APRIL 1977

FEDERAL RESERVE BULLETIN

U.S. International Transactions in a Recovering Economy

The Implementation of Monetary Policy in 1976

Bank Holding Company Financial Developments in 1976

Changes in Bank Lending Practices, 1976

Changes in Time and Savings Deposits, July–October 1976

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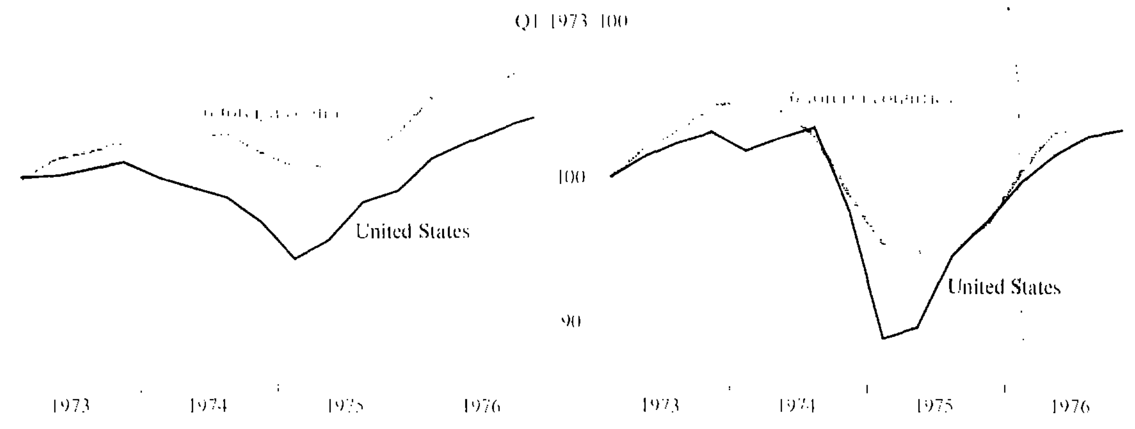
U.S. International Transactions in a Recovering Economy

This article was prepared by John M. Underwood of the U.S. International Transactions Section of the Division of International Finance.

The relative strength and timing of economic recoveries in the United States and abroad led to a striking reversal in the pattern of U.S. international transactions last year. From the recession-induced record surplus in current-account transactions in 1975, the United States returned abruptly in 1976 to the near balance in such transactions that had prevailed in both 1973 and 1974.

The greatest swing occurred in the merchandise trade balance, which shifted from a $9 billion surplus in 1975 to a $9.2 billion deficit in 1976, primarily due to cyclical factors. In 1974 and 1975 with the United States undergoing a more severe recession than the rest of the developed world, U.S. imports declined relatively more in volume than exports. The situation has reversed during the recovery. Economic growth in the United States, as measured by the increase in real gross national product, was 6.1 per cent in 1976 compared with a weighted average of nearly 5 per cent in six other major industrial countries (Chart 1). Growth of industrial production in the United States exceeded 10 per cent versus a weighted average of somewhat less than 8 per cent in six other major industrial countries. Hence, there was a strong pick-up in U.S. merchandise imports while exports rose only moderately.

Several other factors accentuated the swing in the merchandise trade balance. For one, the 1974–75 recession had been accompanied by an



Indexes of foreign real GNP and industrial production (1973 Q1 = 100) are weighted averages for Canada, France, Germany, Italy, Japan and, the United Kingdom. Foreign real GNP index weights are proportional to country share in 6-country total real GNP in 1973–76. Foreign industrial production index weights are proportional to U.S. exports to these respective countries in 1973. Data are from national sources.

U.S. real GNP is based on Dept. of Commerce data; U.S. industrial production is the F.R. index.

1. U.S. international transactions

In billions of dollars

Item	1975	1976	1976[p]			
			Q1	Q2	Q3	Q4
CURRENT ACCOUNT						
1. *Merchandise trade balance*	*9.0*	*−9.2*	*−1.3*	*−1.5*	*−2.8*	*−3.6*
Exports	107.1	114.7	27.0	28.4	29.6	29.7
Imports	98.1	123.9	28.3	29.9	32.4	33.2
2. *Military and service transactions, net*[2]	*7.0*	*13.3*	*2.7*	*3.0*	*3.9*	*3.7*
Investment income, net	(6.0)	(10.5)	(2.3)	(2.5)	(2.8)	(3.0)
Military transactions, net[2]	(−1.2)	(.1)	(−.1)	(−.2)	(.3)	(.1)
Other services, net	(2.2)	(2.7)	(.5)	(.8)	(.9)	(.6)
3. Unilateral transfers[1,2]	−4.0	−4.1	−1.0	−.9	−1.2	−1.0
4. Balance on current account[2]	**12.0**	*****	**.3**	**.6**	**−.1**	**−.9**
U.S. FUNDS (outflow/increase (−))[3]						
5. Net change in positions of U.S. banking offices vis-a-vis banks abroad	−10.9	−7.4	−2.2	−1.1	−.8	−3.2
6. Banks' claims on foreign nonbanks	−3.2	−5.1	−.2	−1.5	−.5	−2.9
7. U.S. net purchases of foreign securities	−6.2	−8.7	−2.5	−1.4	−2.7	−2.1
8. U.S. direct investments abroad	−6.3	−5.0	−1.8	−.2	−1.4	−1.6
9. Other U.S. private claims on foreigners	−1.5	−1.8	−.8	−1.0	.7	−.8
10. U.S. Govt. capital, net of repayments (excl. reserve assets)[2]	−3.5	−4.3	−.7	−1.0	−1.5	−1.2
11. *U.S. reserve assets*	*−.6*	*−2.5*	*−.8*	*−1.6*	*−.4*	*.2*
Of which:						
Reserve position in the IMF	(−.5)	(−2.2)	(−.2)	(−.8)	(−.7)	(−.5)
Convertible currencies and other	(−.1)	(−.3)	(−.5)	(−.8)	(.3)	(.7)
12. Total: lines 5–11	**−32.2**	**−34.8**	**−9.0**	**−7.8**	**−6.6**	**−11.6**
FOREIGN FUNDS (inflow/increase (+))						
13. OPEC official assets in the U.S.	7.1	9.5	3.5	3.3	1.7	1.0
14. Assets of other foreign official institutions[2]	−.5	8.0	.4	.8	.6	6.1
15. *Assets of private nonbank foreigners*	*9.0*	*6.8*	*.3*	*1.1*	*3.3*	*2.3*
Of which:						
Direct investments in U.S.	(2.4)	(.6)	(−.7)	(.4)	(.7)	(.2)
U.S. securities incl. Treas. issues	(5.2)	(4.1)	(1.5)	(−.5)	(3.1)	(*)
Claims on U.S. banking offices	(1.2)	(2.7)	(−.5)	(1.4)	(−.2)	(2.1)
Claims on nonbanks of unaffiliated foreigners	(.2)	(−.6)	(*)	(−.2)	(−.3)	(*)
16. Total: lines 13–15	**15.6**	**24.3**	**4.2**	**5.2**	**5.6**	**9.4**
17. Statistical discrepancy	4.6	10.5	4.3	1.9	1.2	3.1

[p]Preliminary.

*Less than $50 million.

[1]Includes U.S. Government grants and pensions, and private remittances.

[2]Excludes special U.S. Government grants to Israel and associated export and capital-account entries.

[3]Includes inflow from foreign banks to U.S. banks.

NOTE.—Current-account items are seasonally adjusted; seasonal factors are no longer calculated for capital transactions; quarterly values of the statistical discrepancy include residuals due to incomplete seasonal adjustment. Data from U.S. Dept. of Commerce, Bureau of Economic Analysis. Details may not add to totals because of rounding.

inventory liquidation that was much greater than in other recent downturns, so the rebuilding of inventories during the recovery stimulated both industrial production and the demand for imports early in 1976. In addition to increased demand due to the recovery, higher prices for oil, reduced domestic oil production, and colder-than-average weather in the fourth quarter of 1976 led to a sharply higher bill for imported oil.

Furthermore, part of the swing in the trade balance may have resulted from some loss in U.S. price competitiveness associated with the appreciation of the dollar by 15 per cent against a weighted average of the currencies of the other Group of Ten countries plus Switzerland between March 1975 and January 1977. (The dollar exchange rate to which references are made throughout this article is this weighted average. Weights are calculated as the sum of

U.S. merchandise trade

International accounts basis; quarterly data at seasonally adjusted annual rates

Item	1974	1975	1976	1975 Q1	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
	Billions of dollars										
Export values	**98.3**	**107.1**	**114.7**	**108.1**	**103.4**	**106.2**	**110.6**	**108.0**	**113.5**	**118.4**	**118.9**
Agricultural	22.4	22,2	23,4	24.2	19.5	22.3	23.0	21.5	23.1	25.3	23.7
Nonagricultural	75.9	84.8	91.3	83.9	83.9	84.0	87.7	86.5	90.5	93.1	95.2
Import values	**103.7**	**98.1**	**123.9**	**102.3**	**90.3**	**97.9**	**101.7**	**113.3**	**119.7**	**129.5**	**133.2**
Fuel	27.5	28.5	37.1	27.8	26.7	30.0	29.5	32.5	35.3	40.1	40.7
Nonfuel	76.2	69.5	86.8	74.5	63.6	67.9	72.2	80.8	84.4	89.5	92.5
Balance	**−5.4**	**9.0**	**−9.2**	**5.8**	**13.1**	**8.3**	**8.9**	**−5.3**	**−6.1**	**−11.1**	**−14.3**
	1974=100										
Volumes											
Agricultural exports	100.0	101.5	113.5	101.5	89.5	104.7	110.0	104.7	113.1	121.6	114.4
Nonagricultural exports	100.0	96.3	97.2	95.7	94.7	94.8	97.4	94.1	97.2	99.0	98.4
Fuel imports	100.0	100.2	123.1	97.3	94.2	107.1	102.8	109.2	117.6	132.8	132.5
Nonfuel imports	100.0	82.5	101.9	87.6	73.6	82.3	88.0	97.5	99.6	103.8	106.6
Unit values											
Agricultural exports	100.0	97.7	92.0	106.4	97.4	94.8	93.1	91.6	91.0	92.8	92.5
Nonagricultural exports	100.0	116.1	123.8	115.4	116.7	116.7	118.6	121.0	122.7	123.9	127.4
Fuel imports	100.0	103.5	109.7	104.0	103.1	102.1	104.4	108.2	109.1	109.7	111.6
Nonfuel imports	100.0	110.6	111.8	111.5	113.4	108.3	107.7	108.8	111.2	113.1	114.0

NOTE. Details may not add to totals because of rounding. Data from U.S. Dept. of Commerce, Bureau of Economic Analysis and Bureau of the Census.

each country's exports and imports (f.o.b.) in 1972 divided by total 1972 trade of the other 10 countries.) While U.S. prices rose less than those of most of its trading partners, this relative price performance did not fully offset the exchange-rate rise. Last, the Organization of Petroleum Exporting Countries (OPEC) appears to have come to the end of its period of rapid growth as a market for exports. The value of total OPEC imports is estimated to have increased by only about $10 billion in 1976 compared with $22 billion in 1975; U.S. exports to OPEC increased by just $1.8 billion in 1976, after increasing by $4.0 billion in 1975.

Some of the decline in the merchandise trade balance was offset by a significant rise in the surplus on net military and service transactions. Larger inflows of net direct investment and interest income from abroad accounted for two-thirds of the increase. The surplus on net military transactions, continuing its upward trend, accounted for another 20 per cent of the increase.

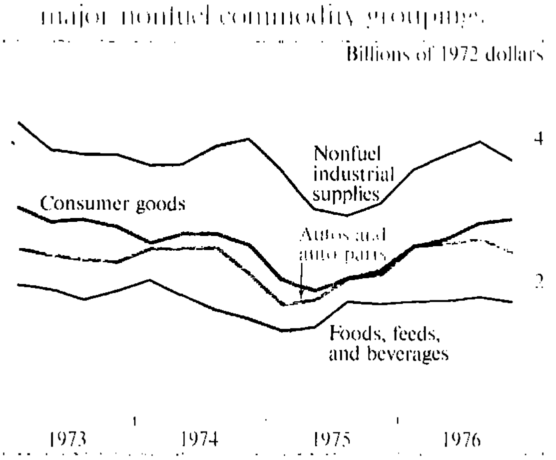
The large shift in the U.S. current-account position, from a record surplus in 1975 to near balance in 1976, was by definition matched by a shift in capital flows from a large over-all net outflow to a small net inflow. Recorded data identify only part of the adjustment; a large part appears in the statistical discrepancy entry in Table 1. In spite of the shift to a net capital inflow, the United States continued to be a source of sizable amounts of funds to overseas borrowers through loans from U.S. banking offices and foreign bond issues in the United States. The swing from surplus to deficit in the current account in 1976 was accomplished without a large depreciation of the dollar. In fact, the dollar appreciated slightly on a trade-weighted basis although most of the rise occurred early in the year. Factors contributing to the appreciation included the slower rise in prices in the United States than the average for foreign countries, official dollar purchases, and a further accumulation of dollar-denominated assets by OPEC.

NONFUEL IMPORTS: A quick rebound as the economy recovers

The pace of the U.S. economic recovery that had begun in the second quarter of 1975 remained rapid in the early part of 1976. Substantial rates of growth were recorded for both real GNP and industrial production, and import demand expanded along with economic activity. Most categories of nonfuel imports followed a similar pattern, showing especially strong growth in the first quarter of 1976 (Chart 2).

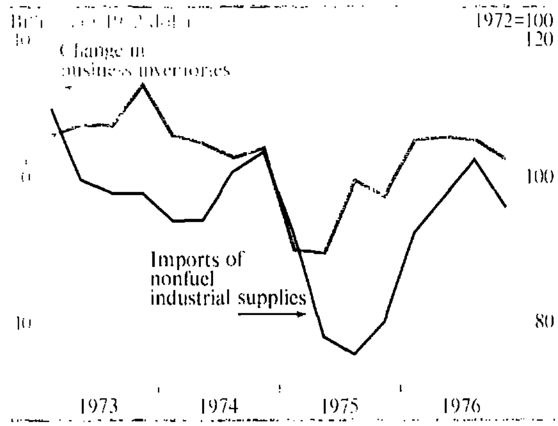
During the recession the volume of nonfuel imports showed a proportionately greater decline than either real GNP or industrial production. Similarly, during the recovery such imports have shown proportionately larger growth than either of these measures of U.S. economic activity. Real GNP grew by 6.1 per cent in 1976 and industrial production by more than 10 per cent, whereas the volume of nonfuel imports increased by 24 per cent. Imports of industrial supplies, autos, and other consumer goods grew the most rapidly of these groupings from their recession-reduced levels in 1975.

2. U.S. imports of major nonfuel commodity groupings



Dept. of Commerce data. Shaded area marks the period of decline in the F.R. industrial production index.

3. Imports and the inventory cycle



Dept. of Commerce data for imports and inventory changes, with inventory changes at annual rates. F.R. industrial production index.

Percentage swings in import volumes during the most recent recession were larger than in other recessions since 1956, in part a reflection of the sensitivity of nonfuel imports to inventory behavior. Large stocks of both materials and products were built up during the period of rising prices preceding the recession. Just as the inventory liquidation that accompanied the downturn had contributed to the reduction in nonfuel imports, so too the build-up of inventories early in 1976 not only helped to propel the recovery but also added to the demand for imports, especially of nonfuel industrial supplies (Chart 3). The rate of accumulation of nonfarm business inventories, which had been negative throughout most of 1975, jumped sharply in the first quarter of 1976 and then remained relatively flat until late in the year. In contrast, imports of nonfuel industrial supplies continued to grow rapidly in the second and third quarters before dropping off in the fourth quarter.

The price of nonfuel imports, as measured by the unit-value index, averaged only about 1 per cent higher in 1976 than in 1975. Import unit values had declined during the second half of 1975, reflecting the rapid appreciation of the dollar and falling commodity prices, but rose at a fairly steady pace through 1976 as the trade-weighted appreciation of the dollar slowed and commodity prices rose again. Prices of imported primary commodities increased sharply during the rapid recovery of the econ-

3. U.S. imports from selected countries or regions

Country or region	1974		1975			1976		
	Billions of dollars	Per cent of nonfuel imports	Billions of dollars	Per cent of nonfuel imports	Percentage increase over 1974	Billions of dollars	Per cent of nonfuel imports	Percentage increase over 1975
Canada	17.3	22.7	16.9	24.3	−2.3	21.5	24.8	27.2
Western Europe	22.2	29.1	20.0	28.8	−9.9	21.6	24.9	8.0
(Germany)	(6.2)	(8.1)	(5.2)	(7.5)	(−16.1)	(5.5)	(6.3)	(5.8)
(Other EEC)	(11.6)	(15.2)	(10.8)	(15.5)	(−6.9)	(11.5)	(13.2)	(6.5)
Japan	12.3	16.1	11.2	16.1	−8.9	15.5	17.9	38.4
Non-oil exporting developing countries[1]	19.1	25.1	17.8	25.6	−6.8	23.5	27.1	32.0
Communist countries	.8	1.0	.7	1.0	−12.5	.9	1.0	28.6
Nonfuel imports, total	76.2	100.0	69.5	100.0	−8.8	86.8	100.0	24.9

[1] Includes a small quantity of fuel imports.
NOTE. Data from U.S. Dept. of Commerce, Bureau of Economic Analysis and Bureau of the Census.

omy in the first half of 1976, peaked in July, and then fell back before advancing again late in the year. Import unit values of coffee and cocoa—two commodities in short supply—rose at a fairly steady rate all year, and are still far below spot prices, mainly because of the long lags between orders and deliveries.

Not all countries shared equally in the growth in U.S. nonfuel imports in 1976. Imports from developed countries—including some fuels—were up by $11 billion over 1975, led by a $4 billion increase in nonfuel imports from Japan (Table 3). However, the value of nonfuel imports from the European Economic Community (EEC) increased by only 7 per cent—less than $1 billion—and was lower in 1976 than in 1974; imports from Germany accounted for over half of this decline. U.S. imports from non-oil developing countries increased almost twice as fast as imports from developed countries. Exports from these developing countries to the United States rose by $6 billion. Most of this increase was in manufactured goods from South Korea, Taiwan, and Hong Kong, countries whose exports to the United States had dropped off sharply in 1975.

FUEL IMPORTS: Increased demand and declining domestic production

U.S. imports of petroleum and its products rose to $34.6 billion during 1976, up about $7.6 billion from the previous year. An increase in the quantity of imported oil accounted for about 70 per cent of the total rise in value. A higher average import unit value, $12.13 per barrel from $11.42 in 1975, associated with OPEC price increases, accounted for the remainder of the rise in the value of fuel imports.

Nearly three-fourths of the growth in the quantity of imported oil represented a rise in demand that would normally be associated with the increase in real GNP that occurred during the year; declines in domestic production of oil and the cold weather during 1976 each contributed about equally to the remaining increase in the U.S. demand for imported oil. The fourth quarter of 1976 was almost 20 per cent colder than average, as measured in degree-days—the number of degrees per day by which the average temperature falls short of 65 degrees. The pattern of fuel imports during the year was also influenced by the working off of inventories in the first quarter of 1976 that had been accumulated in anticipation of the OPEC price increase of October 1975 and by a renewed accumulation in the second half of 1976 in anticipation of another price rise at the year-end.

NONAGRICULTURAL EXPORTS: Sluggish real growth

The value of nonagricultural exports was 7.5 per cent higher in 1976 than in 1975, but most of the change reflected price increases. In real terms, exports of nonagricultural goods grew by only 0.7 per cent to an annual total still 3 per cent below the record 1974 volume. A combination of factors contributed to this sluggishness: the weakening of the economic recoveries in our major industrial trading partners as the year progressed; the marked slowing of the growth in exports to OPEC countries; and the measures taken by a number of countries—especially developing countries—to slow the rate of growth of their imports in response to balance of payments financing difficulties.

Exports of all the major nonagricultural commodity groups shared in the pattern of slow real growth, as shown in Chart 4. The pattern of nonagricultural exports closely paralleled the behavior of industrial production of the major trading partners of the United States.

A second striking feature shown by the chart is that the strong rise in the volume of capital goods exported during 1973 and 1974, years of sharply higher capital spending in most regions of the world, was only somewhat eroded in 1975 and 1976. The rise in U.S. exports of capital goods followed a significant improvement in the price competitiveness of the United States in response to both the net depreciation of the dollar since 1970 and the better performance of the United States, relative to its major competitors, in holding down unit labor costs.

4. Machinery export prices for the United States, Germany, and Japan[1]

Dollar-equivalent indexes, 1970=100

Period	U.S.[2]	Germany	Japan
1970	100.0	100.0	100.0
1971	101.0	113.0	104.4
1972	101.6	128.7	112.1
1973	105.8	162.9	130.4
1974	119.0	184.3	150.2
1975	143.1	212.6	150.9
1976[3]	151.0	213.8	151.5
1975			
Q1	139.3	220.1	153.8
Q2	142.5	221.2	153.1
Q3	144.0	205.6	149.8
Q4	146.5	203.3	147.0
1976			
Q1	149.3	210.1	148.6
Q2	150.8	213.8	151.1
Q3	152.8	217.4	154.8
Q4	155.8	......	155.0

[1] Based on transactions price data, rather than export unit values. The U.S. index is constructed from Bureau of Labor Statistics data. The German and Japanese indexes are available from national sources in local currency units, converted into dollars at current exchange rates.

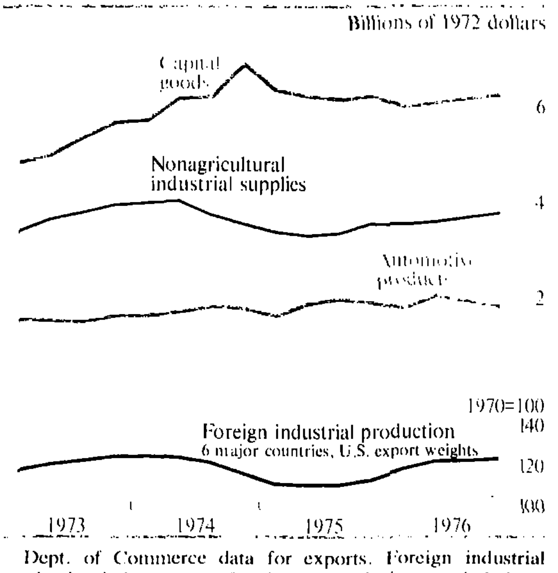
[2] U.S. data for 1970–74 are based on June prices, the only data available prior to 1974.

[3] January–September data.

Export prices for machinery, which in 1976 represented 82 per cent of U.S. exports of capital goods and 27 per cent of total U.S. exports, are shown in Table 4 for the United States, Germany, and Japan. These three countries accounted for more than half of the value of world exports of machinery in 1973. Between 1970 and 1973, prices of machinery exported from the United States rose substantially less than those for Germany and Japan, reflecting the sharp depreciation of the dollar versus the mark and yen during that period. Since 1973, U.S. price competitiveness has held fairly steady compared with Germany but has eroded against Japan.

The impact of relative price changes on U.S. machinery exports is reflected in the changing U.S. share of the export volumes of the three countries combined (Table 5). Between 1970 and the first three quarters of 1976 the U.S. share rose from 43 to 48 per cent, while Germany's share fell from 40 to 33 per cent and Japan's share increased from 17 to 19 per cent.

4. U.S. exports of major nonagricultural commodity groupings



Dept. of Commerce data for exports. Foreign industrial production index, except for the change in base period, is as defined in the note to Chart 1.

5. Machinery export volume for the United States, Germany, and Japan

Year	Billions of 1970 dollars[1]				Percentage shares		
	U.S.	Germany	Japan	Total	U.S.	Germany	Japan
1970 ..	11.37	10.57	4.39	26.33	43.2	40.1	16.7
1971 ..	11.46	10.69	5.12	27.27	42.0	39.2	18.8
1972 ..	13.04	11.33	6.08	30.45	42.8	37.2	20.0
1973 ..	16.19	12.63	6.97	35.79	45.2	35.3	19.5
1974 ..	19.91	14.17	7.85	41.93	47.5	33.8	18.7
1975 ..	19.75	13.27	8.53	41.55	47.5	32.0	20.5
1976[2]	20.48	14.00	8.24	42.72	47.9	32.8	19.3

[1] Constructed by deflating export value data (from national sources) by local-currency price indexes for machinery exports (from sources noted in Table 4).
[2] January to September data at annual rates (January to August for Japan).

The total value of German and Japanese exports of all commodities to countries other than the "big three" increased a little faster than U.S. exports to these areas in 1976. In terms of these countries, West Germany increased its exports by 13 per cent, to about $95 billion; Japanese exports rose by 12 per cent, to about $48 billion; and U.S. nonagricultural exports rose by 8 per cent, to about $81 billion. While the value of U.S. nonagricultural exports to all but the petroleum-exporting countries grew slowly in 1976, German and Japanese exports to certain areas increased rapidly, especially to other countries in Western Europe.

For the last few years, OPEC has been a major source of growth in export demand for the United States, Germany, and Japan (Table 6). Exports to OPEC countries continued to increase in 1976, but the rate of increase was much slower than in 1975. Thus it appears that the period of rapid growth in total OPEC imports is over. Such imports, which had increased more than 60 per cent in 1975, grew more slowly in 1976 and for the year are estimated to have risen 17 per cent to about $68 billion.

Nine OPEC countries, four with intermediate absorptive capacities—Iraq, Iran, Libya, and Nigeria—and five with high absorptive capacities—Algeria, Ecuador, Gabon, Indonesia, and Venezuela, have accounted for this slowdown. These nine countries accounted for more than three-fourths of total OPEC imports in 1975; their share in U.S. exports to OPEC was nearly as large. In 1975 each of these countries had experienced a rapid reduction in its current-account surplus as development spending and imports grew rapidly. If they had tried to continue this pattern of high import growth, financing constraints would likely have arisen. So, in 1976 they curbed their imports somewhat. Nevertheless, the low-absorbing OPEC countries—Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates—have continued to increase their imports rapidly, but their persistent surpluses on current account reflect the restrictions on import growth imposed by limited resource bases (except for oil and gas reserves),

6. U.S.,[1] German, and Japanese exports to OPEC

Item	1974	1975	1976[e]
	Billions of dollars		
Germany	4.3	7.1	8.6
Japan	5.5	8.4	8.8
United States[1]	5.2	9.3	10.9
Total OPEC imports	36[e]	58[e]	68
	Percentage increase, year over year		
Germany	...	65.1	21.1
Japan	...	52.7	4.8
United States[1]	...	78.8	17.2
Total OPEC imports	...	61.1	17.2

[1] Nonagricultural exports.
[e] Estimated.
NOTE. Data from OECD, Statistics Division, and U.S. Dept. of Commerce, Bureau of the Census.

a shortage of manpower, and small domestic markets. In addition, all of the countries with low absorptive capacities, except Kuwait, face severe port congestion, a condition that is expected to limit the growth of imports at least through 1977.

AGRICULTURAL EXPORTS: Sensitivity to world supply

Both the volume and the value of U.S. agricultural exports rose to record levels in 1976 even though export prices fell to their lowest levels since 1973. Because of a crop failure in 1975, the Soviet Union bought large amounts of agricultural goods, mainly corn, from the United States, and these purchases supported agricultural exports in the first half of 1976. As these shipments dropped off in the second half of the year, agricultural exports to drought-stricken West European countries increased sharply.

Record crops in the United States and in most of the rest of the world led to falling agricultural prices, especially in the last few months of 1976. Prices of wheat and corn dropped to levels not experienced since 1973. On the other hand, soybean and cotton prices rose during the year. The 1976 soybean crop was small; U.S. plantings were reduced due to fears by farmers of increased palm oil imports and Brazilian competition in export markets, while domestic and foreign demand for soybeans for livestock feed remained strong. Cotton prices rose because of increased demand and a reduction in the 1976 crop as the result of bad weather, a situation that was exacerbated by an already small carryover stock.

The U.S.–Soviet grain agreement that became effective in October 1976 appears to be achieving its goal of lessening the variation in the volume of Soviet grain purchases from the United States. Soviet purchases of U.S. grain, which have averaged 8.8 million metric tons (mmt.) over the last 5 years, have varied from a high of 14.3 mmt. in 1973 to a low of 3.4 mmt. in 1974. In spite of a record Soviet grain crop in 1976, the U.S.S.R. has already purchased slightly more than the 6 mmt. minimum amount called for during the first 12 months of the grain agreement.

NEW MILITARY AND SERVICE TRANSACTIONS: An offset to the merchandise trade deficit

Between 1975 and 1976, net receipts from military and service transactions increased by $6.3 billion (Table 7). About two-thirds of the increase resulted from larger net receipts on investments, and another $1.3 billion was in net military transactions. Amounting to $13.3 billion in 1976, the net inflow of funds from all military and service transactions more than offset the large deficit in the merchandise trade balance.

Net investment income receipts increased by $4.5 billion to a total of $10.5 billion in 1976; most of the rise was in receipts as payments were little changed from 1975 levels. Returns on U.S. direct investments abroad—apart from undistributed profits—amounted to $12.5 billion in 1976, a one-third increase from levels of a year earlier. Much of the rise resulted from higher returns from foreign affiliates of U.S. petroleum companies as the demand for oil rose and as oil prices increased. Other private income receipts increased by nearly $1.5 billion, mostly returns on securities and bank loans. Payment of income on foreign investments in the United States declined slightly in 1976. Most of the decline was in payments other than on direct investments. There was a sizable addition to the stock of foreign funds in the United States, but domestic interest rates fell during the year.

7. Net military and service transactions

In billions of dollars

Item	1975	1976	Change
Net military and service transactions	**7.0**	**13.3**	**6.3**
Net investment income	*6.0*	*10.5*	*4.5*
Direct investments, net	7.3	10.2	2.9
Other, net	−1.3	.3	1.6
Net military	*−1.2*	*.1*	*1.3*
Sales	(3.6)	(4.9)	(1.3)
Expenditures	(4.8)	(4.8)	(...)
Travel, net (incl. passenger fares)	−2.9	−2.4	.4
Transportation, net	.4	.2	−.1
Other services, net	4.7	4.9	.2
MEMO:			
Total receipts	41.0	49.2	8.2
Total payments	34.0	35.9	1.9

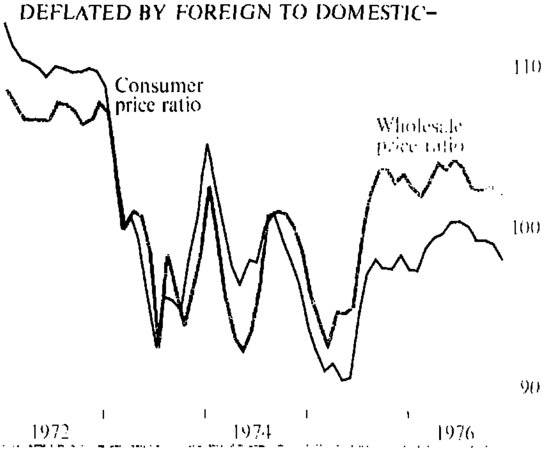
NOTE.—Details may not add to totals because of rounding. Data from U.S. Dept. of Commerce, Bureau of Economic Analysis.

Foreign sales of U.S. military goods and services exceeded U.S. military expenditures abroad for the first time in 1976; net receipts were \$0.1 billion in 1976 compared with net expenditures of \$1.2 billion in 1975. Transfers under U.S. military agency sales contracts increased strongly in 1976, with a sharp rise in deliveries of equipment to Iran and technical assistance to Saudi Arabia. Military sales of goods and services amounted to \$4.9 billion in 1976. U.S. military expenditures abroad, at \$4.8 billion, were little changed from a year earlier.

Other service transactions showed a small net increase in 1976, in large part because receipts from foreign travelers in the United States increased faster than U.S. payments for foreign travel and because fees and royalty receipts from foreign affiliates of U.S. firms continued to increase steadily.

5. Weighted average exchange values of the U.S. dollar

March 1973=100



Index of weighted-average exchange value of the dollar against currencies of other Group of Ten countries plus Switzerland divided by the ratios of weighted-average foreign to domestic wholesale and consumer price indexes. F.R. index of dollar exchange value. Foreign price data from national sources. Domestic price data from the U.S. Dept. of Labor, Bureau of Labor Statistics.

Nov.–Dec. WPI estimated for the Netherlands.

CAPITAL TRANSACTIONS AND EXCHANGE RATE MOVEMENTS

The shift in the U.S. current-account position from a surplus of \$12.0 billion in 1975 to near balance was, of course, matched by an equal and opposite shift of capital flows from a net outflow to a small inflow in 1976. Despite this swing the Federal Reserve's trade-weighted measure of the exchange value of the dollar against 10 leading foreign currencies appreciated 4.5 per cent during the year. The dollar was supported by prospects for a slower rise in prices in the United States compared with the average abroad, official intervention purchases by Japan and several other countries, and a decided preference by OPEC for dollar-denominated assets.

On a price-adjusted basis, the dollar showed little movement in 1976 after having risen sharply in the second half of 1975 (Chart 5). The two price-adjusted dollar exchange rates shown in the chart were calculated by dividing the trade-weighted average exchange value of the dollar by the ratio of foreign to domestic price indexes, both consumer and wholesale. Indeed, the net change in the dollar's exchange value over the nearly 4 years of generalized floating has been quite consistent with movements in U.S. prices relative to those in other countries, though there have been substantial short-run deviations from this relationship.

Recorded net outflows of U.S. funds—including transactions between U.S. banking offices and banks abroad and net acquisitions of assets abroad by U.S. residents and the U.S. Government—increased by \$2.6 billion in 1976, and recorded net inflows of foreign funds rose by \$8.7 billion. This shift in net recorded capital inflows of \$6.1 billion was equal to half of the \$12 billion swing in the current account. Another large part of the financial adjustment—or perhaps some error in compiling the current-account data—remains concealed within the statistical discrepancy, which grew by \$5.9 billion from 1975 to 1976.

It is likely that the large change in the statistical discrepancy reflected a net increase in unreported capital items rather than any substantial errors in recording merchandise or service transactions. One important type of capital inflow that may have been underreported is an increase in accounts payable, particularly those related to petroleum imports. In addition, ex-

8. New foreign bond issues in the United States

In billions of dollars

Period	Total	Canada	Development finance institutions[1]	European Community's organizations[2]	Developed countries	Developing countries
1974	2.4	1.7	...	.1	.2	.4
1975	7.2	3.2	2.0	.4	1.2	.4
1976	9.8	5.2	1.7	.6	1.6	.7
Q1	2.9	2.0	.3	...	.5	.1
Q2	1.6	.9	...	.3	.3	.1
Q3	3.0	1.3	.9	...	.4	[3].4
Q4	2.3	1.0	.5	.3	.4	.1

[1] Includes the Asian Development Bank, the Inter-American Development Bank, and the World Bank.
[2] Includes the European Coal and Steel Community, European Economic Community, and the European Investment Bank.
[3] Includes National Power Company of the Philippines issue guaranteed by the U.S. Export-Import Bank.
NOTE.—Data from F.R. Bank of New York.

pectations of sharp declines in the exchange values of some currencies—for example, the British pound, the Italian lira, the French franc, and the Mexican peso—coupled with political uncertainties in some countries, may have prompted some flight of capital to the United States that was not recorded.

