520	31,405	32,349	33,514	34,754
7 Gasoline companies	4,131	4,315	4,328	4,290	4,217	4,315	4,329	4,012	3,820	3,834	3,918
8 Mutual savings banks	6,114	8,331	7,812	7,968	8,168	8,331	8,482	8,651	8,781	8,904	9,038
By major type of credit											
9 Automobile	143,114	172,589	167,231	168,923	170,731	172,589	173,769	175,491	179,661	183,558	187,795
10 Commercial banks	67,557	85,501	82,706	83,620	84,326	85,501	86,223	87,333	89,257	90,915	92,403
11 Credit unions	25,574	32,456	30,519	30,953	31,820	32,456	32,781	32,973	33,687	34,159	34,620
12 Finance companies	49,983	54,632	54,006	54,350	54,585	54,632	54,765	55,185	56,717	58,484	60,772
13 Revolving	81,977	101,555	90,231	91,505	93,944	101,555	100,565	99,316	100,434	101,887	103,492
14 Commercial banks	44,184	60,549	54,258	55,276	56,641	60,549	61,445	61,978	63,684	65,127	66,311
15 Retailers	33,662	36,691	31,645	31,939	33,086	36,691	34,791	33,326	32,930	32,926	33,263
16 Gasoline companies	4,131	4,315	4,328	4,290	4,217	4,315	4,329	4,012	3,820	3,834	3,918
17 Mobile home	23,862	24,556	25,198	24,573	24,439	24,556	24,281	24,379	24,456	24,675	24,925
18 Commercial banks	9,842	9,610	9,761	9,627	9,613	9,610	9,498	9,456	9,425	9,432	9,445
19 Finance companies	9,547	9,243	10,065	9,470	9,235	9,243	9,053	9,044	8,981	8,992	9,016
20 Savings and loans	3,906	4,985	4,697	4,791	4,887	4,985	5,005	5,150	5,305	5,496	5,699
21 Credit unions	567	718	675	685	704	718	725	729	745	755	765
22 Other	134,748	161,800	154,809	156,357	158,669	161,800	162,915	164,442	167,016	169,815	172,454
23 Commercial banks	50,395	56,731	55,727	56,059	56,055	56,731	56,785	57,011	57,604	58,376	58,814
24 Finance companies	27,899	32,872	31,523	31,293	31,933	32,872	32,914	33,131	33,435	33,848	34,342
25 Credit unions	27,330	34,684	32,614	33,078	34,004	34,684	35,032	35,237	36,000	36,504	36,996
26 Retailers	3,808	4,222	3,950	3,969	4,038	4,222	4,187	4,157	4,152	4,165	4,209
27 Savings and loans	19,202	24,960	23,183	23,990	24,471	24,960	25,515	26,255	27,044	28,018	29,055
28 Mutual savings banks	6,114	8,331	7,812	7,968	8,168	8,331	8,482	8,651	8,781	8,904	9,038
	Net change (during period)										
29 **Total**	**48,742**	**76,799**	**4,982**	**5,631**	**6,080**	**6,819**	**7,223**	**9,041**	**8,342**	**8,270**	**9,042**
By major holder											
30 Commercial banks	19,488	40,413	1,384	2,756	2,483	3,028	3,799	5,071	4,847	3,853	4,108
31 Finance companies	18,572	18,636	1,571	398	778	1,196	901	1,203	2,048	1,885	2,373
32 Credit unions	6,218	14,387	871	1,224	1,731	1,336	1,290	1,423	797	1,215	673
33 Retailers[2]	5,075	3,443	225	128	278	389	251	269	91	168	341
34 Savings and loans	7,285	6,837	770	864	546	576	922	997	715	1,063	1,327
35 Gasoline companies	68	184	−38	98	86	117	−91	−102	−142	−45	59
36 Mutual savings banks	1,322	2,217	199	163	178	177	151	180	−14	131	161
By major type of credit											
37 Automobile	16,856	29,475	1,513	2,504	2,549	2,687	2,887	3,198	3,391	3,488	3,792
38 Commercial banks	8,002	17,944	434	1,057	1,019	1,275	1,616	1,790	1,767	1,546	1,589
39 Credit unions	2,978	6,882	416	587	828	640	598	696	381	580	325
40 Finance companies	11,752	9,298	663	860	702	772	673	712	1,243	1,362	1,878
41 Revolving	12,353	19,578	1,484	1,488	1,614	1,445	1,957	2,527	2,631	2,126	2,429
42 Commercial banks	7,518	16,365	1,323	1,279	1,289	1,001	1,809	2,429	2,698	2,003	2,095
43 Retailers	4,767	3,029	199	111	239	327	239	200	75	168	275
44 Gasoline companies	68	184	−38	98	86	117	−91	−102	−142	−45	59
45 Mobile home	1,452	694	127	−392	−91	117	−159	282	−11	218	186
46 Commercial banks	237	−232	4	−91	−1	29	−89	41	−50	19	−21
47 Finance companies	776	−608	19	−381	−192	−13	−144	33	−63	13	−19
48 Savings and loans	763	1,079	95	67	84	88	60	192	92	175	219
49 Credit unions	64	151	9	13	18	13	14	16	10	11	7
50 Other	18,081	27,052	1,858	2,031	2,008	2,570	2,538	3,034	2,331	2,438	2,635
51 Commercial banks	3,731	6,336	−377	511	176	723	463	811	432	285	445
52 Finance companies	6,044	9,946	889	−81	268	437	372	458	868	510	514
53 Credit unions	3,176	7,354	446	624	885	683	678	711	406	624	341
54 Retailers	308	414	26	17	39	62	12	69	16	0	66
55 Savings and loans	6,522	5,758	675	797	462	488	862	805	623	888	1,108
56 Mutual savings banks	1,322	2,217	199	163	178	177	151	180	−14	131	161

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, $85.9 billion at the end of 1982, $96.9 billion at the end of 1983, and $116.6 billion at the end of 1984.

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

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1982	1983	1984	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	16.82	13.92	13.71	13.91	n.a.	n.a.	13.37	n.a.	n.a.	13.16
2 24-month personal	18.64	16.50	16.47	16.63	n.a.	n.a.	16.21	n.a.	n.a.	16.09
3 120-month mobile home[2]	18.05	16.08	15.58	15.60	n.a.	n.a.	15.42	n.a.	n.a.	15.03
4 Credit card	18.51	18.78	18.77	18.82	n.a.	n.a.	18.85	n.a.	n.a.	18.64
Auto finance companies										
5 New car	16.15	12.58	14.62	15.24	15.24	15.11	13.78	12.65	11.92	11.87
6 Used car	20.75	18.74	17.85	18.30	18.34	17.88	17.91	17.78	17.78	17.84
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.9	45.9	48.3	50.0	50.2	50.7	51.4	52.2	51.5	50.9
8 Used car	37.0	37.9	39.7	39.9	39.8	41.3	41.1	41.3	41.3	41.4
Loan-to-value ratio										
9 New car	85	86	88	89	89	90	90	91	91	91
10 Used car	90	92	92	93	93	93	93	93	93	94
Amount financed (dollars)										
11 New car	8,178	8,787	9,333	9,577	9,707	9,654	9,196	9,232	9,305	9,775
12 Used car	4,746	5,033	5,691	5,900	5,975	5,951	5,968	5,976	6,043	6,117

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

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

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1979	1980	1981	1982	1983	1984	1982		1983		1984	
							H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**734.2**	**358.1**	**450.1**	**448.9**	**563.8**	**688.9**	**779.4**
By sector and instrument												
2 U.S. government	37.4	79.2	87.4	161.3	186.6	198.8	104.1	218.4	222.0	151.1	177.4	220.2
3 Treasury securities	38.8	79.8	87.8	162.1	186.7	199.0	105.5	218.8	222.1	151.2	177.6	220.3
4 Agency issues and mortgages	-1.4	-.6	-.5	-.9	-.1	-.2	-1.4	-.4	-.1	-.1	-.2	-.1
5 Private domestic nonfinancial sectors	348.6	265.4	293.1	242.8	339.8	535.4	254.0	231.7	266.9	412.7	511.5	559.2
6 Debt capital instruments	211.2	192.0	159.1	158.9	239.3	300.7	140.7	177.2	214.4	264.2	262.4	338.9
7 Tax-exempt obligations	30.3	30.3	22.7	53.8	56.3	58.9	43.9	63.7	62.8	49.7	21.7	96.1
8 Corporate bonds	17.3	26.7	21.8	18.7	15.7	37.0	12.0	25.3	23.0	8.4	28.9	45.1
9 Mortgages	163.6	135.1	114.6	86.5	167.3	204.7	84.8	88.2	128.6	206.0	211.8	197.7
10 Home mortgages	120.0	96.7	76.0	52.5	108.7	129.9	53.6	51.3	83.8	133.6	137.5	122.2
11 Multifamily residential	7.8	8.8	4.3	5.5	8.4	14.3	5.1	5.8	2.8	13.9	16.7	12.0
12 Commercial	23.9	20.2	24.6	23.6	47.3	59.0	19.7	27.5	40.3	54.3	56.0	62.0
13 Farm	11.8	9.3	9.7	5.0	2.9	1.5	6.5	3.5	1.6	4.1	1.6	1.4
14 Other debt instruments	137.5	73.4	134.0	83.9	100.5	234.7	113.2	54.6	52.5	148.5	249.1	220.3
15 Consumer credit	45.4	6.3	26.7	21.0	51.3	96.5	20.6	21.4	35.9	66.6	102.1	90.9
16 Bank loans n.e.c.	51.2	36.7	54.7	55.5	27.3	77.4	69.0	42.0	13.3	41.2	91.2	63.6
17 Open market paper	11.1	5.7	19.2	-4.1	-1.2	23.8	10.0	-18.2	-10.6	8.3	31.5	16.0
18 Other	29.7	24.8	33.4	11.5	23.1	37.1	13.6	9.4	13.9	32.3	24.3	49.8
19 By borrowing sector	348.6	265.4	293.1	242.8	339.8	535.4	254.0	231.7	266.9	412.7	511.5	559.2
20 State and local governments	17.6	17.2	6.2	31.3	36.7	36.8	24.1	38.5	41.9	31.6	3.0	70.5
21 Households	179.3	122.1	127.5	94.5	175.4	241.7	94.7	94.3	134.8	216.0	240.8	242.5
22 Farm	21.4	14.4	16.3	7.6	4.3	2.3	9.6	5.6	.8	7.9	.9	3.8
23 Nonfarm noncorporate	34.4	33.7	40.2	39.5	63.9	78.8	36.6	42.3	50.1	77.6	83.1	74.4
24 Corporate	96.0	78.1	102.9	70.0	59.5	175.8	89.0	51.0	39.3	79.6	183.7	167.9
25 Foreign net borrowing in United States	20.2	27.2	27.2	15.7	18.9	.6	10.2	21.2	15.3	22.5	19.2	-18.0
26 Bonds	3.9	.8	5.4	6.7	3.8	4.1	2.4	11.0	4.6	2.9	1.1	7.0
27 Bank loans n.e.c.	2.3	11.5	3.7	-6.2	4.9	-7.8	-7.6	-4.7	11.3	-1.5	-6.0	-9.6
28 Open market paper	11.2	10.1	13.9	10.7	6.0	.4	12.5	9.0	-4.6	16.5	18.9	-18.1
29 U.S. government loans	2.9	4.7	4.2	4.5	4.3	4.0	3.0	6.0	3.9	4.6	5.2	2.7
30 **Total domestic plus foreign**	**406.2**	**371.8**	**407.6**	**419.8**	**545.3**	**734.8**	**368.3**	**471.4**	**504.2**	**586.3**	**708.1**	**761.4**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**82.4**	**62.9**	**84.1**	**69.0**	**90.7**	**131.1**	**84.2**	**53.8**	**74.0**	**107.3**	**123.4**	**138.8**
By instrument												
32 U.S. government related	47.9	44.8	47.4	64.9	67.8	74.4	60.0	69.7	66.2	69.4	69.1	79.6
33 Sponsored credit agency securities	24.3	24.4	30.5	14.9	1.4	30.4	22.4	7.5	-4.1	6.9	30.8	30.1
34 Mortgage pool securities	23.1	19.2	15.0	49.5	66.4	43.9	36.8	62.2	70.3	62.5	38.3	49.5
35 Loans from U.S. government	.6	1.2	1.9	.4	......	......	.8	......	......	......	......	......
36 *Private financial sectors*	34.5	18.1	36.7	4.1	22.9	56.8	24.2	-16.0	7.8	38.0	54.3	59.2
37 Corporate bonds	7.8	7.1	-.8	2.5	17.1	18.8	-2.5	7.6	15.2	18.9	17.0	20.6
38 Mortgages	*	-.1	-.5	.1	*	*	.1	.1	*	*	*	*
39 Bank loans n.e.c.	-.5	-.9	.9	1.9	-.2	1.0	3.2	.6	-2.5	2.2	.1	1.8
40 Open market paper	18.0	4.8	20.9	-1.2	13.0	21.3	12.3	-14.7	7.2	18.8	21.5	21.1
41 Loans from Federal Home Loan Banks	9.2	7.1	16.2	.8	-7.0	15.7	11.1	-9.5	-12.1	-2.0	15.7	15.7
By sector												
42 Sponsored credit agencies	24.8	25.6	32.4	15.3	1.4	30.4	23.2	7.5	-4.1	6.9	30.8	30.1
43 Mortgage pools	23.1	19.2	15.0	49.5	66.4	43.9	36.8	62.2	70.3	62.5	38.3	49.5
44 Private financial sectors	34.5	18.1	36.7	4.1	22.9	56.8	24.2	-16.0	7.8	38.0	54.3	59.2
45 Commercial banks	1.6	.5	.4	1.2	.5	4.4	.7	1.7	.8	.2	4.8	3.9
46 Bank affiliates	6.5	6.9	8.3	1.9	8.6	10.9	9.7	-5.8	6.1	11.1	20.0	1.8
47 Savings and loan associations	12.6	7.4	15.5	2.5	-2.7	22.7	14.3	-9.3	-10.0	4.5	19.1	26.2
48 Finance companies	16.5	5.8	12.8	-.9	17.0	19.5	*	-1.9	11.4	22.7	10.9	28.1
49 REITs	-1.3	-2.2	.2	.1	.2	.1	.1	.1	.2	.2	.1	.1
	All sectors											
50 **Total net borrowing**	**488.7**	**434.7**	**491.8**	**488.8**	**635.9**	**865.9**	**452.5**	**525.1**	**578.2**	**693.6**	**831.5**	**900.2**
51 U.S. government securities	84.8	122.9	133.0	225.9	254.4	273.3	163.5	288.3	288.4	220.5	246.7	299.8
52 State and local obligations	30.3	30.3	22.7	53.8	56.3	58.9	43.9	63.7	62.8	49.7	21.7	96.1
53 Corporate and foreign bonds	29.0	34.6	26.4	27.8	36.5	59.9	11.8	43.8	42.8	30.3	46.9	72.8
54 Mortgages	163.5	134.9	113.9	86.5	167.2	204.6	84.8	88.2	128.5	206.0	211.7	197.6
55 Consumer credit	45.4	6.3	26.7	21.0	51.3	96.5	20.6	21.4	35.9	66.6	102.1	90.9
56 Bank loans n.e.c.	52.9	47.3	59.3	51.2	32.0	70.6	64.6	37.9	22.1	41.9	85.3	55.8
57 Open market paper	40.3	20.6	54.0	5.4	17.8	45.4	34.8	-23.9	-8.0	43.6	71.8	19.0
58 Other loans	42.4	37.8	55.8	17.2	20.3	56.7	28.5	5.9	5.7	35.0	45.2	68.2
	External corporate equity funds raised in United States											
59 **Total new share issues**	**-3.8**	**22.2**	**-4.1**	**35.3**	**67.8**	**-35.4**	**23.3**	**47.2**	**83.5**	**52.0**	**-43.3**	**-27.5**
60 Mutual funds	.1	5.2	6.3	18.4	32.8	37.5	12.5	24.3	36.8	28.9	39.0	35.9
61 All other	-3.9	17.1	-10.4	16.9	34.9	-72.9	10.9	22.9	46.8	23.1	-82.3	-63.4
62 Nonfinancial corporations	-7.8	12.9	-11.5	11.4	28.3	-77.0	7.0	15.8	38.2	18.4	-84.5	-69.4
63 Financial corporations	3.2	2.1	.8	4.0	2.7	3.0	3.9	4.1	2.8	2.5	2.9	3.2
64 Foreign shares purchased in United States	.8	2.1	.3	1.5	4.0	1.1	-.1	3.0	5.7	2.2	-.7	2.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1979	1980	1981	1982	1983	1984r	1982		1983		1984r	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**734.2**	**358.1**	**450.1**	**488.9**	**563.8**	**688.9**	**779.4**
By public agencies and foreign												
2 Total net advances	75.2	97.0	97.7	109.1	117.1	142.3	100.8	117.3	119.7	114.6	125.0	159.5
3 U.S. government securities	-6.3	15.7	17.2	18.0	27.6	36.0	9.7	26.2	40.5	14.6	33.4	38.5
4 Residential mortgages	35.8	31.7	23.5	61.0	76.1	56.0	47.6	74.4	80.1	72.0	52.0	60.0
5 FHLB advances to savings and loans	9.2	7.1	16.2	.8	-7.0	15.7	11.1	-9.5	-12.1	-2.0	15.7	15.7
6 Other loans and securities	36.5	42.4	40.9	29.3	20.5	34.6	32.4	26.2	11.1	29.9	23.9	45.3
Total advanced, by sector												
7 U.S. government	19.0	23.7	24.1	16.0	9.7	18.8	14.8	17.1	9.1	10.3	7.4	30.2
8 Sponsored credit agencies	53.0	45.6	48.2	65.3	69.5	72.1	61.8	68.7	68.2	70.7	73.0	71.2
9 Monetary authorities	7.7	4.5	9.2	9.8	10.9	8.4	3.8	15.7	15.6	6.2	17.1	-.3
10 Foreign	-4.6	23.2	16.3	18.1	27.1	42.9	20.4	15.8	26.8	27.4	27.5	58.4
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.9	44.8	47.4	64.9	67.8	74.4	60.0	69.7	66.2	69.4	69.1	79.6
12 Foreign	20.2	27.2	27.2	15.7	18.9	.6	10.2	21.2	15.3	22.5	19.2	-18.0
Private domestic funds advanced												
13 Total net advances	379.0	319.6	357.3	375.6	495.9	666.9	327.5	423.8	450.8	541.1	652.2	681.5
14 U.S. government securities	91.1	107.2	115.8	207.9	226.9	237.3	153.7	262.0	247.8	205.9	213.2	261.3
15 State and local obligations	30.3	30.3	22.7	53.8	56.3	58.9	43.9	63.7	62.8	49.7	21.7	96.1
16 Corporate and foreign bonds	18.5	19.3	18.8	14.8	14.6	25.1	-.1	29.6	22.9	6.3	22.8	27.5
17 Residential mortgages	91.9	73.7	56.7	-3.2	40.9	88.1	11.0	-17.4	6.4	75.5	102.2	74.1
18 Other mortgages and loans	156.3	96.2	159.5	103.2	150.2	273.1	130.2	76.3	98.7	201.7	308.0	238.1
19 LESS: Federal Home Loan Bank advances	9.2	7.1	16.2	.8	-7.0	15.7	11.1	-9.5	-12.1	-2.0	15.7	15.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	313.9	281.5	323.4	285.6	376.7	544.8	274.4	296.7	323.2	430.1	535.1	554.6
21 Commercial banking	123.1	100.6	102.3	107.2	136.1	179.9	99.9	114.5	121.6	150.6	193.0	166.8
22 Savings institutions	56.5	54.5	27.8	31.3	136.8	145.1	25.2	37.4	128.9	144.6	163.9	126.3
23 Insurance and pension funds	85.9	94.3	97.4	108.8	98.8	113.0	111.4	106.3	89.5	108.1	96.8	129.1
24 Other finance	48.5	32.1	96.0	38.3	5.0	106.8	37.9	38.6	-16.8	26.8	81.2	132.3
25 Sources of funds	313.9	281.5	323.4	285.6	376.7	544.8	274.4	296.7	323.2	430.1	535.1	554.6
26 Private domestic deposits and RPs	137.4	169.6	211.9	174.7	203.5	288.6	147.6	201.9	192.7	214.2	283.5	293.6
27 Credit market borrowing	34.5	18.1	36.7	4.1	22.9	56.8	24.2	-16.0	7.8	38.0	54.3	59.2
28 Other sources	142.0	93.9	74.8	106.7	150.4	199.5	102.6	110.8	122.8	177.9	197.3	201.7
29 Foreign funds	27.6	-21.7	-8.7	-26.7	22.1	16.6	-28.3	-25.1	-14.2	58.5	15.7	17.5
30 Treasury balances	.4	-2.6	-1.1	6.1	-5.3	4.0	-2.0	14.1	10.1	-20.8	.9	7.1
31 Insurance and pension reserves	72.8	83.9	90.4	104.6	99.2	106.2	111.4	97.8	90.0	108.4	107.6	104.8
32 Other, net	41.2	34.2	-5.9	22.8	34.4	72.7	21.5	24.1	36.8	31.9	73.1	72.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	99.6	56.1	70.6	94.2	142.1	178.8	77.3	111.0	135.3	148.9	171.5	186.1
34 U.S. government securities	52.5	24.6	29.3	37.4	88.7	121.7	35.3	39.5	95.9	81.4	131.3	112.2
35 State and local obligations	9.9	7.0	10.5	34.4	42.5	33.3	30.1	38.7	52.7	32.3	5.6	61.0
36 Corporate and foreign bonds	-1.4	-5.7	-8.1	-5.2	2.0	3.6	-17.7	7.3	-1.7	5.7	15.3	-8.2
37 Open market paper	8.6	-3.1	2.7	-.1	3.9	-.8	3.5	-3.7	-8.1	15.9	-.3	-1.3
38 Other	30.0	33.3	36.3	27.8	5.0	21.0	26.2	29.3	-3.4	13.5	19.6	22.4
39 Deposits and currency	146.8	181.1	221.9	181.9	222.6	290.3	152.1	211.7	214.5	230.7	294.9	285.7
40 Currency	8.0	10.3	9.5	9.7	14.3	8.6	6.7	12.7	14.8	13.8	17.7	-.5
41 Checkable deposits	18.3	5.2	18.0	15.7	21.7	22.8	1.9	29.5	48.0	-4.7	36.6	8.9
42 Small time and savings accounts	59.3	82.9	47.0	138.2	219.1	149.2	83.2	193.1	278.6	159.7	123.0	175.5
43 Money market fund shares	34.4	29.2	107.5	24.7	-44.1	47.2	39.4	10.0	-84.0	-4.2	30.2	64.2
44 Large time deposits	18.8	45.8	36.9	-7.7	-7.5	76.2	21.9	-37.3	-61.0	45.9	92.4	59.9
45 Security RPs	6.6	6.5	2.5	3.8	14.3	-6.8	1.1	6.6	11.0	17.5	1.3	-15.0
46 Deposits in foreign countries	1.5	1.1	.5	-2.5	4.8	-6.9	-2.2	-2.9	7.0	2.7	-6.3	-7.5
47 **Total of credit market instruments, deposits and currency**	**246.5**	**237.2**	**292.5**	**276.1**	**364.7**	**469.1**	**229.4**	**322.7**	**349.8**	**379.6**	**466.4**	**471.8**
48 Public holdings as percent of total	18.5	26.1	24.0	26.0	21.5	19.4	27.4	24.9	23.7	19.5	17.6	21.0
49 Private financial intermediation (in percent)	82.8	88.1	90.5	76.0	76.0	81.7	83.8	70.0	71.7	79.5	82.0	81.4
50 Total foreign funds	23.0	1.5	7.6	-8.6	49.2	59.5	-7.9	-9.3	12.6	85.9	43.1	75.9
MEMO: Corporate equities not included above												
51 **Total net issues**	**-3.8**	**22.2**	**-4.1**	**35.3**	**67.8**	**-35.4**	**23.3**	**47.2**	**83.5**	**52.0**	**-43.3**	**-27.5**
52 Mutual fund shares	.1	5.2	6.3	18.4	32.8	37.5	12.5	24.3	36.8	28.9	39.0	35.9
53 Other equities	-3.9	17.1	-10.4	16.9	34.9	-72.9	10.9	22.9	46.8	23.1	-82.3	-63.4
54 Acquisitions by financial institutions	12.9	24.9	20.1	39.2	57.5	21.9	11.0	67.3	75.9	39.2	7.6	36.2
55 Other net purchases	-16.7	-2.7	-24.2	-3.9	10.2	-57.2	12.3	-20.1	7.6	12.8	-50.8	-63.6