Although reduced from the 1975 total, the net outflow of bank-reported private capital in 1976 still amounted to almost $10 billion. This high level of net foreign lending by U.S. banking offices reflected a continued strong foreign demand for U.S. bank credit at a time when the domestic demand for bank credit was weak—owing to a combination of improved corporate cash flow, favorable access to capital markets for new equity and bond financing, and cautious revivals of capital spending and inventory investment. A substantial part of the foreign demand was in the form of official borrowings for balance of payments purposes. In 1976, banking offices (including agencies and branches of foreign banks) supplied $7.4 billion, net, to foreign commercial banks (including their own overseas branches). These funds supported lending in the Euro-currency market and provided liquidity that facilitated the issuing of a record volume of Euro-bonds.

The decline in U.S. interest rates provided an incentive for the pronounced acceleration of the outflow in the fourth quarter of 1976. Much of the outflow occurred in December, when the demand for funds by European banks was augmented by a desire to build up stocks of liquid domestic assets in order to "window-dress" year-end balance sheets. The rise in private bank-reported flows in December was offset by additions by European central banks to their dollar holdings in the United States, accommodating the demand for domestic liquidity on the part of the head offices of the European banks.

The U.S. bond market was an important source of funds for borrowers from industrialized countries and multinational development institutions in 1976. New bond flotations by foreigners were at a rate of $9.8 billion in 1976. As in previous years, Canadians were the largest foreign borrowers in the United States. Their total new bond placements amounted to $5.2 billion, an increase of $2 billion over those of 1975. A major incentive for the increase in Canadian bond flotations was the unusually large differential that persisted until the end of the year between Canadian and U.S. long-term interest rates, a product of a relatively restrictive Canadian monetary policy.

After the Quebec provincial election in November, the interest rate premium on bond issues by Quebec in the United States increased sharply. Nevertheless, this rise did not have much effect on Canadian borrowings in 1976 because no large new bond issues by Quebec had been scheduled for the remainder of the year. The larger interest premium has, however, decreased, or at least delayed, some Canadian bond issues in the United States in 1977.

Borrowers who had been subject to the interest equalization tax (those from developed countries, other than Canada, and the EC's organizations) placed $2.2 billion in the U.S. bond market in 1976 compared with a negligible amount in 1975. Unlike borrowers from the developing countries, these issuers found that, owing to their preferred credit standing, a portion of their balance of payments financing needs could be satisfied in the U.S. bond market. France, Australia, and Norway were the three largest individual country borrowers among the issuers of so-called Yankee bonds.

U.S. reserve assets increased by $2.5 billion in 1976. The increase was mostly the counterpart of foreign countries' drawings of dollars from the International Monetary Fund (IMF), which automatically result in an increase in the U.S. reserve position in the IMF. The IMF credit facilities were utilized intensively during 1976 to provide the financing of balance of payments positions of various countries. The United Kingdom was the largest drawer on the IMF's General Account facilities, while the liberalized Compensatory Financing Facility provided funds for more than 40 developing countries that are members of the IMF.

The increase of $9.5 billion in OPEC official assets in the United States was only moderately above that of 1975, despite a larger rise in OPEC's collective current-account position in 1976. However, as already noted, some of the unrecorded inflows may have been associated with accounts due to OPEC.

Non-OPEC countries as a group increased their official assets in the United States by $8.0 billion—a capital inflow—after a reduction of $0.5 billion in 1975. The net swing was partly the result of a build-up by Japan of reserves held in the United States. Excluding Japan, developed countries reduced their reserve holdings in the United States during 1976, while the developing countries added to their reserves held here. Developing countries also collectively added to reserves held outside the United States. These reserve increases included some special cases, but they also reflected a desire on the part of a few developing countries to tap international sources of credit under the relatively favorable borrowing conditions of 1976.

RECENT DEVELOPMENTS AND OUTLOOK

The U.S. merchandise trade deficit increased substantially in the first 2 months of 1977. Though some of the increase can be attributed to the unusually cold weather, the continuation of the pattern of more rapid growth in the United States than abroad that began in 1975 is likely to result in increasing U.S. merchandise trade and current-account deficits throughout 1977. However, the increase in these deficits between 1976 and 1977 will probably be smaller than the shifts between 1975 and 1976. Consequently, further adjustments in the over-all U.S. capital account need not be so large.

As U.S. imports of merchandise have risen with the relatively strong U.S. recovery, protests that various U.S. industries are being damaged by competing goods from abroad have increased. Although individual cases should be judged on their merits, it should also be recognized that a rise in U.S. imports of goods relative to exports over the long term might be expected on the basis of the changing structure of U.S. international accounts. Part of such a shift would reflect the gradual industrialization of some developing countries, whose growth is dependent on finding markets in the high-income countries. In fact, imports of manufactures from such countries rose from $10 billion in 1975 to $14 billion in 1976, about 32 per cent of the total rise in U.S. imports of manufactures. In recent years there has also been a very rapid rise in the net receipts in the service and military sectors of the U.S. international accounts, from $2.4 billion in 1973 to $13.3 billion in 1976. In addition, a move toward deficit in the merchandise trade balance will help contribute to a healthier pattern of world payments in light of continuing OPEC current-account surpluses.

Changes in U.S. international transactions in the period ahead will be part of a larger pattern of international adjustment. The pace of recovery in other industrial countries is expected to be slow on average. Many of these countries will seek to reduce their external deficits. Consequently, the aggregate deficit of this group of countries might be somewhat lower than in

1976, which would offset some of the increase in the U.S. deficit. Barring a reduction in the cartel price of oil, the OPEC surplus is not likely to change significantly. Hence, the non-oil-producing, less-developed countries, after reducing their aggregate deficit substantially during 1976, may have difficulty reducing it further this year. This suggests that there may be a larger role in the future for official financing of balance of payments deficits. Such financing may be necessary to ease the strain on private markets.

On balance, therefore, the problems associated with considerable slack in the world economy, with continuing high inflation rates, and with large external deficits for many countries—exacerbated by the sharp rise in oil prices—are not likely to diminish quickly. In these circumstances, it is especially important to guard against a resurgence of measures to restrict trade and instead to emphasize the benefits of achieving adjustment through a steady noninflationary expansion of the world economy. □

The Implementation of Monetary Policy in 1976

This article is adapted from a report submitted to the Federal Open Market Committee by Alan R. Holmes, Manager of the System Open Market Account and Executive Vice President of the Federal Reserve Bank of New York, and by Peter D. Sternlight, Deputy Manager for Domestic Operations of the System Open Market Account and Senior Vice President of the New York Bank. John S. Hill, Senior Economist, and Christopher J. McCurdy, Economist, were primarily responsible for its preparation.

The Federal Open Market Committee (FOMC), in setting open market policy in 1976, sought to foster economic expansion following the 1974 75 recession and to achieve further moderation in the rate of inflation. The dampening of inflationary expectations that emerged contributed to a considerable decline in long-term interest rates, and over the course of the year, the credit markets financed another large Federal deficit more readily than had been generally anticipated.

The Committee's decisions were heavily influenced by its perception of the tempo of the economic recovery, which first speeded up and then slowed down. A surge in activity early in the year generated expectations of continued strong economic expansion that might necessitate actions to restrain growth of the monetary aggregates. When the aggregates grew strongly in the spring, the Committee began limiting the extent to which it accommodated the demand for member bank reserves. As the summer progressed, however, the rate of economic expansion moderated and growth of the labor force began to exceed growth of employment. The rate of monetary expansion also receded. Gradually, the FOMC shifted emphasis to promote a step-up in the growth of the aggregates through a more accommodative approach to the provision of reserves. By the year-end the pace of economic advance seemed to be quickening once more.

In formulating its broad policy approach, the Committee continued to focus on a 1-year time horizon for growth of the monetary and credit aggregates. It also adopted short-run instructions that prescribed a Trading Desk response, through open market operations, to indications of undesired strength or weakness in the monetary aggregates. The Committee's instructions to the Account Management were in essentially the same format as in recent years. In implementing its instructions, the Trading Desk found market participants in 1976 acutely sensitive to movements in the monetary aggregates as well as to the conduct of open market operations. At the same time, recent changes in the Treasury's cash management policies increased the volatility of Treasury cash balances and thereby posed difficult operational challenges to the Desk.

This report focuses on the Trading Desk's implementation of the FOMC's directives during the year. After presenting an overview of the Committee's policy decisions in 1976, it describes the procedures used by the Desk to bring reserve supplies into line with the Committee's objectives. It discusses particularly interesting periods in detail in order to illustrate how the Desk carried out operations against the background of the sensitive financial environment that prevailed over much of the year.

MONETARY POLICY AND THE FINANCIAL MARKETS

ESTABLISHING GROWTH RANGES

In seeking both sustainable economic expansion and a reduction of price inflation, the Committee on balance lowered its ranges for annual growth

Federal Open Market Committee's annual growth ranges for monetary aggregates and adjusted bank credit proxy

Seasonally adjusted annual percentage rates

Period	Month established	M-1	M-2	M-3	Credit proxy
1975 Q3 to 1976 Q3	October 1975	5 to 7½	7½ to 10½	9 to 12	6 to 9
1975 Q4 to 1976 Q4	January 1976	4½ to 7½	7½ to 10½	9 to 12	6 to 9
1976 Q1 to 1977 Q1	April 1976	4½ to 7	7½ to 10	9 to 12	6 to 9
1976 Q2 to 1977 Q2	July 1976	4½ to 7	7½ to 9½	9 to 11	5 to 8
1976 Q3 to 1977 Q3	November 1976	4½ to 6½	7½ to 10	9 to 11½	5 to 8

of the major monetary aggregates (see table). At its October 1975 meeting, the Committee had set a range of 5 to 7½ per cent for growth of *M*-1 –demand deposits plus currency in the hands of the public—over the four-quarter period ended in the third quarter of 1976. In January 1976 it reduced the lower limit of this longer-run range by ½ of a percentage point. Later it narrowed the range through two reductions in the upper end of ½ of a percentage point each. Thus, the range adopted for *M*-1 in November 1976 for the annual period ending in the third quarter of 1977 was 4½ to 6½ per cent.[1] The annual range for *M*-2—*M*-1 plus time and savings deposits at commercial banks other than large negotiable certificates of deposit (CD's)-- had been set at 7½ to 10½ per cent at the October 1975 FOMC meeting and the range was reduced, on balance, through subsequent modifications, to 7½ to 10 per cent for the annual period ending in the third quarter of 1977. At the October 1975 meeting the Committee had adopted a range of 9 to 12 per cent for *M*-3—*M*-2 plus deposits at thrift institutions. A range of 9 to 11½ per cent was established about a year later in November 1976.[2]

The Committee, in assessing the growth of the monetary aggregates early in the year, expected the demand for money to pick up in view of projected gains in economic activity. There had been an unusually rapid increase in the income velocity of *M*-1 in the second half of 1975. However, there was uncertainty whether innovations in the management of cash would continue to depress the rate at which demand balances would grow, given the expected gains in income and prevailing interest rate levels. After a slow start, growth in *M*-1 strengthened markedly during the spring and reached an average annual rate of 7 per cent, seasonally adjusted, over the first 5 months of the year. Its expansion moderated thereafter, and only in October did it again display significant strength.

Measured from the fourth quarter of 1975 to the fourth quarter of 1976, *M*-1 increased 5½ per cent. Commercial bank time and savings deposits other than large CD's grew rapidly during the year, as the interest rates on passbook accounts proved attractive in comparison with market rates. Consequently, *M*-2 grew by 11 per cent.

Implementation of the FOMC's Policy Objectives

Efforts of the Open Market Committee to achieve its longer-run objectives required continuing judgments on the extent to which open market operations should supply nonborrowed reserves in relation to the demand for them. After a brief move toward augmenting reserve

[1] One factor influencing the Committee's decision to reduce the growth range in November was increasing efficiency in the use of cash balances. The growth of transactions balances held in the form of *M*-1 was curtailed by the growing use of overdraft facilities, negotiable orders of withdrawal accounts, savings accounts that permit telephonic transfers to checking accounts or settlement of monthly bills, and savings accounts by businesses and State and local governments. One study by John Paulus and Stephen H. Axilrod (Board of Governors of the Federal Reserve System, "Recent Regulatory Changes and Financial Innovations Affecting the Growth of the Monetary Aggregates") indicated that, without these developments, the growth of *M*-1 in the year ended in the third quarter of 1976 might have been roughly 1½ to 2 percentage points higher than actually occurred.

[2] This note appears in opposite column.

[2] The upper ends of the ranges for *M*-2 and *M*-3 were reduced around midyear, but they were raised slightly in November because time and savings deposit inflows appeared likely to remain heavy, given that market interest rates had declined relative to those paid by banks and thrift institutions.

availability and lowering the Federal funds rate during the first 2 weeks in January, the Committee was content to see Federal funds continue to trade around 4¾ per cent through the winter. Policy directives issued following the January and February meetings instructed the Account Management to maintain prevailing money market conditions unless the growth rates of the monetary aggregates appeared to be deviating significantly from the midpoints of their specified short-run ranges. Indications of strong growth of the aggregates at the end of February led to a very slight shift toward a less accommodative stance, but this was reversed soon afterward on the basis of further information.

The Committee continued to hold to a steady course until mid-April. Then, rapid growth of the aggregates, especially in *M*-1, and evidence of a vigorous economic expansion prompted a shift toward a less accommodative stance that had been long expected in the financial markets. The System provided nonborrowed reserves less freely, and the Federal funds rate rose by ¾ of a percentage point over the next 6-week period to 5½ per cent by the end of May.

During the second half of the year, as evidence developed that over-all economic growth had slowed, the thrust of open market operations was toward easier money market conditions. The initial approach of the Committee was relatively cautious. At the June meeting it set a narrower-than-usual range for movements in the Federal funds rate, and at the August meeting it stressed the maintenance of stability in money market conditions. As concern about the economic outlook increased, however, at its September meeting the Committee opted for a range for the Federal funds rate that provided more room for downward than for upward movement. Thereafter, the Committee acted to promote a more accommodative financial climate. The trading level for Federal funds declined in three stages from about 5½ per cent at midyear to around 4⅝ per cent at the year-end.

Behavior of Financial Markets

Expectations of market participants were greatly responsible for the sharp rise in interest rates that developed during the spring. Even though interest rates had declined substantially since the previous autumn, market participants generally anticipated a cyclical upturn in rates during the year. Their expectations were based on a presumption that expanded private credit demands would compete with heavy Federal borrowing in a period when the Federal Reserve was likely to be taking steps to restrain growth of the money stock.

When reserve conditions did tighten briefly in late February, market interest rates rose sharply and returned to previous levels only gradually, even after the tightening in reserves proved to be temporary. When the Federal funds rate rose 75 basis points between mid-April and late May, other short-term rates advanced by as much as 80 to 100 basis points; long-term yields rose roughly 40 basis points. In the market for Treasury securities these rate increases were larger than the declines that had developed earlier in the year.

These expectations that interest rates would rise over the rest of the year proved wrong. Economic growth decelerated in the second half, while the Federal deficit turned out to be smaller than had been anticipated. Domestic corporations reduced their borrowings in the bond market in the second half as capital spending recovered slowly. This environment led investors—flush with cash and encouraged by the progress being made in dampening inflationary forces—to push yields significantly lower over the final 7 months of the year. By December, rates on Treasury bills were as much as 125 basis points below the levels that had prevailed at the beginning of the year. Yields on long-term Treasury issues were down by about 75 basis points, while those on corporate and tax-exempt issues showed substantially larger declines. In some markets, long-term interest rates were at their lowest levels in about 3 years.

During 1976 the Treasury raised $58 billion of new cash, second only to the record amount raised in 1975. It also extended the average maturity of its debt for the first year since 1964. It continued to regularize its debt offerings and to reduce uncertainty about prospective financings by keeping the market informed about its borrowing plans. The Treasury filled the remaining maturities in its monthly 2-year note cycle and established quarterly 4- and 5-year note cycles. New Federal legislation aided the Treasury's debt extension program by extending the maximum maturity of Treasury notes from 7 years to 10 years and by increasing from $10 billion to $17 billion the amount of long-term bonds that could be issued without regard to the 4¼ per cent interest rate ceiling.

The Treasury took advantage of this added flexibility by offering an intermediate-term note and a long-term bond in each of its quarterly refundings as well as a short-term 2- or 3-year note. In the first three refundings the Treasury sold one 7-year and two 10-year notes, with fixed coupons and prices, through subscription. All other securities were sold on an auction basis. The subscription sales drew heavy demand for the attractively priced notes, enabling the Treasury to increase the total size of the subscription issues to $18.5 billion, $7.5 billion more than the amounts initially offered.

The volume of secondary market trading in U.S. Government securities expanded considerably in 1976; flurries of speculative activity contributed to periods of unusual price volatility. The increase in trading activity stemmed partly from the large volume of Treasury financing. But there was also a surge in the trading activity of portfolio managers who sought to outperform the rate of return provided by more conservative investment strategies. Traders necessarily sought to anticipate the future course of rates by analyzing economic and monetary data as they appeared and by projecting the data yet to be published. In this environment, participants were often quick to react, or to overreact, to new data that they thought might presage shifts in monetary policy and credit conditions.

Most sectors of the economy added further to their liquidity, continuing the rebuilding process that had dominated credit markets in the previous year. Corporate borrowers flocked to the bond market during the first half, reducing their short-term debt and seeking to secure long-term funds before the expected rise in interest rates. At the same time, favorable cash flows generated by the rebound in corporate profits allowed businesses to finance a substantial portion of their capital needs internally. As a result, the pick-up in short-term borrowing by businesses from banks and in the commercial paper market over the second half of the year fell short of participants' anticipations. Moreover, the entire rebound in the aggregate of business loans at banks reflected acquisitions of bankers acceptances.

Commercial banks, disappointed by the slack demands of their business customers, turned to buying intermediate-term Treasury coupon securities in order to take advantage of the higher returns available toward the longer end of the upwardly sloping yield curve. Thrift institutions easily accommodated the rising demand for mortgages as their deposits continued to expand rapidly. In addition, they continued to rebuild their liquidity, although not by so much as in 1975.

Long-term tax-exempt issues posted larger yield declines over the year than taxable securities. Investors largely overcame the acute fears that had been triggered by New York City's financial problems in late 1975—although New York City itself did not regain access to the market for its own obligations. In addition, with an improved earnings position, fire and casualty insurance companies expanded their interest in tax-exempt securities, and commercial banks also showed some renewed interest in such issues as the year progressed.

TECHNIQUES OF POLICY IMPLEMENTATION

The FOMC's instructions to the Manager of the System Open Market Account regarding the management of bank reserves provide—to a considerable extent—for the accommodation of the public's demand for money in the short run, while at the same time prescribing a response when growth of money appears inconsistent with the Committee's long-term objectives. At each meeting the Committee specifies conditions to be achieved for bank reserve availability as measured by the Federal funds rate. It also specifies a procedure for changing the Federal funds rate within designated limits if current projections of growth in the monetary aggregates indicate significant weakness or strength relative to ranges specified by the Committee for the 2-month period covering the month of the latest meeting and the following month.

In 1976, the Committee instructed the Desk to assign approximately equal weight to *M*-1 and *M*-2 in evaluating the short-run behavior of the aggregates, rather than placing primary emphasis on *M*-1 as it had in the past. The Committee continued to include in its directive an instruction that the Manager take account of developments in the domestic and international financial markets.

Following each FOMC meeting, the Account Manager seeks to achieve the Committee's current objectives through operations in Treasury and Federal agency securities and bankers acceptances. Decisions about the size and type of operations and their timing are based partly on projections of reserve availability. The Manager also looks to the behavior of the Federal funds rate for additional information on factors affecting the supply of, and demand for, bank reserves. But participants in the Federal funds market have become more reluctant to trade at rates that they perceive to be out of line with the System's objective. Thus, the role of the funds rate as a short-run objective for open market operations tends to reduce its usefulness as a guide to reserve availability. Furthermore, the Manager, in shaping open market operations, has to take into account the sensitivity of market expectations to the behavior of the funds rate.

In evaluating the prospective behavior of the Federal funds market, the Manager and his staff seek to appraise the demand for, and supply of, bank reserves over the statement week ending on Wednesday. Member banks must meet their reserve requirements on average each week, and in addition they hold some margin of excess reserves as the result of the rapid shift of balances within the banking system. Required reserves are determined by deposits on the banks' books 2 weeks earlier and are thus known by each bank and the Federal Reserve at the start of the statement week. The Manager estimates the excess reserves that banks are likely to hold, taking into account seasonal deposit flows, the size and distribution of reserve excesses (or deficiencies) carried over from the previous week, the presence of holidays or statement-publishing dates, and interest rate movements. The Manager then has in hand an estimate of the total reserves likely to be demanded by the banking system in the current week.

With these demand considerations in mind, the Manager reviews projections of the supply of nonborrowed reserves in the banking system for the week. These projections estimate the impact on reserves of "market factors," such as Federal Reserve float, currency in circulation, and the Treasury's balance at the Federal Reserve Banks. *The Manager will then have an* estimate of nonborrowed reserve levels stretching out 4 to 6 weeks into the future, based on the assumption that the Trading Desk takes no action to affect reserves.

The Manager is thus able to compare the projected level of nonborrowed reserves over the week ahead with estimates of total reserves demanded. He can then determine the appropriate volume of reserves to be added or subtracted on a daily-average basis if open market operations are to maintain the existing rate on Federal funds. In doing this, account is taken of the expected addition to reserves likely to arise from borrowings at the discount window.

The Manager's approach to operations each week is shaped partly with an eye on the extent to which nonborrowed reserves in subsequent weeks are expected to fall short of, or exceed, projected reserve requirements. If reserve deficits extend into future weeks, the Desk is more likely to use outright purchases of securities to meet a reserve need. If the need is temporary, greater reliance on repurchase agreements is likely. Conversely, when reserve surpluses are projected over several weeks, outright sales and redemptions of maturing securities may be appropriate. If there is only a temporary need to absorb reserves, matched sale-purchase transactions are employed.[3]

[3]The System temporarily adds reserves through repurchase agreements and withdraws reserves through matched sale purchase transactions. In making repurchase agreements, the Desk enters into a contract under which dealers sell U.S. Government securities, Federal agency issues, and bankers acceptances to the System and agree to buy them back at a specified time, usually 1 day to a week later, at the same price plus a competi-

The Manager also relies on the behavior of trading in Federal funds as a source of additional information on the supply and demand forces affecting the money market. The Desk may defer putting its program into effect until the trading level of Federal funds in the money market confirms the statistical estimates of reserve availability. Care is taken to avoid actions that might lead to misinterpretation of the System's intentions by market participants. Thus, when a need to supply reserves is anticipated, the Manager may wait for the funds rate to edge up at least to or above the operational objective before entering the market. When an overabundance of reserves is projected, the Manager may wait for the funds rate to edge down at least to or below the objective before entering the market to absorb reserves.

At times, the money market may not reflect the projected conditions of reserve abundance or scarcity. In this case the Manager may merely delay carrying out his plans to affect reserves. However, when reserves are estimated to be abundant (scarce) and the funds rate threatens to rise (fall) significantly above (below) the desired level, that situation calls into question the accuracy of the estimates of the supply of, and the demand for, reserves. The System's absence from the market in that event could be misleading, and the Manager is likely to enter the market to counteract undesirably firm (easy) conditions.

The value of the Federal funds rate as an indicator of the conditions of reserve availability probably has diminished in recent years. Large shifts in the Treasury's balances at the Reserve Banks have led to much greater day-to-day volatility in the level of nonborrowed reserves. Exposed to such volatility, money position managers at the banks are less likely to react to the immediate ebb and flow of funds because they expect the Federal Reserve to compensate for these massive surges. They appear to be willing to accumulate larger reserve deficits or surpluses before taking offsetting actions in the Federal funds market. Thus, the actual Federal funds rate tends to remain close to the market's perception of the System's objective for the rate until rather late in a statement week.

tively determined rate of return. The Desk generally permits dealers to offer customer securities as well as the dealers' own holdings. Repurchase agreements either may allow dealers to buy securities back at a date earlier than specified initially or may not allow such early withdrawals—an alternative form introduced in 1976. The Manager's decision on the amount of securities to be purchased is partly based on the statistical estimates of reserve supplies. The volume and aggressiveness of the dealers' offerings provide additional information on the size of the reserve need. Under matched sale-purchase transactions the System sells Treasury bills to the market, and at the same time contracts to buy them back on a certain day, usually up to a week later. The rate at which bills are sold and repurchased is set through competitive bidding by the dealers. Matched sale-purchase transactions cannot be terminated before maturity.

The primary source of the large shifts in the Treasury's balance has been the Treasury's cash management policy of holding the bulk of its balances at the Federal Reserve Banks rather than in its tax and loan accounts at commercial banks. The Treasury's balance at the Federal Reserve tends to fall early in the month as social security and other regular payments are made and then to rise later in the month when taxes and other revenues are received. The average weekly change in the Treasury's balance at the Reserve Banks amounted to $2 billion in 1976, a 45 per cent increase from 1975 and a fourfold increase from 1974. In 14 weeks in 1976 the change exceeded $3 billion. As a result, the Trading Desk undertook substantially enlarged operations just to counteract short-run swings in bank reserves.

Faced with shifts in reserves of this magnitude, the Manager often needs to enter the market very early in the week to take offsetting action. But the reserve estimates available at the start of a week are often in error—by about $490 million on average in 1976, a 55 per cent increase from the year before. Since Federal funds tend to trade close to the market's perception of the Desk's objective, it is difficult to get confirmation from the money market of the magnitude of the reserve need or surplus before the calendar weekend. To deal with this situation the Manager may seek to compensate for a major part of the reserve swings by announcing, on Wednesday, intentions to supply or to absorb reserves on the first day of the forthcoming statement period.[4] Even so, the

[4] This note appears on opposite page.

scale of operations needed after the weekend often remained quite large.

The Account Management often has the option of engaging directly in transactions with foreign accounts to carry out System reserve objectives rather than acting as agent to execute these foreign orders with dealers in the market. For example, when the Desk receives foreign orders to buy securities, it may elect to meet such orders by selling directly from the System's own portfolio at prevailing market prices. Similarly, when the foreign order is to sell securities, the Desk may buy for the System Account. When the Desk arranges foreign transactions with the System Account in this way, the transactions have the same effect on bank reserves as System operations through dealers in the market.

Foreign accounts often also have funds available for overnight investment. When this is the case, the Desk may arrange matched sale-purchase transactions with the System Account to drain reserves overnight rather than to act as agent and place these funds in the market as repurchase agreements with dealers. When a reserve abundance is projected, System matched sale–purchase transactions made directly with foreign accounts can help to reduce the excess. Moreover, when the reserve levels are expected to be approximately satisfactory, or in somewhat short supply, and the Federal funds rate is below the desired level, transactions directly with foreign accounts can sometimes be used to encourage a firming of conditions in the money market.

OPEN MARKET OPERATIONS IN 1976

JANUARY TO MID-APRIL

The FOMC's view at the beginning of the year was that the economy was expanding in an orderly manner, as industrial production, retail sales, and employment all displayed good-sized gains. Although growth in the money stock was expected to rebound from the slow rate that had developed during the second half of 1975, there were significant uncertainties in the forecast. It was difficult to assess the impact on growth of *M*-1 likely to result from continued technological change in business and household management of cash balances and from the further growth of savings accounts recently authorized for businesses. Moreover, seasonal adjustment of the money stock was problematical, with alternative adjustment techniques producing different results.

Against this background, the Committee preferred not to allow modest deviations in the projected growth of the aggregates relative to the Committee's short-run ranges to prompt changes in the Desk's Federal funds rate objective. The directives issued after the January and February meetings instructed the Manager to maintain prevailing money market conditions unless growth of the aggregates deviated significantly from the midpoints of their specified ranges.[5] Such a "money market" directive places primary emphasis on maintaining prescribed money market conditions.

At the January 1976 meeting, the Committee specified ranges for the aggregates that were somewhat wider than usual. This specification reduced the likelihood that the Federal funds rate would change. The behavior of the money stock measures was divergent in the weeks that followed, but taken together the estimates for the 2 months ended in Feburary did not warrant a change in reserve conditions. *M*-1 remained near the bottom of its range, while *M*-2 was at or above the top of its range.

A money market directive was also adopted in February. But the aggregates showed strength shortly thereafter, with estimates of both *M*-1 and *M*-2 moving well up in their ranges. Ac-

[4] Reserve operations affecting an entire week have been employed with increasing frequency. The Manager arranged 6- or 7-day operations either to add or to absorb reserves during 28 weeks in 1976. Futhermore, nine of the week-long repurchase operations were announced to the dealers on Wednesday afternoon and executed on Thursday morning to allow the dealers additional time to round up securities from customers. Preannouncing also diminished any significance that might be attached to the funds rate prevailing when the transactions were completed the next day.

[5] When significant weakness had developed in the aggregates during late December and early January, the Desk had lowered the Federal funds rate objective to 4¾ per cent.

cordingly, the Trading Desk sought to hold back slightly on supplying nonborrowed reserves relative to the emerging demand by banks. On Friday, February 27, it began seeking conditions consistent with Federal funds edging up from 4¾ per cent to a 4¾ to 4⅞ per cent range. That afternoon, when Federal funds were trading at 4$^{13}/_{16}$ per cent, the Desk entered the market as agent to arrange repurchase agreements for customer accounts. This was contrary to market expectations that the Desk would enter to provide reserves on behalf of the System when funds were trading at that level. It was interpreted by participants as indicating a change in the System's previous stance. The funds rate moved swiftly to 4$^{15}/_{16}$ and 5 per cent that afternoon, though this occurred when it was too late for the Desk to make any significant volume of repurchase transactions for its own account for payment that day. By Monday funds were trading at 5 per cent and above, and the Desk provided reserves in volume. The money market remained unduly tight until shortly before the end of the statement week even though the banking system held a substantial volume of excess reserves at the week's end.

The financial markets had expected interest rates to move higher in view of the improvement in the economy, but the late-February evidence of firming by the System occurred sooner than had been expected. Interest rates moved up sharply: the rate on 3-month Treasury bills rose by around 30 basis points over the week, while long-term bond yields moved about 15 basis points higher.

During the following statement week, new data suggested that the aggregates were not, in fact, moving outside the Committee's tolerance ranges, and the Desk returned to the 4¾ per cent Federal funds rate objective. A surfeit of reserves was being provided by a declining Treasury balance, but the surfeit had to be reinforced by additional System reserve injections in order to put enough downward pressure on the funds rate to bring it close to 4¾ per cent by the week's end. Other markets were somewhat slower to settle back. Participants in these markets continued to view underlying economic conditions as suggesting a rise in short-term rates.

At its March meeting the Committee favored essentially little change in conditions of reserve availability but expressed greater willingness at that point to resist any strengthening that might develop in the monetary aggregates. Consequently, the Committee voted for an "aggregates" directive, the more common form of its operational instructions. Such a directive places primary emphasis on the behavior of the aggregates, thereby establishing a somewhat greater likelihood that conditions of reserve availability will be altered between meetings. The aggregates, in fact, behaved about as expected over the next month, and thus the Federal funds rate remained around 4¾ per cent through mid-April.

Mid-April through May

At the April and May meetings the recovery appeared to be proceeding at a vigorous pace, with preliminary estimates indicating that real gross national product (GNP) had expanded at a 7½ per cent rate in the first quarter. The outlook for economic growth appeared bright, with prospects of further inventory accumulation and continued sizable advances in consumer spending. Also the underlying demand for money appeared to be strengthening. Growth in *M*-1 in February and March had averaged about 6 per cent at an annual rate, and the staff projected very rapid growth in April. Expansion in *M*-2 and *M*-3 was also quite fast. Most members preferred to restrain such strong growth of the aggregates and were willing to tolerate some firming in money market conditions after both the April and the May meetings.

At the April meeting the Committee directed the System Account Manager to seek reserve conditions consistent with Federal funds trading around 4⅞ per cent—within a tolerance range of 4½ to 5¼ per cent. In addition, the Committee's directive allowed the Desk to respond further to indications of undesired strength in the money supply. Throughout the interval between the two meetings, expected growth in the aggregates was high relative to the Committee's specified ranges, prompting the Account Management to continue to hold back on nonborrowed reserves in relation to demand. By the time of the May meeting, Federal funds were trading at 5¼ per cent, the top of the range. The Committee called for an immediate increase in the Federal funds objective to around 5⅜ per cent, and by the end of May the Federal funds objective had been raised to 5½ per cent under an aggregates directive.

At the time of the Committee meeting in April, interest rates on short- and long-term debt had fallen to the lowest levels reached thus far in the year. Three-month Treasury bills traded at rates as low as about 4.70 per cent in mid-April, and long-term Government bond yields were down to around 7.80 per cent. Still, participants in the markets were cautious about the interest rate outlook as they prepared to face a large volume of offerings during the approaching quarterly Treasury refunding. Indications of vigorous economic growth strengthened market expectations that the System might well resist the rapid growth of the monetary aggregates that was emerging.

During the 6 weeks from mid-April to late May, when the Desk pursued a less accommodative policy toward provision of reserves, the yield curve for Treasury securities moved substantially higher and flattened out a bit. Rates on Treasury bills due in 3 and 6 months increased by about 90 basis points; yields on coupon issues maturing in 3 to 7 years moved up by about 55 to 70 basis points; yields on long-term bonds advanced about 35 basis points. During this period bond quotations became especially volatile, particularly on Thursday afternoons following publication of the weekly money stock data, as participants sought to anticipate future System actions. About three-quarters of the over-all increase in yields on long-term Treasury bonds over the period was concentrated in market trading late on Thursdays and during the day on Fridays.

One episode during this period provides an interesting setting for examining the methods that the Trading Desk uses to implement System policy as well as the market's response to the Desk's actions and other influences. Operations during the bank statement week running from Thursday, May 6, to Wednesday, May 12, posed a particularly difficult challenge: how to effect a change in the System's posture while contending with volatile reserve flows and sensitive securities markets in the midst of a Treasury refunding operation. Prior to the start of that statement week the System's operations had already led to a rise in the Federal funds rate from about 4¾ per cent in mid-April to a 5 per cent level in early May.

On the first day, Thursday, May 6, reserve projections indicated that a fall in the Treasury's balance at Federal Reserve Banks would release about $3 billion of reserves, on average, to the banking system during the statement week beginning that day, although there would be some offsetting reserve absorption by other factors. These estimates thus pointed to an overabundance of about $1 billion of nonborrowed reserves that week. Federal funds were trading at 4$^{15}/_{16}$ per cent, only slightly on the comfortable side of the 5 per cent level sought at that time.

In these circumstances the Desk sought initially to absorb reserves unobtrusively, limiting its operations to transactions directly with foreign accounts. The System sold Treasury bills outright to these accounts and also arranged overnight matched sale-purchase transactions with them, thereby meeting overnight investment requirements of the foreign accounts. Since overnight customer orders were not placed in the market on Thursday, participants concluded that the Desk was draining reserves to a certain extent. By early afternoon, however, the weight of the reserve excess began to tell in the money market, with funds threatening to trade at 4⅞ per cent. The Desk then entered the market to drain reserves by arranging a moderate amount of 4-day matched sale–purchase transactions. These efforts did not affect the expectations of market participants because the Treasury balance typically declines near the start of each month and the need to drain reserves was widely expected.

Through most of Thursday, prices of U.S. Government securities had been edging lower in quiet activity as the market adjusted to the previous rise in the Federal funds rate. There was also some nervousness because the market was still awaiting the results of the Treasury's offering of 10-year 7⅞ per cent notes—the centerpiece of the May refinancing—on which subscriptions had been taken on the preceding day. In this atmosphere, the announcement of a large increase in the wholesale price index added to the market's concern about renewed inflationary pressures. Then late in the day, the weekly money stock data were released, showing a decline of $800 million in the level of *M*-1 for the statement week ended April 28. However, this decline was smaller than some market participants had expected and did little to offset the substantial growth recorded in previous weeks. Consequently, market observers grew more concerned that the System might continue to press for a higher trading level of the Federal funds rate. In this uneasy market atmosphere, securities prices continued to decline.

Market weakness persisted on Friday morning after the Treasury announced that it would increase the size of the 10-year note issue by $1.2 billion to $4.7 billion because of heavy subscriptions from investors. While dealers and others subscribing for large amounts had been allotted 15 per cent of their subscriptions, some of these subscribers by that time were hoping to receive few, if any, of the new notes. Dealers felt uncomfortable with their awards, and there was further downward pressure on prices in advance of the final refunding auction that day of an additional $750 million of 7⅞ per cent bonds, due February 15, 2000. From the time just prior to the release of the money stock data to the close of trading on Friday, Treasury bill rates rose about 5 to 12 basis points, while prices of intermediate-term Treasury issues fell about ¼ to ⅜ of a point. Prices of long-term bonds fell about 1⅛ points, as the market grew less willing to take on additional bonds in the auction.

On Friday morning the new projections of the monetary aggregates continued to show undesirable strength. The data suggested that growth of *M*-1 would be well above the range of 4½ to 8½ per cent specified by the Committee for the April–May interval, while *M*-2 was running well up in the 8 to 12 per cent range. This information indicated that it would be appropriate for the Desk to seek conditions of reserve availability consistent with the Federal funds rate moving up from about 5 per cent to around 5⅛ per cent by Wednesday, the end of the statement week.

In view of the sensitive state of the securities markets in the midst of the Treasury's refunding, the Desk proceeded cautiously in seeking this adjustment. Reserve projections on Friday, May 7, suggested adequate reserve availability because of the System's operations on the previous day and a substantial downward revision in the estimate of reserves likely to be released by a decline in the Treasury balance. Federal funds traded at 4$\frac{15}{16}$ per cent and then at 5 per cent. In an effort to achieve a firmer money market by Wednesday, the Desk again drained reserves unobtrusively by selling Treasury bills outright and arranging over-the-weekend matched sale–purchase transactions, in both cases with foreign accounts. Given the sensitive state of the securities markets and the Treasury's long bond auction that day, no overt action to drain reserves was taken in the market.

By Monday, new estimates of reserve availability suggested the need to add about $1 billion to the weekly average, reflecting another large downward revision in the estimates of reserves expected to be provided by the decline in the Treasury balance and other factors. With Federal funds opening at 5 per cent, the Desk confined its initial action to a modest purchase of Treasury bills from foreign accounts. When the funds rate began to rise above 5 per cent, the Desk entered the market to fill a good portion of the projected reserve deficit by arranging 3-day repurchase agreements.

The securities markets remained apprehensive. The bonds sold in Friday's auction had an average yield of 8.19 per cent, higher than many had anticipated. Treasury bill rates rose an additional 5 basis points or so during the day, while prices of longer-maturity coupon issues fell by nearly ½ point. The corporate market also reflected supply pressures, as unsold issues piled up in dealers' inventories and a heavy forward calendar grew even larger.

On Tuesday, reserve estimates indicated adequate availability for the week, due to the Desk's injection of the previous day and an upward revision in the effect of market factors on reserves of about $350 million for the week. Federal funds traded predominantly at 5$\frac{1}{16}$ per cent during the day. The Desk took no action in the market to affect reserve supplies but did drain reserves through matched sale-purchase transactions with foreign accounts to establish conditions that would promote a slightly firmer money market on the following day.

Federal funds traded at 5⅛ per cent on the morning of Wednesday, May 12, and reserve projections indicated a moderate need to add reserves for the statement week ended that day. With conditions in the money markets about as desired, the Desk arranged temporary investment orders from foreign accounts in the market and awaited further developments. Funds traded steadily at 5⅛ per cent until the noon hour and then moved higher. The Desk entered the market at this point to provide reserves through overnight repurchase agreements. The funds rate thereafter moved back to about 5⅛ per cent. The credit markets, still digesting the recent Treasury offerings, remained quite sensitive to the Desk's toleration of higher trading levels in Federal funds. Treasury bill rates moved up about 5 to 12 basis points, and prices of coupon issues generally fell by ⅛ to ⅜ of a point.

The Desk's caution during the week stemmed from the fragile state of the securities markets. Until recent years, the System typically tried to avoid changes in its posture with regard to reserve management while the Treasury was formulating its offering and while underwriters were taking on and distributing Treasury securities on a large scale. Such "even keel" considerations have diminished considerably in the past few years. The use of the auction technique for selling coupon securities since 1970 has substantially increased the ability of underwriters to adjust their expectations of future rate levels up to the time of the Treasury's sale. The regularization of the Treasury's debt offerings has also reduced uncertainty regarding the size and timing of the Treasury's borrowings. Furthermore, given the increased frequency of the Treasury's sales of coupon issues, the System could no longer maintain an even keel if it were to retain flexibility in pursuing an open market policy consistent with its long-term objectives. Nonetheless, the sharp rise in interest rates during the May 1976 period had not been fully anticipated in the market, and underwriters incurred significant losses on this occasion.

June to Mid-October

In early June, with projections of the aggregates showing a somewhat more moderate growth than in late May, the Manager continued to seek a Federal funds rate of around 5½ per cent.

By the June FOMC meeting, economic growth appeared to be slowing from the rapid pace seen earlier in the year, and most members viewed this deceleration as a healthy development. In addition, monetary growth appeared to be settling back to a more acceptable rate. Therefore, while awaiting further information on the economic situation, the Committee favored relative stability in money market conditions, preferring to avoid both a significant easing, which might have to be reversed shortly, and also a significant firming. It adopted an aggregates directive but specified a relatively narrow Federal funds rate range of 5¼ to 5¾ per cent, thus limiting the potential response to deviations in the aggregates. As it turned out, the estimates of *M*-1 and *M*-2 weakened in early July, prompting the Manager to provide reserves more readily, and the Federal funds rate fell from around 5½ per cent to about 5¼ per cent by mid-July.

The Committee retained a steady posture with respect to reserve availability over the rest of the summer. While there were signs of hesitation in the pace of the economy, data on consumer and business spending at times suggested that the deceleration could be temporary and similar to those observed in the recovery phases of previous business cycles. At the July meeting, the Committee selected a wider range for the Federal funds rate as part of the specifications for an aggregates directive, though several members still favored keeping the range narrow in view of the uncertainties in the outlook. These concerns were more widespread in August, and the Committee voted for a money market directive at that time. The aggregates remained well within the specified ranges after both meetings, and the thrust of open market operations was not altered.

During the summer the financial markets

began a prolonged rally, which gained considerable momentum in August. The short-term markets were buoyed by the moderation in the growth of the money supply and the over-all stability of Federal funds trading. Long-term markets were aided by growing confidence that inflationary pressures were waning and by a cutback in demand from corporate borrowers. From the beginning of June to mid-September, 3-month Treasury bill rates fell by about 50 basis points and long-term bond yields declined around 35 basis points. With commercial banks and others extending the maturities of their purchases of Treasury coupon securities, yields on intermediate-term issues registered the largest declines—about 65 basis points.

At the September meeting, FOMC members noted the significant interest rate declines that had been registered in the debt markets. While growth in *M*-1 had slowed, *M*-2 was expanding at a relatively rapid pace. As the pause in economic growth persisted, however, more attention was given to the possibility that future growth would fall below expectations. Against this background, the Committee in September voted for an aggregates directive, structuring the Federal funds rate range to permit greater room for easing than for firming. The range was established at 4¾ to 5½ per cent with the focal point at 5¼ per cent, thus allowing for the possibility of a 50-basis-point decline should growth in the aggregates turn out lower than expected at the time of the meeting.

In the statement week that followed the meeting, the week ended September 29, the Federal funds objective remained at 5¼ per cent. However, the Account Management experienced considerable difficulty in achieving this objective, as the Treasury's operations drained a larger-than-expected volume of reserves. Initially, the Desk faced a sizable estimated reserve deficit of $3½ billion to $4 billion (daily average), mainly due to the continuing build-up in the Treasury's accounts at the Federal Reserve Banks after the September 15 tax date. On the first day of that week, the Desk arranged $3.8 billion of 7-day repurchase agreements, an operation that had been announced to the market on the previous afternoon. Whereas the reserve injections that day about met the week's need, the Manager expected that withdrawals from the repurchase agreements would necessitate further reserve injections late in the week.

Indeed, early terminations of such contracts, which came to $1.3 billion on a daily-average basis, substantially eroded the net reserve injection. Furthermore, upward revisions in the estimates of the Treasury's balance, amounting to $1.1 billion on average, enlarged the reserve deficit. Consequently, the money market became quite firm beginning on Monday, September 27, and the Desk arranged five additional rounds of repurchase agreements over the rest of the statement week. Despite taking virtually all propositions for repurchase agreements on the two final days, the Desk still was unable to depress the Federal funds rate from around 5⅜ and 5½ per cent to the 5¼ per cent objective. On Wednesday night, holdings in the repurchase account, including bankers acceptances, reached a record $8.7 billion.[6] The securities markets seemed to show little reaction to the tight conditions after the weekend, partly because they could observe the Desk making every effort to counteract the money market firmness.

To prevent a repetition of the money market strains and the uncertainties associated with sizable early terminations of repurchase agreements, the Desk instituted an alternative form of repurchase contract in the week of October 6, one that did not permit termination before maturity. On the first day of the new statement period, the Desk arranged about $1.4 billion of such agreements in addition to $4.6 billion of 4-day contracts that carried the right of early termination. As expected, most of the securities involved in the nonterminable contracts came from the portfolios of banks and other institutions while the dealers themselves, both bank and nonbank, exhibited a preference for the terminable contracts.

In early October the projections of the monetary aggregates began to indicate a substantial weakening, in the growth of demand deposits for the September–October interval, although growth in *M*-2 remained near the middle of its

[6] This record was eclipsed on December 29 when such holdings built up to $10.7 billion.

range. In view of this, the Desk began to seek Federal funds trading in a range of 5⅛ to 5¼ per cent instead of the previous 5¼ per cent objective. When subsequent projections confirmed this picture, the Desk became steadily more accommodative, and by the time of the October meeting funds were trading at around 5 per cent.

MID-OCTOBER TO THE YEAR-END

Most FOMC members favored a slight easing in money market conditions at the October meeting. The economy's lackluster performance continued; the growth of real GNP had slowed a little further in the third quarter from the rather modest pace of the second quarter. Moreover, the risks of a shortfall from expectations had increased, since it appeared that the slow growth of personal income, the protracted sluggishness in consumer spending, and the decline in stock market prices could, if extended, dampen business confidence and adversely affect investment plans. The Committee voted an aggregates directive and decided to seek a decline in the Federal funds rate from 5 to 4⅞ per cent (the middle of a 4½ to 5¼ per cent range) during the first full statement week after the meeting.

A few days after the meeting, however, the outlook for the monetary aggregates displayed surprising strength, with both *M*-1 and *M*-2 projected near the upper limits of their tolerance ranges. Morever, it was apparent that, unless later data contradicted this outlook, an easing move would only have to be reversed 1 week later. Accordingly, the Committee concurred in the Chairman's recommendation that the Manager should hold the System's posture unchanged. Data received in the following week continued to indicate unexpected strength, and the Manager again consulted with the Chairman who advised that any significant increase in the Federal funds rate objective would be inconsistent with the Committee's intent. The Desk continued to seek reserve conditions consistent with Federal funds trading at around 5 per cent until the November meeting.

At its November meeting, the Committee concluded after its review of economic and financial developments that a decline in the Federal funds rate to about 4⅞ per cent would be appropriate within the first week after the meeting, followed by a further decline to around 4¾ per cent during the second week. The Federal funds rate range was set at 4½ to 5¼ per cent. Subsequent changes in the objective would depend on the outlook for the aggregates. This time the monetary growth rates remained closer to expectations, although growth in *M*-1 was slowing. In these circumstances, the Desk held to the 4¾ per cent objective through early December and then shifted to 4⅝ per cent when it appeared that *M*-1 was weakening further.

The deliberations at the December meeting struck a more optimistic chord as most members agreed that the business situation had strengthened. Indications of strong gains in personal consumption and residential construction suggested that, once the decline in inventory accumulation had run its course, economic growth would soon accelerate. The Committee preferred to maintain the prevailing money market conditions in the weeks ahead. In part, this reflected the difficulties in assessing the significance of monetary growth rates over the December–January period. Also, improvement in the economy and substantial interest rate declines strengthened expectations for the future. The Committee voted a money market directive and the Desk continued aiming for conditions of reserve availability consistent with Federal funds trading at 4⅝ per cent through the year's end.

The securities markets extended the summertime rally through the end of the year. Over the last 3 months, interest rates fell considerably, with both short- and long-term Treasury securities posting declines of about 70 basis points. The economy's sluggish advance through most of the fourth quarter had suggested that two of the markets' major concerns– the possibility of heavy demands from borrowers and a rebound in inflationary pressures –would not prove troublesome for the time being. In addition, very sharp price gains were recorded in the markets during those intervals when the System had shifted toward a more accommodative interest rate stance. In late November and December the markets' perceptions of the Desk's moves toward ease, in conjunction with a reduction in the Federal Reserve discount rate from 5½ per cent to 5¼ per cent, and a flow of news that emphasized the economy's slow growth generated expectations in the markets of further accommodative steps. The markets also reacted bullishly to the Federal Reserve's reduction in reserve requirements in December. Speculative enthusiasm was widespread among market participants, and dealers built up inventories of Government securities to record levels in December.

Against this background, the retreat in the securities markets that followed in the first few weeks of 1977 was especially pronounced. New economic data indicating a strengthening in business activity, the absence of further accommodative steps by the System, and participants' attempts to capture profits all gave rise to heavy selling pressure. Moreover, there were anxieties over the inflationary pressures that might arise out of the severe winter conditions and the new administration's proposed fiscal stimulus program. By the end of January, the back-up in yields on Treasury issues had eliminated a substantial portion of the declines posted in the fourth quarter of 1976; the sell-off in the corporate and tax-exempt sector was less pronounced. □

Bank Holding Company Financial Developments in 1976

The year 1976 was a period of recovery for the American banking system. Following significant reversals in the two previous years, bank holding companies (BHC's) in 1976 experienced significant growth, improved liquidity, and increased earnings. Moreover, as the year progressed there was evidence of increasing public confidence in BHC's as a group.

This article reviews the major financial developments of BHC's both one-bank and multibank during 1976 and is based largely on data recently released by these organizations. Since financial data for all BHC's are not yet available, this review is limited to the 100 largest BHC's. These 100 organizations, however, have the bulk of the assets held by all BHC's, and their financial developments should depict developments of the entire group.

1. Selected balance sheet items for major bank holding companies

Amounts in billions of dollars

BHC's	Year end 1975	Year-end 1976	Percentage change
	Total assets		
Largest 10	322.5	354.4	9.9
" 25	449.9	488.5	8.6
" 100	626.4	678.0	8.2
	Net loans		
Largest 10	183.3	197.0	7.5
" 25	251.2	269.0	7.1
" 100	342.2	364.3	6.5
	Stockholders' equity		
Largest 10	12.2	13.6	11.5
" 25	18.4	20.3	10.3
" 100	29.1	31.5	8.2

BHC ASSET AND LOAN GROWTH

Between year-end 1975 and year-end 1976 the consolidated total assets of the 100 largest BHC's increased from $626.4 billion to $678.0 billion, or 8.2 per cent.[1] This rise, in large part reflecting the growth of holding company banks, far outpaced the unusually slow 2.7 per cent increase in 1975. However, the growth in total assets in 1976 was somewhat less than the growth of gross national product as measured in current dollars.

Net loans[2] of the 100 largest BHC's increased during 1976 from $342.2 billion to $364.3 billion, or 6.5 per cent. This growth, which was slightly less than the growth of total assets, stands in contrast to the unusual 1.3 per cent decline experienced the previous year. During 1976 consumer instalment and real estate loans proved to be the major areas of loan growth. In contrast, business loan demand was relatively weak, continuing the pattern of the previous year.

During 1976 the liquidity of most major BHC's improved significantly. This strengthening occurred on both sides of BHC balance sheets. On the asset side, for example, the ratio of net loans to total assets for the top 100 BHC's fell from 54.6 per cent to 53.7 per cent. This decline was mainly offset by a continuation of the sharp rise in U.S. Government security holdings that had begun in 1975. On the liability side, BHC's experienced a shift toward more

NOTE. Anthony Cyrnak and Samuel Talley of the Board's Division of Research and Statistics prepared this article.

[1] See Table 1 for the asset growth of the largest 10 and largest 25 BHC's.

[2] Net loans equal gross loans minus unearned income from loans and reserves for loan losses. Major BHC's began reporting loans on a net basis in 1975.

stable sources of funds with savings-type deposits displacing relatively volatile money market instruments such as negotiable certificates of deposit.

BHC CAPITAL

The stockholders' equity of the 100 largest BHC's increased from $29.1 billion to $31.5 billion, or 8.2 per cent, during 1976. However, because total assets of these organizations also increased 8.2 per cent, the ratio of stockholders' equity to total assets remained unchanged from year-end 1975 to year-end 1976 at 4.65 per cent. This stability during 1976 contrasts both with a sharp deterioration in BHC equity capital ratios during the early 1970's and with a significant increase in 1975.

The 10 largest BHC's recorded the greatest percentage gain in stockholders' equity in 1976 (Table 1). However, these money center organizations, which are heavily involved in international banking, also experienced the largest percentage gains in total assets. Consequently, this group posted only a very slight increase in their equity capital ratio.

2. Selected balance sheet ratios for major bank holding companies

In per cent

BHC's	Year-end 1975	Year-end 1976	Change
	Net loans to total assets		
Largest 10	56.8	55.6	(1.2)
" 25	55.8	55.1	(.7)
" 100	54.6	53.7	(.9)
	Stockholders' equity to total assets		
Largest 10	3.78	3.84	.06
" 25	4.09	4.16	.07
" 100	4.65	4.65	.00

BHC PROFITS

Profits for the 100 largest BHC's rose moderately during 1976 after increasing very little during the previous year. Consolidated aggregate income before securities gains and losses increased to $3,437 million—5.2 per cent greater than the $3,267 million recorded in 1975 (Table 3). Although changes in profits at individual BHC's varied significantly, the increase in over-all profitability was generally broad-based with 70 of the 100 firms posting an increase.

3. Selected performance data for major bank holding companies

Amounts in millions of dollars

Item	1975	1976	Percentage change
Income before securities gains and losses (after tax)	3,267	3,437	5.2
Provisions for loan losses	2,815	2,624	(6.8)
Net loan charge-offs	2,359	2,492	5.6
Reserves for loan losses	3,734	3,874	3.7
Ratio of reserves for loan losses to year-end net loans	1.09	1.06	...

The continued existence of substantial interest rate spreads—the difference between the rates received on interest-bearing assets and the rates paid on interest-bearing liabilities—was an important factor contributing to 1976 BHC profits. Although these spreads were somewhat narrower than the record levels during 1975, they combined with moderate asset growth to increase net interest revenues at many major BHC's. Other factors that bolstered profits at many BHC's included tight control over non-interest costs and an increase in revenues from both bond transactions and trust operations.

A reduction in loan loss provisions also improved BHC profits during 1976. The level of loan loss provisions for the 100 largest BHC's declined 6.8 per cent from the previous year. This decline was in large part due to the assumption that actual loan charge-offs during 1976 would not increase so dramatically as in 1975. As expected, aggregate net loan charge-offs for the 100 largest BHC's increased only 5.6 per cent during 1976—far below the sharp increase that had occurred in the previous year.

Despite the decline in loan loss provisions, loan loss reserves rose from $3,734 million in 1975 to $3,874 million in 1976. Under current BHC accounting methods, loan loss provisions increase the reserve for loan losses, while net loan charge-offs reduce the reserve. During 1976 loan loss provisions exceeded net charge-offs by $132 million and were largely responsible for the 3.7 per cent increase in reserves. However, with net loans rising faster than reserves, the ratio of reserves to year-end net loans declined slightly during 1976 from 1.09 per cent to 1.06 per cent.

Profits at the 10 largest BHC's during 1976 rose at roughly one-half the rate of those at the remaining 90—3.6 per cent compared with 6.8 per cent. One factor contributing to the slower profit growth for the 10 largest was that their provisions for loan losses fell only 4.8 per cent compared with 9 per cent for the remaining 90 BHC's.[3] Another factor was a slowdown in the growth of earnings from foreign activities, in which the 10 largest organizations are heavily engaged. Continued high volume but somewhat narrower interest rate spreads on foreign loans reduced the over-all contribution to profits from this important source at a majority of the 10 largest BHC's.

BHC SECURITY ISSUES

During 1976 BHC's issued nearly $2 billion of long-term debt and equity issues. This amount was up from almost $1.5 billion in 1975, but trailed the $2.3 billion issued in 1974 when BHC's sold more than $1 billion of floating rate notes. About half of the financing in 1976 occurred during the final quarter of the year.

The composition of the securities issued in 1976 was quite different from recent years (Table 4). For example, during the 1973–75 period less than 5 per cent of BHC security financing was in the form of equity. In 1976, however, equity financing amounted to 17 per cent of the total. This increase in equity financing was apparently due to improved BHC stock prices and a desire by some BHC's to boost their equity capital ratios, which in many cases had declined sharply during the early 1970's. All of the equity financing done in 1976 involved common stock, unlike 1975 when more than three-fourths was preferred stock.

4. Long-term debt and equity issues by bank holding companies

Amounts in millions of dollars

Year	Long-term debt	Common stock	Preferred stock	Total
1973	877	48	...	925
1974	2,314	10	10	2,334
1975	1,320	38	121	1,479
1976	1,639	340	..	1,979

There were several significant aspects of bond financing by BHC's during 1976. First, bond financing was dominated by the 10 largest BHC's, which accounted for about 53 per cent of the total for all BHC's. Second, BHC's resorted heavily to the private placement market in 1976, with 41 per cent of total BHC bond offerings being sold through this market. This widespread use of private placements in 1976 compares with only 10 per cent of BHC bonds being privately placed in 1975 and 2 per cent in 1974.

BHC STOCK AND BOND TRENDS

Prices of BHC common stock, which were relatively low at the end of 1975, rose significantly during 1976. However, there were considerable differences in the price performance of various groups of BHC's. For example, Standard and Poor's stock price index for New York City banks rose about 13 per cent during 1976, whereas the index for banks outside New York City rose about 37 per cent.[4] This was the second consecutive year that so-called regional BHC stocks outpaced New York City BHC stocks. One likely reason for the relatively poor performance of the organizations in New York City is that several recorded poor earnings in 1976.

Between year-end 1975 and year-end 1976 the yield to maturity of a representative group of long-term BHC bonds dropped from almost

[3] Net loan charge-offs of the 10 largest BHC's fell 0.3 per cent during 1976 but rose nearly 13 per cent for the remaining 90.

[4] Standard and Poor's composite 500-stock index rose about 19 per cent during 1976.

10¼ per cent to about 8½ per cent. This sharp decline in part reflects the general downward trend in bond yields during 1976. However, it also seems to reflect increased investor confidence in BHC's as measured by the difference between the yields on long-term BHC bonds and on long-term U.S. Government bonds that are free from credit risk. Between year-end 1975 and year-end 1976 this risk premium dropped from about 2⅓ percentage points to slightly less than 1½ percentage points.

CONCLUSION

In retrospect, 1976 represented a period of continuing recovery for BHC's from the problems encountered during the recent recession. During the year BHC assets and loans increased significantly, liquidity improved, earnings rose moderately, and capital ratios remained constant. Moreover, there appeared to be an increase in public confidence in BHC's, as suggested by sharply increasing BHC stock prices and a significant decline in the risk premiums attached to BHC bonds.

While BHC's had a satisfactory year in 1976, they still face certain problems as they enter 1977. For example, some BHC's still have a sizable amount of nonaccruing loans to real estate investment trusts on their books. In addition, some observers have become increasingly concerned over bank loans to the non-oil-producing, less-developed countries. Finally, there has been evidence in recent months of narrowing interest rate spreads in both domestic and foreign markets. As 1977 unfolds, these factors will undoubtedly warrant attention. □

Changes in Bank Lending Practices, 1976

The Federal Reserve has conducted quarterly surveys of changes in bank lending practices at large commercial banks in February, May, August, and November of each year since 1964. The surveys provide information about changes in recent and anticipated demand for business loans, in price and nonprice terms of lending, and in banks' willingness to make various types of loans other than short-term business loans. This article continues the series of annual reviews of the surveys and summarizes the responses of the 121 banks included in the 1976 sample.

During most of 1976 the demand for business loans was weak, reflecting the modest recovery of business capital spending coupled with heavy long-term financing aimed at restructuring balance sheets to rebuild liquidity and reduce risk exposure. Despite a substantial recovery in corporate profit margins during 1976, the typical cyclical resurgence of business spending for fixed capital and inventories did not materialize. With capital spending restrained and long-term financings large, corporations continued to reduce their indebtedness to banks for much of the year, as they had in 1975.

In the last quarter of the year, business loans began to increase. Although some of the strength in late 1976 represented heavy acquisitions of bankers acceptances, which are included in business loans, other business loans still had a positive growth rate. The evidence from the lending practices surveys suggests that the recent growth in business loans reflects both a moderate upturn in demand and somewhat easier lending terms at some banks.

The behavior of the terms of lending at large commercial banks during 1976 can in part be explained by the same forces that weakened the demand for business loans. Businesses were reluctant to make commitments for new capital spending, despite favorable profit and liquidity positions, in view of reduced capacity utilization rates and a cautious attitude toward investment stemming from the turbulent economic environment of recent years. Bankers also displayed a cautious attitude throughout 1976 because of their experience during the recent years of instability in the economy. The quarterly survey tables show that in the face of weak business loan demand, only a growing minority of large banks eased slightly some terms of lending to nonfinancial business during the year; over all, banks did not substantially ease their terms. In general, the banks' policies toward interest rates and standards of creditworthiness illustrate their careful approach to terms of lending throughout 1976; their policies regarding compensating balance requirements and the maturity of term loans illustrate the moderate easing in policy that did occur at some banks.

In the first survey of 1976 taken in February, almost half of the banks reported weaker demand for business loans and less than one-tenth reported stronger demand. Half of the respondents reported a moderately easier policy with regard to interest rates.[1] About one-sixth of the

NOTE.—John T. Scott of the Board's Division of Research and Statistics prepared this article. Richard C. Stevens of the Division of Data Processing provided the author with cumulative totals; in a cumulative total each bank is counted only once, whereas the table data include the bank each time it reported in a particular category for each survey period.

[1] Interpretation of these responses is complicated because some banks have at times considered a change in the prime rate a change in policy, while others have focused on the relationship between the prime rate and open market rates. This complication is reflected in the February response. During the 3 months preceding the February survey, both the prime rate and the rate on 90- to 119-day commercial paper fell, but the historically high spread of about 165 basis points between these rates changed very little.

banks reported moderately easier policy on compensating balances, but other nonprice terms of lending were essentially unchanged. Almost one-third of the respondents were more willing to make consumer instalment loans and term loans to businesses, while a smaller number were more disposed to make other types of loans. This pattern of reported increasing willingness to make various types of loans persisted throughout 1976.

Demand for commercial and industrial loans had not picked up by mid-May when the second survey of the year was taken. About one-fourth of the respondents reported moderately weaker demand for business loans, while demand was about the same as in mid-February for more than three-fifths of the banks. Most bankers reported that their policy on interest rates was unchanged, and almost all of the other respondents reported moderately easier policy. Although the prime rate was unchanged at 6¾ per cent throughout this survey period, the spread be-

QUARTERLY SURVEY—FEBRUARY 1976

Changes in bank lending practices at selected large banks:
Policy on February 15, 1976, compared with policy 3 months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately weaker		Much weaker	
Strength of demand for commercial and industrial loans[1]												
Compared with 3 months earlier	121	(100.0)	...		9	(7.4)	56	(46.3)	53	(43.8)	3	(2.5)
Anticipated in next 3 months	121	(100.0)	...		42	(34.7)	66	(54.6)	12	(9.9)	1	(.8)
	Total		Much firmer policy		Moderately firmer policy		Essentially unchanged		Moderately easier policy		Much easier policy	
Loans to nonfinancial businesses:												
Terms and conditions:												
Interest rates charged	121	(100.0)	...		3	(2.5)	58	(47.9)	60	(49.6)	...	
Compensating or supporting balances	121	(100.0)	...		3	(2.5)	99	(81.8)	19	(15.7)	...	
Standards of creditworthiness	121	(100.0)	2	(1.7)	8	(6.6)	110	(90.9)	1	(.8)	...	
Maturity of term loans	121	(100.0)	1	(.8)	1	(.8)	108	(89.3)	10	(8.3)	1	(.8)
Practice concerning review of credit lines or loan applications:												
Established customers	121	(100.0)	1	(.8)	3	(2.5)	103	(85.1)	14	(11.6)	...	
New customers	121	(100.0)	1	(.8)	6	(5.0)	94	(77.7)	20	(16.5)	...	
Local service area customers	121	(100.0)	1	(.8)	3	(2.5)	107	(88.4)	10	(8.3)	...	
Nonlocal service area customers	121	(100.0)	1	(.8)	12	(9.9)	95	(78.6)	13	(10.7)	...	
Factors relating to applicant:[2]												
Value as depositor or source of collateral business	121	(100.0)	1	(.8)	9	(7.4)	104	(86.0)	7	(5.8)	...	
Intended use of the loan	121	(100.0)	...		6	(5.0)	105	(86.7)	10	(8.3)	...	
Loans to independent finance companies[3]												
Terms and conditions:												
Interest rates charged	121	(100.0)	...		3	(2.5)	98	(81.0)	20	(16.5)	...	
Compensating or supporting balances	121	(100.0)	...		3	(2.5)	117	(96.7)	1	(.8)	...	
Enforcement of balance requirements	121	(100.0)	...		4	(3.3)	115	(95.0)	2	(1.7)	...	
Establishing new or larger credit lines	121	(100.0)	2	(1.7)	11	(9.1)	101	(83.4)	7	(5.8)	...	
	Total		Considerably less willing		Moderately less willing		Essentially unchanged		Moderately more willing		Considerably more willing	
Willingness to make other types of loans:												
Term loans to businesses	121	(100.0)	...		4	(3.3)	79	(65.3)	37	(30.6)	1	(.8)
Consumer instalment loans	120	(100.0)	...		3	(2.5)	81	(67.5)	34	(28.3)	2	(1.7)
Single-family mortgage loans	120	(100.0)	1	(.8)	1	(.8)	103	(85.9)	13	(10.8)	2	(1.7)
Multifamily mortgage loans	120	(100.0)	1	(.8)	7	(5.8)	109	(90.9)	3	(2.5)	...	
All other mortgage loans	120	(100.0)	1	(.8)	3	(2.5)	109	(90.9)	7	(5.8)	...	
Participation loans with correspondent banks	121	(100.0)	...		5	(4.1)	92	(76.1)	24	(19.8)	...	
Loans to brokers	121	(100.0)	...		1	(.8)	98	(81.0)	21	(17.4)	1	(.8)

[1] After allowance for bank's usual seasonal variation.

[2] For these factors, firmer means the factors were considered to be more important in making decisions for approving credit requests, and easier means they were considered to be less important.

[3] "Independent," or "noncaptive," finance companies are finance companies other than those organized by a parent company mainly for the purpose of financing dealer inventory and carrying instalment loans generated through the sale of the parent company's products.

tween the prime rate and the rate on 90- to 119-day prime commercial paper had decreased somewhat.

One-fifth of the respondents reported somewhat easier policy on compensating balances in mid-May, bringing to more than one-fourth the proportion that had indicated easier requirements on balances on one or both of the first two surveys of 1976. There was no marked change of policy on other nonprice terms of lending in the May survey. The pattern of increased willingness to make certain types of loans continued.