NOTES BY LINE NUMBER.
1. Line 1 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

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

Measure	1982	1983	1984	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[r]	1985 June
1 **Industrial production**	**103.1**	**109.2**	**121.8**	**122.7**	**123.4**	**123.3**	**123.6**	**123.7**	**124.0**	**124.3**	**124.4**	**124.6**
Market groupings												
2 Products, total	107.8	113.9	127.1	129.0	129.9	129.8	129.6	129.8	130.3	130.9	131.6	132.1
3 Final, total	109.5	114.7	127.8	129.9	130.7	130.6	130.4	130.4	130.8	131.5	132.1	132.6
4 Consumer goods	101.4	109.3	118.2	118.5	119.6	119.7	118.8	119.1	119.8	119.9	120.6	120.8
5 Equipment	120.2	121.7	140.5	145.0	145.5	144.9	145.7	145.3	145.4	146.9	147.5	148.2
6 Intermediate	101.7	111.2	124.9	126.2	127.2	127.3	126.8	127.7	128.6	129.1	130.0	130.6
7 Materials	96.7	102.8	114.6	114.2	114.6	114.6	115.4	115.4	115.5	115.1	114.5	114.2
Industry groupings												
8 Manufacturing	102.2	110.2	123.9	125.5	126.0	125.8	125.9	125.8	126.3	126.7	126.7	126.9
Capacity utilization (percent)[2]												
9 Manufacturing	70.3r	74.0r	80.8r	81.1r	81.2r	80.9r	80.7	80.4	80.5	80.5	80.3	80.3
10 Industrial materials industries	71.7r	75.3r	82.3r	81.3r	81.5r	81.3r	81.7	81.5	81.4	81.0	80.3	80.0
11 Construction contracts (1977 = 100)[3]	111.0	137.0	149.0	145.0	151.0	150.0	150.0	145.0	162.0	161.0	162.0	142.0
12 Nonagricultural employment, total[4]	136.1	137.1r	143.6r	145.2	145.7	146.0	146.5	146.8	147.3	147.6	148.0	148.1
13 Goods-producing, total	102.2	100.1r	106.1r	106.9	107.1	107.5	107.7	107.5	107.5	107.6r	107.5	107.3
14 Manufacturing, total	96.6	94.8r	99.8r	100.5	100.5	100.8	100.8	100.6	100.4	100.1	99.9	99.7
15 Manufacturing, production-worker	89.1	87.9	94.0	93.5	93.5	93.7	93.6	93.3	93.0	92.6	92.3	92.2
16 Service-producing	154.7	157.3r	164.1r	166.3	166.9	167.2	167.8	168.3	169.1	169.5	170.2	170.5
17 Personal income, total	410.3	435.6	478.1	488.8	491.7	493.9	496.7	499.4	501.0	506.0r	503.2	505.9
18 Wages and salary disbursements	367.4	388.6	422.5	428.8	432.6	436.7	438.5	440.5	443.7	445.7r	447.1	450.0
19 Manufacturing	285.5	294.7	323.6	326.7	330.0	333.2	334.4	332.9	334.8	333.5r	333.9	334.2
20 Disposable personal income[5]	398.0	427.1	470.3	480.6	482.9	484.5	487.6	484.7	481.3	496.8r	505.7	494.8
21 Retail sales (1977 = 100)[6]	148.1r	162.0r	179.0r	180.9r	183.0r	183.4r	184.2r	186.1r	185.7r	191.5r	190.6	189.1
Prices[7]												
22 Consumer	289.1	298.4	311.1	315.3	315.3	315.5	316.1	317.4	318.8	320.1	321.3	322.3
23 Producer finished goods	280.7	285.2	291.2	291.5	292.3	292.0	292.1r	292.6r	292.4	293.1	294.2	294.0

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 will be 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	1982	1983r	1984r	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 Mayr	1985 June
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**174,450**	**176,414**	**178,602**	**179,353**	**179,524**	**179,600**	**179,742**	**179,891**	**180,024**	**180,171**	**180,322**
2 Labor force (including Armed Forces)[1]	112,383	113,749	115,763	116,292	116,682	117,091	117,310	117,738	117,596	117,600	117,009
3 Civilian labor force	110,204	111,550	113,544	114,074	114,464	114,875	115,084	115,514	115,371	115,373	114,783
Employment											
4 Nonagricultural industries[2]	96,125	97,450	101,685	102,598	102,888	103,071	103,345	103,757	103,517	103,648	103,232
5 Agriculture	3,401	3,383	3,321	3,334	3,385	3,320	3,340	3,362	3,428	3,312	3,138
Unemployment											
6 Number	10,678	10,717	8,539	8,142	8,191	8,484	8,399	8,396	8,426	8,413	8,413
7 Rate (percent of civilian labor force)	9.7	9.6	7.5	7.1	7.2	7.4	7.3	7.3	7.3	7.3	7.3
8 Not in labor force	62,067	62,665	62,839	63,061	62,842	62,509	62,432	62,153	62,428	62,571	63,313
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**89,566**	**90,196**	**94,461**	**95,882**	**96,092**	**96,419**	**96,591**	**96,910**	**97,120r**	**97,386**	**97,466**
10 Manufacturing	18,781	18,434	19,412	19,553	19,603	19,604	19,561	19,526	19,467r	19,427	19,382
11 Mining	1,128	952	974	978	973	974	976	977	982r	981	976
12 Contract construction	3,905	3,948	4,345	4,424	4,469	4,534	4,525	4,553	4,641r	4,655	4,649
13 Transportation and public utilities	5,082	4,954	5,171	5,229	5,246	5,259	5,272	5,269	5,278r	5,305	5,318
14 Trade	20,457	20,881	22,134	22,641	22,691	22,776	22,857	22,963	23,013	23,137	23,201
15 Finance	5,341	5,468	5,682	5,755	5,776	5,790	5,809	5,835	5,858	5,890	5,909
16 Service	19,036	19,694	20,761	21,184	21,252	21,382	21,480	21,644	21,723	21,808	21,891
17 Government	15,837	15,870	15,987	16,118	16,082	16,100	16,111	16,143	16,158r	16,183	16,140

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).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1984r		1985r		1984r		1985r		1984r		1985r	
	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**	**123.4**	**123.1**	**123.8**	**124.4**	**150.6**	**151.7**	**152.8**	**154.0**	**81.9**	**81.2**	**81.0**	**80.8**
2 Mining	113.8	108.3	110.1	110.6	132.9	133.1	133.4	133.6	85.6	81.3	82.6	82.8
3 Utilities	109.8	111.1	114.2	113.1	132.6	133.0	133.7	134.5	82.8	83.5	85.5	84.1
4 **Manufacturing**	**125.6**	**125.8**	**126.0**	**126.8**	**153.9**	**155.2**	**156.5**	**157.7**	**81.6**	**81.0**	**80.5**	**80.4**
5 Primary processing	107.6	107.0	107.5	107.7	131.2	131.4	131.6	132.0	82.0	81.5	81.6	81.6
6 Advanced processing	136.3	137.0	137.1	138.3	167.6	169.6	171.4	173.2	81.3	80.8	80.0	79.8
7 **Materials**	**116.0**	**114.5**	**115.4**	**114.6**	**139.8**	**140.7**	**141.6**	142.5	**83.0**	**81.4**	**81.5**	**80.4**
8 Durable goods	124.0	123.7	123.6	121.6	153.1	154.4	155.9	157.4	81.0	80.1	79.3	77.2
9 Metal materials	82.0	80.4	80.6	79.2	118.8	117.8	117.3	117.3	69.0	68.2	68.7	67.5
10 Nondurable goods	111.6	110.9	110.9	110.3	136.3	136.8	137.3	137.8	81.9	81.0	80.7	80.1
11 Textile, paper, and chemical	112.2	110.7	111.6	110.9	135.7	136.2	136.7	137.0	82.7	81.3	81.7	80.9
12 Paper	127.7	126.2	126.3	n.a.	133.7	135.3	136.1	n.a.	95.5	93.3	92.8	n.a.
13 Chemical	110.2	110.9	113.2	n.a.	140.8	141.1	141.5	n.a.	78.3	78.6	80.0	n.a.
14 Energy materials	105.7	101.3	105.0	106.1	119.3	119.7	120.0	120.3	88.6	84.6	87.5	88.2

Series	Previous cycle[1r]		Latest cycle[2r]		1984r	1984r			1985r					
	High	Low	High	Low	June	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**81.6**	**81.1**	**81.3**	**81.1**	**81.1**	**80.9**	**81.0**	**80.9**	**80.8**	**80.7**
16 Mining	92.8	87.8	95.2	76.9	85.5	80.6	81.7	81.7	82.9	82.1	82.8	82.9	82.8	82.6
17 Utilities	95.6	82.9	88.5	78.0	84.2	82.4	84.3	83.8	84.7	86.7	85.0	84.6	84.0	83.6
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**81.1**	**81.1**	**81.2**	**80.9**	**80.7**	**80.4**	**80.5**	**80.5**	**80.3**	**80.3**
19 Primary processing	91.9	68.3	89.1	65.1	81.8	81.8	81.7	80.9	81.6	81.5	81.8	82.1	81.4	81.3
20 Advanced processing	86.0	71.1	85.1	69.5	80.7	80.7	80.9	80.8	80.2	79.8	79.8	79.8	79.9	79.8
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**82.8**	**81.3**	**81.5**	**81.3**	**81.7**	**81.5**	**81.4**	**81.0**	**80.3**	**80.0**
22 Durable goods	91.8	64.4	89.8	60.9	80.4	80.3	80.2	79.7	79.9	79.1	78.9	78.1	77.1	76.5
23 Metal materials	99.2	67.1	93.6	45.7	70.0	68.1	68.6	68.0	68.1	68.2	69.8	68.8	67.3	66.4
24 Nondurable goods	91.1	66.7	88.1	70.6	81.8	81.4	80.9	80.8	80.9	81.1	80.2	80.1	80.1	80.0
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	82.8	82.0	81.1	80.7	81.7	82.0	81.4	80.9	80.8	81.1
26 Paper	98.4	70.6	97.3	79.9	96.2	93.7	92.5	93.7	93.7	92.6	92.1	89.9	90.2	n.a.
27 Chemical	92.5	64.4	87.9	63.3	78.2	78.6	78.8	78.3	80.1	80.2	79.5	79.2	79.1	n.a.
28 Energy materials	94.6	86.9	94.0	82.2	89.0	83.5	84.8	85.5	86.6	87.4	88.4	88.4	88.1	88.0