In May the responding bankers had reported a relatively optimistic projection of the upcoming strength of business loan demand. However, the August survey showed that on balance demand was essentially unchanged at responding banks, with three-fifths of the banks reporting unchanged demand and the rest equally divided between the moderately weaker and moderately stronger categories. Bankers reported some eas-

QUARTERLY SURVEY—MAY 1976

Changes in bank lending practices at selected large banks:
Policy on May 15, 1976, compared with policy 3 months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total	Much stronger	Moderately stronger	Essentially unchanged	Moderately weaker	Much weaker
Strength of demand for commercial and industrial loans:[1]						
Compared with 3 months earlier	121 (100.0)	...	17 (14.0)	75 (62.1)	28 (23.1)	1 (.8)
Anticipated in next 3 months	121 (100.0)	...	64 (52.9)	55 (45.4)	2 (1.7)	...
	Total	**Much firmer policy**	**Moderately firmer policy**	**Essentially unchanged**	**Moderately easier policy**	**Much easier policy**
Loans to nonfinancial businesses:						
Terms and conditions:						
Interest rates charged	120 (100.0)	...	2 (1.7)	101 (84.1)	17 (14.2)	...
Compensating or supporting balances	121 (100.0)	1 (.8)	2 (1.7)	95 (78.5)	23 (19.0)	...
Standards of creditworthiness	121 (100.0)	2 (1.7)	5 (4.1)	111 (91.7)	3 (2.5)	...
Maturity of term loans	121 (100.0)	1 (.8)	...	107 (88.5)	13 (10.7)	...
Practice concerning review of credit lines or loan applications:						
Established customers	121 (100.0)	...	2 (1.7)	111 (91.7)	8 (6.6)	...
New customers	121 (100.0)	...	3 (2.5)	104 (85.9)	14 (11.6)	...
Local service area customers	121 (100.0)	...	1 (.8)	114 (94.2)	6 (5.0)	...
Nonlocal service area customers	121 (100.0)	1 (.8)	1 (.8)	107 (88.5)	12 (9.9)	...
Factors relating to applicant:[2]						
Value as depositor or source of collateral business	121 (100.0)	...	9 (7.4)	103 (85.2)	9 (7.4)	...
Intended use of the loan	121 (100.0)	...	3 (2.5)	115 (95.0)	3 (2.5)	...
Loans to independent finance companies:[3]						
Terms and conditions:						
Interest rates charged	121 (100.0)	...	1 (.8)	117 (96.7)	3 (2.5)	...
Compensating or supporting balances	121 (100.0)	...	...	116 (95.9)	5 (4.1)	...
Enforcement of balance requirements	121 (100.0)	...	3 (2.5)	110 (90.9)	8 (6.6)	...
Establishing new or larger credit lines	121 (100.0)	...	6 (5.0)	102 (84.2)	11 (9.1)	2 (1.7)
	Total	**Considerably less willing**	**Moderately less willing**	**Essentially unchanged**	**Moderately more willing**	**Considerably more willing**
Willingness to make other types of loans:						
Term loans to businesses	121 (100.0)	1 (.8)	1 (.8)	88 (72.8)	31 (25.6)	...
Consumer instalment loans	120 (100.0)	...	...	80 (66.6)	32 (26.7)	8 (6.7)
Single-family mortgage loans	120 (100.0)	1 (.8)	3 (2.5)	97 (80.9)	18 (15.0)	1 (.8)
Multifamily mortgage loans	118 (100.0)	2 (1.7)	2 (1.7)	111 (94.1)	3 (2.5)	...
All other mortgage loans	120 (100.0)	2 (1.7)	1 (.8)	103 (85.9)	13 (10.8)	1 (.8)
Participation loans with correspondent banks	121 (100.0)	1 (.8)	...	99 (81.8)	18 (14.9)	3 (2.5)
Loans to brokers	121 (100.0)	1 (.8)	...	101 (83.5)	17 (14.0)	2 (1.7)

[1] After allowance for bank's usual seasonal variation.

[2] *For these factors, firmer means the factors were considered to be more important in making decisions for approving credit requests, and easier means they were considered to be less important.*

[3] "Independent," or "noncaptive," finance companies are finance *companies other than those organized by a parent company mainly* for the purpose of financing dealer inventory and carrying instalment loans generated through the sale of the parent company's products.

ing of interest rate policy between the May and August surveys; one-fifth reported moderately easier interest rate policy, with almost all of the remainder reporting unchanged policy.[2] They also reported further easing of policy on compensating balance requirements. As in mid-May, about one-fourth of the responding banks reported an increased willingness to make term loans to businesses and consumer instalment loans.

Despite the strong upturn in business loans during October—after allowance for usual seasonal variation, bankers by and large remained skeptical that business loan demand had finally strengthened. It should be noted that a portion of the upturn in business loans in October had

[2] This further illustrates the difficulty in interpreting the responses about interest rate policy. The spread between the prime rate and the 90- to 119-day commercial paper rate had increased somewhat to about its February level.

QUARTERLY SURVEY—AUGUST 1976

Changes in bank lending practices at selected large banks: Policy on August 15, 1976, compared with policy 3 months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total	Much stronger	Moderately stronger	Essentially unchanged	Moderately weaker	Much weaker
Strength of demand for commercial and industrial loans:[1]						
Compared with 3 months earlier	121 (100.0)	....	24 (19.8)	73 (60.4)	24 (19.8)	....
Anticipated in next 3 months	121 (100.0)	....	64 (52.9)	54 (44.6)	3 (2.5)	....
	Total	Much firmer policy	Moderately firmer policy	Essentially unchanged	Moderately easier policy	Much easier policy
Loans to nonfinancial businesses:						
Terms and conditions:						
Interest rates charged	121 (100.0)	....	3 (2.5)	93 (76.8)	25 (20.7)	....
Compensating or supporting balances	121 (100.0)	....	2 (1.7)	107 (88.4)	12 (9.9)	....
Standards of creditworthiness	121 (100.0)	1 (.8)	3 (2.5)	117 (96.7)	....	....
Maturity of term loans	121 (100.0)	....	5 (4.1)	104 (86.0)	12 (9.9)	....
Practice concerning review of credit lines or loan applications:						
Established customers	121 (100.0)	....	2 (1.7)	112 (92.5)	7 (5.8)	....
New customers	121 (100.0)	....	6 (5.0)	111 (91.7)	4 (3.3)	....
Local service area customers	121 (100.0)	....	3 (2.5)	112 (92.5)	6 (5.0)	....
Nonlocal service area customers	121 (100.0)	....	5 (4.1)	109 (90.1)	7 (5.8)	....
Factors relating to applicant:[2]						
Value as depositor or source of collateral business	121 (100.0)	....	10 (8.3)	105 (86.7)	6 (5.0)	....
Intended use of the loan	121 (100.0)	....	4 (3.3)	109 (90.1)	8 (6.6)	....
Loans to independent finance companies:[3]						
Terms and conditions:						
Interest rates charged	121 (100.0)	2 (1.7)	6 (5.0)	108 (89.2)	5 (4.1)	....
Compensating or supporting balances	121 (100.0)	1 (.8)	3 (2.5)	116 (95.9)	1 (.8)	....
Enforcement of balance requirements	121 (100.0)	1 (.8)	6 (5.0)	113 (93.4)	1 (.8)	....
Establishing new or larger credit lines	121 (100.0)	2 (1.7)	6 (5.0)	105 (86.7)	8 (6.6)	....
	Total	Considerably less willing	Moderately less willing	Essentially unchanged	Moderately more willing	Considerably more willing
Willingness to make other types of loans:						
Term loans to businesses	121 (100.0)	....	5 (4.1)	87 (71.9)	29 (24.0)	....
Consumer instalment loans	120 (100.0)	....	1 (.8)	85 (70.9)	31 (25.8)	3 (2.5)
Single-family mortgage loans	120 (100.0)	1 (.8)	2 (1.7)	102 (85.0)	14 (11.7)	1 (.8)
Multifamily mortgage loans	119 (100.0)	1 (.8)	....	114 (95.8)	4 (3.4)	....
All other mortgage loans	120 (100.0)	1 (.8)	1 (.8)	108 (90.1)	10 (8.3)	....
Participation loans with correspondent banks	121 (100.0)	....	3 (2.5)	96 (79.3)	21 (17.4)	1 (.8)
Loans to brokers	121 (100.0)	....	2 (1.7)	107 (88.4)	11 (9.1)	1 (.8)

[1] After allowance for bank's usual seasonal variation.

[2] For these factors, firmer means the factors were considered to be more important in making decisions for approving credit requests, and easier means they were considered to be less important.

[3] "Independent," or "noncaptive," finance companies are finance companies other than those organized by a parent company mainly for the purpose of financing dealer inventory and carrying instalment loans generated through the sale of the parent company's products.

been the result of large purchases of bankers acceptances included in the business loan category. However, taken together, the mid-August and mid-November surveys suggest that about 30 per cent of the sample had experienced an unambiguous strengthening in demand over the 6-month period;[3] the decline in the strength of business loan demand during the first half of the year had clearly stopped.[4]

In mid-November, half of the respondents reported moderately easier policy on interest rates, with almost all of the rest reporting an unchanged policy. The trend toward easing undoubtedly reflected the fact that the prime rate had fallen from 7 per cent to 6½ per cent; but

[3] Unambiguous strength means that strengthening demands were reported in either or both periods and that no weakening was reported.

[4] Subsequently the strengthening in business loan demand has become more prevalent.

QUARTERLY SURVEY—NOVEMBER 1976

Changes in bank lending practices at selected large banks: Policy on November 15, 1976, compared with policy 3 months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately weaker		Much weaker	
Strength of demand for commercial and industrial loans:[1]												
Compared with 3 months earlier	121	(100.0)	1	(.8)	23	(19.0)	81	(67.0)	15	(12.4)	1	(.8)
Anticipated in next 3 months	*121*	*(100.0)*	...		*43*	*(35.5)*	*69*	*(57.1)*	*9*	*(7.4)*	...	
	Total		Much firmer policy		Moderately firmer policy		Essentially unchanged		Moderately easier policy		Much easier policy	
Loans to nonfinancial businesses:												
Terms and conditions:												
Interest rates charged	121	(100.0)	...		2	(1.7)	57	(47.1)	62	(51.2)	...	
Compensating or supporting balances	121	(100.0)	...		1	(.8)	90	(74.4)	27	(22.3)	3	(2.5)
Standards of creditworthiness	121	(100.0)	1	(.8)	1	(.8)	117	(96.7)	2	(1.7)	...	
Maturity of term loans	*121*	*(100.0)*	...		2	(1.7)	100	*(82.6)*	19	(15.7)	...	
Practice concerning review of credit lines or loan applications:												
Established customers	121	(100.0)	...		2	(1.7)	105	(86.7)	14	(11.6)	...	
New customers	121	(100.0)	1	(.8)	3	(2.5)	103	(85.1)	14	(11.6)	...	
Local service area customers	121	(100.0)	...		2	(1.7)	112	(92.5)	7	(5.8)	...	
Nonlocal service area customers	121	(100.0)	2	(1.7)	5	(4.1)	103	(85.1)	11	(9.1)	...	
Factors relating to applicant:[2]												
Value as depositor or source of collateral business	121	(100.0)	...		10	(8.3)	98	(81.0)	13	(10.7)	...	
Intended use of the loan	121	(100.0)	...		1	(.8)	108	(89.3)	12	(9.9)	...	
Loans to independent finance companies:[3]												
Terms and conditions:												
Interest rates charged	121	(100.0)	...		3	(2.5)	95	(78.5)	23	(19.0)	...	
Compensating or supporting balances	*121*	*(100.0)*	...		2	(1.7)	115	(95.0)	4	(3.3)	...	
Enforcement of balance requirements	121	(100.0)	...		3	(2.5)	114	(94.2)	4	(3.3)	...	
Establishing new or larger credit lines	121	(100.0)	2	(1.7)	5	(4.1)	98	(81.0)	16	(13.2)	...	
	Total		Considerably less willing		Moderately less willing		Essentially unchanged		Moderately more willing		Considerably more willing	
Willingness to make other types of loans:												
Term loans to businesses	121	(100.0)	...		3	(2.5)	73	(60.3)	44	(36.4)	1	(.8)
Consumer instalment loans	120	(100.0)	...		1	(.8)	90	(75.0)	26	(21.7)	3	(2.5)
Single-family mortgage loans	120	(100.0)	...		4	(3.3)	98	(81.7)	16	(13.3)	2	(1.7)
Multifamily mortgage loans	120	(100.0)	...		2	(1.7)	117	(97.5)	1	(.8)	...	
All other mortgage loans	119	(100.0)	...		2	(1.7)	108	(90.7)	9	(7.6)	...	
Participation loans with correspondent banks	120	(100.0)	1	(.8)	...		91	(75.8)	26	(21.7)	2	(1.7)
Loans to brokers	121	(100.0)	1	(.8)	1	(.8)	100	(82.7)	16	(13.2)	3	(2.5)

[1] After allowance for bank's usual seasonal variation.

[2] For these factors, firmer means the factors were considered to be more important in making decisions for approving credit requests, and easier means they were considered to be less important.

[3] "Independent," or "noncaptive," finance companies are finance companies other than those organized by a parent company mainly for the purpose of financing dealer inventory and carrying instalment loans generated through the sale of the parent company's products.

the spread between the prime rate and open market rates had changed little. One-fourth of the respondents had eased policy on compensating balances, bringing to almost one-half the proportion that had eased such policy at some time during the year. About one-sixth of the banks reported easier policy on the maturity of term loans to businesses, and willingness to make most of the specific types of loans covered in the survey again increased. The cumulative proportions of respondents that at some time during 1976 expressed greater willingness to make term loans to businesses and consumer instalment loans were greater than one-half.

Changes in Time and Savings Deposits at Commercial Banks, July-October 1976

This article describes the results of the survey of time and savings deposits that was conducted in October 1976 jointly by the Federal Reserve System and the Federal Deposit Insurance Corporation. In addition, it shows revisions of data for the survey conducted in July and originally published in the December BULLETIN.[1] As noted in December, the original July estimates reflected deposit relationships from the call report for March. Now that such data for June are available, these initial figures have been re-estimated.[2] The revisions also reflect some unusually large corrections of reported data, particularly among the categories of small denomination time deposits issued to governmental units. These items had not been collected before July, and the dearth of historical data made editing difficult.

For the 3 months ending October 28, 1976, growth in time and savings deposits at insured commercial banks proceeded at a moderate pace, as the continuing absolute decline in large-denomination ($100,000 and over) time deposits offset only in part the fairly strong growth in savings and small-denomination (less than $100,000) time deposits. Total time and savings deposits increased during the period by $7.9 billion, or at a 6.8 per cent annual rate, not seasonally adjusted. With banks generally maintaining offering rates on consumer deposits at the Federally imposed maximum levels even as Treasury yields fell below the ceilings on savings and most maturities of time deposits savings and interest-bearing, small-denomination time deposits expanded by $14.7 billion, or at an annual rate of nearly 18 per cent. In contrast, interest-bearing, large-denomination time deposits declined $6.6 billion, or at an annual rate of almost 20 per cent, as banks again allowed certificates of deposit to run off in view of still modest loan growth coupled with rapid inflows of other deposits.

SAVINGS DEPOSITS

Between July and October, yields on short-term market securities, such as Treasury bills, declined from just above the maximum rate payable on savings deposits to just below the ceiling; therefore, savings deposits at commercial banks provided an attractive temporary investment alternative throughout the period. In reaction, inflows to savings accounts totaled $7.4 billion, or 16 per cent at an annual rate, not seasonally adjusted. Among ownership classes of savings deposits, the portion held by individuals and nonprofit organizations grew least rapidly, rising about 12 per cent on an annual basis. Higher growth rates prevailed for holdings of governmental units and businesses, reflecting the continued adaptation by such customers to the opportunity to substitute savings for demand deposits as well as portfolio adjustments induced by low market rates. Profit-making organizations, which had become eligible to own

NOTE. John R. Williams of the Board's Division of Research and Statistics prepared this article.

[1] Surveys of time and savings deposits (STSD) at all member banks were conducted by the Board of Governors in late 1965, in early 1966, and quarterly in 1967. In January and July 1967 the surveys also included data for all insured nonmember banks collected by the Federal Deposit Insurance Corporation (FDIC). Since the beginning of 1968 the Board of Governors and the FDIC have jointly conducted quarterly surveys to provide estimates for all insured commercial banks based on a probability sample of banks. The results of all earlier surveys have appeared in previous BULLETINS from 1966 to 1976, the most recent being December 1976.

[2] Data for October are based on deposit relationships from the September call report.

savings deposits in November 1975, increased deposit balances at about an 85 per cent annual rate, not seasonally adjusted, while domestic governmental units, eligible since November 1974, increased their balances at a rate of nearly 80 per cent.

At the end of October, commercial banks in general were continuing to pay maximum allowable rates on savings accounts. The weighted-average rate paid on inflows to all savings deposits remained unchanged from July at 4.91 per cent. Moreover, the proportion of banks paying the ceiling rate for new deposits of individuals and nonprofit organizations fell only slightly, with the decline limited to banks with total deposits under $100 million. Indeed, the share of personal savings at banks that were paying the maximum rate remained steady at 86 per cent. Commercial banks apparently were still reluctant to cut offering rates on consumer deposits in view of expectations of generally higher interest rate levels in 1977 and stiff deposit competition with thrift institutions.

SMALL-DENOMINATION TIME DEPOSITS

Strong growth in interest-bearing, small-denomination time deposits over the August-October period was entirely concentrated in holdings other than those of domestic governmental units. Such time deposits held by nongovernmental entities expanded by more than 20 per cent at an annual rate to a level of $148 billion. In contrast, small-denomination time deposits

1. Types of time and savings deposits held by insured commercial banks on survey date, July 28, and October 27, 1976

Type of deposit	Number of issuing banks		Deposits		
			In millions of dollars		Percentage change
	July 28	Oct. 27	July 28	Oct. 27	July 28-Oct. 27, 1976
Total time and savings deposits	**14,365**	**14,384**	**469,811**	**477,722**	**1.7**
Savings	**14,332**	**14,384**	**183,946**	**191,388**	**4.0**
Issued to:					
Individuals and nonprofit organizations	14,332	14,384	174,349	179,700	3.1
Partnerships and corporations operated for profit (other than commercial banks)	7,958	8,146	6,210	7,553	21.6
Domestic governmental units	6,183	6,080	3,248	3,880	19.5
All other	1,046	748	139	256	84.7
Interest-bearing time deposits in denominations of less than $100,000	**14,058**	**14,080**	**145,173**	**152,414**	**5.0**
Issued to:					
Domestic governmental units	*10,592*	*10,407*	*4,422*	*4,176*	*–5.6*
Accounts with original maturity of:					
30 up to 90 days	4,865	4,301	1,499	1,141	–23.9
90 up to 180 days	7,412	7,498	1,170	1,168	–0.2
180 days up to 1 year	4,168	4,375	756	688	–9.0
1 year and over	7,773	7,786	997	1,178	18.2
Other than domestic governmental units	*13,974*	*14,049*	*140,751*	*148,238*	*5.3*
Accounts with original maturity of:					
30 up to 90 days	6,153	6,324	7,855	7,319	–6.8
90 up to 180 days	11,574	11,464	27,064	29,844	10.3
180 days up to 1 year	8,697	8,951	4,854	4,414	–9.1
1 up to 2½ years	13,195	13,553	33,008	33,919	2.8
2½ up to 4 years	12,056	12,204	18,690	18,445	–1.3
4 up to 6 years	11,762	11,773	41,372	44,921	8.6
6 years and over	7,992	8,168	7,909	9,377	18.6
Interest-bearing time deposits in denominations of $100,000 or more	**11,154**	**11,186**	**133,733**	**127,158**	**–4.9**
Non-interest-bearing time deposits in denominations of	1,609	1,667	4,802	4,876	1.5
Less than $100,000	1,315	1,415	1,556	1,588	2.0
$100,000 or more	628	683	3,246	3,288	1.3
Club accounts (Christmas savings, vacation, or similar club account)	8,962	9,021	2,158	1,887	–12.6

NOTE.—All banks that had either discontinued offering or never offered certain deposit types as of the survey date are not counted as issuing banks. However, small amounts of deposits held at banks that had discontinued issuing certain deposit types are included in the amounts outstanding.

Figures may not add to totals because of rounding.

2. Small-denomination time and savings deposits held by insured commercial banks on July 28, and October 27, 1976, by type of deposit, by most common rate paid on new deposits in each category, and by size of bank

Deposit group, and distribution of deposits by most common rate	All banks		Size of bank (total deposits in millions of dollars)				All banks		Size of bank (total deposits in millions of dollars)			
			Less than 100		100 and over				Less than 100		100 and over	
	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28
	Number of banks, or percentage distribution						Amount of deposits (in millions of dollars), or percentage distribution					
Savings deposits												
Individuals and nonprofit organizations												
Issuing banks	14,384	14,332	13,466	13,440	918	892	179,700	174,349	69,498	68,450	110,202	105,899
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	4.7	3.0	4.6	2.8	6.2	5.9	4.0	3.7	3.5	3.0	4.2	4.1
4.01-4.50	10.3	10.3	10.5	10.4	7.2	8.0	9.6	10.4	10.1	10.1	9.3	10.6
4.51-5.00	85.0	86.8	84.9	86.8	86.6	86.1	86.5	85.9	86.4	86.9	86.5	85.3
Paying ceiling rate [1]	**84.8**	**86.6**	**84.7**	**86.6**	**86.5**	**86.0**	**86.3**	**85.8**	**86.1**	**86.7**	**86.4**	**85.2**
Partnerships and corporations												
Issuing banks	8,146	7,958	7,248	7,082	898	875	7,553	6,210	2,266	1,889	5,287	4,321
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	1.7	1.7	1.6	1.6	2.2	2.3	1.6	1.4	2.2	1.7	1.4	1.3
4.01-4.50	5.7	9.0	5.7	9.2	5.2	6.8	4.3	5.3	6.2	7.7	3.5	4.3
4.51-5.00	92.7	89.3	92.7	89.1	92.6	91.0	94.1	93.3	91.6	90.6	95.1	94.5
Paying ceiling rate	**92.3**	**89.0**	**92.3**	**88.7**	**92.5**	**90.9**	**93.6**	**92.8**	**91.6**	**90.6**	**94.5**	**93.7**
Domestic governmental units												
Issuing banks	6,080	6,183	5,537	5,647	543	536	3,880	3,244	1,659	1,932	2,221	1,312
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	2.9	.6	3.0	.5	1.9	1.4	1.2	.3	1.0	(2)	1.3	.6
4.01-4.50	8.4	9.5	8.8	9.9	3.9	4.9	4.2	4.1	7.6	5.2	1.6	2.5
4.51-5.00	88.7	90.0	88.2	89.6	94.2	93.7	94.6	95.7	91.4	94.8	97.0	96.9
Paying ceiling rate [1]	**86.8**	**88.2**	**86.2**	**87.6**	**93.9**	**93.5**	**94.2**	**95.2**	**91.0**	**94.5**	**96.5**	**96.2**
All other												
Issuing banks	748	1,046	668	943	80	103	256	134	177	35	79	99
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.00 or less	.3	.2	(2)	(2)	3.1	2.3	.3	.7	(2)	(2)	.9	1.0
4.01-4.50	.3	14.0	(2)	15.1	2.5	4.3	(2)	.2	(2)	(2)	(2)	.2
4.51-5.00	99.4	85.8	100.0	84.9	94.3	93.4	99.7	99.1	100.0	100.0	99.1	98.8
Paying ceiling rate [1]	**99.4**	**85.8**	**100.0**	**84.9**	**94.3**	**93.4**	**99.7**	**99.1**	**100.0**	**100.0**	**99.1**	**98.8**
Time deposits in denominations of less than $100,000												
Domestic governmental units:												
Maturing in												
30 up to 90 days												
Issuing banks	4,301	4,865	3,686	4,258	615	608	1,141	1,498	484	804	657	695
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	1.7	1.3	1.7	1.3	1.6	1.4	1.2	.3	.9	.4	1.5	.3
4.51-5.00	73.5	69.3	72.3	70.0	80.5	64.5	63.4	50.6	75.2	54.4	54.6	46.1
5.01-5.50	19.9	24.5	20.6	23.5	15.5	31.1	31.7	43.1	15.2	36.1	43.8	51.1
5.51-7.75	5.0	4.9	5.5	5.2	2.4	3.0	3.7	6.0	8.7	9.1	.1	2.4
Paying ceiling rate [1]	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
90 up to 180 days												
Issuing banks	7,498	7,412	6,858	6,815	640	596	1,168	1,169	775	867	393	302
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.7	.8	.8	.8	(2)	.6	.5	.5	.8	.7	(2)	.1
4.51-5.00	8.6	8.1	8.2	7.7	13.4	12.8	10.7	2.4	10.3	1.7	11.5	4.4
5.01-5.50	81.1	86.7	80.8	87.2	83.7	80.9	81.8	88.3	82.5	87.0	80.4	91.7
5.51-7.75	9.6	4.4	10.2	4.3	2.9	5.7	7.0	8.8	6.4	10.6	8.1	3.7
Paying ceiling rate [1]	.4	.5	.5	.5	(2)	(2)	.2	.1	.3	.2	(2)	(2)
180 days up to 1 year												
Issuing banks	4,375	4,168	3,871	3,692	504	476	688	756	429	410	259	346
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	(2)	.1	(2)	(2)	(2)	1.0	(2)	.1	(2)	(2)	(2)	.1
4.51-5.00	8.3	8.4	8.4	8.4	6.8	8.6	8.4	9.7	4.7	9.2	14.7	10.3
5.01-5.50	70.0	73.7	69.2	74.2	76.0	69.7	69.3	65.9	64.1	52.8	77.9	81.5
5.51-7.75	21.8	17.8	22.4	17.4	17.2	20.8	22.2	24.3	31.2	37.9	7.4	8.1
Paying ceiling rate [1]	.8	.8	.9	.9	(2)	(2)	.1	.1	.1	.1	(2)	(2)
1 year and over												
Issuing banks	7,786	7,773	7,181	7,186	606	587	1,177	995	983	822	194	174
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
5.00 or less	2.8	4.4	2.6	4.2	4.3	6.0	.5	1.3	.3	1.1	1.3	2.1
5.01-5.50	5.5	8.3	5.0	8.4	11.1	6.3	4.3	8.6	3.9	9.8	6.1	3.0
5.51-6.00	65.9	61.9	66.2	61.9	62.4	62.9	63.7	63.5	60.4	61.3	80.2	74.2
6.01-7.75	25.9	25.4	26.2	25.5	22.2	24.8	31.6	26.6	35.3	27.8	12.5	20.7
Paying ceiling rate [1]	.4	.5	.5	.5	(2)	.8	.1	.2	.1	.1	(2)	.3

TABLE 2—Continued

Deposit group, and distribution of deposits by most common rate	All banks		Size of bank (total deposits in millions of dollars)				All banks		Size of bank (total deposits in millions of dollars)			
			Less than 100		100 and over				Less than 100		100 and over	
	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28	Oct. 27	July 28
	Number of banks, or percentage distribution						Amount of deposits (in millions of dollars), or percentage distribution					
Time deposits in denominations of less than $100,000 (cont.)												
Other than domestic governmental units:												
Maturing in												
30 up to 90 days												
Issuing banks	6,324	6,153	5,529	5,379	796	774	7,319	7,854	1,929	2,115	5,390	5,739
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.2	2.9	(2)	3.2	1.4	1.1	1.2	.1	(2)	.2	1.6	.1
4.51–5.00	99.8	97.1	100.0	96.8	98.6	98.9	98.8	99.9	100.0	99.8	98.4	99.9
Paying ceiling rate[1]	**94.2**	**96.9**	**94.4**	**96.8**	**92.8**	**97.6**	**92.1**	**99.8**	**93.5**	**99.8**	**91.6**	**99.8**
90 up to 180 days												
Issuing banks	11,464	11,432	10,562	10,558	902	874	29,844	26,901	12,554	11,795	17,289	15,105
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.5	.6	.5	.5	(2)	1.4	(2)	(2)	(2)	(2)	(2)	(2)
4.51–5.00	12.7	10.2	13.3	10.6	5.3	5.1	6.0	5.4	7.3	8.0	5.1	3.4
5.01–5.50	86.8	89.2	86.1	88.9	94.7	93.6	94.0	94.6	92.7	92.0	94.9	96.6
Paying ceiling rate[1]	**86.1**	**86.3**	**85.6**	**86.0**	**92.0**	**90.8**	**92.8**	**93.0**	**92.6**	**91.5**	**92.9**	**94.2**
180 days up to 1 year												
Issuing banks	8,951	8,697	8,159	7,911	792	786	4,377	4,811	2,745	2,805	1,631	2,007
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
4.50 or less	.4	.7	.3	.7	.4	.6	.1	.1	(2)	(2)	.3	.2
4.51–5.00	5.3	4.2	5.4	4.4	4.5	2.6	2.2	2.7	2.6	3.5	1.5	1.5
5.01–5.50	94.3	95.1	94.2	94.9	95.1	96.9	97.7	97.2	97.4	96.4	98.2	98.3
Paying ceiling rate[1]	**91.7**	**92.6**	**91.7**	**92.4**	**91.4**	**94.7**	**91.2**	**95.6**	**94.1**	**96.1**	**86.2**	**95.0**
1 up to 2½ years												
Issuing banks	13,553	13,195	12,650	12,318	903	877	33,919	33,008	22,117	21,145	11,802	11,863
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
5.00 or less	(2)	(2)	(2)	(2)	.2	.3	(2)	.2	(2)	(2)	(2)	.5
5.01–5.50	1.8	2.9	1.8	3.1	1.2	.3	1.3	3.2	1.8	5.0	.5	(2)
5.51–6.00	98.2	97.1	98.2	96.9	98.6	99.4	98.7	96.7	98.2	95.0	99.5	99.5
Paying ceiling rate[1]	**96.4**	**96.1**	**96.4**	**96.0**	**96.3**	**98.0**	**96.6**	**91.9**	**97.4**	**94.1**	**95.1**	**87.9**
2½ up to 4 years												
Issuing banks	12,204	12,056	11,323	11,209	881	848	18,421	18,662	11,260	11,647	7,162	7,014
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
6.00 or less	1.8	1.9	1.9	1.9	.9	1.0	1.6	1.9	1.4	2.7	1.8	.5
6.01–6.50	98.2	98.1	98.1	98.1	99.1	99.0	98.4	98.1	98.6	97.3	98.2	99.5
Paying ceiling rate[1]	**97.1**	**97.6**	**97.0**	**97.6**	**98.4**	**98.2**	**96.6**	**97.2**	**97.0**	**97.0**	**95.8**	**97.7**
4 up to 6 years												
Issuing banks	11,773	11,762	10,902	10,909	871	853	44,500	41,005	22,343	20,100	22,157	20,905
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
6.50 or less	.9	.8	.8	.7	1.9	1.6	1.8	2.7	.6	.7	3.0	4.6
6.51–7.00	14.8	13.8	15.5	14.3	6.6	7.2	9.8	9.3	13.1	13.3	6.5	5.5
7.01–7.25	84.2	85.4	83.7	85.0	91.5	91.2	88.4	88.0	86.4	86.1	90.5	89.9
Paying ceiling rate[1]	**84.2**	**85.4**	**83.7**	**85.0**	**91.5**	**91.1**	**88.4**	**87.9**	**86.4**	**86.1**	**90.5**	**89.7**
6 years and over												
Issuing banks	8,168	7,992	7,413	7,273	755	719	9,243	7,696	4,017	3,247	5,226	4,449
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
5.00 or less	(2)	1.9	(2)	2.0	(2)	1.7	(2)	(2)	(2)	(2)	(2)	(2)
5.01–7.25	4.9	6.6	4.9	6.8	4.9	4.4	6.9	6.2	4.2	3.5	9.0	8.2
7.26–7.50	95.1	91.5	95.1	91.3	95.1	93.9	93.1	93.7	95.8	96.5	91.0	91.8
Paying ceiling rate[1]	**95.1**	**91.5**	**95.1**	**91.3**	**95.1**	**93.8**	**93.1**	**91.5**	**95.8**	**96.5**	**91.0**	**87.9**
Club accounts												
Issuing banks	9,021	8,962	8,384	8,266	637	696	1,837	1,894	911	893	926	1,001
Distribution, total	100	100	100	100	100	100	100	100	100	100	100	100
0.00	55.6	53.3	57.8	54.7	27.2	36.7	22.8	25.4	31.8	34.2	13.9	17.5
0.01–4.00	13.5	13.4	13.4	13.5	15.1	11.3	11.0	13.5	11.9	13.9	10.1	13.1
4.01–4.50	7.2	9.3	7.0	9.3	10.2	9.5	10.8	16.4	6.4	14.8	15.1	17.9
4.51–5.50	23.6	24.1	21.8	22.5	47.5	42.5	55.5	44.7	49.9	37.1	60.9	51.4

1 See p. A-10 for maximum interest rates payable on time and savings deposits at the time of each survey. The ceiling rate is included in the rate interval in the line above.

2 Less than .05 per cent.

NOTE.—All banks that either had discontinued offering or had never offered particular deposit types as of the survey date are not counted as issuing banks. Moreover, the small amounts of deposits held at banks that had discontinued issuing deposits are not included in the amounts outstanding. Therefore, the deposit amounts shown in Table 1 may exceed the deposit amounts shown in this table.

The most common interest rate for each instrument refers to the stated rate per annum (before compounding) that banks paid on the largest dollar volume of deposit inflows during the 2-week period immediately preceding the survey date.

Figures may not add to totals because of rounding.

held by domestic governmental units declined $4 billion, or at about a 20 per cent annual rate over the August-October period. Average deposit maturities in both ownership classes lengthened between July and October; growth in nongovernmental time deposits maturing in 4 years or more accounted for nearly 70 per cent of total small-denomination time deposit growth.