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

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1984 avg.	1984							1985					
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**121.8**	**122.3**	**123.2**	**123.5**	**123.3**	**122.7**	**123.4**	**123.3**	**123.6**	**123.7**	**124.0**	**124.3**	**124.4**	**124.6**
2 Products	57.72	127.1	127.5	128.6	129.0	128.8	129.0	129.9	129.8	129.6	129.8	130.3	130.9	131.6	132.1
3 Final products	44.77	127.8	128.2	129.2	129.7	129.8	129.9	130.7	130.6	130.4	130.4	130.8	131.5	132.1	132.6
4 Consumer goods	25.52	118.2	118.5	119.1	118.4	118.3	118.5	119.6	119.7	118.8	119.1	119.8	119.9	120.6	120.8
5 Equipment	19.25	140.5	141.0	142.5	144.5	145.0	145.0	145.5	144.9	145.7	145.3	145.4	146.9	147.5	148.2
6 Intermediate products	12.94	124.9	125.4	127.0	126.9	125.6	126.2	127.2	127.3	126.8	127.7	128.6	129.1	130.0	130.6
7 Materials	42.28	114.6	115.2	115.8	116.1	115.9	114.2	114.6	114.6	115.4	115.4	115.5	115.1	114.5	114.2
Consumer goods															
8 Durable consumer goods	6.89	112.6	111.7	113.8	113.3	111.5	111.4	113.3	113.1	112.8	112.8	113.5	112.9	112.3	112.4
9 Automotive products	2.98	109.8	110.4	110.4	111.6	107.4	104.2	110.2	111.6	114.2	115.4	115.1	116.4	114.4	114.9
10 Autos and trucks	1.79	103.0	102.7	102.8	106.0	98.7	95.0	103.1	104.7	112.5	111.7	110.5	114.4	109.6	109.7
11 Autos, consumer	1.16	93.2	93.7	92.8	92.7	85.1	84.0	89.7	95.6	102.5	100.7	101.3	100.5	98.1	97.0
12 Trucks, consumer	.63	121.2	119.3	121.5	130.8	124.1	115.4	127.8	121.5	131.1	132.0	127.5	140.2	130.9	.....
13 Auto parts and allied goods	1.19	120.1	122.1	121.9	120.0	120.6	118.1	121.1	122.1	116.8	121.1	122.0	119.4	121.5	122.6
14 Home goods	3.91	114.8	112.7	116.4	114.6	114.7	116.9	115.8	114.3	111.6	110.9	112.2	110.2	110.7	110.5
15 Appliances, A/C and TV	1.24	136.2	131.0	140.9	138.7	138.0	140.5	137.4	137.2	126.1	127.1	131.8	126.9	129.9	129.0
16 Appliances and TV	1.19	137.5	131.8	143.0	140.6	140.1	142.2	138.4	138.2	126.6	127.2	131.8	127.1	129.3	.....
17 Carpeting and furniture	.96	117.6	118.0	119.3	117.5	118.8	118.1	118.1	114.1	112.7	117.9	117.7	118.1	117.1	.....
18 Miscellaneous home goods	1.71	97.8	96.6	97.2	95.7	95.6	99.3	99.0	97.9	100.6	95.1	95.0	93.7	93.2	.....
19 Nondurable consumer goods	18.63	120.2	120.9	120.9	120.2	120.7	121.0	121.8	122.1	121.1	121.4	122.1	122.5	123.6	123.9
20 Consumer staples	15.29	125.0	125.7	125.9	125.4	126.3	126.7	127.4	127.7	126.6	126.9	127.9	128.5	129.8	130.3
21 Consumer foods and tobacco	7.80	126.2	126.8	126.9	126.6	127.7	128.2	127.6	129.1	127.1	127.8	128.0	129.3	129.8	.....
22 Nonfood staples	7.49	123.9	124.8	125.0	124.3	125.0	125.4	127.5	126.5	126.0	126.0	127.7	127.7	129.7	130.1
23 Consumer chemical products	2.75	137.4	138.1	139.0	138.3	140.4	141.3	143.3	142.7	142.9	143.2	145.1	145.1	147.8	.....
24 Consumer paper products	1.88	138.4	140.5	143.0	141.2	140.7	140.0	141.5	141.8	141.2	138.1	141.7	142.2	146.0	.....
25 Consumer energy	2.86	101.4	101.6	99.7	99.8	100.0	100.5	103.0	100.7	99.9	101.5	101.9	101.5	101.7	.....
26 Consumer fuel	1.44	89.3	89.5	87.4	88.5	88.1	88.8	89.9	87.7	85.1	84.9	87.0	90.0	89.2	.....
27 Residential utilities	1.42	113.7	113.9	112.2	111.2	112.1	112.4	116.3	113.9	115.0	118.4	117.1	113.7	.....	.....
Equipment															
28 Business and defense equipment	18.01	139.6	139.9	141.4	143.5	144.1	144.1	144.6	143.9	145.5	145.6	146.1	147.7	148.3	149.0
29 Business equipment	14.34	134.9	135.5	137.0	139.1	139.2	139.1	139.8	138.4	140.4	140.0	140.2	142.0	142.1	142.6
30 Construction, mining, and farm	2.08	66.6	66.6	68.9	68.1	67.9	69.5	68.2	68.5	68.8	68.3	67.1	68.4	67.5	.....
31 Manufacturing	3.27	109.4	109.7	110.6	113.4	113.3	112.7	112.4	111.5	111.6	112.3	112.0	112.4	113.9	113.5
32 Power	1.27	79.2	79.8	80.3	80.3	82.4	83.7	83.8	84.5	82.5	81.8	79.6	81.8	82.0	82.1
33 Commercial	5.22	209.2	212.1	213.5	216.5	216.9	216.4	217.1	214.5	217.4	217.0	218.9	221.7	222.8	223.8
34 Transit	2.49	98.6	95.3	97.6	100.6	99.3	98.5	102.9	100.9	106.7	104.9	104.5	106.4	103.1	103.2
35 Defense and space equipment	3.67	157.9	157.2	158.5	160.7	163.4	163.5	163.3	165.3	165.3	167.3	169.0	170.1	172.6	174.3
Intermediate products															
36 Construction supplies	5.95	114.0	114.3	114.3	115.3	114.7	114.6	115.7	114.7	116.2	115.7	116.9	117.1	118.3	118.8
37 Business supplies	6.99	134.2	134.9	137.8	136.9	134.9	136.1	137.1	138.0	135.9	137.9	138.6	139.3	139.9	.....
38 General business supplies	5.67	137.9	138.4	142.0	141.3	138.7	140.1	140.9	141.4	140.2	141.1	141.9	143.2	144.5	.....
39 Commercial energy products	1.31	118.0	119.5	119.5	117.4	118.2	118.8	120.4	122.9	117.1	124.1	124.5	122.4	.....	.....
Materials															
40 Durable goods materials	20.50	122.3	122.4	123.5	124.4	124.0	123.7	123.9	123.4	124.2	123.3	123.3	122.5	121.3	120.8
41 Durable consumer parts	4.92	98.0	97.2	97.5	99.0	98.8	98.9	99.1	99.8	102.6	102.2	102.1	101.8	101.1	101.1
42 Equipment parts	5.94	164.5	164.8	168.6	170.1	169.9	168.6	169.1	168.8	166.7	164.2	163.3	161.4	158.0	157.2
43 Durable materials n.e.c.	9.64	108.6	109.1	108.8	109.2	108.5	108.7	108.7	107.4	109.1	109.0	109.6	109.2	109.1	108.5
44 Basic metal materials	4.64	86.4	87.2	86.5	85.6	85.0	84.8	85.2	84.0	83.5	84.1	85.1	85.0	88.5	.....
45 Nondurable goods materials	10.09	111.2	111.2	111.6	111.6	111.4	111.2	110.7	110.7	110.9	111.4	110.3	110.3	110.4	110.4
46 Textile, paper, and chemical materials	7.53	111.6	112.0	111.8	112.5	112.3	111.5	110.5	110.1	111.5	112.1	111.3	110.7	110.8	111.2
47 Textile materials	1.52	101.5	102.1	103.2	104.5	99.2	98.5	93.7	91.2	90.3	93.5	93.0	94.1	93.8	.....
48 Pulp and paper materials	1.55	126.5	127.6	128.5	127.0	127.7	126.2	125.1	127.2	127.5	126.0	125.4	122.4	122.9	.....
49 Chemical materials	4.46	109.9	110.0	109.1	110.1	111.5	110.8	111.1	110.6	113.3	113.5	112.7	112.3	112.4	.....
50 Miscellaneous nondurable materials	2.57	109.8	108.7	110.8	109.0	108.4	109.9	111.1	112.1	109.2	109.4	107.2	109.0	109.2	.....
51 Energy materials	11.69	104.0	106.0	106.0	105.5	105.5	99.9	101.5	102.4	103.9	104.9	106.2	106.4	106.0	106.0
52 Primary energy	7.57	107.5	110.1	110.7	109.3	110.0	101.4	104.1	106.0	107.0	107.6	110.2	109.5	108.3	.....
53 Converted fuel materials	4.12	97.6	98.5	97.3	98.5	97.2	97.1	96.8	96.0	98.2	100.0	99.0	100.6	99.9	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1984 avg.	1984 June	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.9	112.7	112.9	111.9	112.1	108.0	110.1	109.9	111.4	111.9	111.8	111.8	111.5	111.3
2 Mining	......	9.83	110.9	113.5	114.8	113.0	113.6	107.2	108.8	108.9	110.5	109.5	110.5	110.7	110.6	110.4
3 Utilities	......	5.96	110.9	111.4	109.8	110.0	109.7	109.4	112.1	111.6	113.0	115.8	113.9	113.6	113.0	112.8
4 Manufacturing	......	84.21	123.9	124.1	125.4	125.9	125.6	125.5	126.0	125.8	125.9	125.8	126.3	126.7	126.7	126.9
5 Nondurable	......	35.11	122.5	123.2	123.9	123.2	123.1	123.3	123.8	123.4	123.2	123.8	123.9	124.3	124.9	125.3
6 Durable	......	49.10	124.8	124.7	126.4	127.7	127.2	127.0	127.5	127.4	127.8	127.2	128.0	128.4	128.0	128.1
Mining																
7 Metal	10	.50	77.0	79.0	79.6	72.2	73.6	75.3	75.5	69.3	70.5	74.5	83.6	81.5	75.9	.....
8 Coal	11.12	1.60	127.6	137.9	141.7	136.4	144.2	102.0	113.1	116.2	118.5	121.5	131.9	128.5	128.7	129.0
9 Oil and gas extraction	13	7.07	109.1	110.2	110.9	110.2	109.2	110.1	109.8	109.8	110.7	108.2	106.8	108.0	108.3	108.1
10 Stone and earth minerals	14	.66	116.1	117.0	118.3	118.4	117.6	114.2	115.3	113.2	118.5	119.8	118.7	118.5	117.9	.....
Nondurable manufactures																
11 Foods	20	7.96	127.1	127.4	127.8	127.7	128.2	129.1	128.7	129.0	128.2	129.4	128.5	130.8	131.2	.....
12 Tobacco products	21	.62	100.7	102.0	100.9	97.3	99.6	103.1	102.7	107.4	97.2	103.8	103.4	98.4	.....	.....
13 Textile mill products	22	2.29	103.7	105.0	105.7	103.5	100.9	100.3	97.1	94.7	93.6	98.5	99.4	99.7	98.5	.....
14 Apparel products	23	2.79	102.8	102.9	102.3	101.3	100.1	100.5	101.1	102.5	102.6	103.1	101.3	100.2	100.0	.....
15 Paper and products	26	3.15	127.3	127.2	128.2	128.2	128.9	127.6	127.7	128.8	128.3	126.4	126.9	125.3	125.1	.....
16 Printing and publishing	27	4.54	147.9	149.4	152.3	151.5	148.8	149.5	153.5	151.2	150.4	150.3	152.6	153.9	156.8	157.7
17 Chemicals and products	28	8.05	121.7	122.1	122.9	122.0	124.2	123.5	124.3	123.4	125.7	125.8	126.5	125.6	126.3	.....
18 Petroleum products	29	2.40	87.4	88.4	87.0	87.5	85.7	85.4	86.2	84.7	84.1	84.0	84.7	87.3	85.5	84.9
19 Rubber and plastic products	30	2.80	143.2	144.9	146.0	144.5	144.1	146.0	146.6	146.6	145.9	145.7	144.1	144.9	145.4	.....
20 Leather and products	31	.53	76.7	77.3	77.0	74.2	73.4	70.9	71.5	71.4	69.1	69.2	69.4	69.1	70.2	.....
Durable manufactures																
21 Lumber and products	24	2.30	109.1	109.8	107.9	109.4	110.4	110.2	109.5	109.4	109.2	109.1	109.5	110.9	.....	.....
22 Furniture and fixtures	25	1.27	136.7	138.6	139.4	140.0	140.9	139.9	139.8	138.0	136.5	139.0	139.2	141.0	142.4	.....
23 Clay, glass, stone products	32	2.72	112.3	112.5	113.8	113.7	112.6	113.3	113.6	111.8	112.7	110.5	111.4	113.3	114.9	.....
24 Primary metals	33	5.33	82.4	80.4	80.6	84.0	82.9	81.3	80.9	78.4	81.7	80.2	81.8	81.5	77.1	76.7
25 Iron and steel	331.2	3.49	73.5	71.0	69.0	74.6	73.6	71.0	71.1	68.9	71.0	68.5	73.2	71.9	67.3	.....
26 Fabricated metal products	34	6.46	102.8	103.3	103.7	104.1	104.8	104.8	105.4	105.9	106.4	107.6	108.6	109.1	108.5	108.6
27 Nonelectrical machinery	35	9.54	142.0	143.7	146.1	147.8	146.5	146.6	145.8	144.6	145.0	144.9	146.5	148.9	149.2	150.4
28 Electrical machinery	36	7.15	172.4	171.4	175.3	176.2	176.8	178.4	178.9	180.2	176.0	173.2	173.1	168.9	168.9	168.0
29 Transportation equipment	37	9.13	113.6	112.4	114.2	116.2	114.3	113.4	116.0	117.8	120.4	120.5	120.8	121.9	121.2	121.5
30 Motor vehicles and parts	371	5.25	105.6	104.3	105.4	108.3	104.6	103.1	107.5	109.5	113.0	112.5	111.3	112.9	110.6	110.3
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	124.4	123.4	126.0	126.9	127.5	127.3	127.5	129.0	130.5	131.4	133.7	134.1	135.6	136.8
32 Instruments	38	2.66	136.9	138.0	139.4	139.8	140.2	138.6	138.6	138.9	138.7	138.7	139.0	138.5	139.6	138.8
33 Miscellaneous manufactures	39	1.46	98.0	96.4	99.7	97.8	95.9	98.6	98.6	97.2	99.0	96.4	96.0	98.3	98.9	.....
Utilities																
34 Electric	......	4.17	116.8	118.0	116.1	116.8	116.2	116.8	118.7	117.5	118.9	121.9	119.5	119.1	118.1	118.1
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	......	**596.0**	**745.6**	**749.5**	**748.1**	**752.4**	**749.2**	**753.7**	**759.2**	**756.5**	**761.3**	**764.2**	**769.5**	**774.3**	**776.3**	**779.0**
36 Final	......	472.7	593.7	596.7	593.7	598.0	596.8	600.4	605.2	601.8	606.5	608.7	613.3	617.4	618.1	620.1
37 Consumer goods	......	309.2	356.5	357.7	355.0	354.1	352.5	355.5	359.0	360.0	358.8	360.9	364.6	366.1	366.6	367.3
38 Equipment	......	163.5	237.6	239.4	239.1	244.3	244.8	245.4	246.7	242.3	.....	.....	.....	.....	.....	.....
39 Intermediate	......	123.3	151.8	152.7	154.3	154.3	152.3	153.2	154.0	154.6	154.9	155.5	156.3	156.9	158.1	158.9

▲ 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 will be 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	1982	1983	1984	1984					1985				
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.r	May
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,000	1,605	1,682	1,542	1,517	1,477	1,616	1,599	1,635	1,624	1,741	1,704	1,778
2 1-family	546	902	922	853	866	827	846	843	903	927	993	948	933
3 2-or-more-family	454	703	759	689	651	650	770	756	732	697	748	756	845
4 Started	1,062	1,703	1,749	1,590	1,669	1,564	1,600	1,630	1,849	1,647	1,889	1,933	1,673
5 1-family	663	1,067	1,084	962	1,009	979	1,043	1,112	1,060	1,135	1,168	1,155	1,041
6 2-or-more-family	400	635	665	628	660	585	557	518	789	512	721	778	632
7 Under construction, end of period[1]	720	1,003	1,051	1,091	1,088	1,081	1,077	1,073	1,071	1,066	1,063	1,093	1,095
8 1-family	400	524	556	574	568	571	574	579	572	580	578	586	589
9 2-or-more-family	320	479	494	517	520	510	503	495	499	485	485	507	506
10 Completed	1,005	1,390	1,652	1,681	1,657	1,614	1,587	1,635	1,719	1,794	1,685	1,630	1,627
11 1-family	631	924	1,025	1,035	1,040	972	1,001	985	1,107	1,082	1,043	1,073	1,007
12 2-or-more-family	374	466	627	646	617	642	586	650	612	712	642	557	620
13 Mobile homes shipped	240	296	295	302	282	302	291	282	273	276	283	287	287
Merchant builder activity in 1-family units													
14 Number sold	413	622	639	557	670	652	596	604	634	676r	696	616	676
15 Number for sale, end of period[1]	255	304	358	343	343	346	349	356	356	360	359	363	362
Price (thousands of dollars)[2]													
Median													
16 Units sold	69.3	75.5	80.0	82.0	81.3	80.1	82.5	78.3	82.5	82.0r	84.5	85.8	81.0
Average													
17 Units sold	83.8	89.9	97.5	96.9	101.3	95.7	101.4	96.3	98.3	96.2r	100.9	105.4	99.4
EXISTING UNITS (1-family)													
18 Number sold	1,991	2,719	2,868	2,770	2,730	2,740	2,830	2,870	3,000	2,880	3,030	3,040	3,040
Price of units sold (thousands of dollars)[2]													
19 Median	67.7	69.8	72.3	73.5	71.9	71.9	71.9	72.1	73.8	73.5	74.2	74.5	75.0
20 Average	80.4	82.5	85.9	87.6	85.4	86.2	85.1	85.9	87.7	87.2	88.6	89.7	90.1
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**236,935r**	**268,730r**	**312,989r**	**321,248r**	**320,957r**	**318,179r**	**313,076r**	**310,062r**	**341,038r**	**334,254r**	**333,723**	**338,281**	**343,525**
22 Private	186,091r	218,016r	257,802r	265,384r	264,348r	261,963r	257,469r	254,547r	283,688r	276,452r	274,575	279,013	282,563
23 Residential	80,609r	121,309r	145,058r	149,834r	149,366r	144,043r	137,880r	134,296r	155,260r	146,042r	146,195	144,467	146,827
24 Nonresidential, total	105,482r	96,707r	112,744r	115,550r	114,982r	117,920r	119,589r	120,251r	128,428r	130,410r	128,380	134,546	135,736
Buildings													
25 Industrial	17,346	12,863	13,746r	13,962r	14,663r	14,333r	14,645r	14,440r	15,195r	15,815r	14,585	17,155	17,463
26 Commercial	37,281	35,787	48,102r	49,084r	50,778r	52,092r	52,541r	54,528r	58,524r	58,922r	59,382	61,292	61,554
27 Other	10,507	11,660	12,298r	11,852r	12,052r	11,916r	11,771r	12,150r	11,889r	12,054r	11,245	12,745	13,297
28 Public utilities and other	40,348r	36,397r	38,598r	40,652r	37,489r	39,579r	40,632r	39,133r	42,820r	43,619r	43,168	43,354	43,422
29 Public	50,843r	50,715r	55,186r	55,863r	56,609r	56,215r	55,608r	55,514r	57,350r	57,802r	59,148	59,268	60,962
30 Military	2,205	2,544	2,839r	2,864r	3,569r	2,902r	3,107r	2,952r	2,969r	3,036r	3,078	3,038	3,083
31 Highway	13,293r	14,143r	16,295r	16,608r	16,475r	16,210r	16,939r	16,888r	17,759r	18,416r	19,176	19,674	20,239
32 Conservation and development	5,029	4,822	4,656r	4,590r	4,851r	4,748r	5,127r	4,654r	4,645r	4,674r	4,727	4,377	5,091
33 Other	30,316r	29,206r	31,396r	31,801r	31,714r	32,355r	30,435r	31,020r	31,977r	31,676r	32,167	32,179	32,549