Despite relatively low market yields throughout the maturity structure and the resultant large deposit inflows, commercial banks seemed unwilling to make any significant decrease in offering rates between the July and October sur-

3. Average of most common interest rates paid on various categories of time and savings deposits at insured commercial banks on July 28, and October 27, 1976

Type of deposit	All size groups	Bank size (total deposits in millions of dollars) Less than 20	20 up to 50	50 up to 100	100 up to 500	500 up to 1,000	1,000 and over
				October 27, 1976			
Savings and small-denomination time deposits	5.54	5.71	5.66	5.58	5.50	5.42	5.40
Savings, total	4.91	4.93	4.88	4.94	4.91	4.86	4.93
Individuals and nonprofit organizations	4.91	4.93	4.88	4.94	4.91	4.85	4.93
Partnerships and corporations	4.96	5.00	4.90	4.97	4.96	4.96	4.98
Domestic governmental units	4.97	4.96	4.98	4.90	4.98	5.00	4.97
All other	4.99	5.00	5.00	5.00	4.88	....	5.00
Time deposits in denominations of less than $100,000, total	6.32	6.24	6.43	6.36	6.33	6.29	6.26
Domestic governmental units, total	5.58	5.75	5.67	5.55	5.37	5.39	5.35
Maturing in							
30 up to 90 days	5.15	5.35	5.03	4.99	5.15	5.13	4.99
90 up to 180 days	5.44	5.46	5.48	5.23	5.46	5.42	5.41
180 days up to 1 year	5.53	5.59	5.60	5.58	5.41	5.59	5.35
1 year and over	6.17	6.24	6.06	6.36	6.05	5.98	5.92
Other than domestic governmental units, total	6.34	6.27	6.45	6.38	6.36	6.30	6.28
Maturing in							
30 up to 90 days	4.98	5.00	4.99	4.98	4.99	4.95	4.98
90 up to 180 days	5.47	5.47	5.48	5.44	5.49	5.47	5.45
180 days up to 1 year	5.47	5.48	5.50	5.47	5.49	5.47	5.43
1 up to 2½ years	5.99	5.98	6.00	5.98	5.99	5.98	5.98
2½ up to 4 years	6.49	6.48	6.50	6.48	6.49	6.45	6.49
4 up to 6 years	7.21	7.22	7.19	7.23	7.21	7.23	7.19
Over 6 years	7.47	7.49	7.50	7.48	7.48	7.46	7.43
MEMO: Club accounts	3.69	2.11	2.17	4.52	3.75	3.70	4.52
				July 28, 1976			
Savings and small-denomination time deposits	5.52	5.66	5.64	5.56	5.49	5.41	5.39
Savings, total	4.91	4.95	4.89	4.93	4.91	4.85	4.93
Individuals and nonprofit organizations	4.91	4.95	4.89	4.93	4.91	4.84	4.92
Partnerships and corporations	4.96	4.99	4.92	4.96	4.96	4.97	4.97
Domestic governmental units	4.98	5.00	4.98	4.89	4.99	5.00	4.96
All other	4.98	5.00	5.00	5.00	4.88	....	5.00
Time deposits in denominations of less than $100,000, total	6.29	6.19	6.37	6.34	6.32	6.26	6.25
Domestic governmental units, total	5.56	5.70	5.68	5.39	5.37	5.52	5.46
Maturing in							
30 up to 90 days	5.21	5.36	5.23	5.08	5.15	5.21	5.32
90 up to 180 days	5.51	5.48	5.61	5.58	5.45	5.43	5.48
180 days up to 1 year	5.54	5.42	5.70	5.73	5.45	5.60	5.65
1 year and over	6.14	6.18	6.05	6.37	6.02	6.20	5.94
Other than domestic governmental units, total	6.31	6.21	6.39	6.38	6.36	6.27	6.26
Maturing in							
30 up to 90 days	5.00	5.00	5.00	5.00	5.00	5.00	5.00
90 up to 180 days	5.45	5.34	5.46	5.43	5.49	5.48	5.47
180 days up to 1 year	5.48	5.49	5.50	5.46	5.50	5.47	5.49
1 up to 2½ years	5.97	5.93	6.00	5.99	6.00	5.99	5.98
2½ up to 4 years	6.49	6.47	6.50	6.49	6.50	6.49	6.49
4 up to 6 years	7.20	7.21	7.19	7.23	7.22	7.24	7.16
Over 6 years	7.46	7.49	7.50	7.48	7.48	7.40	7.44
MEMO: Club accounts	3.46	1.94	2.30	4.10	3.48	2.82	4.43

1 No deposits outstanding.
2 Club accounts are excluded from all of the above categories.

NOTE.—The average rates were calculated by weighting the most common rate reported on each type of deposit at each bank by the amount of that type of deposit outstanding. All banks that had either discontinued offering or never offered particular deposit types as of the survey date were excluded from the calculations for those specific deposit types.

veys. On government deposits with original maturities shorter than 1 year, banks cut rates modestly, but they raised rates slightly on such deposits maturing in 1 year or more. Because of the general lengthening of maturities, the aggregate weighted-average rate on government deposits increased. Similarly, banks made no significant changes in rates paid on time deposits issued to nongovernmental customers, but extremely rapid growth among deposits maturing in over 4 years produced an increase in the over-all average rate paid. Well over four-fifths of issuing banks still paid the maximum rate allowed by Federal banking regulatory authorities on each nongovernmental time deposit category.

OTHER TIME DEPOSITS

The remaining portion of time deposits is distributed among three deposit categories. Interest-bearing, large-denomination time deposits continued the pattern begun in early 1975, falling by $6.6 billion during the August–October period. Since the end of 1974 such deposits have contracted by more than $40 billion. Non-interest-bearing deposits (other than club accounts) grew to a level of about $4.9 billion in October; most deposits in this category are believed to consist of escrow accounts and compensating balances held against loans. Deposits outstanding in club accounts declined seasonally to a level of about $1.9 billion in October.

Revised appendix tables for the July survey are available on request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

APPENDIX TABLES

A1. Savings deposits issued to individuals and nonprofit organizations

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent)				Total	Most common rate paid (per cent)			
		4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]		4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**14,384**	**675**	**1,481**	**12,227**	**12,198**	**179,700**	**7,122**	**17,199**	**155,379**	**155,063**
Size of bank (total deposits in millions of dollars):										
Less than 20	8,888	497	878	7,513	7,485	19,142	556	1.257	17,329	17,164
20–50	3,493	66	498	2.928	2,928	29,253	903	4.998	23,352	23,352
50–100	1,085	55	39	991	991	21,103	996	750	19,357	19,357
100–500	731	45	41	645	645	38,488	2,095	2.488	33,905	33,905
500–1,000	103	8	16	79	78	18,237	1,514	2.482	14,241	14,091
1,000 and over	84	4	9	71	71	53,477	1,057	5.224	47,195	47,195

NOTES TO APPENDIX TABLES 1–16:

1 See page A10 for maximum interest rates payable on time and saving deposits at the time of each survey. The ceiling rate is included in the rate interval to the left.
2 Omitted to avoid individual bank disclosure.
3 Less than $500,000.

NOTE. All banks that either had discontinued offering or had never offered particular deposit types as of the survey date are not counted as issuing banks. Moreover, the small amounts of deposits held at banks that had discontinued issuing deposits are not included in the amounts outstanding. Therefore, the deposit amounts shown in Table 1 may exceed the deposit amounts shown in these tables.

The most common interest rate for each instrument refers to the stated rate per annum (before compounding) that banks paid on the largest dollar volume of deposit inflows during the 2 week period immediately preceding the survey date.

Figures may not add to totals because of rounding.

A2. Savings deposits issued to partnerships and corporations operated for profit

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent) 4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]	Total	Most common rate paid (per cent) 4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**8,146**	**135**	**461**	**7,549**	**7,520**	**7,553**	**121**	**326**	**7,106**	**7,072**
Size of bank (total deposits in millions of dollars):										
Less than 20	3,303	...	...	3,303	3,275	448	...	...	448	446
20-50	2,939	100	375	2,464	2,464	1,008	43	108	857	857
50-100	1,006	16	39	951	951	810	6	33	771	771
100-500	711	17	28	666	666	1,725	42	59	1,625	1,625
500-1,000	103	2	12	89	89	899	(2)	(2)	846	846
1,000 and over	84	1	7	76	75	2,662	(2)	(2)	2,559	2,527

A3. Savings deposits issued to domestic governmental units

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent) 4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]	Total	Most common rate paid (per cent) 4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**6,080**	**175**	**511**	**5,395**	**5,280**	**3,880**	**46**	**162**	**3,672**	**3,654**
Size of bank (total deposits in millions of dollars):										
Less than 20	3,430	164	113	3,153	3,040	556	17	6	533	527
20-50	1,617	...	338	1,279	1,279	645	...	26	619	619
50-100	491	...	39	451	451	459	...	95	364	364
100-500	406	5	10	391	391	801	9	12	779	779
500-1,000	75	2	6	67	67	402	(2)	(2)	402	402
1,000 and over	62	3	5	54	52	1,018	(2)	(2)	974	963

A4. Savings deposits issued to all others

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent) 4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]	Total	Most common rate paid (per cent) 4.00 or less	4.01 to 4.50	4.51 to 5.00	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**748**	**3**	**2**	**744**	**744**	**256**	**(2)**	**(2)**	**255**	**255**
Size of bank (total deposits in millions of dollars):										
Less than 20	300	...	...	300	300	161	...	...	161	161
20-50	328	...	...	328	328	(2)	...	...	(2)	(2)
50-100	39	...	...	39	39	13	...	...	13	13
100-500	64	3	...	62	62	19	(2)	...	(2)	(2)
500-1,000	2	...	2	...	...	(2)	...	(2)	(2)	(2)
1,000 and over	14	...	...	14	14	60	...	...	60	60

For notes, see p. 352.

A5. Government time deposits in denominations of less than $100,000— Maturities of 30 up to 90 days

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	5.51 to 7.75	Memo: ceiling rate[1]	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	5.51 to 7.75	Memo: ceiling rate[1]
	NUMBER OF BANKS						MILLIONS OF DOLLARS					
All banks	**4,301**	....	**3,231**	**854**	**216**	....	**1,141**	....	**737**	**361**	**43**	....
Size of bank (total deposits in millions of dollars):												
Less than 20	2,160	....	1,354	638	168	....	251	....	150	60	40	....
20–50	1,198	....	1,108	57	33	....	100	....	92	6	2	....
50–100	328	....	265	64	....	....	134	....	127	7	....	....
100–500	460	....	390	55	15	....	452	....	241	210	1	....
500–1,000	91	....	62	29	....	....	85	....	28	56	....	....
1,000 and over	64	....	53	11	....	....	120	....	99	21	....	....

A6. Government time deposits in denominations of less than $100,000— Maturities of 90 up to 180 days

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	5.51 to 7.75	Memo: ceiling rate[1]	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	5.51 to 7.75	Memo: ceiling rate[1]
	NUMBER OF BANKS						MILLIONS OF DOLLARS					
All banks	**7,498**	....	**702**	**6,078**	**718**	**33**	**1,168**	....	**131**	**956**	**81**	**2**
Size of bank (total deposits in millions of dollars):												
Less than 20	4,246	....	359	3,394	492	....	500	....	25	435	40	....
20–50	2,145	....	188	1,751	207	33	184	....	16	159	9	2
50–100	467	....	70	398	....	....	91	....	45	46	....	....
100–500	492	....	50	432	9	....	165	....	16	131	17	....
500–1,000	85	....	18	60	7	....	51	....	[2]	35	[2]	....
1,000 and over	63	....	17	44	2	....	177	....	[2]	149	[2]	....

A7. Government time deposits in denominations of less than $100,000— Maturities of 180 days up to 1 year

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	5.51 to 7.75	Memo: ceiling rate[1]	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	5.51 to 7.75	Memo: ceiling rate[1]
	NUMBER OF BANKS						MILLIONS OF DOLLARS					
All banks	**4,375**	....	**361**	**3,062**	**952**	**33**	**688**	....	**58**	**477**	**153**	**1**
Size of bank (total deposits in millions of dollars):												
Less than 20	2,185	....	304	1,518	363	....	195	....	18	132	46	....
20–50	1,414	....	....	1,005	409	33	213	....	....	132	81	1
50–100	272	....	23	155	94	....	21	....	2	12	7	....
100–500	373	....	25	279	68	....	180	....	37	135	8	....
500–1,000	74	....	8	53	13	....	22	....	[2]	13	[2]	....
1,000 and over	57	....	1	51	5	....	56	....	[2]	53	[2]	....

For notes, see p. 352.

A8. Government time deposits in denominations of less than $100,000— Maturities of 1 year or more

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	5.00 or less	5.01 to 5.50	5.51 to 6.00	6.01 to 7.75	Memo: ceiling rate[1]	Total	5.00 or less	5.01 to 5.50	5.51 to 6.00	6.01 to 7.75	Memo: ceiling rate[1]
	NUMBER OF BANKS						MILLIONS OF DOLLARS					
All banks	**7,786**	**214**	**425**	**5,128**	**2,018**	**33**	**1,177**	**6**	**50**	**749**	**372**	**1**
Size of bank (total deposits in millions of dollars):												
Less than 20	4,136	139	164	2,291	1,542	....	564	2	21	298	242	....
20–50	2,459	33	155	2,124	147	33	293	1	3	270	19	1
50–100	586	16	39	336	195	....	126	(3)	15	26	86	....
100–500	479	20	39	305	115	....	111	2	6	88	16	....
500–1,000	75	4	17	42	12	....	27	(2)	2	21	(2)	....
1,000 and over	51	2	11	31	7	....	55	(2)	3	47	(2)	....

A9. Other time deposits in denominations of less than $100,000— Maturities of 30 up to 90 days

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	4.50 or less	4.51 to 5.00	Memo: ceiling rate[1]	Total	4.50 or less	4.51 to 5.00	Memo: ceiling rate[1]
	NUMBER OF BANKS				MILLIONS OF DOLLARS			
All banks	**6,324**	**11**	**6,313**	**5,959**	**7,319**	**86**	**7,233**	**6,741**
Size of bank (total deposits in millions of dollars):								
Less than 20	2,986	....	2,986	2,850	608	....	608	584
20–50	1,770	....	1,770	1,630	360	....	360	348
50–100	773	....	773	741	961	....	961	873
100–500	621	5	616	595	1,502	(2)	(2)	1,444
500–1,000	98	5	93	80	1,402	73	1,329	1,221
1,000 and over	77	1	76	64	2,486	(2)	(2)	2,272

A10. Other time deposits in denominations of less than $100,000 — Maturities of 90 up to 180 days

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	4.50 or less	4.51 to 5.00	5.01 to 5.50	Memo: ceiling rate[1]	Total	4.50 or less	4.51 to 5.00	5.01 to 5.50	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**11,464**	**55**	**1,457**	**9,951**	**9,872**	**29,844**	**4**	**1,791**	**28,049**	**27,685**
Size of bank (total deposits in millions of dollars):										
Less than 20	6,510	55	967	5,488	5,433	3,655	4	200	3,451	3,442
20–50	3,037	....	309	2,728	2,728	5,192	....	238	4,954	4,954
50–100	1,014	....	133	881	881	3,707	....	474	3,232	3,232
100–500	719	....	26	693	680	7,124	....	146	6,977	6,929
500–1,000	99	....	14	85	79	2,731	....	153	2,578	2,518
1,000 and over	84	....	8	76	71	7,434	....	579	6,855	6,610

For notes, see p. 352.

A11. Other time deposits in denominations of less than $100,000— Maturities of 180 days up to 1 year

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	Memo: ceiling rate [1]	Total	Most common rate paid (per cent): 4.50 or less	4.51 to 5.00	5.01 to 5.50	Memo: ceiling rate [1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**8,951**	**32**	**479**	**8,440**	**8,204**	**4,377**	**6**	**95**	**4,276**	**3,990**
Size of bank (total deposits in millions of dollars):										
Less than 20	5,271	29	411	4,832	4,640	1,733	(3)	41	1,693	1,610
20–50	2,093	....	....	2,093	2,093	373	....	....	373	373
50–100	794	....	32	763	747	639	....	30	610	602
100–500	615	3	23	589	576	560	(2)	(2)	548	546
500–1,000	98	1	7	90	82	345	(2)	(2)	340	329
1,000 and over	79	....	5	74	66	726	....	13	714	530

A12. Other time deposits in denominations of less than $100,000— Maturities of 1 up to 2½ years

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent): 5.00 or less	5.01 to 5.50	5.51 to 6.00	Memo: ceiling rate [1]	Total	Most common rate paid (per cent): 5.00 or less	5.01 to 5.50	5.51 to 6.00	Memo: ceiling rate [1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**13,553**	**2**	**240**	**13,311**	**13,059**	**33,919**	**(2)**	**(2)**	**33,468**	**32,757**
Size of bank (total deposits in millions of dollars):										
Less than 20	8,112	....	164	7,947	7,756	10,551	....	241	10,311	10,119
20–50	3,469	....	33	3,436	3,413	8,021	....	35	7,986	7,986
50–100	1,069	....	32	1,037	1,021	3,545	....	113	3,432	3,430
100–500	719	....	8	711	696	4,848	....	20	4,828	4,687
500–1,000	100	2	1	97	95	1,839	(2)	(2)	(2)	1,736
1,000 and over	84	....	2	82	78	5,116	....	(2)	(2)	4,798

A13. Other time deposits in denominations of less than $100,000— Maturities of 2½ up to 4 years

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent): 6.00 or less	6.01 to 6.50	Memo: ceiling rate [1]	Total	Most common rate paid (per cent): 6.00 or less	6.01 to 6.50	Memo: ceiling rate [1]
	NUMBER OF BANKS				MILLIONS OF DOLLARS			
All banks	**12,204**	**224**	**11,980**	**11,856**	**18,421**	**294**	**18,128**	**17,786**
Size of bank (total deposits in millions of dollars):								
Less than 20	6,910	193	6,717	6,688	4,464	100	4,364	4,248
20–50	3,422	....	3,422	3,356	4,825	....	4,825	4,767
50–100	991	23	968	945	1,971	63	1,908	1,908
100–500	707	3	704	702	2,730	(2)	(2)	2,665
500–1,000	96	5	91	89	1,144	87	1,058	1,021
1,000 and over	79	1	78	77	3,288	(2)	(2)	3,178

For notes, see p. 352.

A14. Other time deposits in denominations of less than $100,000— Maturities of 4 up to 6 years

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent)				Total	Most common rate paid (per cent)			
		6.50 or less	6.51 to 7.00	7.01 to 7.25	Memo: ceiling rate[1]		6.50 or less	6.51 to 7.00	7.01 to 7.25	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**11,773**	**107**	**1,748**	**9,918**	**9,918**	**44,500**	**783**	**4,357**	**39,360**	**39,360**
Size of bank (total deposits in millions of dollars):										
Less than 20	6,794	57	942	5,795	5,795	6,547	8	774	5,765	5,765
20–50	3,118	33	639	2,445	2,445	10,015	122	1,795	8,099	8,099
50–100	991	....	110	881	881	5,781	....	348	5,433	5,433
100–500	694	8	46	641	641	9,301	161	799	8,341	8,341
500–1,000	98	4	6	88	88	4,086	32	259	3,796	3,796
1,000 and over	79	5	6	68	68	8,770	461	383	7,927	7,927

A15. Other time deposits in denominations of less than $100,000— Maturities of 6 years or more

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent)				Total	Most common rate paid (per cent)			
		5.00 or less	5.01 to 7.25	7.26 to 7.50	Memo: ceiling rate[1]		5.00 or less	5.01 to 7.25	7.26 to 7.50	Memo: ceiling rate[1]
	NUMBER OF BANKS					MILLIONS OF DOLLARS				
All banks	**8,168**	....	**402**	**7,765**	**7,765**	**9,243**	....	**638**	**8,606**	**8,606**
Size of bank (total deposits in millions of dollars):										
Less than 20	4,244	....	191	4,052	4,052	699	....	15	684	684
20–50	2,287	....	80	2,206	2,206	1,832	....	25	1,806	1,806
50–100	882	....	94	788	788	1,486	....	127	1,359	1,359
100–500	592	....	20	572	572	1,940	....	67	1,873	1,873
500–1,000	87	....	9	78	78	936	....	121	815	815
1,000 and over	77	....	8	69	69	2,351	....	282	2,068	2,068

A16. Club accounts—Christmas savings, vacation, or similar club accounts

Most common interest rates paid by insured commercial banks on new deposits, October 27, 1976

Group	Total	Most common rate paid (per cent)					Total	Most common rate paid (per cent)				
		0.00	.01 to 4.00	4.01 to 4.50	4.51 to 5.50	Memo: ceiling rate[1]		0.00	.01 to 4.00	4.01 to 4.50	4.51 to 5.50	Memo: ceiling rate[1]
	NUMBER OF BANKS						MILLIONS OF DOLLARS					
All banks	**9,021**	**5,015**	**1,219**	**654**	**2,133**	**180**	**1,837**	**418**	**201**	**198**	**1,019**	**209**
Size of bank (total deposits in millions of dollars):												
Less than 20	4,921	3,286	552	359	722	....	237	122	37	17	60	....
20–50	2,622	1,298	501	174	648	121	245	118	60	8	59	19
50–100	842	258	70	55	460	46	430	50	11	33	335	187
100–500	504	133	80	45	246	12	371	75	52	36	208	3
500–1,000	75	24	11	10	30	....	125	24	19	33	48	....
1,000 and over	58	16	5	10	27	....	431	29	22	71	308	....

For notes, see p. 352.

Statements to Congress

Statement by Arthur F. Burns, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, March 22, 1977.

It is a special pleasure for me, Mr. Chairman, to meet with this committee. The action taken by the Congress in 1974 to establish a formal legislative budget is one of the great events of our time. In my judgment, the work of this new committee and of your counterpart in the House has already amply demonstrated the wisdom of the Congressional Budget Act.

In August of 1976, when I last communicated with this committee, there was a considerable concern in our country over the slowing in the pace of economic recovery. I then called attention to the fact that temporary pauses were not uncommon during business-cycle expansions and went on to suggest that reacceleration of economic growth would probably occur soon because improving conditions were discernible in key sectors of the economy.

It is clear now that a quickening of the economic tempo did occur in the latter months of 1976. Retail sales began to show improvement last autumn across a broad spectrum of merchandise lines, and by Christmas it was evident that consumers generally were in a spending mood. Brisk consumer buying during the fourth quarter enabled business firms to work off excess inventories that had accumulated during previous months when retail demand was weaker. With sales and inventories coming into better balance, production and new orders began to quicken and the demand for labor increased. Employment rose strongly in the final 2 months of last year and again in the first 2 months of this year—with the cumulative rise over the 4 months amounting to 1¼ million persons.

These developments testify to the fact that as 1977 began, our Nation's economy was already emerging from its phase of slowing. That fact would be better appreciated, I believe, were it not for preoccupation with gross national product (GNP) numbers as such. The figure for the fourth quarter of last year was obviously disappointing, showing as it did an annual rate of gain of only 2.6 per cent in constant-dollar terms. That outcome, however, reflected the inventory adjustment that was in progress. When inventory changes are removed from the GNP figure—in other words, when we focus on final sales of goods and services—we have a better indicator of the underlying trend of the economy. This magnitude showed a decidedly stronger rate of gain in last year's final quarter—an annual rate of growth of 5.7 per cent. Indeed, when one abstracts from the inventory changes that overlay broad economic trends during the course of 1976, the picture of steadily improving final sales is impressive. And it would have been even more impressive, I believe, had it not been for the distortions caused by strikes in the rubber and automobile industries. It is noteworthy that the annual rate of growth in final sales, measured in constant dollars, rose in successive quarters of 1976, while the corresponding figures for GNP kept declining.

For a brief period, the unusual weather of January and February tended to obscure the reacceleration under way in the Nation's economy. January numbers, in particular, were badly distorted, and, of course, we still do not know how seriously agricultural production will be affected this year by the drought in parts of the West. Recent data, however, preponderantly confirm a smart snapback from the weather-related disturbances, and we may reasonably expect good gains in general economic activity during the remainder of 1977 and on into 1978.

The economy is now relatively free of the kind of speculation and imbalances that developed in the early 1970's. Consumer purchasing power—badly hurt for some years by inflation's heavy toll—is exhibiting a healthier trend. So too is business income. Material improvement has occurred in personal and corporate balance sheets. Inventories in general seem to be prudently related to sales trends. The housing industry is steadily working out of the difficulties brought on by the overbuilding of the early 1970's. Even business investment—while lagging in its recovery pace relative to earlier business-cycle expansions—is gradually gaining strength. And, I might add, the financial environment in our country is now conducive to economic expansion, as is evidenced both by the state of liquidity that generally prevails and by the truly striking fact that the level of interest rates is appreciably lower than at the beginning of the recovery.

In view of this combination of circumstances, as I have indicated in other recent congressional testimony, it seems doubtful that any special governmental efforts are now needed to assure substantial gains in our economy this year. A few months ago, when plans aimed at bolstering aggregate demand first began to take shape, the case for supportive action had greater plausibility. But some significant developments have since then occurred—particularly, of course, the demonstration that economic expansion is reaccelerating and that the reacceleration has apparently survived the weather disturbance.

Such reservations as I or others at the Federal Reserve have about the immediate need for new fiscal stimuli should not be interpreted to mean that the Federal Reserve will stop short of doing what it can to foster a satisfactory rate of economic growth this year. On the contrary, as I have repeatedly stated, the President's objectives for 1977, with regard to both the growth of output and decline of unemployment, appear to be entirely reasonable.

The growth ranges that we at the Federal Reserve have established for monetary expansion this year, as reported to the House Banking Committee in February, are adequate in our judgment to permit a significantly faster rise in physical output during 1977 than occurred during 1976. For *M*-1, the narrowly defined money stock—which includes only currency and demand deposits—the Federal Open Market Committee (FOMC) has specified a growth range of 4½ per cent to 6½ per cent for the year ending with the fourth quarter of 1977. For *M*-2, a broader measure of money, which includes savings and consumer-type time deposits at commercial banks as well, the range is 7 to 10 per cent. For *M*-3, a still broader aggregate, which also includes the deposits of thrift institutions, the range is 8½ to 11½ per cent.

It is highly important to recognize that the ability of these monetary aggregates to accommodate economic growth depends not just on their size but also on the intensity with which money balances are used—that is, on the turnover of money. The turnover of the narrowly defined money stock—or, if you prefer, its velocity—has been rising especially rapidly in recent years, reflecting numerous innovations in financial technology that have enabled individuals and business firms to reduce reliance on demand deposits for handling their monetary transactions. Our judgment is that such economizing in the use of cash balances will continue, and—of necessity—we must take that consideration into account in setting our monetary expansion ranges.

The growth ranges that the FOMC has established for monetary growth are, of course, not immutable. Large uncertainties always surround economic forecasts, and the relationships that exist between financial and real variables are complex and often loose. For these reasons we are very mindful at the Federal Reserve that constant reappraisal of the appropriateness of our monetary growth ranges is required. Should developments in the months ahead indicate that the ranges established for monetary expansion are inconsistent with the achievement of satisfactory performance of our economy, the FOMC would alter them—either upward or downward, depending on what signals emerge. Indeed, a formal detailed review of our longer-term monetary growth ranges occurs every 3 months, with the next such review scheduled for the FOMC's mid-April meeting.

The judgments that go into our process of reassessing monetary growth rates are literally continuous, and they are not made lightly. The members of the Federal Open Market Committee make the final decisions, but in doing so we rely heavily on the investigations and knowledge of our excellent staff. We also benefit greatly from the knowledge and experience of the officers and directors of the Federal Reserve banks and branches across our country.

I want to assure you, moreover, that committee meetings such as today's are very helpful to us in clarifying congressional intent and purpose. So, too, are the oversight hearings conducted by the banking committees of the Congress. The Federal Reserve does not operate in an ivory tower. We well understand the need for checking and expanding our knowledge, and we therefore supplement interchange of the kind we are having today with a great deal of informal contact with individual members of the Congress and with officials of the Treasury Department, the Council of Economic Advisers, the Office of Management and Budget, and other agencies. Such dialogue is, in fact, continuously occurring.

The subject of money and banking can at times be difficult even for experts. I recall vividly the questions concerning monetary policy raised by some members of this committee soon after the disbursal of the tax-rebate and special Social Security checks in 1975. Since pending legislation before the Congress would involve another substantial rebate program this spring, it may be helpful to review the earlier episode and at the same time share with you our plans for adjusting monetary actions to this year's proposed rebates.

The objective of the Federal Reserve in 1975 was to accommodate as smoothly as possible the sudden large flow of funds through bank accounts occasioned by the rebate program. This involved action to supply bank reserves to the market in the period before the rebate checks were mailed, since the Treasury was then building up its balances at Federal Reserve banks in anticipation of making the disbursements. Had we not acted supportively in the pre-rebate period, total bank reserves would have tended to fall—as would private holdings of money—and interest rates would have been subjected to upward pressure. For the rebate period itself, our intent was to allow the depositing of rebate checks in bank accounts to go forward without any special effort on our part to influence the impact of such deposit activity on money growth. We recognized, of course, that the money supply would accelerate significantly for a while, but we also anticipated that it would subsequently moderate as households and businesses disposed of deposits that had temporarily risen above accustomed levels.

As events actually unfolded in May and June of 1975, the rise that took place in the money supply was much larger than the Federal Reserve staff had estimated would occur as a result of the rebate program. The inference we drew was that the demand for money was expanding rapidly quite apart from the rebate program. We therefore took mildly restrictive action toward the end of June to reassure the Nation that the Federal Reserve would not countenance monetary expansion on a scale that might release a new wave of inflation. Differences of judgment existed then—and still do—as to the appropriateness of that mild tightening action. Let me say only that if we erred, the mistake was technical in origin—that is, it grew out of the difficulty in making good estimates of the tax-rebate impact on deposit growth. In any event, monetary growth rates soon moderated, and we lost very little time in returning to an easier monetary stance.

Fortunately, in judging the monetary effects of this year's proposed rebate program, we have a better basis for making estimates because the 1975 experience is available for guidance. Whereas our 1975 estimates of how money supply growth would be affected were single-point estimates, this time we will make a range of estimates in recognition of the uncertainties inherent in trying to gauge how much of their rebates people will elect to hold in money form and for what length of time. In short, I expect that our zone of tolerance in permitting monetary expansion to run at high rates for a while will be somewhat wider this time. But if we then find that monetary growth does not soon moderate in the expected degree, we may need to take action to absorb bank reserves temporarily. All in all, my belief is that we learned something in 1975 and that consequently a rebate program this year has a good chance of being handled relatively smoothly.

A basic working premise of the Federal Reserve is that there is an urgent national need to create job opportunities for the millions of Americans who want to work but who nevertheless now find themselves idle. The solution to this problem, and especially amelioration of the difficulties that young people have in finding employment, is not to be found exclusively—or even mainly—in government programs aimed at enlarging aggregate demand. It is of crucial importance that our citizens understand better than they do that inflation is itself a prime source of much of our nationwide unemployment. There is no doubt in my mind, as I read the record of the early 1970's, that inflationary distortions were the principal cause of the recent severe recession. Nor do I have much doubt that the expansion of employment now in process will be threatened if we fail to develop a strong anti-inflation policy.

That is why monetary policy, while fully supportive of economic growth, has diligently sought to avoid the release of new inflationary forces. That is also why I have been so concerned that the Congress recognize the powerful momentum that has been built into Federal spending by the "entitlement" programs enacted in the 1960's. We need to take great care in adding new permanent programs to the budget, lest they accentuate underlying budget pressures that will manifest themselves later on and create financial stresses that jeopardize economic growth and employment.

Fortunately, we have made considerable progress since 1974 in lowering the rate of inflation. Consumer prices rose about 5 per cent last year, down from 12 per cent 2 years earlier. But it is going to be difficult to achieve further significant reductions in the immediate future. Substantial amounts of idle capacity and manpower provide little assurance that price pressures will not mount as the economic growth rate speeds up. Indeed, the historical record of business cycles in our country clearly demonstrates that the average level of sensitive commodity prices tends to start rising at or close to the very beginnings of a business-cycle upswing and that the prices of final goods and services gather substantial upward momentum well before full utilization of resources is achieved.

We are now witnessing in fact some disturbing manifestations of price pressures in our economy. The prices of basic commodities in wholesale markets have been moving up at a rapid pace since last fall. The wholesale prices of industrial commodities at all stages of processing have increased at an annual rate of 8 per cent during the past half year. At the consumer level, even abstracting from the temporary impact of weather on some food items, there has been a tendency recently for prices of many goods and services to rise at an increased rate.

These developments suggest the need for great care in fashioning fiscal and monetary policies. Our official actions must not contribute to inflationary psychology. Not only that, but we need to convince both businessmen and consumers that a break with the past is under way—particularly, that our Nation's finances will henceforth be handled with greater prudence than they have in the past.

The task of effecting a transition to a noninflationary environment is one to which the Federal Reserve must make a major contribution. The monetary growth ranges established during the past 2 years have been considerably higher than they should be over the long run. Ideally, the combination of increases in the money stock and increases in velocity should approximate the economy's longer-term growth rate of physical output, which is about 3½ per cent. If we could come close to such an alignment, the trend of the general price level would tend to stabilize and inflation would be a thing of the past.

We are, of course, a long way from that objective and, as a practical matter, we cannot move to it in one fell swoop. The shock of adjustment would be too abrupt in view of the need to keep the economy moving along a satisfactory path of expansion. But the difficulties inherent in moving swiftly to appropriate growth rates for money do not mean we should be acquiescent. Rather, a policy of gradual reduction in monetary growth rates toward levels consistent with reasonable price stability must be adhered to. The Federal Reserve has in fact been gradually lowering its projected growth ranges for the monetary aggregates. We know that we must do better in order to lay a foundation for lasting prosperity. I assure you that we will be striving in that direction. □

Statement by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation, and Insurance of the Committee on Banking, Finance, and Urban Affairs of the U.S. House of Representatives, March 23, 1977.

I appreciate the opportunity to appear before this subcommittee to discuss the important and timely topic of international lending by U.S. banks. In my statement this morning I will present a brief survey of: (1) the growth in scope of U.S. banks' international lending, with emphasis on recent developments, (2) some problems and concerns that arise from the international operations of U.S. banks, and (3) actions that the Board of Governors of the Federal Reserve System has taken in the supervisory area as growth in international operations has proceeded. It seems appropriate to keep this review brief since this subcommittee, together with the House Committee on Banking, published an extensive study of "U.S. Banks Abroad," only 9 months ago as part of the Financial Institutions and the Nation's Economy (FINE) study.

GROWTH OF U.S. BANKS' INTERNATIONAL ACTIVITIES

The expansion of U.S. banks' international activities in the past decade has reflected a number of developments, in addition to the central role of the dollar in international finance. In part, the expansion was the consequence of the growth of international trade, which has more than quadrupled over this period, and the greatly expanded activities of multinational corporations that have increased the needs of these multinational corporations for international financial services.

Superimposed on these broad trends were two further developments that have greatly added to international credit demands from U.S. and other banks. The first of these developments was the substantially increased credit demands from a large number of countries, many of which had embarked on expansionary programs during the commodity price surge and worldwide inflation of the early 1970's and subsequently found themselves with unsustainable rates of growth of imports. Borrowers in this position—not only the developing countries but also other primary producers and some highly industrialized countries—have obtained substantial amounts of loans from American banks and also from banks of other major industrial countries.

The second major development was the sharp increase in oil prices and the special financing problems that resulted from the emergence of a current-account surplus for the Organization of Petroleum Exporting Countries (OPEC), which has aggregated close to $150 billion in the past 3 years. The rapid accumulation of debt appeared relatively manageable so long as it seemed probable that the OPEC surplus would diminish fairly rapidly. Developments that became apparent in the course of 1976 indicate that the OPEC surpluses will be larger and persist longer than had been expected several years ago. This changed outlook makes more difficult the situation of the borrowing countries, calls for a more deliberate process of balance of payments adjustment on their part, and may also make it necessary to develop alternative financial arrangements.

Growth in international lending by U.S. banks in the late 1960's and early 1970's was concentrated at foreign branches, since foreign credits extended by U.S. offices were subject to the *Voluntary Foreign Credit Restraint* (VFCR) program. Subsequently, foreign lending from U.S. offices expanded rapidly as the VFCR program was relaxed and terminated. By the end of 1976, total claims on foreigners by both domestic offices and foreign branches of U.S. banks amounted to $207 billion, most of which were held by foreign branches.