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 June 1985 (1967 = 100)[1]
	1984 June	1985 June	1984 Sept.	1984 Dec.	1985 Mar.	1985 June	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	
CONSUMER PRICES[2]												
1 **All items**	**4.2**	**3.7**	**4.5**	**3.0**	**4.1**	**3.3**	**.3**	**.5**	**.4**	**.2**	**.2**	**322.3**
2 Food	3.4	2.4	3.9	3.7	2.6	−.9	.5	.0	−.2	−.1	.1	309.3
3 Energy items	.3	1.9	.1	−.7	−.8	9.6	−1.4	1.9	1.8	.3	.2	436.8
4 All items less food and energy	5.1	4.4	5.3	3.5	5.5	3.4	.6	.4	.3	.3	.3	313.4
5 Commodities	4.7	2.5	3.8	.9	6.6	−1.4	.8	.3	.0	−.2	−.2	259.0
6 Services	5.4	5.6	6.2	5.0	5.0	6.4	.4	.4	.4	.7	.5	374.6
PRODUCER PRICES												
7 Finished goods	2.1	1.1	.0	1.1	1.0	1.9	.1r	.2	.3	.2	.0	294.0
8 Consumer foods	3.7	−.8	4.5	3.3	−2.4	−8.8	.1r	−.3r	−1.0	−1.1	−.1	268.5
9 *Consumer energy*	−3.3	−3.0	−19.7	5.6	−21.0	32.1	−2.5r	−.8r	5.8	3.4	−2.0	741.9
10 Other consumer goods	2.5	2.6	2.5	−.2	6.6	1.8	.4	.6	−.2	.2	.4	251.9
11 Capital equipment	2.5	2.3	2.3	−1.1	6.5	1.6	.8r	.4	.0	.0	.4	300.7
12 Intermediate materials[3]	3.2	.1	−1.1	1.2	−2.5	2.7	−.5	−.1	.3	.3	.0	326.6
13 Excluding energy	3.4	.6	.9	1.5	−1.0	1.2	−.2	−.1	.0	.2	.2	306.0
Crude materials												
14 Foods	3.3	−10.1	−1.7	10.6	−24.1	−20.7	−2.0r	−2.5r	−3.0	−2.4	−.3	234.0
15 Energy	−.4	−4.6	.4	−7.6	−12.7	2.4	−.4r	−.9r	.1	2.0	−1.5	751.7
16 Other	9.3	−9.2	−15.3	−10.7	−13.4	3.6	−3.6r	1.4r	2.1	−1.5	.2	247.6

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1982	1983	1984	1984 Q2	1984 Q3	1984 Q4	1985 Q1	1985 Q2
GROSS NATIONAL PRODUCT								
1 **Total**	**3,069.3**	**3,304.8**	**3,662.8**	**3,644.7**	**3,694.6**	**3,758.7**	**3,810.6**	**3,853.5**
By source								
2 Personal consumption expenditures	1,984.9	2,155.9	2,341.8	2,332.7	2,361.4	2,396.5	2,446.5	2,496.1
3 Durable goods	245.1	279.8	318.8	320.7	317.2	326.3	334.8	340.7
4 Nondurable goods	757.5	801.7	856.9	858.3	861.4	866.5	877.3	894.7
5 Services	982.2	1,074.4	1,166.1	1,153.7	1,182.8	1,203.8	1,234.4	1,260.7
6 Gross private domestic investment	414.9	471.6	637.8	627.0	662.8	637.8	646.8	638.7
7 Fixed investment	441.0	485.1	579.6	576.4	591.0	601.1	606.1	626.1
8 Nonresidential	349.6	352.9	425.7	420.8	435.7	447.7	450.9	466.5
9 Structures	142.1	129.7	150.4	150.0	151.4	157.9	162.9	171.5
10 Producers' durable equipment	207.5	223.2	275.3	270.7	284.2	289.7	288.0	295.0
11 Residential structures	91.4	132.2	153.9	155.6	155.3	153.5	155.2	159.6
12 Nonfarm	86.6	127.6	148.8	150.5	150.1	148.3	150.0	153.8
13 Change in business inventories	−26.1	−13.5	58.2	50.6	71.8	36.6	40.7	12.6
14 Nonfarm	−24.0	−3.1	49.6	47.0	63.7	27.2	34.1	8.8
15 Net exports of goods and services	19.0	−8.3	−64.2	−58.7	−90.6	−56.0	−74.5	−91.1
16 Exports	348.4	336.2	364.3	362.4	368.6	367.2	360.7	349.5
17 Imports	329.4	344.4	428.5	421.1	459.3	423.2	435.2	440.7
18 Government purchases of goods and services	650.5	685.5	747.4	743.7	761.0	780.5	791.9	809.8
19 Federal	258.9	269.7	295.4	296.4	302.0	315.7	319.9	325.2
20 State and local	391.5	415.8	452.0	447.4	458.9	464.8	472.0	484.6
By major type of product								
21 Final sales, total	3,095.4	3,318.3	3,604.6	3,594.1	3,622.8	3,722.1	3,770.0	3,840.9
22 Goods	1,276.7	1,355.7	1,542.9	1,544.8	1,549.1	1,579.8	1,583.8	1,574.6
23 Durable	499.9	555.3	655.6	647.9	654.7	687.7	677.1	658.3
24 Nondurable	776.9	800.4	887.3	896.9	894.4	892.1	906.7	916.3
25 Services	1,510.8	1,639.3	1,763.3	1,742.6	1,783.3	1,813.7	1,857.2	1,891.7
26 Structures	281.7	309.8	356.5	357.2	362.1	365.2	369.6	387.3
27 Change in business inventories	−26.1	−13.5	58.2	50.6	71.8	36.6	40.7	12.6
28 Durable goods	−18.0	−2.1	30.4	18.2	41.7	26.7	29.0	−3.8
29 Nondurable goods	−8.1	−11.3	27.8	32.4	30.1	9.9	11.7	16.4
30 **MEMO: Total GNP in 1972 dollars**	**1,480.0**	**1,534.7**	**1,639.3**	**1,638.8**	**1,645.2**	**1,662.4**	**1,663.5**	**1,670.7**
NATIONAL INCOME								
31 **Total**	**2,446.8**	**2,646.7**	**2,959.9**	**2,944.8**	**2,984.9**	**3,036.3**	**3,076.5**	**n.a.**
32 Compensation of employees	1,864.2	1,984.9	2,173.2	2,159.2	2,191.9	2,228.1	2,272.7	2,306.5
33 Wages and salaries	1,568.7	1,658.8	1,804.1	1,793.3	1,819.1	1,848.2	1,882.8	1,910.2
34 Government and government enterprises	306.6	328.2	349.8	347.5	352.0	357.2	365.5	370.7
35 Other	1,262.2	1,331.1	1,454.2	1,445.8	1,467.1	1,490.9	1,517.3	1,539.5
36 Supplement to wages and salaries	295.5	326.2	369.0	365.9	372.8	380.0	389.8	396.3
37 Employer contributions for social insurance	140.0	153.1	173.5	172.4	174.7	177.5	183.6	186.1
38 Other labor income	155.5	173.1	195.5	193.5	198.1	202.5	206.3	210.2
39 Proprietors' income[1]	111.1	121.7	154.4	149.8	153.7	159.1	159.8	161.7
40 Business and professional[1]	89.2	107.9	126.2	126.3	126.4	129.7	134.0	138.5
41 Farm[1]	21.8	13.8	28.2	23.4	27.3	29.4	25.7	23.2
42 Rental income of persons[2]	51.5	58.3	62.5	62.0	63.0	64.1	64.8	67.1
43 Corporate profits[1]	159.1	225.2	285.7	291.1	282.8	291.6	292.3	n.a.
44 Profits before tax[3]	165.5	203.2	235.7	246.0	224.8	228.7	222.3	n.a.
45 Inventory valuation adjustment	−9.5	−11.2	−5.7	−7.3	−.2	−1.6	.9	.1
46 Capital consumption adjustment	3.1	33.2	55.7	52.3	58.3	64.5	69.1	76.4
47 Net interest	260.9	256.6	284.1	282.8	293.5	293.4	287.0	280.0

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1982	1983	1984	1984			1985	
				Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,584.6**	**2,744.2**	**3,012.1**	**2,984.6**	**3,047.3**	**3,096.2**	**3,143.8**	**3,181.6**
2 Wage and salary disbursements	1,568.7	1,659.2	1,804.0	1,793.1	1,819.5	1,847.6	1,882.7	1,911.2
3 Commodity-producing industries	509.3	519.3	569.3	567.0	573.3	580.9	590.9	594.1
4 Manufacturing	382.9	395.2	433.9	432.2	436.4	442.4	447.9	447.7
5 Distributive industries	378.6	398.6	432.0	429.5	436.4	443.1	449.0	456.0
6 Service industries	374.3	413.1	452.9	449.3	457.3	466.9	477.4	489.4
7 Government and government enterprises	306.6	328.2	349.8	347.3	352.4	356.7	365.4	371.7
8 Other labor income	155.5	173.1	195.5	193.5	198.1	202.5	206.3	210.2
9 Proprietors' income[1]	111.1	121.7	154.4	149.8	153.7	159.1	159.8	161.7
10 Business and professional[1]	89.2	107.9	126.2	126.3	126.4	129.7	134.0	138.5
11 Farm[1]	21.8	13.8	28.2	23.4	27.3	29.4	25.7	23.2
12 Rental income of persons[2]	51.5	58.3	62.5	62.0	63.0	64.1	64.8	67.1
13 Dividends	66.5	70.3	77.7	77.2	78.5	80.2	81.4	82.5
14 Personal interest income	366.6	376.3	433.7	425.6	449.3	456.1	456.0	457.0
15 Transfer payments	376.1	405.0	416.7	415.2	418.6	421.8	439.2	440.3
16 Old-age survivors, disability, and health insurance benefits	204.5	221.6	237.3	235.2	238.2	243.5	249.6	250.1
17 LESS: Personal contributions for social insurance	111.4	119.6	132.5	131.8	133.4	135.2	146.4	148.4
18 EQUALS: Personal income	2,584.6	2,744.2	3,012.1	2,984.6	3,047.3	3,096.2	3,143.8	3,181.6
19 LESS: Personal tax and nontax payments	404.1	404.2	435.3	430.3	440.9	451.7	489.0	447.0
20 EQUALS: Disposable personal income	2,180.5	2,340.1	2,576.8	2,554.3	2,606.4	2,644.5	2,654.8	2,734.6
21 LESS: Personal outlays	2,044.5	2,222.0	2,420.7	2,409.5	2,442.3	2,481.5	2,536.2	2,589.9
22 EQUALS: Personal saving	136.0	118.1	156.1	144.8	164.1	163.0	118.6	144.7
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,369.7	6,543.4	6,926.1	6,933.2	6,943.2	6,998.3	6,989.0	7,005.8
24 Personal consumption expenditures	4,145.9	4,302.8	4,488.7	4,502.3	4,498.4	4,527.1	4,575.7	4,625.7
25 Disposable personal income	4,555.0	4,670.0	4,939.0	4,930.0	4,965.0	4,996.0	4,965.0	5,068.0
26 Saving rate (percent)	6.2	5.0	6.1	5.7	6.3	6.2	4.5	5.3
GROSS SAVING								
27 **Gross saving**	**408.8**	**437.2**	**551.8**	**551.0**	**556.4**	**556.0**	**550.7**	**n.a.**
28 Gross private saving	524.0	571.7	674.8	660.2	689.4	698.2	662.1	n.a.
29 Personal saving	136.0	118.1	156.1	144.8	164.1	163.0	118.6	144.7
30 Undistributed corporate profits[1]	29.2	76.5	115.4	115.3	118.4	120.8	122.5	n.a.
31 Corporate inventory valuation adjustment	-9.5	-11.2	-5.7	-7.3	-.2	-1.6	.9	.1
Capital consumption allowances								
32 Corporate	221.8	231.2	246.2	244.1	248.1	252.8	257.4	261.8
33 Noncorporate	137.1	145.9	157.0	156.0	158.8	161.5	163.7	165.5
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	-115.3	-134.5	-122.9	-109.2	-133.0	-142.2	-111.4	n.a.
36 Federal	-148.2	-178.6	-175.8	-163.7	-180.6	-197.8	-165.1	n.a.
37 State and local	32.9	44.1	52.9	54.5	47.6	55.6	53.7	n.a.
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**408.3**	**437.7**	**544.4**	**542.0**	**543.4**	**546.1**	**542.6**	**521.2**
40 Gross private domestic	414.9	471.6	637.8	627.0	662.8	637.8	646.8	638.7
41 Net foreign	**-6.6**	**-33.9**	**-93.4**	**-85.0**	**-119.4**	**-91.6**	**-104.2**	**-117.5**
42 **Statistical discrepancy**	-.5	.5	-7.4	-9.0	-13.0	-9.9	-8.1	-8.1

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1982	1983	1984	1984				1985
				Q1	Q2	Q3	Q4	Q1^p
1 Balance on current account	−8,051	−40,790	−101,532	−19,064	−24,493	−32,500	−25,477	−29,997
2 Not seasonally adjusted	...	...	...	−18,395	−24,654	−35,724	−22,759	−29,079
3 Merchandise trade balance[2]	−36,444	−62,012	−108,281	−25,569	−25,649	−32,507	−24,557	−29,437
4 Merchandise exports	211,198	200,745	220,316	53,753	54,677	55,530	56,355	55,811
5 Merchandise imports	−247,642	−262,757	−328,597	−79,322	−80,326	−88,037	−80,912	−85,248
6 Military transactions, net	−318	−163	−1,765	−346	−593	−250	−575	−89
7 Investment income, net[3]	29,493	25,401	19,109	8,234	3,618	3,256	4,003	2,626
8 Other service transactions, net	7,353	4,837	819	829	363	−123	−253	78
9 Remittances, pensions, and other transfers	−2,633	−2,566	−2,891	−732	−710	−669	−782	−857
10 U.S. government grants (excluding military)	−5,501	−6,287	−8,522	−1,480	−1,522	−2,207	−3,313	−2,318
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−6,131	−5,006	−5,516	−2,059	−1,353	−1,369	−734	−795
12 Change in U.S. official reserve assets (increase, −)	−4,965	−1,196	−3,130	−657	−565	−799	−1,109	−233
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−1,371	−66	−979	−226	−288	−271	−194	−264
15 Reserve position in International Monetary Fund	−2,552	−4,434	−995	−200	−321	−331	−143	281
16 Foreign currencies	−1,041	3,304	−1,156	−231	44	−197	−772	−250
17 Change in U.S. private assets abroad (increase, −)[3]	−108,121	−48,842	−11,800	−2,260	−17,070	20,532	−13,003	−2,165
18 Bank-reported claims	−111,070	−29,928	−8,504	−1,110	−20,186	17,725	−4,933	−285
19 Nonbank-reported claims	6,626	−6,513	6,266	1,289	1,908	2,099	970	n.a.
20 U.S. purchase of foreign securities, net	−8,102	−7,007	−5,059	673	−756	−1,313	−3,663	−2,461
21 U.S. direct investments abroad, net[3]	4,425	−5,394	−4,503	−3,112	1,964	2,021	−5,377	581
22 Change in foreign official assets in the United States (increase, +)	3,672	5,795	3,424	−2,786	−224	−686	7,119	−11,402
23 U.S. Treasury securities	5,779	6,972	4,690	−275	−274	−575	5,814	−7,227
24 Other U.S. government obligations	−694	−476	167	3	146	85	−67	−307
25 Other U.S. government liabilities[4]	684	552	453	233	555	−139	−197	−532
26 Other U.S. liabilities reported by U.S. banks	−1,747	545	663	−2,147	328	430	2,052	−3,219
27 Other foreign official assets[5]	−350	−1,798	−2,549	−600	−979	−487	−483	−117
28 Change in foreign private assets in the United States (increase, +)[3]	90,775	78,527	93,895	22,063	41,816	3,825	26,191	27,923
29 *U.S. bank-reported liabilities*	65,922	49,341	31,674	11,348	20,970	−5,125	4,481	13,011
30 U.S. nonbank-reported liabilities	−2,383	−118	4,284	4,520	4,566	−2,939	−1,863	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	7,052	8,721	22,440	1,396	6,485	5,058	9,501	2,677
32 Foreign purchases of other U.S. securities, net	6,392	8,636	12,983	1,494	506	1,603	9,380	9,522
33 Foreign direct investments in the United States, net[3]	13,792	11,947	22,514	3,305	9,289	5,228	4,692	2,713
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	32,821	11,513	24,660	4,763	1,889	10,997	7,013	16,669
36 Owing to seasonal adjustments	...	...	...	−422	−606	−3,170	−4,200	−343
37 Statistical discrepancy in recorded data before seasonal adjustment	32,821	11,513	24,660	5,185	2,495	14,167	11,213	17,012
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−4,965	−1,196	−3,131	−657	−566	−799	−1,110	−233
39 Foreign official assets in the United States (increase, +)	2,988	5,243	2,971	−3,019	−779	−547	7,316	−10,870
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	7,291	−8,283	−4,143	−2,405	−2,097	−453	812	−2,013
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	585	194	190	41	44	45	61	15

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 seasonally adjusted.