In addition, majority-owned foreign subsidiaries of U.S. banks had total assets of $30 billion at the end of 1975, the latest date for which comprehensive data are available. The activities of these subsidiaries, which include both banks and other financial institutions, are in most cases similar to those conducted through overseas branches. A preference for subsidiaries, where it exists, reflects mainly reasons relating to corporate structure or to legal and regulatory requirements in particular foreign countries.

Let me now turn to the geographic distribution of foreign claims at head offices and foreign branches. At the end of 1976, U.S. banks held $45 billion of claims on non-oil less developed countries (LDC's). Loans to Mexico and Brazil each accounted for about one-fourth of the total, and the remaining loans were mainly to a few major Latin American countries, and to Korea, the Philippines, and Taiwan. Thus lending by U.S. banks to countries classified as LDC's has been concentrated in the upper-income LDC's whose economies have been growing rapidly in recent years. Many of these countries have been traditional customers of U.S. banks because of longstanding economic relations with the United States. U.S. bank lending to LDC's with some of the more highly publicized problems has actually been relatively small.

The largest share of the foreign assets of U.S. banks represents claims on the Group of Ten (G-10) countries and Switzerland, and claims on offshore banking centers such as the Bahamas, Singapore, Panama, and Hong Kong. Altogether, these claims total about $125 billion. A large proportion of these claims, especially in the case of the United Kingdom and the offshore banking centers, are interbank placements with offices of major international banks, including foreign branches of nonaffiliated U.S. banks. These placements typically have short maturities and frequently serve as secondary liquidity reserves in Euro-currency banking. These interbank placements result in some enlargement of reported U.S. bank claims on individual countries since the placements between different U.S. banks are not netted out.

Apart from interbank transactions, the claims on G-10 countries include a wide variety of credits longer-term credits to multinational companies, short-term trade finance, and equipment leases as well as some loans to major public-sector borrowers.

It should be emphasized that these aggregate figures on loans to individual countries cannot be used to measure the amount of exposure of our banks in these countries. Part of the aggregate represents interbank placement where the exposure is generally regarded as small; part represents local-currency lending funded locally; and other portions may be externally guaranteed or possess different characteristics offering protection to the lending banks.

PROBLEMS AND CONCERNS

Rapid growth of international lending by U.S. banks has given rise to some problems. These problems are a subject of legitimate concern to bank supervisors and to the banks themselves. Before turning to some of these problems and concerns, perspective requires recognition of the benefits that have been derived from the expansion of international lending by commercial banks.

First of all, this lending has filled a traditional and important role in the financing of our foreign trade. It has also contributed to the efficient functioning of world credit and capital markets and to the financing of vital projects such as North Sea oil development.

Another important benefit from international lending has been the contribution to the earnings of U.S. banks. In recent years, reported international earnings have accounted for as much as 60 to 70 per cent of total earnings for a few of the largest banks, and for close to half of total earnings for a number of other large banks. Earnings from international operations have enabled the banks to add to their capital resources and have helped provide a cushion to absorb the effects of domestic loan losses.

Nevertheless, the expansion of the banks' international activities has necessarily been accompanied by greater risk exposure. The principal elements of this exposure are the traditional credit risks in international loan portfolios, the separate risks arising out of lending in different sovereign jurisdictions (the "country risk" problem), and the risks associated with the banks' foreign exchange operations under floating exchange rates.

Many of the credit risks in international lending are the same as in domestic lending, even though the banking practices and the legal and regulatory environments may differ. On the other hand, international lending is subject to special kinds of risk, usually subsumed under the heading of "country risk." This type of risk may be divided into two categories:

1. Balance of payments difficulties resulting from external or internal economic causes that can lead to devaluation, foreign exchange controls, or some form of debt rescheduling or even default;

2. Risks arising from social or political upheavals.

Concern about the country-risk element in international loans has, of course, been greatly enlarged by the effect of the oil crisis on the payments positions of many countries and the large payments deficits and growing volume of external indebtedness that have ensued.

Despite these special risks in international lending, U.S. banks' loan loss experience to date has been better internationally than domestically. Over the 5 years from 1971 to 1975, the loss ratio on international loans of the seven largest U.S. banks was about one-third of the loss ratio on the total loan portfolio. Even in 1975 and 1976 when loan losses rose sharply on all types of loans, the loan/loss ratio on international loans remained substantially below that for domestic loans. So far, problem international loans seem to have been concentrated in real estate, as has been true of problem domestic loans. Nonetheless, it would be unwise to project automatically into the future the low international loan losses of the past.

Besides these risks in international credits, the potential exposure of banks in their foreign exchange operations has been increased by the shift in the international monetary system to floating exchange rates and by the actual fluctuations that have occurred in foreign currency values. The contribution of improper foreign exchange dealings to the failure of Franklin National Bank is well known, as are the losses incurred by some banks overseas. While U.S. banks appear to have adopted management procedures adequate to limit their exposure in their foreign exchange dealings, their success in controlling that exposure must be a matter of continuing concern to regulatory authorities.

In addition to these concerns about the exposure of the banks, the view has sometimes been expressed that foreign lending by U.S. banks is occurring at the expense of lending to creditworthy domestic borrowers. On this subject, several points should be kept in mind. The great bulk of the international lending by American banks is financed by foreign-source funds. This statement applies not only to the loans made by the overseas branches of American banks but also to loans made from offices in this country. There is, of course, some cyclical variation in the extent to which foreign lending from U.S. offices is matched by foreign sources of funds to the banking system. In periods of relatively reduced domestic demand for bank loans, as occurred in 1975 and 1976, banks may rely more heavily on U.S.-source funds to finance foreign loans, while in periods of high credit demands in our economy, U.S. banking offices may become net users of foreign-source funds, as occurred in 1974.

But, more broadly, it must be stressed that at times such as the present, when the United States has a deficit on its international transactions in goods and services (current account), we are a net capital importer.

If American banks lend additional amounts abroad, and if the foreign borrowers do not buy more of our goods and services but instead purchase goods and services from other countries, a company, bank, or official institution abroad will acquire additional financial assets in the United States, such as U.S. Treasury bills or securities.

ACTIONS TAKEN BY THE FEDERAL RESERVE

This review of some of the current problems in international lending is necessarily abbreviated. While care needs to be taken not to exaggerate these problems, concern about them is legitimate and, as I indicated earlier, is shared in the banking industry as well. One indication of such concern is the steps that have been, and are being, taken within the banks to review and tighten their procedures and controls in the international area.

Bank supervisors have also responded to changes in the international activities of U.S. banks. I should like therefore to turn to the measures that have been taken and are being taken within the Federal Reserve System in the exercise of its supervisory responsibilities in this area.

First, however, I should emphasize that zero-risk banking is not an objective of bank supervision. Banks must make judgments and take reasonable risks. One way bank supervisors can strengthen the banking system is by ensuring that adequate information is available to the banks. An example is the current effort by the Federal Reserve System, in cooperation with the Bank for International Settlements (BIS) and other central banks of the G-10 countries, to obtain data on the total amounts, maturity distribution, and guarantee status of bank credits to borrowers in individual countries other than those developed countries participating in this effort. The expanded coverage and the maturity information in this report will represent a marked improvement over data currently available to banks and bank supervisors. Moreover, for the first time, aggregate information will be available that includes the geographic distribution of credits that are covered by guarantees external to the borrowing country.

In addition, other reports received by the System are being reviewed and in some cases revamped to make them more useful from a supervisory point of view to the monitoring of the banks' international operations. In the same vein, the frequency of our overseas examinations has been stepped up and the procedures by which examiners scrutinize bank management systems and controls over their international operations are under active review.

Secondly, the banks have been encouraged to keep their international, as well as their domestic, expansion within prudent limits through the Board's "go-slow" policy. The Board has been unwilling to approve proposals for new expansionary ventures or investments when in the Board's judgment management's priority attention should be directed to improvement of the bank's own condition and particularly to strengthening its capital structure.

The Board has also cautioned the banks about their exposure in international joint ventures. In a policy statement issued early last year, the Board indicated that, in considering applications to make investments in foreign joint ventures, it would take into account the possibility that the applicant might for business reasons accept a degree of financial responsibility for the foreign joint venture well beyond that indicated by its investment.

In the area of foreign exchange the Federal Reserve conducted a survey in late 1974 of bank practices regarding foreign exchange exposure and controls over their foreign exchange operations. That survey, the results of which were sent to the Congress in 1975, indicated that the banks surveyed set conservative limits on their foreign exchange positions and that the measures followed by them in controlling that exposure through reporting practices, internal controls, and auditing procedures were generally adequate. However, we are continuing to work with the banks and the Comptroller of the Currency to develop minimum standards for the internal control of banks' foreign exchange operations.

Among other efforts to improve our supervision of international lending, the Federal Reserve is currently conducting, through interviews, an informal survey of commercial bank practices in defining, monitoring, and controlling country risk. This survey, which covers about 25 large banks, reveals that U.S. banks engaged in international financial activities typically have systems for measuring and controlling country risk, although the content of these internal systems differs from bank to bank. The banks surveyed are aware of the complexity of measuring country exposure and are actively seeking to improve their internal systems.

Finally, I should like to mention the initiatives that have been taken to improve international cooperation in the supervision of international activities. The Federal Reserve is an active member of the BIS Committee on Bank Regulation and Supervisory Practices. That committee was established in early 1975 as a means of promoting exchanges of information and views about bank supervisory practices and bank supervisory problems. In addition to the educational value of such exchanges, the contacts established and maintained through this committee have materially strengthened the ability of bank supervisors in the major countries to deal with individual problems as they emerge.

Over the longer run, one of the benefits of these international cooperative efforts will be improved supervision of our banks' operations overseas with the assistance of foreign banking authorities and from their point of view, improved supervision of their banks' activities in the United States with the assistance of American bank supervisors.

One complication in development of close cooperation in banking supervision between national authorities is the fact that supervisory authority over the entry and activities of foreign banks in the United States is primarily the responsibility of the State banking authorities. The United States is unique in this respect. To improve this situation, and also because of the growing importance of foreign banks in the functioning of U.S. credit and money markets, the Board has been urging enactment of Federal legislation for the regulation of foreign banks in the United States. It is sincerely hoped that these proposals will be reviewed this year and that they will soon be incorporated into U.S. law. □

Statement by David M. Lilly, Member, 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, March 30, 1977.

I appreciate the opportunity to appear before you this morning to discuss Federal Government loan guarantees. I would like to say at the outset that I am not an expert on the wide range of specific guarantee programs. I intend, therefore, to focus my remarks on the general question of the economic implications of loan guarantees and the treatment of such guarantees in the budgetary process.

The volume of guaranteed loans has been rising rapidly in recent years, reflecting growth under longstanding programs as well as the introduction of additional programs established to foster a variety of new public policy objectives. The Congress has also been deluged of late with proposals that would further expand existing guarantee programs or would involve the use of the Government's guarantee of loans for a number of new purposes, particularly in the energy field. These developments clearly point to the need for the Congress to make a thorough assessment of the public policy implications of programs that utilize the Federal Government's credit standing and to improve procedures for evaluating and accounting for such programs.

As you noted in your letter, the character of the Government's loan guarantee activities has been changing. Old, well-established programs generally have involved the provision of a guarantee on relatively small loans in the agricultural, mortgage, or small business areas. Under these programs, risk has been spread among a large number of borrowers and over a wide geographical area, and default rates have proven to be low and fairly predictable. In the case of Federal Housing Administration (FHA) Section 203b insured mortgages, as an outstanding example, premiums charged for this insurance have more than covered all losses to date.

Most of these older programs were established to remedy imperfections thought to exist in the private credit markets that resulted in a smaller flow of credit into certain uses than seemed warranted by underlying economic circumstances. Such imperfections were attributed to lenders' inability to pool large amounts of risk, their lack of knowledge about the characteristics of borrowers, and/or their reluctance to innovate new lending terms. It was, in part, to acquaint lenders with new opportunities that these programs were administered in ways that involved the private sector in the origination, servicing, and even coinsurance of loans. This strategy has often succeeded. In the home mortgage area, for example, an active and expanding private sector has increasingly assumed the risk-taking functions originally performed by the Government.

Many of the loan guarantee programs established more recently have been quite different in nature. They have involved the use of the Government's guarantee of loans to underwrite spending that has been judged to yield desirable social objectives, but which may offer only indifferent prospects of being financially successful. Programs such as student loans and assistance for low- and moderate-income home buyers, for example, would appear to involve a sizable element of risk to the Government and subsidy to the recipients since the full repayment of these loans is recognized to be uncertain.

Other newly proposed programs would involve use of loan guarantees to aid in the financing of projects, particularly in the energy area, whose exceptionally large size relative to the borrowing unit virtually precludes private lenders from providing funds on an unassisted basis. Also, in some cases, there is considerable uncertainty as to the feasibility of the technology to be used or as to whether the economic conditions likely to prevail in the future will justify the undertaking. Thus, in these instances, the Government would incur a contingent liability whose size, while unknown, can be presumed to be quite large.

Moreover, even though such programs are to be authorized in the form of loan guarantees, private involvement in a large percentage of them is likely to be modest because the Federal Financing Bank (FFB) probably will originate, service, and hold the great bulk of these loans. As you know, since it began operating in 1974, the FFB has not only made direct loans to Government agencies but has also acquired a substantial volume of Government-guaranteed loans as well. There is, in any case, little substantive difference between a direct loan and a guaranteed loan held by a private borrower in which risk of failure to repay is assumed by the U.S. Government. The FFB's acquisition of guaranteed loans further blurs this distinction, however, and in effect converts guaranteed loans into direct loans.

There are, however, clear advantages gained when the FFB acquires guaranteed loans. Such acquisitions serve to consolidate and bring order to the process of issuing Government-guaranteed debt instruments. Potential disruptions to the functioning of securities markets that could be caused by numerous public sales of guaranteed security issues are thus avoided. In addition, the FFB loans funds that it has borrowed from the Treasury, and it is therefore able to hold the interest rates it charges to levels that are just above the rates the Treasury pays when it borrows in the market. Guaranteed loans, when placed in private hands, normally carry interest rates significantly higher than rates on Treasury securities of similar maturity because such loans lack the liquidity of direct Treasury issues. The savings realized by what, in effect, amounts to the substitution of direct Treasury debt for guaranteed loans can accrue either to the borrower through lower interest charges or to the taxpayer if a fee is levied on the guaranteed loan.

Concerns have been expressed in some quarters that the advantages offered by the FFB may be encouraging growth of guaranteed loans. In my view such concerns are perhaps misdirected. I would prefer to attribute the growth of such loans to the way they have been treated in the budgetary process. As you are well aware, the exclusion of loan guarantee programs from the regular appropriation process eases their initiation and impedes their subsequent control. The amount of guaranteed loans does not appear in functional categories of the budget, and some individual guarantee programs extend over many years, with little periodic zero-base review or control other than over-all limits set by the Congress. Moreover, new loan guarantee programs have little or no impact on current budgets. There is no formal mechanism in many programs for establishing reserves when loan guarantees are made in order to cover defaults that might occur while the loans are outstanding. Instead, losses on guaranteed loans are reflected in the budget at the time they occur.

Loan guarantee programs also impose other costs on the taxpayer. In some guarantee programs, such as guaranteed student loans, subsidies are provided explicitly to those receiving guarantees. In addition, there are programs in which the cost of processing loan applications and servicing loans are borne by the Government. Loan guarantees also tend to raise the amount of interest that must be paid on the national debt. This occurs because instruments bearing the full faith and credit guarantee of the Federal Government are viewed as close substitutes for direct Government debt by many investors, and the competition from such instruments might tend to increase the cost of the Treasury's own debt financing operations.

Loan guarantees also have other significant effects on the economy that are difficult to quantify and almost never find their way into budgetary discussions. These effects are the shifts in resource allocation patterns caused by the operation of loan guarantees. The principal reason for loan guarantees, of course, is to redistribute credit to favored sectors so as to stimulate production of particular types of goods or services.

In the case of many programs, the credit provided finances activities that would not otherwise have been undertaken. Many of the programs proposed for energy development, for example, are of this latter type. In the case of other programs, guaranteed loans may not produce an equivalent increase in spending in the area because funds might be shifted by the borrower from one use to another or because credits obtained under a guarantee may simply replace borrowing that would have otherwise occurred. But even in these latter cases, it seems quite likely that the reduced cost of financing induces some additional outlays.

While loan guarantees generally result in a net increase in credit used to finance selected types of expenditures, it must be stressed that coincidentally the volume of funds available for loans to borrowers not favored by such programs tends to be diminished and the cost of these funds may be raised. As a result, the additional spending on projects backed by loan guarantees will be offset to some extent by reduced expenditures for other purposes.

To sum up then, loan guarantees, as well as other forms of Federal credit assistance, make funds available to finance certain types of spending that have been deemed through the legislative process to be of high social value. These funds are not provided without cost, however. Defaults on guaranteed loans result in a direct drain on the Treasury's tax revenues, and there are other types of attendant costs including the higher interest rates on Treasury debt caused by enlarging the supply of securities carrying the full faith and credit of the Federal Government.

Recognition that loan guarantees are not costless or without side effects does not necessarily lead to the conclusion that such programs should be eliminated. But it does highlight the need for careful evaluation of the relationship between their benefits and costs. I do not believe this is being done adequately at present since budgetary procedures do not establish for the Congress a suitable framework for making such assessments.

While there is widespread agreement that reforms in the budget treatment of credit programs are desirable, there is little consensus on what a revised budget should contain. Some budget authorities have argued that all the credit activities of the Federal Government should be incorporated in the unified budget. Under this approach, outlays would include all loan contracts guaranteed by the Government and its agencies as well as all direct loans. The budget would then measure the increase in the actual and potential financial liability of the Government, thereby providing a comprehensive accounting of the Government's involvement in the credit markets.

An all-inclusive budget would also focus attention on the total resource allocation effects of Government activity. Congressional committees responsible for various functional areas of the budget would be better able to consider Federal credit programs in tandem with taxation and expenditure programs. Thus, judgment on the advisability of adopting alternative approaches to achieving budgetary goals would be improved and a better understanding of the over-all impact of the Government on the economy would be obtained.

An alternative approach to the budgetary treatment of credit activities would be one in which Federal credit extensions, whether involving direct loans or guaranteed loans, would be excluded from the unified budget and kept track of in a separate set of accounts. This approach has been recommended by analysts who emphasize the difference between outlays that involve the acquisition of financial assets, on the one hand, and purchases of goods and services or transfers of income on the other. In the former case, the Government receives a claim on a borrower as an offset to its provision of funds; in the latter, it does not.

By affording similar status to direct and guaranteed loans and carrying them in a separate loan account, this approach would also highlight the Federal Government's impact on the credit allocation process. At the same time, the unified budget would conform more closely to a business firm's statement of income and expense. Loan transactions under this approach would not be reflected in the unified budget except to the extent that defaults and/or subsidies on these loans give rise to outlays. In a proper accounting scheme, of course, these types of costs should enter the budget on an accrual basis when the potential liability is incurred, rather than on a cash basis at the time of default. To implement this procedure, the Congress would have to estimate the potential for defaults on loans made in any year, and then appropriate sufficient funds to be held in a reserve account to cover the defaults as they occur.

Requiring current estimates of eventual costs to taxpayers might well produce a more careful appraisal of various Federal credit proposals. But the difficulties that would be encountered in making these estimates would be substantial, especially in the case of programs instituted or proposed more recently that involve large elements of unknown risk. Yet, it is clear that some estimates, however tenuous, would be preferable to current practice, which in general ignores possible future costs of such programs.

The need to distinguish between Federal credit programs and other expenditures was recognized by the 1967 Presidential Commission on the Budget. Specifically, with respect to direct loans the Commission advised that while such transactions should be placed in the comprehensive budget, they should be set apart from other outlays. Such a different treatment was advised in order to permit the calculation of an expenditure account surplus or deficit and to facilitate analysis of the impact of direct loans. The Commission also recommended that subsidy elements in direct loans should be estimated and reflected in expenditure accounts.

With regard to the budgetary treatment of loan guarantees, the Commission offered no specific recommendations because it had not had time to study this question sufficiently. It indicated, however, that coordinated surveillance of direct and guaranteed loans was desirable and that a summary should be prepared with the budget, setting forth amounts of guaranteed and insured loans outstanding and direct loans.

In adopting the Unified Budget concept in 1968, the President accepted the Commission's recommendation to include direct loans in the budget. The recommendation to delineate between loan disbursements and other outlays was also adopted initially, but this practice has been abandoned in recent budgets. Also, the recommendation for estimating subsidy elements was introduced in only a very few instances. Over the years, greater attention has been brought to bear on loan guarantees, as they have been reviewed in some detail—along with direct loans—in a chapter of the Special Analysis document that accompanies the budget. This approach, however, is obviously no substitute for one that would require consideration of Federal credit programs in the formal budget process, and it was disappointing that the Budget Control Act of 1974 did not mandate such treatment.

The problems of budgetary management of Federal credit programs under review by this Committee are obviously as complex as they are important. Careful study and deliberation will be required before a comprehensive budgetary system can be derived that will best serve the various needs of the Congress. I will not attempt to offer specific recommendations for a program that might best serve these objectives, but I would like to mention several points that I believe deserve careful consideration in your deliberations.

First, if it is decided to continue including the direct loans of Government-owned agencies in the budget, it seems clear to me that all such loans should be so treated. In this regard, last year's congressional decision to return the Export-Import Bank to the budget was a salutary development. Similar treatment, I believe, should be considered for other agencies, including the FFB. There is no difference in substance between a direct Federal loan and a loan that is guaranteed by a Government agency and acquired by the FFB. If one type of loan is included, then so should the other.

A problem that could very well arise from including the FFB in the budget, however, is that its lending and investing operations could become an easy target for those wanting to make pseudo cuts in the budget. In that case, the financing of loans guaranteed by Federal agencies might tend to be shifted back to the piecemeal and costly approach that prevailed prior to the initiation of the FFB. Accordingly, any changes in the budgetary status of the FFB would have to be accompanied by other measures that prevent the loss of the cost saving benefits that are provided by the FFB. Perhaps, legislation could be enacted that would require agencies to place certain types of loan guarantees exclusively with the FFB. This point clearly would need detailed exploration.

Second, should the decision be made to continue to keep privately held loan guarantees off the budget, it is imperative that steps be taken to achieve more effective congressional surveillance and control of these programs. At a minimum all such loans should be included on a separate line in the concurrent budget resolution. This highlighting of the total of Government-loan guarantees will provide both the Congress and the public with a more complete picture of the Government's involvement in the economy.

The Congress should also establish rules requiring reconsideration of each loan guarantee program on a yearly basis. In carrying out this task, I would further advise the initiation of zero-base budgeting; that is, the Congress should ask whether a program continues to be necessary before it decides to continue and expand it.

Finally, the Congress should require the formulation of estimates of the potential defaults on loans that have been guaranteed and should make provisions for these losses in the budget by setting up reserve accounts. Such reserves are not needed for direct loans or guaranteed loans held by Government agencies if they are already reflected as outlays in the budget.

In concluding, I would like to say that we at the Board regard the passage of the Congressional Budget Act, and its implementation in the past 2 years, as a major advance in the interests of sound budget management. The reforms in the treatment of Federal credit programs and loan guarantee programs that may result from the efforts of this committee would constitute an additional substantial step toward this important goal. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance, and Urban Affairs, U.S. House of Representatives, March 30, 1977.

I am happy to appear on behalf of the Board of Governors to discuss the implications of U.S. Treasury financing requirements for monetary policy. Your chairman has asked me to comment, in particular, on whether the increased Federal deficit financing needs soon to be created by the administration's proposed fiscal package are likely to complicate the management of monetary policy.

At the outset, I should emphasize that under the institutional arrangements in the United States, decisions on monetary policy and Treasury debt management are kept relatively independent from one another. When the Treasury seeks to issue new debt, it generally does so in the securities market, paying rates that are competitive with those available on debt securities of other borrowers. This market-oriented approach permits the Treasury to cover its financing requirements without special support from the central bank. The Federal Reserve is then left free to pursue its monetary policy objectives, which are set with reference to what we believe consistent with the emerging needs of the over-all economy.

In some other countries, new public debt is financed initially at the central bank, often at rates below the cost of borrowing from market sources. When this approach is followed, the central bank in effect creates money to pay the government's bills, at least until such time as it can successfully resell the securities to the private investment community. Monetary policy is thus subordinated to the immediate requirements of financing the public debt, and in the process the central bank may sometimes lose control of the nation's supplies of money and credit. Sooner or later, this lack of control is likely to bring escalating rates of domestic inflation, along with the economic distortions and instabilities that rapid inflation breeds.

The fact that our governmental structure separates responsibility for debt management from that for monetary policy, however, does not mean that the Federal Reserve is not vitally interested in successful Treasury debt management. A failure by the Treasury to cover its financing requirements, in addition to precipitating a crisis in public credit, would disrupt financial markets and create serious problems for other borrowers as well. Such a development would doubtless make it necessary for the Federal Reserve to divert open market operations for a time from more fundamental objectives to the task of coping with the immediate financial market difficulty.

To help minimize the possibility of Treasury financing failures, the Federal Reserve during the 1950's and 1960's followed the practice of maintaining an "even-keel" posture in monetary policy at the time of major debt management operations. Basically, this commitment meant that during the critical days of important Treasury financings in the coupon market, the Federal Reserve would not take overt monetary actions—such as a change in the Federal Reserve discount rate or a significant shift in the thrust of open market operations—which might be construed by participants in the U.S. Government securities market as a basic adjustment in monetary policy. In more recent years there has been a gradual relaxation in the constraints on monetary actions imposed by this "even-keel" commitment. This relaxation has been possible mainly because the Treasury has introduced debt management innovations that have made its financings less vulnerable to sudden variations in market interest rates.

Perhaps the most significant of these innovations has been the increased emphasis on the auctioning of new debt offerings. In the 1950's and 1960's when the Treasury sold new notes and bonds, it generally announced fixed interest rates on the new issues 5 or 6 days in advance of taking subscriptions. Under this procedure the financing could be jeopardized by any sizable, unexpected increase in market interest rates that developed between the announcement and actual offering of the new issues. When yields on outstanding market securities rose just before the offering date, the terms of the new issues naturally looked less attractive to investors. If this erosion of investor interest went too far, the Treasury ran the risk of failing to sell enough of its new debt and thus of being temporarily embarrassed for lack of funds. Under the auction procedure now used this risk is reduced because the yields and prices of new issues are determined through bidding on the date of the financing itself, rather than some days before.

A second innovation in debt management that has diminished the constraint of "even-keel" considerations on the conduct of monetary policy has been the restructuring of much of the marketable debt into regularized cycles of debt offerings that can be handled on a rather routine basis. Financings are split into moderate-sized auctions that occur on a definite schedule, which encourages investors to accumulate funds for regular placement in Treasury issues.

It is fortunate that the Treasury has been able to channel much of its recent borrowing into these relatively routine debt offering cycles because the heavy Federal deficits of the past few years have greatly expanded both the aggregate volume of Government financing and the frequency of new issues. Last year, for example, the Treasury sold in the market $93 billion in new notes and bonds to refund maturing debt and to raise new cash, far above the $25 billion average annual volume that had prevailed during the decade from 1965 to 1974. Moreover, last year's financings included 30 separate issues of new marketable debt other than Treasury bills, compared with an average of 12 per year from 1965 to 1974.

Against this background, if a rigorous "even-keel" approach to Treasury financings were required, the greater frequency of operations could often delay needed Federal Reserve actions and to that extent reduce the flexibility of monetary policy. Of course, there is always a free and full exchange of information on such matters as financial market conditions and Federal financing requirements between the Treasury and the Federal Reserve. But if we are to be successful in maintaining effective control over longer-run growth in the monetary aggregates, sufficient leeway to make timely adjustments in the supply of bank reserves is an essential prerequisite.

This brings me to the more immediate question of whether the administration's proposed tax rebate and social security payment package is likely to create any special difficulties for Federal Reserve policy during the months just ahead. Two possible sources of difficulty have been identified.

First, some analysts have speculated that the sheer weight on financial markets of Treasury borrowing to finance this package might inhibit the flexibility of Federal Reserve actions. I do not think that this is a realistic possibility. Although the $10 billion or so expected to be distributed as tax rebates and associated payments during the next few months is a very large sum, it is not likely to create a major financing problem for the Treasury. Not only will the bulk of the payments be occurring during a part of the year when regular income tax receipts would otherwise be creating a seasonal surplus, but the persistent shortfall in Federal spending below budget estimates thus far in the current fiscal year has held aggregate deficit financing requirements somewhat below market expectations.

In a broader sense, the addition of another $10 billion to the Treasury's borrowing needs extends the period of exceptionally heavy deficit financing and increases the risk that adverse financial market effects could begin to accumulate. The Federal deficit in the current calendar year—including the deficits of off-budget agencies—now seems likely to approach $80 billion, up $17 billion from last year and only moderately less than in calendar year 1975. If these large deficit financing needs persist into the time when private credit demands are rising strongly in response to continued economic recovery, substantial pressures on both the cost and availability of credit might very well develop. But this is a longer-run and more generalized concern.

The second aspect of the fiscal package that poses a potential problem for the Federal Reserve is the likelihood that the rebates will produce temporary—but difficult to interpret—distortions in the monetary aggregates. To the extent that these temporary rebate effects disguise the more fundamental influences on monetary growth, it will be difficult for a time to determine the near-term course in money growth and interest rates that is most likely to be consistent with the developing financial requirements of the economy.

To help understand why the impact of the tax rebates on monetary growth is so difficult to predict, let me briefly discuss the relationship of U.S. Treasury cash balances to the money supply. First, it should be noted that although the Treasury holds its cash balances as demand deposits, partly with commercial banks and partly with Federal Reserve Banks, neither type of deposit is included in statistics on the money supply. Deposits held by other key types of spending units—households, businesses, and State and local governments—do, of course, all appear in the monetary aggregates.

The rationale for excluding Treasury deposits from the various measures of money has traditionally been that spending decisions by the Federal Government are not at all influenced by the size of its cash position. Federal spending programs are legislated by the Congress and supported by tax revenues or borrowed funds. Thus, the level of the Treasury's bank balance at any given point simply reflects different flow patterns of outlays and receipts.

The spending decisions of other economic units, on the other hand, do appear to be influenced significantly by the size of their liquid balances. Since this relationship is a critical link in understanding the probable impact of monetary developments on aggregate spending in the economy, it is important to have statistics on the monetary aggregates that provide the most meaningful analytic measures of these variables.

The exclusion of Treasury balances from the published money supply statistics, however, may occasionally present difficulties in interpreting short-run movements in these data. Whenever taxpayers or investors make net payments to the Federal government, their deposit balances tend to be drawn down and those of the Treasury rise. Similarly, when the Treasury spends more than it receives, its balances are drawn down and those of other units in the economy tend to rise. But most of these shifts in cash position between the public and the Treasury are regularly recurring events related, for example, to the timing of tax payment dates and periodic Treasury financings. Therefore, they tend to wash out in the seasonally adjusted measures of the money supply that are used as guides to monetary policy.

Even after taking out the seasonal, our statistical studies have not shown a predictable, consistent relationship between variations in the Treasury's balance and changes in money growth rates. This is probably because of the myriad of transactions that go through deposit accounts each day, and also because most large depositors typically adjust their demand balances promptly to desired levels. In the rebate case, however, the Treasury disbursements will be especially large; they will be concentrated in timing and nonseasonal in character; and the payments will be made to families rather than to business units. There will probably be some delay as families deliberate on how to use the windfall, and, if so, there will be a sharp temporary upsurge in their average cash balances and a resulting spurt in the growth of the monetary aggregates. Later, as these balances are spent, there should be a reversal of the money bulge, and a concomitant slowing in monetary growth until the recipients have used the funds and cash balances have been reduced to normal working levels. This is the pattern of response that seemed to occur in the money growth numbers during the prior tax rebate episode in 1975.

Looking to the months ahead, it is hard to judge with any precision how large the distortions in money growth rates triggered by the 1977 fiscal package may be. We have only one prior experience to draw upon, and today's economic setting differs in important respects from that of 2 years ago. Hence, the Federal Reserve is likely to have considerable difficulty as the period progresses in assessing the more fundamental developments in the underlying trend of money growth.

Most analysts clearly recognize the complications in evaluating money growth rates during and immediately after the forthcoming rebate period. But the intriguing point to me is that different experts commenting on how the Federal Reserve should cope with this problem are offering us diametrically opposing advice.

Some argue that because the data on the monetary aggregates can be expected to behave erratically, the Federal Reserve should disregard them in the period during and immediately after the rebate period. Instead they recommend that we focus on keeping money market conditions—including the Federal funds rate—from tightening. Since the economy is operating at substantially below its optimum rate, they see little risk in adopting this policy approach.

Others argue, on the other hand, that even temporary abandonment of the aggregates as a guide to policy would be risky, given the long lags with which monetary conditions affect the economy. If the expansion is now gaining momentum, which seems probable, resorting to a stable interest rate policy might lead to a substantial overrun in growth of the aggregates—going well beyond the temporary rebate influence. If this were to happen, it is feared that the Federal Reserve would experience difficulty holding the longer-run growth rates of the aggregates within the ranges that have been specified, with probably adverse future consequences for the rate of inflation. To avoid the threat of excessive longer-run monetary growth, this group recommends keeping a close control over the aggregates even during the rebate period.

It seems clear that any rigorous effort to hold down monetary growth rates during the rebate period would bring substantial and potentially unsettling short-run interest rate movements—first upward, and then downward—as the adjustments in money balances are made. Such fluctuations would seem to serve little purpose and could be misleading and disadvantageous to both borrowers and lenders. A total lack of attention to the aggregates, on the other hand, could permit a sizable lasting expansion in money and credit to get under way, particularly if the economy continues to strengthen generally over the period ahead.

In my view, there is a safer middle course between these two recommended policy approaches. This course would be to attempt to estimate, in advance, the deviations from otherwise expected patterns of money growth that might develop due to the special Treasury payments. These estimates would allow both for an initial period of temporary acceleration in monetary growth and a succeeding period of temporary slowing. A need for possible Federal Reserve actions to counter unusual developments in the monetary aggregates would then be indicated only to the extent that actual growth rates moved well beyond the parameters established by these allowances.

While this was the general approach followed by the Federal Reserve during the tax rebate period of 1975, only a single point projection of the rebate effect was formulated and there was no prior experience on which to base the estimate. As it turned out, that point estimate was on the low side. Consequently, policymakers inferred that the monetary expansion actually observed in the spring of 1975 was greater than could be attributed to the rebate and hence greater than would be subsequently reversed. Looking back to that experience, both the rebate influence and the reversal appear to have been underestimated.