Item	1981	1982	1983	1984		1985				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	233,677	212,193	200,486	18,395	19,142	19,401	17,853	18,446	17,779	17,414
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	261,305	243,952	258,048	27,331	25,933	28,297	27,985	28,129	28,295	28,685
3 **Trade balance**	**−27,628**	**−31,759**	**−57,562**	**−8,936**	**−6,791**	**−8,896**	**−10,131**	**−9,683**	**−10,516**	**−11,271**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. *International Transactions Summary*, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1981	1982	1983	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**	**30,075**	**33,958**	**33,747**	**34,934**	**34,380**	**34,272**	**35,493**	**35,493**	**35,782**	**36,088**
2 Gold stock, including Exchange Stabilization Fund[1]	11,151	11,148	11,121	11,096	11,095	11,093	11,093	11,091	11,091	11,091
3 Special drawing rights[2,3]	4,095	5,250	5,025	5,641	5,693	5,781	5,973	5,971	6,163	6,196
4 Reserve position in International Monetary Fund[2]	5,055	7,348	11,312	11,541	11,322	11,097	11,386	11,382	11,370	11,394
5 Foreign currencies[4]	9,774	10,212	6,289	6,656	6,270	6,301	7,041	7,049	7,158	7,408

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1981	1982	1983	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Deposits	505	328	190	253	244	331	253	348	204	310
Assets held in custody										
2 U.S. Treasury securities[1]	104,680	112,544	117,670	118,267	117,330	115,179	113,532	115,184	116,989	121,755
3 Earmarked gold[2]	14,804	14,716	14,414	14,265	14,261	14,260	14,264	14,264	14,265	14,262

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	1981	1982	1983	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[p]
	All foreign countries									
1 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**452,914**	**452,205**	**445,041**	**452,883**	**462,098**	**460,428**	**458,198**
2 Claims on United States	63,743	91,805	115,542	112,815	113,435	115,501	119,034[r]	119,927[r]	121,376	120,234
3 Parent bank	43,267	61,666	82,026	77,958	78,151	79,318	84,084[r]	86,809[r]	86,472	84,702
4 Other banks in United States[2]	20,476	30,139	33,516	13,313	13,664	13,686	13,737	13,092	14,199	14,101
5 Nonbanks[2]				21,544	21,620	22,497	21,213	20,026	20,705	21,431
6 Claims on foreigners	378,954	358,493	342,689	319,431	318,710	309,193	314,247[r]	321,759[r]	318,991	317,283
7 Other branches of parent bank	87,821	91,168	96,004	91,313	94,717[r]	87,351[r]	89,184[r]	92,990[r]	91,329	91,341
8 Banks	150,763	133,752	117,668	103,050	100,328[r]	99,871[r]	104,373[r]	105,258[r]	104,303	102,249
9 Public borrowers	28,197	24,131	24,517	22,907	22,872	22,441	22,219	22,492	22,844	22,783
10 Nonbank foreigners	112,173	109,442	107,785	102,161	100,793	99,530	98,471	101,019	100,515	100,910
11 Other assets	20,150	19,414	18,859	20,668	20,060	20,347	19,602[r]	20,412	20,061	20,681
12 **Total payable in U.S. dollars**	**350,735**	**361,982**	**371,508**	**345,511**	**349,342**	**343,461**	**351,796**	**354,570[r]**	**351,280**	**349,433**
13 Claims on United States	62,142	90,085	113,436	110,442	111,468	113,250	116,730[r]	117,562[r]	118,786	117,786
14 Parent bank	42,721	61,010	80,909	76,763	77,271	78,392	83,074[r]	85,727[r]	85,339	85,733
15 Other banks in United States[2]	19,421	29,075	32,527	13,121	13,500	13,493	13,464	12,790	13,844	13,708
16 Nonbanks[2]				20,558	20,697	21,365	20,192	19,045	19,603	20,345
17 Claims on foreigners	276,937	259,871	247,406	224,251	227,303	219,768	224,714[r]	226,966[r]	222,693	221,738
18 Other branches of parent bank	69,398	73,537	78,431	74,600	78,279[r]	72,326[r]	74,248[r]	77,229[r]	75,085	75,582
19 Banks	122,110	106,447	93,332	77,096	76,872[r]	75,756[r]	79,217[r]	78,755[r]	76,874	75,642
20 Public borrowers	22,877	18,413	17,890	17,374	17,160	16,994	16,754	17,001[r]	16,976	16,999
21 Nonbank foreigners	62,552	61,474	60,977	55,181	54,992	54,692	54,495	53,981	53,758	53,515
22 Other assets	11,656	12,026	10,666	10,818	10,571	10,443	10,352[r]	10,042	9,801	9,909
	United Kingdom									
23 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**149,377**	**144,385**	**146,130**	**149,534**	**150,705**	**148,711**	**148,285**
24 Claims on United States	11,823	27,354	34,433	29,502	27,731	28,783	31,910	29,675	29,497	29,424
25 Parent bank	7,885	23,017	29,111	23,773	21,918	22,296	25,313	23,250	22,803	22,647
26 Other banks in United States[2]	3,938	4,337	5,322	1,484	1,429	1,540	1,561	1,511	1,649	1,613
27 Nonbanks[2]				4,245	4,384	4,947	5,036	4,914	5,045	5,164
28 Claims on foreigners	138,888	127,734	119,280	114,264	111,772	112,284	112,937	115,889	114,122	113,720
29 Other branches of parent bank	41,367	37,000	36,565	37,395	37,897	36,367	35,381	35,857	34,469	34,868
30 Banks	56,315	50,767	43,352	39,262	37,443	39,063	40,961	40,812	41,253	39,910
31 Public borrowers	7,490	6,240	5,898	5,424	5,334	5,345	5,306	5,186	4,959	4,921
32 Nonbank foreigners	33,716	33,727	33,465	32,183	31,098	31,509	31,289	34,034	33,441	34,021
33 Other assets	6,518	5,979	5,019	5,611	4,882	5,063	4,687	5,141	5,092	5,141
34 **Total payable in U.S. dollars**	**115,188**	**123,740**	**126,012**	**114,895**	**112,809**	**112,953**	**116,232**	**114,122**	**111,497**	**111,303**
35 Claims on United States	11,246	26,761	33,756	28,610	26,924	27,807	30,945	28,839	28,570	28,504
36 Parent bank	7,721	22,756	28,756	23,378	21,551	21,960	24,911	22,910	22,472	22,354
37 Other banks in United States[2]	3,525	4,005	5,000	1,437	1,363	1,496	1,498	1,466	1,576	1,491
38 Nonbanks[2]				3,795	4,010	4,351	4,536	4,463	4,522	4,659
39 Claims on foreigners	99,850	92,228	88,917	82,971	82,889	82,161	82,268	82,437	79,938	79,917
40 Other branches of parent bank	35,439	31,648	31,838	32,669	33,551	31,899	31,099	31,331	29,489	30,148
41 Banks	40,703	36,717	32,188	27,290	26,805	27,465	28,523	27,982	27,808	27,188
42 Public borrowers	5,595	4,329	4,194	4,094	4,030	4,021	3,964	3,804	3,533	3,527
43 Nonbank foreigners	18,113	19,534	20,697	18,918	18,503	18,776	18,682	19,320	19,108	19,054
44 Other assets	4,092	4,751	3,339	3,314	2,996	2,985	3,019	2,846	2,989	2,882
	Bahamas and Caymans									
45 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**141,610**	**146,811**	**141,834**	**144,665**	**147,041**	**145,096**	**144,033**
46 Claims on United States	46,546	59,403	75,309	75,655	77,296	76,856	76,446	78,886	79,150	78,849
47 Parent bank	31,643	34,653	48,720	48,202	49,449	48,892	50,043	53,937	53,008	51,902
48 Other banks in United States[2]	14,903	24,750	26,589	11,043	11,544	11,326	11,305	10,761	11,647	11,723
49 Nonbanks[2]				16,410	16,303	16,638	15,098	14,188	14,495	15,224
50 Claims on foreigners	98,057	81,450	72,868	62,024	65,598	61,204	64,408	64,339	62,164	61,604
51 Other branches of parent bank	12,951	18,720	20,626	13,837	17,661[r]	14,382[r]	16,235[r]	15,685[r]	14,716	15,271
52 Banks	55,151	42,699	36,842	30,529	30,246[r]	29,230[r]	30,927[r]	31,481[r]	29,887	28,942
53 Public borrowers	10,010	6,413	6,093	6,075	6,089	6,162	6,081	6,349	6,683	6,604
54 Nonbank foreigners	19,945	13,618	12,592	11,583	11,602	11,430	11,165	10,824	10,878	10,787
55 Other assets	4,505	4,303	3,906	3,931	3,917	3,774	3,811	3,816	3,782	3,580
56 **Total payable in U.S. dollars**	**143,743**	**139,605**	**145,641**	**136,211**	**141,562**	**137,090**	**139,543**	**141,543**	**139,926**	**138,724**

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-a-vis other banks in the United States and vis-a-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1981	1982	1983	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[p]
	All foreign countries									
57 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**452,914**	**452,205**	**445,041**	**452,883**	**462,098**	**460,428**	**458,198**
58 Negotiable CDs[3]	n.a.	n.a.	n.a.	37,915	37,725	38,804	41,798	40,889	38,940	37,188
59 To United States	137,767	179,015	188,070	138,498	146,955	143,680	140,914	145,969r	144,965	145,278
60 Parent bank	56,344	75,621	81,261	70,284	78,111	75,230	72,338	76,038r	75,844	77,869
61 Other banks in United States	19,197	33,405	29,453	18,679	18,409	18,125	17,831	18,021r	18,841	18,782
62 Nonbanks	62,226	69,989	77,356	49,535	50,435	50,325	50,745	51,910	50,280	48,627
63 To foreigners	305,630	270,853	269,685	254,099r	247,122r	241,595r	249,675r	253,635r	254,953	253,653
64 Other branches of parent bank	86,396	90,191	90,615	90,681	93,206	87,722	89,872	93,978r	91,856	91,332
65 Banks	124,906	96,860	92,889	86,822	78,203	79,291	84,013	82,611	83,607	81,557
66 Official institutions	25,997	19,614	18,896	20,883	20,281	19,484	19,356	20,831	21,854	21,657
67 Nonbank foreigners	68,331	64,188	68,845	55,713r	55,432r	55,098r	56,434r	56,215r	57,636	59,107
68 Other liabilities	19,450	19,844	19,335	22,402r	20,403r	20,962r	20,496r	21,605r	21,570	22,079
69 **Total payable in U.S. dollars**	**364,447**	**379,270**	**388,291**	**361,875**	**365,859**	**357,853**	**366,054**	**369,049**	**365,257**	**363,416**
70 Negotiable CDs[3]	n.a.	n.a.	n.a.	35,608	35,227	36,295	39,544	38,197	35,958	34,216
71 To United States	134,700	175,528	184,305	134,303	142,943	139,811	137,154	141,614r	140,288	140,549
72 Parent bank	54,492	73,295	79,035	67,761	75,626	72,892	70,084	73,597r	73,229	75,233
73 Other banks in United States	18,883	33,040	28,936	18,128	17,935	17,587	17,302	17,472r	18,270	18,209
74 Nonbanks	61,325	69,193	76,334	48,414	49,382	49,332	49,768	50,545	48,789	47,107
75 To foreigners	217,602	192,510	194,139	180,841	177,638	171,479	178,745	179,007r	178,787	178,815
76 Other branches of parent bank	69,299	72,921	73,522	74,552	77,222	72,648	74,926	78,441r	76,024	75,595
77 Banks	79,594	57,463	57,022	50,509	45,131	44,948	48,734	44,812	45,167	44,433
78 Official institutions	20,288	15,055	13,855	16,068	15,773	14,861	14,653	16,049	17,178	17,237
79 Nonbank foreigners	48,421	47,071	51,260	39,712	39,512	39,022	40,432	39,705	40,418	41,550
80 Other liabilities	12,145	11,232	9,847	11,123	10,051	10,268	10,611	10,231	10,224	9,836
	United Kingdom									
81 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**149,377**	**144,385**	**146,130**	**149,534**	**150,705**	**148,711**	**148,285**
82 Negotiable CDs[3]	n.a.	n.a.	n.a.	34,269	34,413	35,455	38,281	37,350	35,326	33,661
83 To United States	38,022	53,954	55,799	25,338	25,250	27,757	23,439	23,982	23,920	24,909
84 Parent bank	5,444	13,091	14,021	15,060	14,651	16,714	13,763	14,509	13,969	14,159
85 Other banks in United States	7,502	12,205	11,328	3,074	3,125	3,569	2,948	2,918	2,665	2,735
86 Nonbanks	25,076	28,658	30,450	7,204	7,474	7,474	6,728	6,555	7,286	8,015
87 To foreigners	112,255	99,567	95,847	81,217	77,424	75,039	80,418	80,722	80,977	80,940
88 Other branches of parent bank	16,545	18,361	19,038	20,846	21,631	20,199	22,146	23,699	21,951	21,908
89 Banks	51,336	44,020	41,624	34,739	30,436	31,216	33,789	32,003	32,259	31,593
90 Official institutions	16,517	11,504	10,151	10,505	10,154	9,084	9,374	10,305	11,590	11,090
91 Nonbank foreigners	27,857	25,682	25,034	15,127	15,203	14,540	15,141r	14,715	15,177	16,349
92 Other liabilities	6,952	7,546	7,086	8,553	7,298	7,879	7,364	8,651	8,488	8,775
93 **Total payable in U.S. dollars**	**120,277**	**130,261**	**131,167**	**119,287**	**117,497**	**117,198**	**120,623**	**117,984**	**116,128**	**115,740**
94 Negotiable CDs[3]	n.a.	n.a.	n.a.	33,168	33,070	34,084	37,033	35,719	33,763	32,140
95 To United States	37,332	53,029	54,691	24,024	24,105	26,587	22,386	22,481	22,219	23,244
96 Parent bank	5,350	12,814	13,839	14,688	14,339	16,349	13,506	14,129	13,507	13,755
97 Other banks in United States	7,249	12,026	11,044	2,862	2,980	3,420	2,804	2,748	2,500	2,550
98 Nonbanks	24,733	28,189	29,808	6,474	6,786	6,818	6,076	5,604	6,212	6,939
99 To foreigners	79,034	73,477	73,279	58,163	56,923	52,954	57,654	56,327	56,535	56,849
100 Other branches of parent bank	12,048	14,300	15,403	17,562	18,294	16,940	18,772	20,127	18,513	18,494
101 Banks	32,298	28,810	29,320	20,262	18,356	17,889	20,022	17,191	17,497	17,437
102 Official institutions	13,612	9,668	8,279	9,072	8,871	7,748	7,854	8,734	9,989	9,517
103 Nonbank foreigners	21,076	20,699	20,277	11,267	11,402	10,377	11,006	10,275	10,536	11,401
104 Other liabilities	3,911	3,755	3,197	3,932	3,399	3,573	3,550	3,457	3,611	3,507
	Bahamas and Caymans									
105 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**141,610**	**146,811**	**141,834**	**144,665**	**147,041**	**145,096**	**144,033**
106 Negotiable CDs[3]	n.a.	n.a.	n.a.	898	615	734	953	779	634	436
107 To United States	85,759	104,425	111,299	95,975	102,955	98,466	99,200	103,096	100,480	99,370
108 Parent bank	39,451	47,081	50,980	40,517	47,162	43,783	43,358	45,441	43,750	45,557
109 Other banks in United States	10,474	18,466	16,057	14,187	13,938	13,320	13,590	13,959	15,112	14,545
110 Nonbanks	35,834	38,878	44,262	41,271	41,855	41,363	42,252	43,696	41,618	39,268
111 To foreigners	60,012	38,274	38,445	41,764	40,320	39,785	41,529	40,308	41,102	41,437
112 Other branches of parent bank	20,641	15,796	14,936	16,455	16,782	16,014	17,111	16,744	17,179	17,759
113 Banks	23,202	10,166	11,876	13,993	12,405	12,274	12,976	12,503	13,469	12,879
114 Official institutions	3,498	1,967	1,919	2,376	2,054	2,020	1,992	1,884	1,598	2,194
115 Nonbank foreigners	12,671	10,345	11,274	8,940	9,079	9,477	9,450	9,177	8,856	8,605
116 Other liabilities	3,337	2,457	2,339	2,973	2,921	2,849	2,983	2,858	2,880	2,790
117 **Total payable in U.S. dollars**	**145,284**	**141,908**	**148,278**	**137,874**	**143,590**	**138,200**	**140,973**	**143,223**	**140,945**	**139,909**

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	1982	1983	1984		1985				
			Nov.	Dec.	Jan.	Feb.	Mar.ʳ	Apr.	Mayᵖ
1 **Total**[1]	**172,718**	**177,950**	**178,468**	**180,640**	**176,828**	**173,334**	**169,816**	**170,555**	**173,314**
By type									
2 Liabilities reported by banks in the United States[2]	24,989	25,534	25,986	26,197	23,310	23,420	22,991	22,711	22,940
3 U.S. Treasury bills and certificates[3]	46,658	54,341	59,570	59,976	56,662	52,474	54,685	57,226	56,691
U.S. Treasury bonds and notes									
4 Marketable	67,733	68,514	67,076	68,995	71,522	72,846	67,601	67,003	70,310
5 Nonmarketable[4]	8,750	7,250	5,800	5,800	5,800	5,300	5,300	4,900	4,500
6 U.S. securities other than U.S. Treasury securities[5]	24,588	22,311	20,036	19,672	19,534	19,294	19,239	18,715	18,873
By area									
7 Western Europe[1]	61,298	67,645	70,510	69,756	68,260	67,354	63,746	65,650	67,799
8 Canada	2,070	2,438	1,466	1,528	1,491	1,136	1,715	1,403	1,558
9 Latin America and Caribbean	6,057	6,248	8,904	8,645	7,450	7,278	7,518	7,528	7,897
10 Asia	96,034	92,572	90,115	93,951	93,044	91,030	90,721	89,968	90,142
11 Africa	1,350	958	1,423	1,290	1,120	1,397	1,200	1,403	1,262
12 Other countries[6]	5,909	8,089	6,050	5,470	5,463	5,139	4,916	4,603	4,656

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

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

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

Millions of dollars, end of period

Item	1981	1982	1983	1984			1985
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	3,523	4,844	5,219	6,459	6,227	7,501	8,012
2 Banks' own claims	4,980	7,707	7,231	9,687	9,334	10,956	12,639
3 Deposits	3,398	4,251	2,731	4,284	3,685	4,119	6,148
4 Other claims	1,582	3,456	4,501	5,404	5,649	6,837	6,491
5 Claims of banks' domestic customers[1]	971	676	1,059	227	281	569	440