This time around, I would expect greater recognition to be given to the uncertainties surrounding estimates of what proportions of the rebates and other distributions will be retained in money form, and for how long. It may well be that a range of projections will prove more reliable than a single point estimate in order to bracket the various possibilities. Thus it is probable, as Chairman Burns stated at a Senate Budget Committee hearing last week, that our zone of tolerance in permitting monetary expansion to run at high rates for a while will be somewhat wider this time. But if we find that monetary growth does not subsequently moderate in the expected degree, we may then need to act to keep longer-run expansion of the monetary aggregates within our stated ranges.

While it is clear that observed money growth rates are likely to show sizable fluctuations in the period to come, Federal Reserve policy will continue to seek longer-run growth rates appropriate to the requirements of the economy. At the same time, it is undesirable and unnecessary to expose the economy to the uncertainties and destabilizing effects of movements in interest rates if these are likely to be reversed shortly. Careful monitoring of emerging economic and financial developments during and after the rebate period should permit us to allow for any needed adjustments in money growth rates and interest rates on a reasonably timely basis. This is so since a major virtue of monetary policy as an instrument of demand management is its operational flexibility. □

Statement by Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, April 7, 1977.

My appearance before this committee today represents an opportunity to present and discuss the expenditures and budgets of the Federal Reserve Banks and Board of Governors. In this statement I shall supplement the statistical information already sent to the committee by providing a broad-based review of the amount and character of System expenditures and of the progress achieved in improving productivity, cost effectiveness, and quality of service.

The Federal Reserve System serves the Nation, its Government, the banks, and the general public, in a variety of ways. First, as the Nation's central bank, the Federal Reserve formulates and implements national monetary and credit policy. Second, as the banker to the Government, the Federal Reserve issues, redeems, and exchanges Government securities, handles most of the Government cash balances, and provides processing capability for tax payments and food stamps. Third, as a service to the banking system and the general public, the Federal Reserve issues and redeems currency and coin, and clears and processes personal and business checks. Finally, as a part of the bank regulatory structure of the Nation, the Federal Reserve examines, regulates, and supervises bank holding companies, State-chartered member banks, and all Edge Act Corporations. The Federal Reserve provides these various services through a network of 50 offices employing over 26,000 people.

The System operating budget for 1977 amounts to $753.4 million[1] or 7.6 per cent over 1976 expenditures. Of this current year's budget, the Board's assessment accounts for $48.6 million or 6.5 per cent, while the Federal Reserve Bank expenses are expected to reach $704.8 million. System expenditures have increased at an annual average growth rate of 11.5 per cent from 1970 to 1977 and at an 8.5 per cent rate from 1974 to 1977. For comparison, it should be noted that expenditures of the Federal Government have risen at an annual average rate of 15.9 per cent in this recent 3-year period.

While maintaining this relatively good cost-control position, the System has undertaken new responsibilities assigned by the Congress, has met sharp increases in bank supervisory work and rising volumes of operational work at the Federal Reserve Banks, and has absorbed the impact of inflation upon wage, material, and service costs.

Among the principal changes in System responsibilities resulting from congressional action have been the new supervisory activities required by the 1970 Amendments to the Bank Holding Company Act. All one-bank holding companies formerly exempt from the provisions of the act were brought under the System's jurisdiction by those amendments. Thus, in 1971 the System's regulatory responsibility was increased to cover all 1,500 bank holding companies contrasted with the 121 multibank holding companies supervised by the System at the end of 1970. Since then, the number of bank holding companies has increased to slightly more than 1,900, which control about two-thirds of the bank deposits of the Nation. This increase in the number of holding companies in conjunction with the new requirement to apply for permissible nonbank activities led to a mushrooming application load for the System. From May 1956, when the Bank Holding Company Act was first implemented, through December 1970, the System acted on 470 bank holding company applications, an average of 32 per year. From 1971 through 1976, the System acted on 5,079 applications, an average of 846 per year.

In addition to the processing of holding company applications, the System was assigned ongoing supervisory responsibilities for bank holding companies. The Federal Reserve has had to monitor the activities of these firms, and to do this has increased its examination staff, expanded training for examiners, and has created an extensive financial reporting arrangement to support a computer-based surveillance system.

[1] Net 1977 operating expenses (after reimbursements and recoveries) are expected to be $698.6 million.

Turning to another bank supervisory area, there has been a dramatic growth in the international activities of U.S. banks in the past few years. The total assets of foreign branches of U.S. banks increased from $52 billion in 1970 to over $180 billion by year-end 1976. U.S. banks were also expanding through foreign subsidiaries. By year-end 1975 these subsidiaries had total assets of $30 billion. Federal Reserve approval is needed for both the opening of foreign branches and the investment in foreign subsidiaries. The Federal Reserve also has ongoing supervisory responsibility over the operations of foreign subsidiaries and the foreign branches of State member banks.

The Federal Reserve also has supervisory authority over State-chartered banks that are members of the Federal Reserve System. In the past 6 years, total assets held by State member banks have increased sharply, and the scope and complexity of their operations have increased as well. Such growth has placed a greater burden on the System's examination resources.

Another major area of responsibility assigned by the Congress is the enlarged System role in the consumer credit field. The Board is the principal agency charged with writing regulations to implement Federal legislation to protect consumers and prevent discrimination in extensions of consumer credit. The Board first became involved in writing consumer protection regulations with passage of the Federal Truth in Lending Act in 1968, and since 1969 there have been four major amendments to Truth in Lending, including the Fair Credit Billing Act of 1974 and the Consumer Leasing Act of 1976, all of which required extensive rule writing by the Board. In addition, the Board has the responsibility for drafting regulations implementing five other consumer protection Acts: the Equal Credit Opportunity Act of 1974, the Real Estate Settlement Procedures Act of 1974 (RESPA), the Federal Trade Commission Improvement Act of 1975, the Home Mortgage Disclosure Act of 1976, and the 1976 amendments to the Equal Credit Opportunity Act.

The System has experienced increases in volume in all functions, but especially in wire transfers of funds, currency distribution and destruction, and food stamp and check processing. The volume of wire transfers handled by the Reserve Banks increased 182 per cent from 1970 to 1976. The wire transfer system, in conjunction with the Federal Reserve's book-entry system, supports the trading of Government securities by providing a convenient mechanism for transferring ownership of these securities. In addition, the wire system handles nearly 75,000 funds transfers each day, representing more than $150 billion in bank-to-bank transfers. This wire system provides the means by which the Nation's financial system settles its business transactions each day in Federal funds and facilitates better cash management, thereby improving services to customers and to the general public.

Currency processed rose 33 per cent in the period from 1970 to 1976. New innovative methods are under development to meet this increasing volume. For example, the System is currently developing new high-speed currency equipment that should result in further gains in productivity in handling currency volumes as well as yielding improvements in the currency verification and destruction process.

In 1971 legislation extensively revising the Food Stamp program resulted in a 44.8 per cent increase in the volume of food stamps processed and destroyed by the Federal Reserve over 1970 levels. The 2.0 billion food stamps processed and destroyed in 1976 represent a 58.2 per cent increase over the 1970 level, requiring additional personnel, destruction equipment, and storage facilities.

The System presently handles about 50 million checks per day or 85 per cent more than in 1970. While computer processing has materially improved productivity, the problems of handling this increased volume have required additional personnel and raised costs since such operations remain labor-intensive. A concentrated search for new and better ways of dealing with this rising flood of paper has paid off in better service to the public and a slower rate of growth in expenses over the past few years. To improve the payments mechanism, the System has established 11 new regional check-processing facilities since 1970 and has adjusted operating schedules and transportation arrangements to provide for more rapid clearing of checks and a reduction of check-clearing float. Concurrent with these service improvements, the System undertook an extensive operations improvement program that has kept unit-cost increases for check processing below the rate of inflation.

The Federal Reserve has taken positive steps to encourage conversion from costly paper checks to more efficient electronic payment. Together with the U.S. Treasury, the System has established a program of Direct Deposit of Recurring Federal Payments that allows recipients of Government payments to have their paychecks, benefit payments, and welfare payments deposited directly to their accounts at any financial institution through the use of the Federal Reserve data processing and communications facilities. Approximately 5.5 million Government payments are currently made this way each month, providing a high level of security, convenience, and reliability, while reducing Government disbursement costs by approximately \$7 million annually.

As an alternative to making commercial payments by check, the System in conjunction with its member banks has implemented a program called the Automated Clearing House. This program, endorsed by the National Commission on Electronic Fund Transfers, allows payments to be made in electronic form rather than paper check. It is expected that substantial savings to the private sector as well as to the Federal Reserve will result as more payments are made by electronic means.

Of course, a major cause of increased System expenditures since 1970 has been the very sharp run-up in prices that we have been forced to pay for our resources. Since 1970 the Consumer Price Index has advanced at a compounded annual rate in excess of 6 per cent and in the last 3 years the average rate has exceeded 7 per cent. Advancing wage rates, which stem in large part from inflationary trends, have a dramatic impact on System expenditures.

Other costs for such items as machinery and equipment, office supplies, vehicles, and other business-related items have also increased rapidly in this decade. According to the Gross Business Product Fixed Weight Price Index, which is a good indicator of cost increases in the business sector for such resources, these costs have increased by approximately 50 per cent since 1970, or at an average annual rate of more than 6 per cent.

Let me now turn your attention to our expense categories, especially those for personnel; for postage and expressage; for original cost, shipping, and redemption of Federal Reserve notes; for heat, light, power, water, and taxes; and for rental of furniture and operating equipment. These five categories account for about 86 per cent of the 1977 budgeted expenses of both the Reserve Banks and the Board.

Personnel costs represent the largest object of expense in the System and account for 58 per cent of Reserve Bank costs and 81 per cent of Board operating expenses. Employment in the Federal Reserve System in 1977 is budgeted at 25,178 persons in the Federal Reserve Banks and 1,476 at the Board of Governors, for a total staffing of 26,654—5 less than the 1976 level. From 1970 through 1977, the average annual growth rate in employment is estimated at 2.8 per cent for the System, but since 1974 employment at the Federal Reserve Banks has declined by 1,389 persons or 5.2 per cent. In terms of the 1977 budget for the System, personnel costs are expected to be about 8.8 per cent above comparable expenses for 1976. This increase reflects both the rising costs of retirement funding and medical benefits, and allowance for merit and promotional as well as cost-of-living increases.

The postage and expressage costs of the Reserve Banks are expected to increase about 3.7 per cent from 1976 to 1977 and now represent about one-tenth of total costs. Although the System has made intensive efforts to hold down courier and carrier expenses, the impact of rising postal rates and of gasoline, wages, and security costs to the contract courier companies has led to some increases.

The third major object of expense, the cost of Federal Reserve currency—representing about 7 per cent of the Reserve Banks' expenses—is one largely beyond the control of the System since the Bureau of Engraving and Printing sets the price for printing. Such costs are expected to advance about 8 per cent over 1976, with both a higher unit price from the

Bureau and a larger demand for currency accounting for the advance.

Utilities and taxes paid by the Reserve Banks are also mainly beyond the control of the System. These expenditures have increased as a result of rising energy prices and sharply increasing real estate taxes. Such expenses account for nearly 4 per cent of total Bank costs and are expected to advance about 10 per cent in 1977.

Finally, rental of furniture and operating equipment, representing over 5 per cent of System expenses, is expected to decline slightly from 1976 to 1977. This reduction stems primarily from the conversion of rented to purchased equipment. While such capital purchases are separate from the operating budgets, the depreciation charge is reflected in the budget.

It may be helpful to describe the budget and cost-control process that enables the System to plan for efficient use of resources in meeting its responsibilities. The Reserve Bank budget process begins with the development of the System-wide budget objective for the forthcoming year. This percentage rate of increase is set after extensive discussions between the Board of Governors and Reserve Bank Presidents. Factors considered are the specific goals and objectives for the coming budget year, expected inflationary impacts, the current and projected level of Federal Reserve operations, and the estimated productivity and cost performance. Approval of the budget objective by the Board of Governors occurs before mid-year.

With the help of a highly competent group of Directors, the Reserve Banks develop their budgets in light of the budget objective. In recent years, a competitive atmosphere on productivity and cost reduction has pervaded the Reserve Banks' budget efforts and has resulted in major savings in operating expenses. This budget process culminates in a careful review by the Boards of Directors of the Reserve Banks, who take an intense interest in the progress and relative performance rankings of the Banks.

Receipt of budget information from the Reserve Banks begins in September with submission of revised current-year expenses and Budget Overviews depicting total budget projections by output service, object classification, and capital outlay. Information is also provided on personnel costs and budget-year and multiyear objectives. The budgets are analyzed by the Board staff and presented to the Board's Committee on Federal Reserve Bank Activities, which is composed of three Board Members. The Committee meets with each Federal Reserve Bank President for intensive review, analysis, and redirection when necessary. Following the budget meetings and with the Committee's guidance in hand, the final detailed budgets are prepared and submitted to the Board for final action in early December.

The budgets of the Federal Reserve Banks include an assessment for the operating and construction expenses of the Board of Governors. These expenditures, which form the basis of the assessment, are subjected to a separate but similar budget process.

Both the Reserve Bank and Board budget processes include an intensive screening of proposed capital expenditures. Approval of the budgets, however, does not mean final approval of land, buildings, computers, or large equipment purchases. Each of these must be separately justified and specifically approved by the Board of Governors.

An added feature of the System's control over expenses is attributable to the sharing of the effort with the Federal Reserve Banks' Boards of Directors. The Chairman of each Reserve Bank Board meets personally each year with the Board's Committee on Federal Reserve Bank Activities to review and appraise the operating efficiency of the Bank and the performance of its senior officers. These conferences permit frank exchanges about the strengths and weaknesses of each Bank and the relative position of each against the performance of others.

Efforts to improve productivity and decrease costs are in the forefront in all of the budgeting and planning guidelines and procedures followed by the Board and Reserve Banks, and we believe that these efforts have succeeded. As an indication of this improvement, actual output per manhour in our measurable output functions was estimated to have increased by almost 12 per cent in 1976 following an increase of 6 per cent in 1975.

In the conventional check-processing area, which accounts for more than 20 per cent of Reserve Bank employment, output per manhour increased by 20 per cent in 1976, and unit costs for check processing declined by more than 4 per cent in spite of higher prices for resources and higher charges for usage of automated equipment. Currency operations have also reflected sharp efficiency gains with unit costs in 1976 declining by more than 5 per cent.

Some of the gains in output per manhour, of course, result directly from substitution of capital for labor. However, the unit costs reflect an amortization charge for the cost of capital, and the unit costs have been declining in many of our operating areas since 1974.

The Board's staff has made an estimate of the increase in total factor productivity in the measurable functions since 1971. This measure of productivity compares output to the sum of labor and capital inputs and thus weighs the increased cost of capital against the decrease in personnel costs as capital substitution takes place. The System estimate of total factor productivity for 1971 through 1974 matches the estimates that leading economists have calculated for the private sector. Since 1974, however, the System's total productivity has been considerably larger than that estimated for the private sector.

To improve the System's performance, the Federal Reserve Banks have developed and implemented a new expense monitoring and reporting system that will be used, in part, to assess the efficiency of the Banks. With the introduction of Planning and Control System (PACS) in January 1977, the Federal Reserve Banks greatly expanded the number of operational measurements available through their expense accounting system. In addition, for over a year, we have been in the process of testing and evaluating the feasibility of adopting zero-base budgeting in the Federal Reserve System. This budgeting approach entails a thorough review and analysis of all spending decisions regardless of prior year commitments. Although it is too early to predict the outcome of our two pilot tests, we believe the information and analysis generated by using zero-base budgeting may develop alternatives with cost-saving implications and afford decision-makers a wider choice of budget options.

The Board believes that its review and budget processes have created a cost-consciousness throughout the System and that this has resulted in better productivity, cost efficiency, and service to the public. Our developing technological improvements and new budgeting programs offer the possibilities of further progress in the years ahead. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON FEBRUARY 15, 1977

1. Domestic Policy Directive

Growth in real output of goods and services had slowed to an annual rate of 3.0 per cent in the fourth quarter of 1976—from 3.9 per cent in the third quarter and 4.5 per cent in the second—according to preliminary estimates of the Commerce Department. However, the pace of growth had accelerated as the quarter progressed. The information reviewed at this meeting suggested underlying strength in economic activity, although activity in January and early February had been affected by the unusually severe weather.

The index of industrial production had risen appreciably in November and December, to some extent in recovery from strikes. The index fell in January because of the severe winter weather and also, after midmonth, because of shortages of natural gas for industrial uses. Decreases in output were widespread among durable and nondurable manufacturing industries, and coal mining was curtailed sharply. However, electric and gas utilities expanded production to meet increased demand.

Retail sales had expanded 1¾ per cent in November and about 4 per cent in December. In January, according to the advance report, sales declined 2 per cent, reflecting decreases for most types of stores apparently because of the weather.

The number of new domestic automobiles sold in the first 20 days of January appeared to have held near the annual rate of 9⅓ million recorded in December, when sales were stimulated to some extent by recovery from the strike that had limited output and sales earlier. However, sales fell sharply in the latter part of January, and for the month as a whole the annual rate was about 8¾ million.

Labor market surveys completed by mid-January indicated that employment had continued to expand. In the survey of payroll employment in nonfarm establishments, gains were reported in two-thirds of the industries covered, and the total rose substantially for the third consecutive month. By the time of the survey, however, the severe weather had already induced a reduction in employment in construction and a shortening in the length of the average workweek in manufacturing. In the household survey, the unemployment rate was reported to have fallen from 7.8 per cent in December to 7.3 per cent in January. Much of the decline reflected a drop in the number of persons seeking work, which may have been caused in part by the weather.

Personal income had expanded vigorously in the last 2 months of 1976; from the third quarter to the fourth it rose at an annual rate of about 11 per cent. This sizable gain reflected a rebound in manufacturing payrolls after termination of strikes, a recovery in farm income, an increase in Federal pay scales, and the disbursement by corporations of unusually large year-end dividends.

Indicators of residential construction activity had remained strong in the closing months of 1976. In December private housing starts rose sharply to an annual rate of more than 1.9 million units, the highest since the autumn of 1973. The rise was broadly based by region. For the fourth quarter as a whole starts were at an annual rate of about 1.8 million units, up 15 per cent from the third quarter. Starts of multifamily units gained more than 30 per cent from the third quarter to the fourth, reflecting not only a substantial increase in starts of units covered under Federally subsidized programs but also a large rise in units not so subsidized.

Businesses were planning to spend 11.3 per cent more for plant and equipment in 1977 than in 1976, according to the Department of Commerce annual survey conducted in December. New orders for nondefense capital goods in December recovered a part of the sharp decline recorded in November. Contract awards for commercial and industrial buildings—measured in terms of floor space—also had declined sharply in November and then in December recovered a part of the loss.

The staff projections, like those of a month earlier, incorporated assumptions that rebates of Federal income taxes and one-time payments to recipients of social security would be disbursed in the second quarter; that both personal income taxes and corporate taxes would be reduced; and that Federal spending for job-creating programs would be expanded. The projections continued to suggest that real GNP would grow at a substantially higher rate in the first half of 1977 than it had in the second half of 1976. As to the first quarter, it was still anticipated that growth in domestic final purchases of goods and services in real terms would be relatively well sustained, despite the severe winter weather, but the rebound in growth in real GNP was now expected to be considerably less than had been anticipated a month earlier. The projections now suggested that the rate of business inventory accumulation would decline further in the first quarter and that imports, specifically of fuels, would rise more than had been anticipated.

It was expected that the weather-induced output losses of the first quarter would soon be made up; for the second quarter, the projections suggested that real final sales would grow at a rapid rate and that business inventory investment would increase. It was anticipated that real GNP would grow at a relatively good rate in the second half of 1977. The projections still suggested that the rate of increase in the fixed-weighted price index for gross business product would change relatively little during this year.

Wage increases provided for in the first year of major collective bargaining agreements negotiated during 1976 were somewhat more moderate than those negotiated in 1975. Moreover, the index of average hourly earnings for private nonfarm production workers advanced 6¾ per cent over the 12 months of 1976, compared with almost 8 per cent during the previous year. In January 1977 the index rose sharply; however, the sharpness of the rise reflected marked increases in the indexes for the construction and service sectors, where rates of change from month to month have been volatile.

The wholesale price index for all commodities rose 0.5 per cent in January, almost the same as the average increase in the last 3 months of 1976. Average prices of industrial commodities rose a little more than in December but less than in the preceding 3 months. Increases were again widespread among industrial commodity groups; as in December, however, a decline was reported for the fuel and power group, reflecting some price reductions that actually had occurred a month or two earlier. Average prices of farm products and foods also rose, but the increase was relatively small.

The consumer price index rose 0.4 per cent in December, resulting in an increase of 4.8 per cent over the 12 months of 1976; during 1975 the index had risen 7.0 per cent. Average retail prices of foods changed little during 1976, in contrast with a rise of 6.5 per cent over the previous year. Average prices of other commodities and of services rose about 5 and 7 per cent, respectively, compared with increases of about 6 and 8 per cent in 1975.

The average value of the dollar rose somewhat against leading foreign currencies between mid-January and mid-February, with most of the rise occurring in the early part of the period. The value of the dollar increased against most continental European currencies and against the Canadian dollar but declined against the Japanese yen. The pound sterling was subjected to strong upward pressure in reaction to the international agreements concluded in early January to provide the United Kingdom with substantial funds to finance possible future intervention in support of the sterling exchange rate. However, the pound did not rise against the dollar, mainly as a result of exchange market intervention by the Bank of England. The Mexican peso, which had been trading steadily at 5.0 U.S. cents since early December, fell abruptly on January 20 to 4.3 cents; later, it gradually recovered to 4.5 cents.

The U.S. foreign trade deficit increased further in December, and the deficit on an international accounts basis was a little larger in the fourth quarter than in the third. For all of 1976 the trade balance was in deficit by almost $10 billion, whereas for 1975 it had been in surplus by $9 billion.

Total credit at U.S. commercial banks increased considerably in January, following a small rise in December. Data for both months, however, were distorted by special influences—particularly a substantial increase in bank holdings of bankers acceptances late in 1976 that was largely reversed in January. Over the 2 months together, growth of total bank credit—although somewhat above the rather slow pace in the first half of 1976—was significantly below the rates in both the third quarter and the October–November period. Growth of business loans—excluding bankers acceptances—slowed sharply from the rate in the October–November period, and at the same time banks shifted from substantial acquisition to moderate liquidation of securities other than U.S. Treasury issues.

In the December-January period the outstanding volume of commercial paper issued by nonfinancial corporations rose sharply, after having changed little over the preceding 2 months. Nevertheless, the combined total of nonfinancial commercial paper and business loans at banks (excluding bankers acceptances) grew somewhat less in the latter 2-month period than in the earlier one, when business needs for financing had apparently been augmented to some extent by involuntary accumulation of inventories.

The narrowly defined money stock (*M*-1), which had grown at an annual rate of about 8 per cent in December, slowed to a rate of about 4½ per cent in January. Although the month-to-month expansion in *M*-1 recently had been erratic, the average annual rate of growth over the 6 months ending in January was about 5½ per cent.[1]

Growth in *M*-2 and *M*-3 slowed appreciably in January from the rapid rates evident in December and in the fourth quarter. At banks and thrift institutions, inflows of the time and savings deposits included in the broader aggregates slowed somewhat, apparently because of reductions in interest rates paid on these deposits by some banks and thrift institutions and a rise in rates on competing market securities.

At its January meeting, the Committee had agreed that early in the inter-meeting period the Manager of the System Open Market Account should aim for a Federal funds rate in the area of 4⅝ to 4¾ per cent and that afterwards the weekly-average Federal funds rate might be expected to vary in an orderly way within a range of 4¼ to 5 per cent. Throughout the inter-meeting period incoming data suggested that growth in both *M*-1 and *M*-2 over the January–February period would be well within the ranges that had been specified by the Committee. Accordingly, the Manager continued to direct operations toward maintaining the Federal funds rate in the area of 4⅝ to 4¾ per cent.

Market interest rates—which had risen abruptly after the turn of the year—rose somewhat further in the weeks just after the

[1] Revised measures of monetary aggregates, reflecting new benchmark data for deposits at nonmember banks and revised seasonal factors, were published on February 17, 1977. On the basis of the revised figures, the annual rate of growth in *M*-1 in January and also over the 6 months ending in January was about 5¾ per cent.

mid-January meeting of the Committee, partly in reaction to the Treasury's announcement of the terms of its mid-February refunding and of cash needs during the first quarter. Later, however, rates backed down to about their mid-January levels. At their levels in mid-Feburary, market interest rates in general were significantly above their December lows, but they were still a little lower than at mid-November.

In the 4 weeks since the January FOMC meeting, the U.S. Treasury had raised $6.5 billion of new cash, including $3.8 billion raised in connection with the mid-February refinancing. New issues in the refinancing included $3.0 billion of 3-year notes, $2.0 billion of 7-year notes, and $750 million of 30-year bonds. The over-all size of the offerings was near the upper limit of market expectations. However, investor interest in the new issues proved to be considerable.

In the market for new corporate bonds, the volume of publicly offered new issues in January was not quite so large as had been expected because increased interest rates had prompted the postponement or cancellation of several issues. Nevertheless, the January volume was substantially above the monthly average in the fourth quarter of 1976. Offerings of new long-term securities by State and local governments rose sharply in January to $3.4 billion—a record for the month. About $500 million of this supply was attributable to the issuance of bonds in advance refundings, and about $700 million represented financing by municipal utilities.

During January yields rose in secondary mortgage markets along with those in other markets, but interest rates on new commitments for conventional home loans edged off somewhat further. At the end of December outstanding mortgage commitments at savings and loan associations had reached another new high, even though mortgage takedowns during the month had remained substantial.

At its January meeting the Committee had agreed that from the fourth quarter of 1976 to the fourth quarter of 1977, average rates of growth in the monetary aggregates within the following ranges appeared to be consistent with broad economic aims: *M*-1, 4½ to 6½ per cent; *M*-2, 7 to 10 per cent; and *M*-3, 8½ to 11½ per cent. The associated range for growth in the bank credit proxy was 7 to 10 per cent. It was agreed that the longer-term ranges, as well as the particular aggregates for which such ranges were specified, would be subject to review and modification at subsequent meetings. It also was understood that short-run factors might cause growth rates from month to month to fall outside the ranges contemplated for annual periods.

In their discussion of recent economic developments and prospects, members of the Committee agreed that the underlying situation was strong and that the losses in output, hours of work, and income resulting from the weather would soon be made up. Most members agreed in general with the staff projections suggesting that growth in real GNP would accelerate to a rapid pace in the second quarter—reflecting not only the recovery from the weather-induced losses but also the disbursement of tax rebates and related payments—and then would continue at a relatively good rate throughout the second half of the year.

However, one or two members expressed concern that the weather disturbance and the tax rebates might cause large swings in business inventory investment and therefore in total GNP. In this connection, it was suggested that more attention should be paid to the behavior of final sales than to that of total output.

Despite the broad consensus on the outlook, several members called attention to actual and possible developments that might cause real GNP to deviate from the projected path. It was observed, for example, that severe weather—while having temporary effects on output, inventories, and incomes much like those of a major strike—would also transfer purchasing power from consumers to sellers of fuels, who most likely had a lower propensity to spend. Partly because of the high fuel bills, it was suggested, the tax rebates and related payments might have less impact on consumer spending than one might have expected on the basis of the 1975 experience with rebates.

Looking to the latter part of 1977 and into 1978, some questions were raised about the adequacy of industrial capacity. In this connection, attention was called to the recent revisions in the Federal Reserve estimates of the rate of capacity utilization in manufacturing in the 1971–76 period. Concern was expressed that the margin of unused plant capacity that could be drawn into production might be low in relation to the amount of unemployed labor. It was also observed that rates of capacity utilization varied considerably among industries and that during business expansions bottlenecks begin to spread through the industrial system long before over all measures of capacity utilization reach relatively high levels.

It was suggested that the rise in prices might become more rapid as activity expanded during the period ahead. Historically, it was noted, average wholesale prices of industrial commodities had begun to rise at about the time that business activity had begun to recover, reflecting increases in prices of raw materials. In the current business expansion, that pattern had been superimposed upon the longer-run trend of inflation in the economy. With respect to the outlook for prices, it was noted also that the severe drought in the western part of the country may sharply reduce crops of fruits and vegetables.

One or two members of the Committee suggested that—although economic prospects appeared to be good—businessmen seemed to have become somewhat more uneasy in recent weeks about the near-term effects of the adverse weather, about the longer-term energy problem, about the possibility of imposition of some form of price controls, about the Government's fiscal policy, and about prospects for inflation. It was felt that this uneasy mood could inhibit decisions to make expenditures for plant and equipment. However, another member noted that some of the uncertainties that had worried businessmen only a few months ago—such as the "pause" in growth of economic activity and the size of the prospective increase in prices of imported oil—had been resolved. In his opinion, businessmen would soon take a more favorable view of the climate for capital investment. Still another member expressed concern about the possibility that business capital investment would rise too strongly at a late stage in the business expansion.

As to policy for the period immediately ahead, Committee members in general advocated continuation of about the current stance. They differed little in their preferences for ranges of growth in the monetary aggregates over the February-March period. For *M*-1, the members endorsed a range of 3 to 7 per cent, although one indicated a mild preference for a range of 3½ to 7½ per cent. For *M*-2, many members favored a range of 7 to 11 per cent. However, some advocated a slightly lower range—6 to 10 per cent—because *M*-2 had grown over recent months at a rate that was high relative to the Committee's longer-run range for that aggregate.

Almost all members favored directing operations initially toward the objective of maintaining the Federal funds rate in the area of 4⅝ to 4¾ per cent. However, they differed somewhat in their preferences for the upper and lower limits of the inter-meeting range. The largest number of members preferred to continue the range of 4¼ to 5 per cent that had been specified at the January meeting. Some favored ranges of 4¼ to 5¼ per cent or 4½ to 5¼ per cent, because they believed that additional leeway for System operations should be provided in the event that growth in the aggregates over the February–March period appeared to be significantly faster than now expected.

At the conclusion of the discussion the Committee decided that growth in *M*-1 and *M*-2 over the February–March period at annual rates within ranges of 3 to 7 per cent and 6½ to 10½ per cent, respectively, would be appropriate. It was understood that in assessing the behavior of the aggregates, the Manager should continue to give approximately equal weight to the behavior of *M*-1 and *M*-2.

In the judgment of the Committee, such growth rates of the aggregates were likely to be associated with a weekly-average Federal funds rate in the area of 4⅝ to 4¾ per cent. The Committee agreed that if growth rates of the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 4¼ to 5 per cent. As customary, it was understood that the Chairman might call upon the Committee to consider the need for supplementary instructions before the next scheduled meeting if significant inconsistencies appeared to be developing among the Committee's various objectives.

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

The information reviewed at this meeting suggests underlying strength in economic activity, although industrial production and retail sales were held down in January by the effects of unusually severe weather. Housing starts rose sharply in December, and labor market surveys completed by mid-January indicated a further rise in employment and a decline in the unemployment rate from 7.8 to 7.3 per cent. The wholesale price index for all commodities continued to rise, reflecting increases in the averages both for farm products and foods and for industrial commodities. The index of average wage rates rose sharply in January as a result of marked increases in the volatile construction and service sectors.

The average value of the dollar against leading foreign currencies has risen somewhat over the past month. In December the U.S. foreign trade deficit increased further; in the fourth quarter as a whole the deficit was a little larger than in the third quarter.

M-1, which had expanded appreciably in December, grew at a moderate pace in January. Growth in *M*-2 and *M*-3 also moderated. At banks and thrift institutions, inflows of time and savings deposits other than large-denomination CD's slowed somewhat. Interest rates have changed relatively little on balance since mid-January.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster bank reserve and other financial conditions that will encourage continued economic expansion, while resisting inflationary pressures and contributing to a sustainable pattern of international transactions.

At its meeting on January 18, 1977, the Committee agreed that growth of *M*-1, *M*-2, and *M*-3 within ranges of 4½ to 6½ per cent, 7 to 10 per cent, and 8½ to 11½ per cent, respectively, from the fourth quarter of 1976 to the fourth quarter of 1977 appears to be consistent with these objectives. These ranges are subject to reconsideration at any time as conditions warrant.

The Committee seeks to encourage near-term rates of growth in *M*-1 and *M*-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, it expects the annual growth rates over the February-March period to be within the ranges of 3 to 7 per cent for *M*-1 and 6½ to 10½ per cent for *M*-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly average Federal funds rate of about 4⅝ to 4¾ per cent. If, giving approximately equal weight to *M*-1 and *M*-2, it appears that growth rates over the 2-month period will deviate significantly from the midpoints of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range of 4¼ to 5 per cent.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

> Votes for this action: Messrs. Burns, Volcker, Balles, Black, Coldwell, Gardner, Jackson, Kimbrel, Lilly, Partee, Wallich, and Winn. Votes against this action: None.

2. Statement of Policy Regarding the Government in the Sunshine Act

From time to time at recent meetings the Committee had discussed the applicability of the Government in the Sunshine Act to its meetings. At this meeting the Committee concurred in an opinion of counsel that the act would not apply because the Committee did not come within the definition of "agency" contained in the act. The Committee further agreed that its present procedures and disclosure policy were already conducted in accordance with the intent and spirit of the act and that its current practices in that regard would be continued.

After reaching these judgments, the Committee approved the following statement of policy:

> On September 13, 1976, there was enacted into law the Government in the Sunshine Act, Pub. L. No. 94-409, 90 Stat. 1241 ("Sunshine Act"), established for the purpose of providing the public with the "fullest practicable information regarding the decisionmaking processes of the Federal Government . . . while protecting the rights of individuals and the ability of the Government to carry out its responsibilities."[2] The Sunshine Act applies only to those Federal agencies that are defined in Section 552(e) of Title 5 of the United States Code and "headed by a collegial body composed of two or more individual members, a majority of whom are appointed to such position by the President with the advice and consent of the Senate, and any subdivision thereof authorized to act on behalf of the agency."[3]
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> The Federal Open Market Committee ("FOMC") is a separate

[2] Government in the Sunshine Act, Public Law 94-409, §2, 90 Stat. 1241 (1976).
[3] Ibid., §3(a), 1241.

and independent statutory body within the Federal Reserve System. In no respect is it an agent or "subdivision" of the Board. It was originally established by the Banking Act of 1933 and restructured in its present form by the Banking Act of 1935 and subsequent legislation in 1942 (generally see 12 U.S.C. §263(a)). The FOMC's membership is composed of the seven members of the Board of Governors of the Federal Reserve System ("Board of Governors") and five representatives of the Federal Reserve Banks who are selected annually in accordance with the procedures set forth in Section 12A of the Federal Reserve Act, 12 U.S.C. §263(a). Members of the Board of Governors serve in an *ex officio* capacity on the FOMC by reason of their appointment as Members of the Board of Governors, not as a result of an appointment "to such position" (the FOMC) by the President. Representatives of the Reserve Banks serve on the FOMC not as a result of an appointment "to such position" by the President, but rather by virtue of their positions with the Reserve Banks and their selection pursuant to Section 12A of the Federal Reserve Act. It is clear therefore that the FOMC does not fall within the scope of an "agency" or "subdivision" as defined in the Sunshine Act and consequently is not subject to the provisions of that Act.