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1981▲	1982	1983	1984		1985				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **All foreigners**	**243,889**	**307,056**	**369,607**	**399,681**	**406,381**	**398,987**	**405,198**	**413,225[r]**	**410,701**	**410,940**
2 Banks' own liabilities	163,817	227,089	279,087	297,857	306,758	301,398	311,627	317,097[r]	312,743	315,250
3 Demand deposits	19,631	15,889	17,470	18,351	19,542	17,975	19,369	18,131[r]	18,294	17,680
4 Time deposits[1]	29,039	68,797	90,632	112,218	110,235	114,145	117,065	119,228[r]	117,761	120,666
5 Other[2]	17,647	23,184	25,874	23,684	26,332	23,542	24,991	25,127[r]	24,228	25,597
6 Own foreign offices[3]	97,500	119,219	145,111	143,604	150,650	145,736	150,202	154,611[r]	152,460	151,307
7 Banks' custody liabilities[4]	80,072	79,967	90,520	101,824	100,074	97,588	93,572	96,128	97,958	95,690
8 U.S. Treasury bills and certificates[5]	55,315	55,628	68,669	76,531	75,838	73,635	69,189	71,552	73,077	71,597
9 Other negotiable and readily transferable instruments[6]	18,788	20,636	17,467	19,703	18,775	18,141	18,068	18,099	18,338	17,530
10 Other	5,970	3,702	4,385	5,590	5,460	5,812	6,315	6,477	6,543	6,563
11 **Nonmonetary international and regional organizations**[7]	**2,721**	**4,922**	**5,957**	**5,852**	**4,083**	**6,929**	**5,812**	**5,905**	**6,112**	**6,694**
12 Banks' own liabilities	638	1,909	4,632	2,779	1,644	3,571	2,092	2,333	3,083	4,389
13 Demand deposits	262	106	297	354	263	417	341	191	167	264
14 Time deposits[1]	58	1,664	3,584	2,114	1,093	2,682	936	1,488	2,276	3,747
15 Other[2]	318	139	750	311	288	472	815	654	640	377
16 Banks' custody liabilities[4]	2,083	3,013	1,325	3,073	2,440	3,358	3,719	3,572	3,029	2,305
17 U.S. Treasury bills and certificates	541	1,621	463	1,448	916	1,921	2,258	2,082	1,434	775
18 Other negotiable and readily transferable instruments[6]	1,542	1,392	862	1,604	1,524	1,429	1,461	1,490	1,593	1,531
19 Other	0	0	0	21	0	8	1	0	2	0
20 **Official institutions**[8]	**79,126**	**71,647**	**79,876**	**85,556**	**86,173**	**79,972**	**75,894**	**77,675[r]**	**79,937**	**79,631**
21 Banks' own liabilities	17,109	16,640	19,427	18,790	19,065	16,970	17,249	16,777[r]	16,571	17,439
22 Demand deposits	2,564	1,899	1,837	2,133	1,823	1,780	1,881	1,923	1,975	1,596
23 Time deposits[1]	4,230	5,528	7,318	9,457	9,391	8,371	8,673	8,469[r]	9,126	8,564
24 Other[2]	10,315	9,212	10,272	7,201	7,852	6,818	6,694	6,385[r]	5,471	7,279
25 Banks' custody liabilities[4]	62,018	55,008	60,448	66,766	67,108	63,002	58,645	60,898	63,366	62,192
26 U.S. Treasury bills and certificates[5]	52,389	46,658	54,341	59,570	59,976	56,662	52,474	54,685	57,226	56,691
27 Other negotiable and readily transferable instruments[6]	9,581	8,321	6,082	7,010	7,038	6,277	6,086	6,109	6,007	5,291
28 Other	47	28	25	186	94	63	85	105	133	210
29 **Banks**[9]	**136,008**	**185,881**	**226,887**	**239,806**	**248,360**	**241,515**	**250,039**	**257,565[r]**	**252,944**	**251,723**
30 Banks' own liabilities	124,312	169,449	205,347	214,240	225,512	218,980	227,703	235,132[r]	230,511	229,806
31 Unaffiliated foreign banks	26,812	50,230	60,236	72,635	74,862	73,244	77,501	80,521[r]	78,052	78,499
32 Demand deposits	11,614	8,675	8,759	9,430	10,526	9,030	9,656	9,154[r]	9,266	8,722
33 Time deposits[1]	8,720	28,386	37,439	47,717	47,059	48,612	50,982	54,222[r]	51,613	52,770
34 Other[2]	6,477	13,169	14,038	15,488	17,278	15,602	16,862	17,144[r]	17,173	17,007
35 Own foreign offices[3]	97,500	119,219	145,111	143,604	150,650	145,736	150,202	154,611[r]	152,460	151,307
36 Banks' custody liabilities[4]	11,696	16,432	21,540	23,566	22,848	22,535	22,336	22,433	22,432	21,917
37 U.S. Treasury bills and certificates	1,685	5,809	10,178	11,409	10,927	10,933	10,493	10,602	10,446	10,216
38 Other negotiable and readily transferable instruments[6]	4,400	7,857	7,485	7,360	7,156	6,487	6,254	6,206	6,235	6,095
39 Other	5,611	2,766	3,877	4,797	4,766	5,114	5,589	5,625	5,751	5,606
40 **Other foreigners**	**26,035**	**44,606**	**56,887**	**68,467**	**68,215**	**70,571**	**73,454**	**72,079[r]**	**71,708**	**72,891**
41 Banks' own liabilities	21,759	39,092	49,680	60,048	60,537	61,877		62,855[r]	62,577	63,616
42 Demand deposits	5,191	5,209	6,577	6,433	6,930	6,747	7,491	6,863[r]	6,887	7,098
43 Time deposits	16,030	33,219	42,290	52,930	52,693	54,481	56,473	55,049[r]	54,746	55,585
44 Other[2]	537	664	813	685	914	650	619	943[r]	945	934
45 Banks' custody liabilities[4]	4,276	5,514	7,207	8,419	7,678	8,693	8,871	9,224	9,131	9,275
46 U.S. Treasury bills and certificates	699	1,540	3,686	4,103	4,020	4,118	3,964	4,182	3,971	3,915
47 Other negotiable and readily transferable instruments[6]	3,265	3,065	3,038	3,730	3,058	3,948	4,267	4,294	4,503	4,613
48 Other	312	908	483	586	601	628	640	748	657	746
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,747	14,307	10,346	10,437	10,476	9,287	9,169	9,412	9,145	9,081

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1981▲	1982	1983	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 Mayp
1 **Total**	**243,889**	**307,056**	**369,607**	**399,681**	**406,831**	**398,987**	**405,198**	**413,225r**	**410,701**	**410,940**
2 **Foreign countries**	**241,168**	**302,134**	**363,649**	**393,829**	**402,748**	**392,057**	**399,387**	**407,320r**	**404,589**	**404,246**
3 Europe	91,275	117,756	138,072	150,659	152,395	149,264	152,221	151,660r	149,218	151,001
4 Austria	596	519	585	627	615	734	625	670	537	627
5 Belgium-Luxembourg	4,117	2,517	2,709	3,613	4,114	4,000	4,638	4,797	4,795	4,619
6 Denmark	333	509	466	434	438	452	530	452	557	494
7 Finland	296	748	531	487	418	425	735	804	476	604
8 France	8,486	8,171	9,441	11,935	12,701	11,908	12,430	12,782r	13,627	14,179
9 Germany	7,645	5,351	3,599	3,425	3,353	3,586	3,258	2,923r	3,539	3,727
10 Greece	463	537	520	602	699	615	583	730	649	586
11 Italy	7,267	5,626	8,462	11,056	10,757	9,477	9,108	8,412	7,895	8,464
12 Netherlands	2,823	3,362	4,290	5,077	4,799	4,663	4,622	4,934	4,448	4,550
13 Norway	1,457	1,567	1,673	1,693	1,548	1,712	1,635	1,889	2,138	1,995
14 Portugal	354	388	373	552	597	570	614	715	698	665
15 Spain	916	1,405	1,603	1,873	2,082	2,016	1,887	2,079r	2,000	2,030
16 Sweden	1,545	1,390	1,799	1,839	1,676	2,133	1,486	1,667	1,901	1,689
17 Switzerland	18,716	29,066	32,246	31,494	31,054	31,397	31,580	30,421r	30,059	29,742
18 Turkey	518	296	467	457	584	495	501	527	506	384
19 United Kingdom	28,286	48,172	60,683	67,964	68,553	68,039	70,269	70,289r	68,350	69,708
20 Yugoslavia	375	499	562	565	602	545	602	671	648	585
21 Other Western Europe[1]	6,541	7,006	7,403	6,429	7,184	5,855	6,628	6,286r	5,790	5,828
22 U.S.S.R.	49	50	65	54	79	66	60	94	125	67
23 Other Eastern Europe[2]	493	576	596	481	542	575	431	517	480	461
24 Canada	10,250	12,232	16,026	16,549	16,048	16,233	18,263	17,228r	17,006	16,214
25 Latin America and Caribbean	85,223	114,163	140,088	149,794	153,985	151,229	154,787	157,708r	156,766	157,050
26 Argentina	2,445	3,578	4,038	4,558	4,424	4,523	4,354	4,551r	4,664	4,912
27 Bahamas	34,856	44,744	55,818	55,470	56,955	55,398	56,928	59,600r	59,069	58,195
28 Bermuda	765	1,572	2,266	3,222	2,370	2,706	3,410	2,799r	3,159	3,192
29 Brazil	1,568	2,014	3,168	4,997	5,332	4,920	6,143	4,656r	4,743	5,376
30 British West Indies	17,794	26,381	34,545	34,385	36,949	35,269	35,157	36,593r	35,765	35,483
31 Chile	664	1,626	1,842	2,063	2,001	1,948	1,916	1,897r	1,909	1,922
32 Colombia	2,993	2,594	1,689	2,057	2,514	2,356	2,453	2,540r	2,401	2,452
33 Cuba	9	9	8	8	10	26	8	6r	6	7
34 Ecuador	434	455	1,047	1,029	1,092	912	981	1,024r	1,022	987
35 Guatemala	479	670	788	884	896	920	915	950	955	979
36 Jamaica	87	126	109	110	183	157	182	163	154	146
37 Mexico	7,235	8,377	10,392	13,422	12,695	13,298	13,000	13,240r	13,165	13,658
38 Netherlands Antilles	3,182	3,597	3,879	4,180	4,153	4,346	4,662	4,576	4,383	4,439
39 Panama	4,857	4,805	5,924	6,847	6,928	6,873	7,149	7,488	7,584	7,554
40 Peru	694	1,147	1,166	1,209	1,247	1,151	1,064	1,132	1,077	1,162
41 Uruguay	367	759	1,244	1,309	1,394	1,485	1,413	1,443	1,461	1,492
42 Venezuela	4,245	8,417	8,632	10,013	10,545	10,667	10,740	10,649r	10,791	10,696
43 Other Latin America and Caribbean	2,548	3,291	3,535	4,030	4,297	4,275	4,311	4,401	4,458	4,396
44 Asia	49,822	48,716	58,570	66,952	71,139	66,536	64,981	72,095r	73,205	71,543
China										
45 Mainland	158	203	249	844	1,153	1,075	1,068	980	912	698
46 Taiwan	2,082	2,761	4,051	5,142	4,975	5,098	5,187	5,306	5,242	5,381
47 Hong Kong	3,950	4,465	6,657	6,535	7,240	6,558	6,648	6,937	7,091	7,360
48 India	385	433	464	606	507	554	725	738	554	546
49 Indonesia	640	857	997	893	1,033	1,136	914	1,052	1,104	1,031
50 Israel	592	606	1,722	1,023	1,268	1,003	994	941	873	990
51 Japan	20,750	16,078	18,079	20,750	20,929	21,662	22,551	24,540r	22,755	22,754
52 Korea	2,013	1,692	1,648	1,609	1,691	1,560	1,584	1,526	1,595	1,598
53 Philippines	874	770	1,234	1,252	1,396	1,327	1,113	1,102	1,223	1,305
54 Thailand	534	629	747	1,458	1,257	1,161	1,050	1,384r	1,141	1,167
55 Middle-East oil-exporting countries[3]	12,992	13,433	12,976	13,399	16,804	15,965	15,202	16,391	16,273	16,316
56 Other Asia	4,853	6,789	9,748	13,442	12,886	9,437	7,945	11,200r	14,441	12,396
57 Africa	3,180	3,124	2,827	3,599	3,506	3,170	3,561	3,476	3,517	3,429
58 Egypt	360	432	671	739	757	541	637	715	747	618
59 Morocco	32	81	84	117	118	115	116	167	155	189
60 South Africa	420	292	449	460	328	376	371	244	339	273
61 Zaire	26	23	87	163	153	76	79	100	128	124
62 Oil-exporting countries[4]	1,395	1,280	620	1,141	1,189	1,186	1,450	1,346	1,177	1,114
63 Other Africa	946	1,016	917	978	961	876	910	903	969	1,112
64 Other countries	1,419	6,143	8,067	6,277	5,674	5,624	5,574	5,152	4,877	5,009
65 Australia	1,223	5,904	7,857	5,598	5,290	5,248	5,017	4,743r	4,456	4,608
66 All other	196	239	210	679	384	377	557	409	422	401
67 Nonmonetary *international and regional* organizations	2,721	4,922	5,957	5,852	4,083	6,929	5,812	5,905	6,112	6,694
68 International	1,661	4,049	5,273	5,055	3,376	6,165	4,935	5,132	5,247	5,636
69 Latin American regional	710	517	419	593	587	600	580	632	706	834
70 Other regional[5]	350	357	265	204	120	165	296	141	159	224

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1981▲	1982	1983	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[p]
1 **Total**	**251,589**	**355,705**	**391,312**	**384,634**	**398,722**	**386,911**	**393,182**	**396,898r**	**389,647**	**390,440**
2 **Foreign countries**	**251,533**	**355,636**	**391,148**	**384,072**	**398,048**	**385,986**	**392,882**	**396,658r**	**389,567**	**390,342**
3 Europe	49,262	85,584	91,927	97,930	97,962	96,044	97,995	101,759r	99,500	100,004
4 Austria	121	229	401	532	433	339	367	484	519	552
5 Belgium-Luxembourg	2,849	5,138	5,639	4,988	4,794	4,683	5,097	5,233	5,161	5,264
6 Denmark	187	554	1,275	520	648	589	589	638	601	560
7 Finland	546	990	1,044	1,098	898	817	907	826	804	700
8 France	4,127	7,251	8,766	9,299	9,085	8,617	9,602	10,042r	10,273	10,462
9 Germany	940	1,876	1,284	1,261	1,305	1,001	945	1,072	1,008	1,018
10 Greece	333	452	476	819	817	896	840	848r	907	921
11 Italy	5,240	7,560	9,018	8,854	9,079	8,040	8,481	8,711r	8,256	7,798
12 Netherlands	682	1,425	1,267	1,229	1,351	1,480	1,490	1,348r	1,401	1,040
13 Norway	384	572	690	602	675	651	808	621r	748	753
14 Portugal	529	950	1,114	1,262	1,243	1,212	1,286	1,186r	1,151	1,158
15 Spain	2,095	3,744	3,573	3,017	2,884	2,858	3,135	2,978r	2,890	2,587
16 Sweden	1,205	3,038	3,358	2,313	2,220	2,497	2,586	2,342	2,338	2,177
17 Switzerland	2,213	1,639	1,863	2,275	2,201	2,308	2,110	1,921r	1,853	1,631
18 Turkey	424	560	812	1,097	1,130	1,232	1,155	1,172	1,147	1,162
19 United Kingdom	23,849	45,781	47,364	54,637	55,184	54,843	54,648	58,381r	56,264	57,820
20 Yugoslavia	1,225	1,430	1,718	1,866	1,886	1,862	1,783	1,793	1,892	1,940
21 Other Western Europe[1]	211	368	477	625	596	671	679	642	640	760
22 U.S.S.R	377	263	192	169	142	118	178	203r	245	312
23 Other Eastern Europe[2]	1,725	1,762	1,598	1,467	1,391	1,329	1,308	1,317	1,402	1,390
24 Canada	9,193	13,678	16,341	15,778	16,057	16,343	19,082	18,766r	18,155	17,883
25 Latin America and Caribbean	138,347	187,969	205,491	199,058	207,577	199,378	200,730	202,808r	198,827	201,320
26 Argentina	7,527	10,974	11,749	10,983	11,043	11,453	11,280	11,162r	11,163	11,346
27 Bahamas	43,542	56,649	59,633	54,084	58,027	54,369	54,548	57,608r	55,526	56,843
28 Bermuda	346	603	566	635	592	596	448	464r	633	776
29 Brazil	16,926	23,271	24,667	26,275	26,307	25,886	26,146	26,124r	26,207	26,477
30 British West Indies	21,981	29,101	35,527	33,727	38,105	35,358	36,806	36,299r	35,377	35,873
31 Chile	3,690	5,513	6,072	6,703	6,839	6,746	6,713	6,775	6,676	6,634
32 Colombia	2,018	3,211	3,745	3,406	3,499	3,369	3,406	3,313r	3,246	3,270
33 Cuba	3	3	0	0	0	0	1	0	0	0
34 Ecuador	1,531	2,062	2,307	2,431	2,420	2,477	2,489	2,470	2,467	2,487
35 Guatemala[3]	124	124	129	148	158	154	157	154	154	149
36 Jamaica[3]	62	181	215	222	252	242	253	233	223	237
37 Mexico	22,439	29,552	34,802	35,288	34,697	34,021	33,655	33,410	32,473	32,747
38 Netherlands Antilles	1,076	839	1,154	1,337	1,350	1,273	1,393	1,254	1,319	1,386
39 Panama	6,794	10,210	7,848	7,360	7,707	6,864	7,071	7,083	7,039	6,751
40 Peru	1,218	2,357	2,536	2,358	2,384	2,414	2,337	2,345	2,353	2,310
41 Uruguay	157	686	977	990	1,088	1,053	1,021	1,019	1,014	1,013
42 Venezuela	7,069	10,643	11,287	10,994	11,017	10,968	10,929	10,956r	10,804	10,947
43 Other Latin America and Caribbean	1,844	1,991	2,277	2,118	2,091	2,135	2,077	2,139r	2,154	2,072
44 Asia	49,851	60,952	67,837	61,398	66,380	64,387	65,351	63,595r	63,383	61,739
China										
45 Mainland	107	214	292	543	710	507	741	650r	572	545
46 Taiwan	2,461	2,288	1,908	1,679	1,849	1,745	1,827	1,954r	1,976	1,639
47 Hong Kong	4,132	6,787	8,489	6,945	7,368	6,801	7,351	6,639	6,844	7,290
48 India	123	222	330	381	425	299	354	284	307	270
49 Indonesia	352	348	805	797	734	710	780	780	704	701
50 Israel	1,567	2,029	1,832	1,938	2,088	1,993	2,041	1,941	2,004	2,038
51 Japan	26,797	28,379	30,354	26,421	29,059	28,495	29,092	28,008r	26,591	25,477
52 Korea	7,340	9,387	9,943	8,896	9,285	8,799	8,813	9,298r	9,406	9,120
53 Philippines	1,819	2,625	2,107	2,487	2,550	2,499	2,560	2,435	2,360	2,384
54 Thailand	565	643	1,219	1,112	1,125	1,123	1,076	1,005	939	852
55 Middle East oil-exporting countries[4]	1,581	3,087	4,954	4,687	5,054	5,004	4,856	4,708	5,509	5,546
56 Other Asia	3,009	4,943	5,603	5,512	6,133	6,411	5,860	5,895	6,171	5,878
57 Africa	3,503	5,346	6,654	6,719	6,615	6,536	6,376	6,221	6,299	6,203
58 Egypt	238	322	747	693	728	668	584	674	629	612
59 Morocco	284	353	440	536	583	552	582	584	595	577
60 South Africa	1,011	2,012	2,634	2,960	2,795	2,791	2,666	2,420	2,508	2,497
61 Zaire	112	57	33	19	18	41	29	24	24	24
62 Oil-exporting countries[5]	657	801	1,073	911	842	812	791	819r	893	871
63 Other	1,201	1,802	1,727	1,600	1,649	1,672	1,724	1,700r	1,651	1,621
64 Other countries	1,376	2,107	2,898	3,189	3,456	3,297	3,348	3,510r	3,403	3,192
65 Australia	1,203	1,713	2,256	2,487	2,778	2,593	2,635	2,824	2,755	2,533
66 All other	172	394	642	702	678	704	713	686r	648	658
67 Nonmonetary international and regional organizations[6]	56	68	164	562	674	925	300	240	80	98

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period before April 1978 include claims of banks' domestic customers on foreigners.

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

Millions of dollars, end of period

Type of claim	1981▲	1982	1983	1984		1985				
				Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May[p]
1 **Total**	**287,557**	**396,015**	**426,215**	....	**431,639**	....	....	**430,544**	....	....
2 Banks' own claims on foreigners	251,589	355,705	391,312	384,634	398,722	386,911	393,182	396,898	389,647	390,440
3 Foreign public borrowers	31,260	45,422	57,569	61,443	61,371	61,364	61,860	61,676	60,910	60,974
4 Own foreign offices[1]	96,653	127,293	146,393	144,809	156,497	153,586	154,500	157,933	154,905	156,768
5 Unaffiliated foreign banks	74,704	121,377	123,837	120,890	123,775	116,903	121,340	122,145	119,255	119,171
6 Deposits	23,381	44,223	47,126	45,788	48,112	45,070	47,685	49,672	47,636	48,096
7 *Other*	51,322	77,153	76,711	75,102	75,663	71,832	73,655	72,473	71,619	71,074
8 All other foreigners	48,972	61,614	63,514	57,492	57,080	55,058	55,481	55,143	54,577	53,526
9 Claims of banks' domestic customers[2]	35,968	40,310	34,903	....	32,916	....	....	33,646	....	....
10 Deposits	1,378	2,491	2,969	....	3,380	....	....	3,871	....	....
11 Negotiable and readily transferable instruments[3]	26,352	30,763	26,064	....	23,805	....	....	24,576	....	....
12 Outstanding collections and other *claims*	8,238	7,056	5,870	....	5,732	....	....	5,198	....	....
13 MEMO: Customer liability on acceptances	29,952	38,153	37,715	....	36,575	....	....	35,204	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	40,369	42,499	46,217[r]	44,322	40,096	41,896	39,916	39,593	39,079	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1981▲	1982	1983	1984			1985
				June	Sept.	Dec.	Mar.
1 **Total**	**154,590**	**228,150**	**243,715**	**249,904**	**240,595**	**243,049**	**239,222**
By borrower							
2 Maturity of 1 year or less[1]	116,394	173,917	176,158	172,474	162,863	165,200	164,883
3 Foreign public borrowers	15,142	21,256	24,039	21,066	21,059	22,076	23,496
4 All other foreigners	101,252	152,661	152,120	151,407	141,804	143,124	141,387
5 Maturity of over 1 year[1]	38,197	54,233	67,557	77,430	77,731	77,849	74,339
6 Foreign public borrowers	15,589	23,137	32,521	37,747	38,410	39,620	38,088
7 All other foreigners	22,608	31,095	35,036	39,683	39,321	38,229	36,251
By area							
Maturity of 1 year or less[1]							
8 Europe	28,130	50,500	56,117	59,924	56,773	58,170	60,269
9 Canada	4,662	7,642	6,211	6,959	5,841	5,978	7,481
10 Latin America and Caribbean	48,717	73,291	73,660	65,136	61,479	60,692	60,071
11 Asia	31,485	37,578	34,403	34,012	32,252	33,450	30,651
12 Africa	2,457	3,680	4,199	4,790	4,798	4,442	4,109
13 All other[2]	943	1,226	1,569	1,652	1,720	2,468	2,301
Maturity of over 1 year[1]							
14 Europe	8,100	11,636	13,576	12,778	11,249	9,590	8,545
15 Canada	1,808	1,931	1,857	2,203	1,801	1,890	2,181
16 Latin America and Caribbean	25,209	35,247	43,888	54,249	56,568	57,834	55,372
17 Asia	1,907	3,185	4,850	5,098	5,106	5,386	5,235
18 Africa	900	1,494	2,286	1,865	1,857	2,033	1,963
19 All other[2]	272	740	1,101	1,237	1,150	1,116	1,043

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1980	1981	1982	1983			1984				1985
			Dec.	June	Sept.	Dec.	Mar.	June[7]	Sept.	Dec.	Mar.[p]
1 **Total**	**352.0**	**415.2**	**438.7**	**439.9**	**431.0**	**437.3**	**435.1**	**430.6**	**410.1**	**407.7**	**409.2**
2 G-10 countries and Switzerland	162.1	175.5	179.7	177.1	168.8	168.0	166.0	157.7	148.0	147.6	152.0
3 Belgium-Luxembourg	13.0	13.3	13.1	13.3	12.6	12.4	11.0	10.9	9.8	8.8	9.4
4 France	14.1	15.3	17.1	17.1	16.2	16.3	15.9	14.2	14.3	14.1	14.5
5 Germany	12.1	12.9	12.7	12.6	11.6	11.3	11.7	10.9	10.0	9.0	8.9
6 Italy	8.2	9.6	10.3	10.5	9.9	11.4	11.2	11.5	9.7	10.1	10.0
7 Netherlands	4.4	4.0	3.6	4.0	3.6	3.5	3.4	3.0	3.4	3.9	3.7
8 Sweden	2.9	3.7	5.0	4.7	4.9	5.1	5.2	4.3	3.5	3.2	3.1
9 Switzerland	5.0	5.5	5.0	4.8	4.2	4.3	4.3	4.2	3.9	3.9	4.2
10 United Kingdom	67.4	70.1	72.1	70.8	67.8	65.4	65.1	60.5	57.4	59.8	64.4
11 Canada	8.4	10.9	10.4	10.8	8.9	8.3	8.6	8.9	8.1	7.8	9.0
12 Japan	26.5	30.2	30.2	28.5	29.0	29.9	29.7	29.3	27.9	27.2	24.8
13 Other developed countries	21.6	28.4	33.7	34.5	34.3	36.1	35.7	37.1	36.3	33.8	33.0
14 Austria	1.9	1.9	1.9	2.1	1.9	1.9	2.0	1.9	1.8	1.6	1.6
15 Denmark	2.3	2.3	2.4	3.4	3.3	3.4	3.4	3.1	2.9	2.2	2.1
16 Finland	1.4	1.7	2.2	2.1	1.8	2.4	2.1	2.3	1.9	1.9	1.8
17 Greece	2.8	2.8	3.0	2.9	2.9	2.8	3.0	3.3	3.2	2.9	2.9
18 Norway	2.6	3.1	3.3	3.4	3.2	3.3	3.2	3.2	3.2	3.0	2.9
19 Portugal	.6	1.1	1.5	1.4	1.4	1.5	1.4	1.7	1.6	1.4	1.4
20 Spain	4.4	6.6	7.5	7.2	7.1	7.1	7.1	7.3	6.9	6.5	6.4
21 Turkey	1.5	1.4	1.4	1.4	1.5	1.7	1.9	2.0	2.0	1.9	1.9
22 Other Western Europe	1.7	2.1	2.3	2.0	2.1	1.8	1.8	1.9	1.7	1.7	1.7
23 South Africa	1.1	2.8	3.7	3.9	4.7	4.7	4.8	4.7	5.0	4.5	4.2
24 Australia	1.3	2.5	4.4	4.5	4.4	5.5	5.2	5.7	6.2	6.1	6.2
25 OPEC countries[2]	22.7	24.8	27.4	28.3	27.2	28.9	28.6	26.7	25.0	25.6	25.3
26 Ecuador	2.1	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.2	2.2
27 Venezuela	9.1	9.9	10.5	10.4	9.8	9.9	9.7	9.5	9.2	9.3	9.2
28 Indonesia	1.8	2.6	3.2	3.2	3.4	3.8	4.0	4.0	3.8	3.7	3.6
29 Middle East countries	6.9	7.5	8.7	9.5	9.1	10.0	9.8	8.4	7.4	8.2	7.8
30 African countries	2.8	2.5	2.8	3.0	2.8	3.0	3.0	2.7	2.5	2.3	2.4
31 Non-OPEC developing countries	77.4	96.3	107.1	108.8	109.8	111.6	112.2	112.8	111.9	112.2	111.3
Latin America											
32 Argentina	7.9	9.4	8.9	9.4	9.5	9.5	9.5	9.2	9.1	8.7	8.6
33 Brazil	16.2	19.1	22.9	22.7	23.1	23.1	25.1	25.4	26.3	26.3	26.4
34 Chile	3.7	5.8	6.3	5.8	6.3	6.4	6.5	6.7	7.1	7.0	7.0
35 Colombia	2.6	2.6	3.1	3.2	3.2	3.2	3.1	3.0	2.9	2.9	2.8
36 Mexico	15.9	21.6	24.5	25.3	25.9	26.1	25.6	26.0	26.1	25.8	25.7
37 Peru	1.8	2.0	2.6	2.6	2.4	2.4	2.3	2.3	2.2	2.2	2.2
38 Other Latin America	3.9	4.1	4.0	4.3	4.2	4.2	4.4	4.1	3.9	3.9	3.8
Asia											
China											
39 Mainland	.2	.2	.2	.2	.2	.3	.3	.6	.5	.7	.7
40 Taiwan	4.2	5.1	5.3	5.1	5.2	5.3	4.9	5.3	5.2	5.1	5.3
41 India	.3	.3	.6	.7	.8	1.0	1.0	1.0	1.1	1.0	1.0
42 Israel	1.5	2.1	2.3	2.3	1.7	1.9	1.6	1.9	1.7	1.8	1.7
43 Korea (South)	7.1	9.4	10.9	10.9	10.9	11.3	11.1	11.2	10.3	10.7	10.5
44 Malaysia	1.1	1.7	2.1	2.6	2.8	2.9	2.8	2.7	3.0	2.8	2.8
45 Philippines	5.1	6.0	6.3	6.4	6.2	6.2	6.7	6.3	5.9	6.0	6.1
46 Thailand	1.6	1.5	1.6	1.8	1.8	2.2	2.1	1.9	1.8	1.8	1.7
47 Other Asia	.6	1.0	1.1	1.2	1.0	1.0	.9	1.1	1.0	1.1	1.1
Africa											
48 Egypt	.8	1.1	1.2	1.3	1.4	1.5	1.4	1.4	1.2	1.2	1.1
49 Morocco	.7	.7	.7	.8	.8	.8	.8	.8	.8	.8	.8
50 Zaire	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.1	2.3	2.4	2.2	2.4	2.3	2.2	1.9	1.9	2.1	2.1
52 Eastern Europe	7.4	7.8	6.2	5.8	5.3	5.3	4.9	4.9	4.5	4.4	4.5
53 U.S.S.R.	.4	.6	.3	.4	.2	.2	.2	.2	.2	.1	.4
54 Yugoslavia	2.3	2.5	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.3	2.2
55 Other	4.6	4.7	3.7	3.0	2.8	2.8	2.5	2.4	2.1	2.0	1.9
56 Offshore banking centers	47.0	63.7	66.8	69.3	68.7	70.5	71.4	74.1	66.9	66.8	66.3
57 Bahamas	13.7	19.0	19.0	20.7	21.6	21.8	24.6	27.5	23.7	21.5	21.5
58 Bermuda	.6	.7	.9	.8	.8	.9	.7	.7	1.0	.9	.7
59 Cayman Islands and other British West Indies	10.6	12.4	12.9	12.7	10.5	12.2	12.0	12.2	11.1	11.7	12.6
60 Netherlands Antilles	2.1	3.2	3.3	2.6	4.1	4.2	3.3	3.3	3.1	3.4	3.3
61 Panama[4]	5.4	7.7	7.6	6.6	5.7	6.0	6.3	6.6	5.7	6.8	5.7
62 Lebanon	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	8.1	11.8	13.9	14.5	15.2	15.0	14.4	13.5	12.7	12.5	12.4
64 Singapore	5.9	8.7	9.2	11.2	10.5	10.3	10.0	10.2	9.5	9.8	10.0
65 Others[5]	.3	.1	.0	.0	.1	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	14.0	18.8	17.9	16.2	16.9	17.0	16.3	17.3	17.3	17.3	16.9

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

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

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1980	1981	1982	1983	1984			
					Dec.	Mar.	June	Sept.	Dec.
1	**Total**	**29,434**	**28,618**	**27,512**	**25,215r**	**29,551r**	**34,248r**	**30,738**	**28,808**
2	Payable in dollars	25,689	24,909	24,280	22,195r	26,314r	31,050r	27,934	25,935
3	Payable in foreign currencies	3,745	3,709	3,232	3,020	3,237	3,198	2,804	2,873
	By type								
4	Financial liabilities	11,330	12,157	11,066	10,441r	14,247r	18,574r	15,879	13,951
5	Payable in dollars	8,528	9,499	8,858	8,662r	12,229r	16,532r	14,082	12,084
6	Payable in foreign currencies	2,802	2,658	2,208	1,779	2,018	2,043	1,797	1,868
7	Commercial liabilities	18,104	16,461	16,446	14,774	15,304	15,674	14,859	14,857
8	Trade payables	12,201	10,818	9,438	7,765	7,893	7,897	6,900	6,990
9	Advance receipts and other liabilities	5,903	5,643	7,008	7,009	7,411	7,776	7,959	7,867
10	Payable in dollars	17,161	15,409	15,423	13,533	14,085	14,518	13,852	13,851
11	Payable in foreign currencies	943	1,052	1,023	1,241	1,219	1,155	1,007	1,006
	By area or country								
	Financial liabilities								
12	Europe	6,481	6,825	6,501	5,710r	7,158r	7,335r	6,679	6,798
13	Belgium-Luxembourg	479	471	505	302	428	359	428	471
14	France	327	709	783	843	956	900	910	995
15	Germany	582	491	467	502r	524r	571r	521	489
16	Netherlands	681	748	711	589r	537r	595	595	578
17	Switzerland	354	715	792	486	641	563	514	569
18	United Kingdom	3,923	3,565	3,102	2,839	3,841r	4,097r	3,463	3,389
19	Canada	964	963	746	764	795	735	825	863
20	Latin America and Caribbean	3,136	3,356	2,751	2,607	4,912	9,017r	6,780	4,576
21	Bahamas	964	1,279	904	751	1,419	3,642r	2,606	1,423
22	Bermuda	1	7	14	13	51	13	11	13
23	Brazil	23	22	28	32	37	25	33	35
24	British West Indies	1,452	1,241	1,027	1,018	2,635	4,546r	3,250	2,103
25	Mexico	99	102	121	213	243	237	260	367
26	Venezuela	81	98	114	124	121	124	130	137
27	Asia	723	976	1,039	1,332	1,355	1,462	1,566	1,682
28	Japan	644	792	715	898	947	1,013	1,085	1,121
29	Middle East oil-exporting countries[2]	38	75	169	170	170	180	144	147
30	Africa	11	14	17	19	19	16	16	14
31	Oil-exporting countries[3]	1	0	0	0	0	0	1	0
32	All other[4]	15	24	12	10	9	9	14	19
	Commercial liabilities								
33	Europe	4,402	3,770	3,831	3,245	3,567	3,409	3,961	3,987
34	Belgium-Luxembourg	90	71	52	62	40	45	34	48
35	France	582	573	598	437	488	525	430	438
36	Germany	679	545	468	427	417	501	558	619
37	Netherlands	219	220	346	268	259	265	239	245
38	Switzerland	499	424	367	241	477	246	405	257
39	United Kingdom	1,209	880	1,027	732	847	794	1,133	1,082
40	Canada	888	897	1,495	1,841	1,776	1,840	1,906	1,975
41	Latin America and Caribbean	1,300	1,044	1,570	1,473	1,807	1,705	1,758	1,871
42	Bahamas	8	2	16	1	14	17	1	7
43	Bermuda	75	67	117	67	158	124	110	114
44	Brazil	111	67	60	44	68	31	68	124
45	British West Indies	35	2	32	6	33	5	8	32
46	Mexico	367	340	436	585	682	568	641	586
47	Venezuela	319	276	642	432	560	630	628	636
48	Asia	10,242	9,384	8,144	6,741	6,620	6,989	5,569	5,307
49	Japan	802	1,094	1,226	1,247	1,291	1,235	1,429	1,256
50	Middle East oil-exporting countries[2,5]	8,098	7,008	5,503	4,178	3,735	4,190	2,364	2,372
51	Africa	817	703	753	553	539	684	597	588
52	Oil-exporting countries[3]	517	344	277	167	243	217	251	233
53	All other[4]	456	664	651	921	995	1,046	1,068	1,128

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1980	1981	1982	1983	1984			
					Dec.	Mar.	June	Sept.	Dec.
1	**Total**	**34,482**	**36,185**	**28,725**	**34,951r**	**33,767r**	**31,977r**	**30,545r**	**29,505**
2	Payable in dollars	31,528	32,582	26,085	31,856r	30,919r	28,996r	27,754r	26,908
3	Payable in foreign currencies	2,955	3,603	2,640	3,096r	2,848r	2,982r	2,792	2,597
	By type								
4	Financial claims	19,763	21,142	17,684	23,821r	22,904r	21,529r	20,157r	18,940
5	Deposits	14,166	15,081	13,058	18,375r	17,657r	16,410r	15,376r	14,307
6	Payable in dollars	13,381	14,456	12,628	17,872r	17,225r	15,888r	14,936r	13,887
7	Payable in foreign currencies	785	625	430	503r	432r	522r	439	420
8	Other financial claims	5,597	6,061	4,626	5,445	5,247r	5,120r	4,781	4,633
9	Payable in dollars	3,914	3,599	2,979	3,489	3,502r	3,359r	3,088	3,190
10	Payable in foreign currencies	1,683	2,462	1,647	1,956	1,745r	1,761	1,693	1,442
11	Commercial claims	14,720	15,043	11,041	11,131	10,864	10,448	10,389	10,565
12	Trade receivables	13,960	14,007	9,994	9,721	9,540	9,105	8,885	9,084
13	Advance payments and other claims	759	1,036	1,047	1,410	1,323	1,343	1,503	1,481
14	Payable in dollars	14,233	14,527	10,478	10,494	10,193	9,749	9,729	9,830
15	Payable in foreign currencies	487	516	563	637	671	699	659	735
	By area or country								
	Financial claims								
16	Europe	6,069	4,596	4,873	6,448r	6,351r	6,434r	5,679r	5,604
17	Belgium-Luxembourg	145	43	15	37	30	37	15	15
18	France	298	285	134	150	171	151	146	114
19	Germany	230	224	178	159	144r	161	187	224
20	Netherlands	51	50	97	71	32r	158	62	66
21	Switzerland	54	117	107	38	115r	61	64	66
22	United Kingdom	4,987	3,546	4,064	5,781r	5,651r	5,613r	4,973r	4,721
23	Canada	5,036	6,755	4,377	6,166	5,684r	5,290r	4,480r	4,006
24	Latin America and Caribbean	7,811	8,812	7,546	10,150r	9,871r	8,562r	8,825r	8,045
25	Bahamas	3,477	3,650	3,279	4,745	3,953r	3,255r	3,382r	3,270
26	Bermuda	135	18	32	102r	3	11r	5	6
27	Brazil	96	30	62	53	87	83	84	100
28	British West Indies	2,755	3,971	3,255	4,163	4,925r	4,394r	4,488r	3,905
29	Mexico	208	313	274	291	279	230	232	215
30	Venezuela	137	148	139	134	130	124	128	125
31	Asia	607	758	698	764	757r	977r	900	961
32	Japan	189	366	153	297	313r	321r	371	353
33	Middle East oil-exporting countries[2]	20	37	15	4	7	8	7	13
34	Africa	208	173	158	147	144	158	160	210
35	Oil-exporting countries[3]	26	46	48	55	42	35	37	85
36	All other[4]	32	48	31	145	96r	109r	113	114
	Commercial claims								
37	Europe	5,544	5,405	3,826	3,670	3,610	3,555	3,570	3,805
38	Belgium-Luxembourg	233	234	151	135	173	142	128	138
39	France	1,129	776	474	459	413	408	411	439
40	Germany	599	561	357	349r	365r	447r	370	374
41	Netherlands	318	299	350	334	310	306	303	340
42	Switzerland	354	431	360	317	336	250	289	271
43	United Kingdom	929	985	811	809	787	812	891	1,061
44	Canada	914	967	633	829	1,061	933	1,026	1,020
45	Latin America and Caribbean	3,766	3,479	2,526	2,695	2,419	2,042	1,976	1,972
46	Bahamas	21	12	21	8	8	4	14	8
47	Bermuda	108	223	261	190	216	89	88	115
48	Brazil	861	668	258	493	357	310	219	214
49	British West Indies	34	12	12	7	7	8	10	7
50	Mexico	1,102	1,022	775	884	745	577	595	583
51	Venezuela	410	424	351	272	268	241	245	206
52	Asia	3,522	3,959	3,050	3,063	2,997	3,085	2,884	3,070
53	Japan	1,052	1,245	1,047	1,114	1,186	1,178	1,080	1,180
54	Middle East oil-exporting countries[2]	825	905	751	737	701	710	703	687
55	Africa	653	772	588	588	497	536	595	470
56	Oil-exporting countries[3]	153	152	140	139	132	128	135	134
57	All other[4]	321	461	417	286	280	297	338	228

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1983	1984	1985 Jan.–May	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	69,770	60,462	30,016	4,838	4,487	5,005	7,125	6,303	5,106	6,476
2 Foreign sales	64,360	63,388	31,071	4,746	5,049	5,701	7,180	6,748	5,071	6,371
3 **Net purchases, or sales (−)**	**5,410**	**−2,926**	**−1,055**	**92**	**−562**	**−696**	**−56**	**−445**	**36**	**106**
4 **Foreign countries**	**5,312**	**−3,041**	**−989**	**81**	**−461**	**−713**	**−51**	**−402**	**28**	**149**
5 Europe	3,979	−2,986	−1,786	−90	−359	−558	−215	−582	−161	−269
6 France	−97	−405	−33	−46	−54	−19	−41	−13	24	17
7 Germany	1,045	−50	−296	11	−105	−134	−109	−113	23	38
8 Netherlands	−109	−315	−314	−15	−29	−44	−108	−129	16	−48
9 Switzerland	1,325	−1,490	−543	−34	−249	−159	−133	−122	−48	−81
10 United Kingdom	1,799	−658	−650	17	91	−178	129	−195	−191	−216
11 Canada	1,151	1,673	255	47	134	46	168	−2	33	9
12 Latin America and Caribbean	529	493	757	30	67	103	158	80	169	247
13 Middle East[1]	−808	−1,998	−89	−12	−196	−52	−101	116	−96	44
14 Other Asia	395	−372	−212	74	−91	−264	−99	−41	91	101
15 Africa	42	−23	−31	−8	−6	−7	−2	−13	−1	−8
16 Other countries	24	171	117	39	−11	19	40	39	−6	25
17 **Nonmonetary international and regional organizations**	**98**	**115**	**−66**	**11**	**−101**	**17**	**−5**	**−43**	**8**	**−44**
BONDS[2]										
18 Foreign purchases	24,000	39,341	30,869	4,902	6,403	5,937	8,219	5,484	4,501	6,729
19 Foreign sales	23,097	26,071	16,089	2,556	2,900	3,106	3,649	2,598	3,068	3,667
20 **Net purchases, or sales (−)**	**903**	**13,269**	**14,781**	**2,346**	**3,503**	**2,831**	**4,570**	**2,886**	**1,432**	**3,062**
21 **Foreign countries**	**888**	**12,972**	**14,918**	**2,133**	**3,527**	**2,835**	**4,489**	**2,936**	**1,408**	**3,250**
22 Europe	909	11,792	14,140	1,954	3,338	2,635	4,143	2,952	1,634	2,776
23 France	−89	207	47	−11	24	55	−17	−10	18	0
24 Germany	344	1,731	2	139	184	67	−153	−112	174	26
25 Netherlands	51	93	41	−1	15	9	44	8	−9	−11
26 Switzerland	583	644	946	159	276	12	315	483	65	72
27 United Kingdom	434	8,520	12,681	1,603	2,776	2,441	4,018	2,550	1,294	2,378
28 Canada	123	−71	86	13	14	59	−11	−5	0	43
29 Latin America and Caribbean	100	390	305	44	78	90	50	69	−82	178
30 Middle East[1]	−1,161	−1,011	−954	−45	−179	−123	−84	−127	−507	−112
31 Other Asia	865	1,862	1,319	169	276	140	337	89	381	372
32 Africa	0	1	1	−2	1	0	0	0	0	1
33 Other countries	52	10	21	2	0	35	54	−41	−19	−8
34 **Nonmonetary international and regional organizations**	**15**	**297**	**−137**	**213**	**−24**	**−4**	**81**	**−50**	**25**	**−188**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,765	−1,077	−1,851	−177	−221	−781	−652	−457r	−101	140
36 Foreign purchases	13,281	14,591	7,271	1,147	1,169	1,149	1,562	1,379r	1,437	1,744
37 Foreign sales	17,046	15,668	9,122	1,324	1,390	1,930	2,215	1,836r	1,538	1,604
38 Bonds, net purchases, or sales (−)	−3,239	−3,931	−1,977	−578	−1,159	168	198	−950r	−670	−723
39 Foreign purchases	36,333	57,338	29,506	6,601	5,134	5,396	5,294	5,673r	5,674	7,469
40 Foreign sales	39,572	61,270	31,483	7,179	6,293	5,228	5,096	6,623r	6,345	8,191
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,004**	**−5,008**	**−3,829**	**−755**	**−1,379**	**−613**	**−454**	**−1,407r**	**−772**	**−583**
42 **Foreign countries**	**−6,559**	**−4,619**	**−4,140**	**−908**	**−671**	**−742**	**−754**	**−1,217r**	**−680**	**−747**
43 Europe	−5,492	−8,532	−4,663	−707	−1,086	−732	−91	−1,208r	−798	−1,833
44 Canada	−1,328	413	−320	−23	254	75	−422	−68	23	71
45 Latin America and Caribbean	1,120	2,472	1,111	207	104	194	−47	7	136	822
46 Asia	−855	1,345	−362	88	−115	−394	−255	99	−13	201
47 Africa	141	−107	−37	−16	3	−4	−3	−26	−5	2
48 Other countries	−144	−210	130	−457	169	120	64	−21	−23	−9
49 **Nonmonetary international and regional organizations**	**−445**	**−389**	**312**	**153**	**−709**	**129**	**300**	**−190**	**−91**	**164**

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	1983	1984	1985 Jan.–May	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**3,693**	**21,412**	**7,365**	**2,197**	**7,508**	**2,312**	**2,319**	**−4,401**	**−4,324**	**2,812**
2 Foreign countries[2]	3,162	16,432	7,482	2,293	5,066	3,797	2,163	−4,756	2,249	4,029
3 Europe[2]	6,226	11,070	1,304	776	1,300	532	−81	−1,435	1,818	470
4 Belgium-Luxembourg	−431	289	303	41	46	104	18	0	80	101
5 Germany[2]	2,450	2,958	−711	36	336	−120	−129	−1,538	299	777
6 Netherlands	375	454	−330	−7	16	−71	11	−201	−7	−62
7 Sweden	170	46	328	1	−88	150	−10	1	30	157
8 Switzerland[2]	−421	635	686	−288	26	−35	358	313	183	−133
9 United Kingdom	1,966	5,223	−464	244	716	419	−342	293	188	−1021
10 Other Western Europe	2,118	1,465	1,492	748	248	86	12	−303	1,045	652
11 Eastern Europe	0	0	0	0	0	0	0	0	0	0
12 Canada	699	1,526	163	193	249	−92	−231	38	334	115
13 Latin America and Caribbean	−212	1,413	1,838	965	380	149	735	−82	465	570
14 Venezuela	−124	14	−2	7	−10	5	−11	2	10	−9
15 Other Latin America and Caribbean	60	528	763	57	213	−2	71	65	177	452
16 Netherlands Antilles	−149	871	1,077	902	177	146	674	−149	278	127
17 Asia	−3,535	2,377	4,140	369	3,218	3,093	1,726	−3,289	−331	2,941
18 Japan	2,315	6,062	4,086	1,287	1,585	578	559	177	1,717	1,054
19 Africa	3	−67	74	−5	2	2	1	1	13	57
20 All other	−17	114	−38	−5	−83	113	14	11	−50	−125
21 Nonmonetary international and regional organizations	535	4,982	−118	−96	2,442	−1,485	154	355	2,075	−1,217
22 International	218	4,612	−98	−188	2,361	−1,675	504	338	1,792	−1,057
23 Latin American regional	0	0	3	0	0	0	1	0	−3	5
MEMO										
24 Foreign countries[2]	3,162	16,432	7,482	2,293	5,066	3,797	2,163	−4,756	2,249	4,029
25 Official institutions	779	481	1,282	−602	1,919	2,527	1,324	−5,278	−598	3,307
26 Other foreign[2]	2,382	15,951	6,201	2,895	3,147	1,270	840	521	2,847	723
Oil-exporting countries										
27 Middle East[3]	−5,419	−6,277	−515	−1,284	−200	27	−372	554	−827	102
28 Africa[4]	−1	−101	0	0	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on June 30, 1985		Country	Rate on June 30, 1985		Country	Rate on June 30, 1985	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.5	June 1984	France[1]	10.13	May 1985	Norway	8.0	June 1983
Belgium	11.0	Feb. 1984	Germany, Fed. Rep. of	4.5	June 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	15.5	Jan. 1985	United Kingdom[2]	....	....
Canada	9.58	June 1985	Japan	5.0	Oct. 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct. 1983	Netherlands	5.5	Feb. 1985			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1982	1983	1984	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Eurodollars	12.24	9.57	10.75	8.90	8.37	9.05	9.32	8.74	8.13	7.60
2 United Kingdom	12.21	10.06	9.91	9.74	11.63	13.69	13.52	12.70	12.61	12.38
3 Canada	14.38	9.48	11.29	10.41	9.70	10.63	11.42	10.15	9.77	9.58
4 Germany	8.81	5.73	5.96	5.81	5.84	6.13	6.36	5.99	5.87	5.66
5 Switzerland	5.04	4.11	4.35	4.96	5.13	5.66	5.77	5.35	5.15	5.14
6 Netherlands	8.26	5.58	6.08	5.77	5.87	6.90	7.14	6.82	6.90	6.58
7 France	14.61	12.44	11.66	10.66	10.43	10.60	10.71	10.49	10.15	10.18
8 Italy	19.99	18.95	17.08	16.86	15.82	15.79	15.82	15.15	14.91	15.00
9 Belgium	14.10	10.51	11.41	10.75	10.75	10.75	10.75	10.09	9.35	8.96
10 Japan	6.84	6.49	6.32	6.33	6.27	6.29	6.30	6.26	6.26	6.30

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1982	1983	1984	1985 Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar[1]	101.65	90.14	87.937	81.51	73.74	69.70	65.84	67.68	66.51
2 Austria/schilling	17.060	17.968	20.005	22.267	23.190	23.247	21.717	21.868	21.532
3 Belgium/franc	45.780	51.121	57.749	63.455	66.310	66.308	62.283	62.572	61.719
4 Brazil/cruzeiro	179.22	573.27	1841.50	3346.67	3768.17	4158.19	4511.58	5239.00	5786.00
5 Canada/dollar	1.2344	1.2325	1.2953	1.3240	1.3547	1.3840	1.3658	1.3756	1.3676
6 China, P.R./yuan	1.8978	1.9809	2.3308	2.8160	2.8347	2.8533	2.8480	2.8556	2.8693
7 Denmark/krone	8.3443	9.1483	10.354	11.330	11.807	11.797	11.114	11.2244	10.9962
8 Finland/markka	4.8086	5.5636	6.0007	6.6368	6.8616	6.8464	6.4652	6.4641	6.3660
9 France/franc	6.5793	7.6203	8.7355	9.7036	10.093	10.078	9.4427	9.4829	9.3414
10 Germany/deutsche mark	2.428	2.5539	2.8454	3.1706	3.3025	3.2982	3.0946	3.1093	3.0636
11 Greece/drachma	66.872	87.895	112.73	129.38	134.73	140.62	134.86	137.239	136.00
12 Hong Kong/dollar	6.0697	7.2569	7.8188	7.8110	7.8017	7.8009	7.7902	7.7766	7.7698
13 India/rupee	9.4846	10.1040	11.348	12.612	12.922	12.861	12.400	12.5004	12.441
14 Ireland/pound[1]	142.05	124.81	108.64	98.23	94.23	94.58	101.17	100.71	102.19
15 Israel/shekel	24.407	55.865	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1354.00	1519.30	1756.10	1948.76	2042.00	2078.50	1975.89	1984.45	1953.92
17 Japan/yen	249.06	237.55	237.45	254.18	260.48	257.92	251.84	251.73	248.84
18 Malaysia/ringgit	2.3395	2.3204	2.3448	2.4804	2.5513	2.5734	2.4922	2.4759	2.4685
19 Mexico/peso	72.990	155.01	192.31	227.56	236.06	246.15	246.57	254.8182	294.22
20 Netherlands/guilder	2.6719	2.8543	3.2083	3.5819	3.7387	3.7290	3.4981	3.5097	3.4535
21 New Zealand/dollar[1]	75.101	66.790	57.837	47.040	45.223	45.276	45.520	45.197	45.949
22 Norway/krone	6.4567	7.3012	8.1596	9.1765	9.4695	9.4608	8.9314	8.9442	8.8255
23 Philippines/peso	8.5324	11.0940	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Portugal/escudo	80.101	111.610	147.70	172.56	183.24	183.98	174.56	177.545	176.15
25 Singapore/dollar	2.1406	2.1136	2.1325	2.2011	2.2557	2.2582	2.2199	2.2228	2.2291
26 South Africa/rand[1]	92.297	89.85	69.534	46.34	50.57	50.33	51.50	50.18	50.54
27 South Korea/won	731.93	776.04	807.91	832.16	839.16	850.71	861.21	792.56	875.00
28 Spain/peseta	110.09	143.500	160.78	175.13	182.35	183.13	172.85	175.397	173.42
29 Sri Lanka/rupee	20.756	23.510	25.428	26.392	26.605	26.836	27.113	27.404	27.433
30 Sweden/krona	6.2838	7.6717	8.2706	9.0716	9.3364	9.4135	8.9946	8.9895	8.8565
31 Switzerland/franc	2.0327	2.1006	2.3500	2.6590	2.8045	2.8033	2.5948	2.6150	2.5721
32 Taiwan/dollar	n.a.	n.a.	39.633	39.209	39.228	39.542	39.728	39.906	39.857
33 Thailand/baht	23.014	22.991	23.582	27.330	27.961	28.097	27.466	27.554	27.433
34 United Kingdom/pound[1]	174.80	151.59	133.66	112.71	109.31	112.53	123.77	124.83	128.08
35 Venezuela/bolivar	4.2981	10.6840	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO									
36 United States/dollar[2]	116.57	125.34	138.19	152.83	158.43	158.14	149.56	149.92	147.71

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	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 Irregularly, with Latest Bulletin Reference

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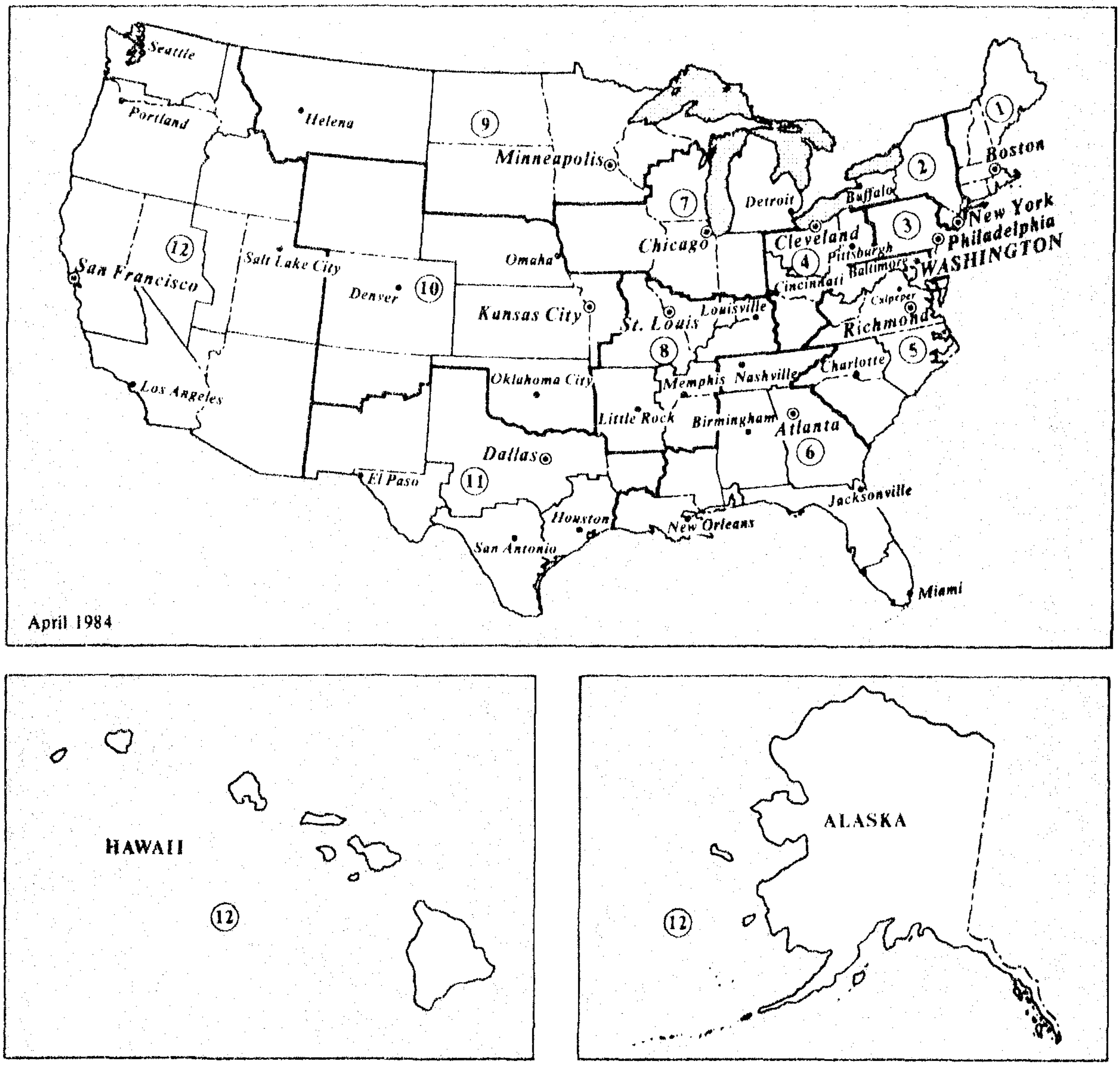

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