As explained below, the Act would not require the FOMC to hold its meetings in open session even if the FOMC were covered by the Act. However, despite the conclusion reached that the Sunshine Act does not apply to the FOMC, the FOMC has determined that its procedures and timing of public disclosure *already* are conducted in accordance with the spirit of the Sunshine Act, as that Act would apply to deliberations of the nature engaged in by the FOMC.

In the foregoing regard, the FOMC has noted that while the Act calls generally for open meetings of multi-member Federal agencies, 10 specific exemptions from the open meeting requirement are provided to assure the ability of the Government to carry out its responsibilities. Among the exemptions provided is that which authorizes any agency operating under the Act to conduct closed meetings where the subject of a meeting involves information "the premature disclosure of which would in the case of an agency which regulates currencies, securities, commodities, or financial institutions, be likely to lead to significant financial speculation in currencies, securities, or commodities."[1]

[1] Ibid., 1242.

As to meetings closed under such exemption, the Act requires the maintenance of either a transcript, electronic recording or minutes and sets forth specified, detailed requirements as to the contents and timing of disclosure of certain portions or all of such minutes. The Act permits the withholding from the public of the minutes where disclosure would be likely to produce adverse consequences of the nature described in the relevant exemptions.

The FOMC has reviewed the agenda of its monthly meetings for the past three years and has determined that all such meetings could have been closed pursuant to the exemption dealing with financial speculation or other exemptions set forth in the Sunshine Act. The FOMC has further determined that virtually all of its substantive deliberations could have been preserved pursuant to the Act's minutes requirements and that such minutes could similarly have been protected against premature disclosure under the provisions of the Act.

The FOMC's deliberations are currently reported by means of a document entitled "Record of Policy Actions" which is released to the public approximately one month after the meeting to which it relates. The Record of Policy Actions complies with the Act's minutes requirements in that it contains a full and accurate report of all matters of policy discussed and views presented, clearly sets forth all policy actions taken by the FOMC and the reasons therefor, and includes the votes by individual members on each policy action. The timing of release of the Record of Policy Actions is fully consistent with the Act's provisions assuring against premature release of any item of discussion in an agency's minutes that contains information of a sensitive financial nature. In fact, by releasing the comprehensive Record of Policy Actions to the public approximately a month after each meeting, the FOMC exceeds the publication requirements that would be mandated by the letter of the Sunshine Act.

Recognizing the congressional purpose underlying enactment of the Sunshine Act, the FOMC has determined to continue its current practice and timing of public disclosures in the conviction that its operations thus conducted are consistent with the intent and spirit of the Sunshine Act.

Votes for this action: Messrs. Burns, Volcker, Balles, Black, Coldwell, Gardner, Jackson, Kimbrel, Lilly, Partee, Wallich, and Winn. Votes against this action: None.

3. Amendment to Rules Regarding Availability of Information

At this meeting, the Committee approved an amendment, effective March 12, 1977, to Section 271.6(a) of its rules regarding availability of information to implement an amendment to the Freedom of Information Act effected by the Government in the Sunshine Act. After incorporating this amendment the Section read as follows:

§271.6 Information not Disclosed

Except as may be authorized by the Committee, information of the Committee that is not available to the public through other sources will not be published or made available for inspection, examination, or copying by any person if such information

(a) is specifically exempted from disclosure by statute (other than section 552b of Title 5 United States Code), provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld; or is specifically authorized under criteria established by an executive order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to such executive order.

Votes for this action: Messrs. Burns, Volcker, Balles, Black, Coldwell, Gardner, Jackson, Kimbrel, Lilly, Partee, Wallich, and Winn. Votes against this action: None.

4. Revision of Guidelines for Operations in Federal Agency Issues

At this meeting the Committee amended number 4 of the guidelines for the conduct of System operations in Federal agency issues to take account of the operations of the Federal Financing Bank. The change, which was effective immediately, limits Federal Reserve purchases of Federal agency securities to issues of those agencies that are not eligible to borrow funds from the Federal Financing Bank, which began operations in mid-1974. Securities of the Bank itself are eligible for purchase by the System, although none is outstanding at present. Securities of Government-sponsored agencies such as the Federal home loan banks, the Federal National

Mortgage Association, Federal land banks, Federal intermediate credit banks, and the banks for cooperatives—will continue to be eligible for System purchase under the new rules.

As amended, guideline number 4 read as follows:

> Purchases will be limited to fully taxable issues, not eligible for purchase by the Federal Financing Bank, for which there is an active secondary market. Purchases will also be limited to issues outstanding in amounts of $300 million or over in cases where the obligations have a maturity of five years or less at the time of issuance, and to issues outstanding in amounts of $200 million or over in cases where the securities have a maturity of more than five years at the time of issuance.

Votes for this action: Messrs. Burns, Volcker, Balles, Black, Coldwell, Gardner, Jackson, Kimbrel, Lilly, Partee, Wallich, and Winn. Votes against this action: None.

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Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are released about a month after the meeting and are subsequently published in the BULLETIN.

Law Department

Statutes, regulations, interpretations, and decisions

INTEREST ON DEPOSITS

AMENDMENTS TO REGULATION Q

The Board of Governors of the Federal Reserve System has approved two amendments to section 217.4(d) of Regulation Q (12 C.F.R. 217). The first amendment modifies the structure of the current paragraph of Regulation Q that states the Board's early withdrawal penalty rule and exceptions to that rule by providing a listing of those exceptions. This modification, which is intended to improve the clarity of the Board's penalty rule, is a structural change only and is not intended to alter the substance of the Board's penalty rule. The second amendment provides an additional exception to the Board's early withdrawal penalty rule.

Effective March 24, 1977, Regulation Q is amended as follows:

SECTION 217.4—PAYMENT OF TIME DEPOSITS BEFORE MATURITY

* * * * *

(d) PENALTY FOR EARLY WITHDRAWALS. Where a time deposit, or any portion thereof, is paid before maturity, a member bank may pay interest on the amount withdrawn at a rate not to exceed that currently prescribed in § 217.7 for a savings deposit: *Provided*, That the depositor shall forfeit three months of interest payable at such rate. If, however, the amount withdrawn has remained on deposit for three months or less, all interested shall be forfeited. Where necessary to comply with the requirements of this paragraph, any interest already paid to or for the account of the depositor shall be deducted from the amount requested to be withdrawn.[11] Any amendment of a time deposit contract that results in an increase in the rate of interest paid or in a change on the maturity of the deposit constitutes a payment of the time deposit before maturity. *Provided further*, That Investment Certificates issued in negotiable form by a member bank pursuant to subpart 3 of § 217.7(b) may not be paid before maturity. This provision does not prevent a member bank from arranging the sale or purchase of such a certificate on behalf of the holder or prospective purchaser of a certificate issued under that subpart. A member bank may not, however, repurchase such certificates for its own account. *Provided further*, That a time deposit may be paid before maturity without a reduction or forfeiture of interest as prescribed by this paragraph in the following circumstances:

(1) where a member bank pays all or a portion of a time deposit upon the death of any person whose name appears on the time deposit passbook or certificate;

(2) where a member bank pays all or a portion of a time deposit representing funds contributed to an Individual Retirement Account or a Keogh (H.R. 10) plan established pursuant to 26 U.S.C. (I.R.C. 1954) §§ 408, 401 when the individual for whose benefit the account is maintained attains age 59½ or is disabled (as defined in 26 U.S.C. (I.R.C. 1954) § 72(m)(7)) or thereafter; or

(3) where a member bank pays that portion of a time deposit on which Federal deposit insurance has been lost as the result of the merger of two or more Federally insured banks in which the depositor previously maintained separate time deposits, for a period of one year from the date of the merger.

[11] The provisions of this paragraph apply to all time deposit contracts entered into after July 5, 1973, and to all existing time deposit contracts that are extended or renewed (whether by automatic renewal or otherwise) after such date, and to all time deposit contracts that are amended after such date so as to increase the rate of interest paid. All contracts not subject to the provisions of this paragraph shall be subject to the restrictions of § 217.4(d) in effect prior to July 5, 1973, which permitted payment of a time deposit before maturity only in an emergency where necessary to prevent great hardship to the depositor, and which required the forfeiture of accrued and unpaid interest for a period of not less than 3 months on the amount withdrawn if an amount equal to the amount withdrawn had been on deposit for 3 months or longer, and the forfeiture of all accrued and unpaid interest on the amount withdrawn if an amount equal to the amount withdrawn had been on deposit less than 3 months.

Loan-to-Lender Programs

The Board has reviewed the question of whether funds obtained by member banks on their notes issued to State and municipal housing authorities under "Loan-to-Lender" agreements should be regarded as "deposits" under the Board's Regulation D (§ 204.1(f)) and Regulation Q (§ 217.1(f)).

"Loan-to-Lender" programs usually involve the issuance by a State or municipal housing authority of tax-exempt bonds and the subsequent lending of the bond revenue funds to financial institutions under the requirement that these funds be used to make specified types of real estate loans (generally mortgage loans to low or moderate income home buyers). The funds advanced to financial institutions pursuant to a "Loan-to-Lender" program are evidenced by a loan agreement and a promissory note issued by the financial institution to the housing authority. These programs enable State and municipal authorities to channel funds obtained into housing programs through financial institutions possessing specialized expertise in real estate lending and construction financing. At the present time such programs are in operation in 11 States. Thirteen other State legislatures have approved legislation authorizing such programs. On the basis of available information, "Loan-to-Lender" programs currently represent approximately $800 million in funds lent for these purposes.

By letter of August 6, 1975, the Board requested that the Federal Reserve Banks inform member banks in their districts that funds obtained by member banks on their notes issued to State or municipal housing authorities under "Loan-to-Lender" programs are funds to be used in the banking business and, therefore, should be treated as deposits subject to Regulation D reserve requirements and Regulation Q interest rate limitations.

On September 29, 1975, the Board announced that, in response to requests for such action, it would review the deposit status of funds received by member banks on their notes issued to State and municipal housing authorities under "Loan-to-Lender" type programs. In conjunction with that review, the Board suspended the effectiveness of its determination of August 6, 1975, and waived the maintenance of required reserves on "Loan-to-Lender" obligations.

The Board has conducted an extensive review of all known "Loan-to-Lender" type programs. Based upon this review, the Board has determined to continue, for an indefinite period, the suspension of its August 6, 1975, determination regarding the deposit status of "Loan-to-Lender" funds. (This suspension was first announced on September 29, 1975). This action is based upon the Board's belief that a determination on the deposit status of funds obtained by member banks under "Loan-to-Lender" programs should be deferred pending the completion of broader based studies of possible statutory and regulatory reforms pertaining to interest on deposits and reserves held by member banks. The continued suspension will also provide the Board with further opportunity to assess the potential impact of application of reserve requirements and interest rate limitations on funds obtained by member banks through participation in "Loan-to-Lender" programs.

The Board recognizes that its decision to defer for an indefinite period a final determination regarding the deposit status of funds obtained by member banks under "Loan-to-Lender" agreements may result in some uncertainty among member banks presently participating in such programs or contemplating participation at a future date. Accordingly, in order to avoid any uncertainty with respect to member bank participation in "Loan-to-Lender" programs during the time this suspension is in effect, the Board has determined that any funds obtained by member banks as the result of "Loan-to-Lender" agreements entered into during this suspension period will continue to be exempt from interest rate limitations and reserve requirements, regardless of any future decision of the Board to reinstate its determination of August 6, 1975.

RULES REGARDING PUBLIC OBSERVATION OF MEETINGS

The Board of Governors has added a new Part 261b to provide for the procedures under which the open meeting requirements of subsections (b) through (f) of the Government in the Sunshine Act will be met.

Effective March 12, 1977 Part 261b is added to read as follows:

Section 261b.1—Basis and Scope

This Part is issued by the Board of Governors of the Federal Reserve System ("the Board") under section 552b of Title 5 of the United States Code, the Government in the Sunshine Act ("the

Act''), to carry out the policy of the Act that the public is entitled to the fullest practicable information regarding the decision making processes of the Board while at the same time preserving the rights of individuals and the ability of the Board to carry out its responsibilities. These regulations fulfill the requirement of subsection (g) of the Act that each agency subject to the provisions of the Act shall promulgate regulations to implement the open meeting requirements of subsections (b) through (f) of the Act.

SECTION 261b.2—DEFINITIONS

For purposes of this Part, the following definitions shall apply:

(a) The term ''agency'' means the Board and subdivisions thereof.

(b) The term ''subdivision'' means any group composed of two or more Board members that is authorized to act on behalf of the Board.

(c) The term ''meeting'' means the deliberations of at least the number of individual agency members required to take action on behalf of the agency where such deliberations determine or result in the joint conduct or disposition of official Board business, but does not include (1) deliberations required or permitted by subsection (d) or (e) of the Act, or (2) the conduct or disposition of official agency business by circulating written material to individual members.

(d) The term ''number of individual agency members required to take action on behalf of the agency'' means in the case of the Board, a majority of its members except that (1) Board determination of the ratio of reserves against deposits under section 19(b) of the Federal Reserve Act requires the vote of four members, (2) Board action with respect to advances, discounts and rediscounts under sections 10(a), 11(b) and 13(3) of the Federal Reserve Act requires the vote of five members and (3) Board action with respect to the percentage of individual member bank capital and surplus which may be represented by loans secured by stock and bond collateral under section 11(m) of the Federal Reserve Act requires the vote of six members. In the case of subdivisions of the Board, the term means the number of members constituting a quorum of the designated subdivision.

(e) The term ''member'' means a member of the Board appointed under Section 10 of the Federal Reserve Act. In the case of certain Board proceedings pursuant to 12 U.S.C. 1818(e), the Comptroller of the Currency is entitled to sit as a member of the Board and for these proceedings he shall be deemed a ''member'' for the purposes of this Part. In the case of any subdivision of the Board, the term ''member'' means a member of the Board designated to serve on that subdivision.

(f) The term ''public observation'' means that the public shall have the right to listen and observe but not to record any of the meetings by means of cameras or electronic or other recording devices unless approval in advance is obtained from the Public Affairs Office of the Board and shall not have the right to participate in the meeting, unless participation is provided for in the Board's Rules of Procedure.

(g) The term ''Federal agency'' means an ''agency'' as defined in 5 U.S.C. 551(1).

SECTION 261b.3—
CONDUCT OF AGENCY BUSINESS

Members shall not jointly conduct or dispose of official agency business other than in accordance with this Part.

SECTION 261b.4—
MEETINGS OPEN TO PUBLIC OBSERVATION

Except as provided in section 261b.5 of this Part, every portion of every meeting of the agency shall be open to public observation.

SECTION 261b.5—EXEMPTIONS

(a) Except in a case where the agency finds that the public interest requires otherwise, the agency may close a meeting or a portion or portions of a meeting under the procedures specified in section 261b.7 or 261b.8 of this Part, and withhold information under the provisions of section 261b.6, 261b.7, 261b.8, or 261b.11 of this Part, where the agency properly determines that such meeting or portion or portions of its meeting or the disclosure of such information is likely to:

(1) disclose matters that are (A) specifically authorized under criteria established by an Executive order to be kept secret in the interests of national defense or foreign policy, and (B) in fact properly classified pursuant to such Executive order;

(2) relate solely to internal personnel rules and practices;

(3) disclose matters specifically exempted from disclosure by statute (other than section 552 of Title 5 of the United States Code), provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave

no discretion on the issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld;

(4) disclose trade secrets and commercial or financial information obtained from a person and privileged or confidential;

(5) involve accusing any person of a crime, or formally censuring any person;

(6) disclose information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy;

(7) disclose investigatory records compiled for law enforcement purposes, or information which if written would be contained in such records, but only to the extent that the production of such records or information would (A) interfere with enforcement proceedings, (B) deprive a person of a right to a fair trial or an impartial adjudication, (C) constitute an unwarranted invasion of personal privacy, (D) disclose the identity of a confidential source and, in the case of a record compiled by a criminal law enforcement authority in the course of a criminal investigation, or by a Federal agency conducting a lawful national security intelligence investigation, confidential information furnished only by the confidential source, (E) disclose investigative techniques and procedures, or (F) endanger the life or physical safety of law enforcement personnel;

(8) disclose information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of the Board or other Federal agency responsible for the regulation or supervision of financial institutions;

(9) disclose information the premature disclosure of which would—

(A) be likely to (i) lead to significant speculation in currencies, securities, or commodities, or (ii) significantly endanger the stability of any financial institution; or

(B) be likely to significantly frustrate implementation of a proposed action, except that subparagraph (B) shall not apply in any instance where the Board has already disclosed to the public the content or nature of its proposed action, or where the Board is required by law to make such disclosure on its own initiative prior to taking final action on such proposal; or

(10) specifically concern the issuance of a subpoena, participation in a civil action or proceeding, an action in a foreign court or international tribunal, or an arbitration, or the initiation, conduct, or disposition of a particular case of formal agency adjudication pursuant to the procedures in section 554 of Title 5 of the United States Code or otherwise involving a determination on the record after opportunity for a hearing.

SECTION 261b.6—PUBLIC ANNOUNCEMENTS OF MEETINGS

(a) Except as otherwise provided by the Act, public announcements of meetings open to public observation and meetings to be partially or completely closed to public observation pursuant to section 261b.8 of this Part will be made at least one week in advance of the meeting. Except to the extent such information is determined to be exempt from disclosure under section 261b.5 of this Part, each such public announcement will state the time, place and subject matter of the meeting, whether it is to be open or closed to the public, and the name and phone number of the official designated to respond to requests for information about the meeting.

(b) If a majority of the members of the agency determines by a recorded vote that agency business requires that a meeting covered by subsection (a) of this section be called at a date earlier than that specified in subsection (a), the agency will make a public announcement of the information specified in subparagraph (a) of the earliest practicable time.

(c) Changes in the subject matter of a publicly announced meeting, or in the determination to open or close a publicly announced meeting or any portion of a publicly announced meeting to public observation, or in the time or place of a publicly announced meeting made in accordance with the procedures specified in section 261b.9 of this Part will be publicly announced at the earliest practicable time.

(d) Public announcements required by this section will be posted at the Board's Public Affairs Office and Freedom of Information Office and may be made available by other means or at other locations as may be desirable.

(e) Immediately following each public announcement required by this section, notice of the time, place and subject matter of a meeting, whether the meeting is open or closed, any change in one of the preceding announcements, and the name and telephone number of the official designated by the Board to respond to requests about the meeting, shall also be submitted for publication in the Federal Register.

Section 261b.7—Meetings Closed to Public Observation Under Expedited Procedures

(a) Since the Board qualifies for the use of expedited procedures under subsection (d)(4) of the Act, meetings or portions thereof exempt under paragraph (4), (8), (9)(A) or (10) of section 261b.5 of this Part, will be closed to public observation under the expedited procedures of this section. Following are examples of types of items that, absent compelling contrary circumstances, will qualify for these exemptions: matters relating to a specific bank or bank holding company, such as bank branches or mergers, bank holding company formations, or acquisition of an additional bank or acquisition or *de novo* undertaking of a permissible nonbanking activity; bank regulatory matters, such as applications for membership, issuance of capital notes and investment in bank premises; foreign banking matters; bank supervisory and enforcement matters, such as cease-and-desist and officer removal proceedings; monetary policy matters, such as discount rates, use of the discount window, changes in the limitations on payment of interest on time and savings accounts, and changes in reserve requirements or margin regulations.

(b) At the beginning of each meeting, a portion or portions of which is closed to public observation under expedited procedures pursuant to this section, a recorded vote of the members present will be taken to determine whether a majority of the members of the agency votes to close such meeting or portions of such meeting to public observation.

(c) A copy of the vote, reflecting the vote of each member, and except to the extent such information is determined to be exempt from disclosure under section 261b.5 of this Part, a public announcement of the time, place and subject matter of the meeting or each closed portion thereof, will be made available at the earliest practicable time at the Board's Public Affairs Office and Freedom of Information Office.

Section 261b.8—Meetings Closed to Public Observation Under Regular Procedures

(a) A meeting or a portion of a meeting will be closed to public observation under regular procedures, or information as to such meeting or portion of a meeting will be withheld, only by recorded vote of a majority of the members of the agency when it is determined that the meeting or the portion of the meeting or the withholding of information qualifies for exemption under section 261b.5 of this Part. Votes by proxy are not allowed.

(b) Except as provided in subsection (c) of this section, a separate vote of the members of the agency will be taken with respect to the closing or the withholding of information as to each meeting or portion thereof which is proposed to be closed to public observation or with respect to which information is proposed to be withheld pursuant to this section.

(c) A single vote may be taken with respect to a series of meetings, a portion or portions of which are proposed to be closed to public observation or with respect to any information concerning such series of meetings proposed to be withheld, so long as each meeting or portion thereof in such series involves the same particular matters and is scheduled to be held no more than thirty days after the initial meeting in such series.

(d) Whenever any person's interests may be directly affected by a portion of a meeting for any of the reasons referred to in exemption (5), (6) or (7) of section 261b.5 of this Part, such person may request in writing to the Secretary of the Board such portion of the meeting be closed to public observation. The Secretary, or in his or her absence, the Acting Secretary of the Board, will transmit the request to the members and upon the request of any one of them a recorded vote will be taken whether to close such meeting to public observation.

(e) Within one day of any vote taken pursuant to subparagraphs (a) through (d) of this section, the agency will make publicly available at the Board's Public Affairs Office and Freedom of Information Office a written copy of such vote reflecting the vote of each member on the question. If a meeting or a portion of a meeting is to be closed to public observation, the agency, within one day of the vote taken pursuant to subparagraphs (a) through (d) of this section, will make publicly available at the Board's Public Affairs Office and Freedom of Information Office a full, written explanation of its action closing the meeting or portion of the meeting together with a list of all persons expected to attend the meeting and their affiliation, except to the extent such information is determined by the agency to be exempt from disclosure under subsection (c) of the Act and section 261b.5 of this Part.

Section 261b.9—Changes With Respect to Publicly Announced Meeting

The subject matter of a meeting or the determination to open or close a meeting or a portion of a meeting to public observation may be changed following public announcement under section 261b.6 only if a majority of the members of the agency determines by a recorded vote that agency business so requires and that no earlier announcement of the change was possible. Public announcement of such change and the vote of each member upon such change will be made pursuant to section 261b.6(c). Changes in time, including postponement and cancellations of a publicly announced meeting or portion of a meeting or changes in the place of a publicly announced meeting will be publicly announced pursuant to section 261b.6(c) by the Secretary of the Board or, in the Secretary's absence, the Acting Secretary of the Board.

Section 261b.10—Certification of General Counsel

Before every meeting or portion of a meeting closed to public observation under section 261b.7 or 261b.8 of this Part, the General Counsel, or in the General Counsel's absence, the Acting General Counsel, shall publicly certify whether or not in his or her opinion the meeting may be closed to public observation and shall state each relevant exemptive provision. A copy of such certification, together with a statement from the presiding officer of the meeting setting forth the time and place of the meeting and the persons present, will be retained for the time prescribed in section 261b.11(d).

Section 261b.11—Transcripts, Recordings, and Minutes

(a) The agency will maintain a complete transcript or electronic recording or transcriptions thereof adequate to record fully the proceedings of each meeting or portion of a meeting closed to public observation pursuant to exemption (1), (2), (3), (4), (5), (6), (7) or (9)(B) of section 261b.5 of this Part. Transcriptions of recordings will disclose the identity of each speaker.

(b) The agency will maintain either such a transcript recording or transcription thereof, or a set of minutes that will fully and clearly describe all matters discussed and provide a full and accurate summary of any actions taken and the reasons therefor, including a description of each of the views expressed on any item and the record of any roll call vote (reflecting the vote of each member on the question), for meetings or portions of meetings closed to public observation pursuant to exemption (8), (9)(A) or (10) of section 261b.5 of this Part. The minutes will identify all documents considered in connection with any action taken.

(c) Transcripts, recordings or transcriptions thereof, or minutes will promptly be made available to the public in the Freedom of Information Office except for such item or items of such discussion or testimony as may be determined to contain information that may be withheld under subsection (c) of the Act and section 261b.5 of this Part.

(d) A complete verbatim copy of the transcript, a complete copy of the minutes, or a complete electronic recording or verbatim copy of a transcription thereof of each meeting or portion of a meeting closed to public observation will be maintained for a period of at least two years or one year after the conclusion of any agency proceeding with respect to which the meeting or portion thereof was held, whichever occurs later.

Section 261b.12—Procedures for Inspection and Obtaining Copies of Transcriptions and Minutes

(a) Any person may inspect or copy a transcript, a recording or transcription of a recording, or minutes described in section 261b.11(c) of this Part.

(b) Requests for copies of transcripts, recordings or transcriptions of recordings, or minutes described in section 261b.11(c) of this Part shall specify the meeting or the portion of meeting desired and shall be submitted in writing to the Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Copies of documents identified in minutes may be made available to the public upon request under the provision of 12 C.F.R. 261 (Rules Regarding Availability of Information).

Section 261b.13—Fees

(a) Copies of transcripts, recordings or transcriptions of recordings, or minutes requested pursuant to section 261b.12(b) of this Part will be provided at a cost of 10¢ per standard page for photocopying or at a cost not to exceed the actual cost of printing, typing, or otherwise preparing such copies.

(b) Documents may be furnished without charge where total charges are less than $2.

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BANK HOLDING COMPANY AND BANK MERGER ORDERS ISSUED BY THE BOARD OF GOVERNORS

ORDERS UNDER SECTION 3 OF BANK HOLDING COMPANY ACT

Audubon Investment Company,
Audubon, Iowa

Order Approving
Formation of Bank Holding Company

Audubon Investment Company, Audubon, Iowa, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 97.83 per cent (or more) of the voting shares of Audubon State Bank (formerly First State Bank), Audubon, Iowa ("Bank").

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

Applicant, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company through the acquisition of Bank. Bank, with deposits of $21.4 million,[1] is the largest of three banks in the relevant market[2] and controls approximately 53 per cent of the total deposits in commercial banks in the market. Upon acquisition of Bank, Applicant would control the 141st largest banking organization in Iowa holding .18 per cent of the total deposits in commercial banks in the State. The proposed transaction is merely a restructuring of present ownership into corporate form. Applicant presently has no subsidiaries and does not engage in any activities. Principals of Applicant are associated with three other one-bank holding companies and two other banks in Iowa. None of the five banks involved is located in the relevant market and the amount of actual competition between any of them and Bank appears slight. It does not appear probable that such competition would increase in the foreseeable future. Consummation of the proposal would neither eliminate significant existing or potential competition nor increase the concentration of banking resources in any relevant market. Accordingly, competitive considerations are consistent with approval of the applications.

The Board applies multi-bank holding company standards in assessing the managerial and financial resources of an applicant seeking to become a one-bank holding company where the principals of the applicant are engaged in establishing a series or chain of one-bank holding companies.[3] The three other one-bank holding companies and their respective subsidiary banks with which Applicant's principals are associated appear to be in satisfactory condition, which suggests that Applicant's principals would conduct the operations of the proposed holding company and of Bank in a satisfactory manner. In addition, Applicant has committed to inject new capital into Bank if such action becomes necessary to maintain a satisfactory ratio of capital to assets. Although Applicant will incur some debt in connection with this proposal, it appears that income from Bank will provide sufficient revenue to service the debt adequately without adversely affecting the financial resources or condition of either Applicant or Bank. Accordingly, considerations relating to the financial and managerial resources and future prospects of Applicant and Bank are consistent with and lend some weight in favor of approval.

Although consummation of the transaction would have no immediate effect on area banking needs, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. It is the Board's judgment that consummation of the

[1] All banking data are as of December 31, 1975.

[2] The relevant market is approximated by the northern nine-tenths of Audubon County.

[3] See the Board's Order of June 14, 1976 denying the application of Nebraska Banco, Inc., Ord, Nebraska (62 Fed. Res. BULLETIN 638 (1976)).

proposed transaction would be consistent with 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 made (a) before the thirtieth calendar day following the effective date of this Order or (b) 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 March 23, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Coldwell, Jackson, and Partee. Absent and not voting: Governors Wallich and Lilly.

(Signed) GRIFFITH L. GARWOOD,

[SEAL] *Deputy Secretary of the Board.*

Bancorporation of Montana,
Great Falls, Montana

Order Denying Acquisition of Bank

Bancorporation of Montana, Great Falls, Montana, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 per cent of the voting shares (less directors' qualifying shares) of Bank of Montana, Helena, Montana ("Bank").

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

Applicant, the third largest banking organization in Montana, controls thirteen banks with aggregate deposits of $171 million, representing approximately 5.9 per cent of the total commercial bank deposits in Montana.[1] Acquisition of Bank would increase Applicant's share of State deposits by only 0.4 per cent and its ranking Statewide would remain unchanged.

Bank ($11.1 million in deposits) is the fourth largest of six banks in the Helena banking market and controls 7.6 per cent of the total deposits in commercial banks in the market.[2] Both of the two largest banks in the relevant market are subsidiaries of bank holding companies and hold, respectively, 38.5 and 37.6 per cent of the total deposits in commercial banks in the market. There are no subsidiary banks of Applicant presently competing in the relevant market, and Applicant's subsidiary bank closest to Bank is located approximately 63 miles from the Helena banking market. Thus, consummation of this proposal would not result in the elimination of a significant amount of existing competition and, in view of the distance involved, would not appear to foreclose the development of a significant amount of competition in the future. Accordingly, competitive considerations are consistent with approval of the application.

The Board has indicated on previous occasions that it believes a bank holding company should constitute a source of both financial and managerial strength to its subsidiary bank(s). Accordingly, in acting upon any application under the Act, the Board will closely examine the financial condition, managerial resources, and future prospects of an applicant and its subsidiary bank(s) with these factors in mind. Based upon an evaluation of such factors with respect to this application, the Board has determined that denial of this application is warranted.

With respect to the financial and managerial resources and future prospects associated with this application, it appears that, while Applicant's managerial resources are regarded as satisfactory and consistent with approval of the application, Applicant's overall financial condition will not permit it to serve as a source of financial strength to Bank. Rather, based upon an examination of all the facts of record, the Board concludes that consummation of this proposal with the attendant assumption of acquisition debt would increase Applicant's debt to equity ratio from a level already regarded as high to a point considerably higher than that which the Board regards as acceptable for a multi-bank holding company the size of Applicant. Consequently, it appears that Applicant's proposal, if consummated, would result in

[1] All banking data are as of December 31, 1975, but reflect structural changes through January 12, 1976.

[2] The Helena banking market is the relevant banking market and is approximated by the southern half of Lewis and Clark county, the northern half of Jefferson County, and the northern half of Broadwater County.

substantial added financial burden to Applicant and that for several years following consummation, it may become necessary for Applicant to draw excessive dividends from its subsidiary banks in order to service the debt associated with the acquisition of Bank. Based on the above and other facts of record, the Board concludes that the banking factors weigh against approval of this application and that Applicant's funds could be better utilized in support of its existing subsidiaries.

While there is no evidence in the record to indicate that the banking needs of the Helena community are not being met, Applicant states that following consummation of this proposal, it would make available to Bank such services as loan review, automated accounting services, investment consulting, and personnel advice. While considerations relating to the convenience and needs of the community to be served are consistent with approval of the application, they are not sufficient, in the Board's judgment, to outweigh the aforementioned adverse banking factors reflected in the record. 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 denied.

On the basis of the record, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective March 2, 1977.

Voting for this action: Governors Wallich, Coldwell, Jackson, and Lilly. Absent and not voting: Chairman Burns and Governors Gardner and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

The Jacobus Company, Inland Heritage Corporation, and Inland Beloit Corporation, Wauwatosa, Wisconsin

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

The Jacobus Company, Wauwatosa, Wisconsin, and its 45.4 per cent owned subsidiary, Inland Heritage Corporation, Wauwatosa, Wisconsin (hereinafter jointly referred to as "Applicant"), both of which are bank holding companies within the meaning of the Bank Holding Company Act, have applied for the Board's approval under § 3 of the Bank Holding Company Act (12 U.S.C. § 1842) to acquire all of the voting shares of Financial Network Corporation ("FNC"), a one bank holding company that owns 95.4 per cent of the voting shares of The Beloit State Bank ("Beloit Bank"), and to acquire all the voting shares of Community Holding Corporation ("CHC"), a one bank holding company that owns 75.3 per cent of the voting shares of Community Bank of Beloit ("Community Bank"), all of which are located in Beloit, Wisconsin. The proposed acquisition of FNC and CHC would be effected through the formation of a new holding company to be named Inland Beloit Corporation, Milwaukee, Wisconsin, a corporation that is to be wholly owned by Inland Heritage Corporation and for which a § 3(a)(1) application has been filed with the Board. The proposed acquisitions would involve the merger of FNC and CHC into Inland Beloit Corporation, giving Inland Beloit Corporation direct ownership of FNC and CHC. As the parent companies of Inland Beloit Corporation, The Jacobus Company and Inland Heritage Corporation would thereby gain indirect ownership of FNC and CHC. FNC and CHC serve no purpose other than to hold the stock of their respective banks in corporate form, and Inland Beloit Corporation serves no purpose other than to facilitate the acquisition of FNC and CHC. Accordingly, the proposed acquisition of FNC and CHC by Inland Beloit Corporation is treated herein as the proposed acquisition of Beloit Bank and Community Bank by Applicant.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. 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 § 3(c) of the Act (12 U.S.C. § 1842(c)).

By Order dated February 7, 1977, the Board denied Applicant's previous applications to acquire Beloit Bank and Community Bank.[1] Applicant's current applications differ from its earlier applications only with respect to their financial aspects.

Applicant presently controls four banks with aggregate deposits of $146.8 million.[2] Applicant's acquisition of Beloit Bank and Community Bank (aggregate deposits of $85.6 million) would rep-

[1] 42 *Federal Register* 9059.

[2] All banking data are as of December 31, 1975, unless otherwise indicated.

resent Applicant's initial entry into the Janesville-Beloit banking market, and would result in Applicant controlling approximately 21.9 per cent of the deposits therein.[3] For reasons cited in the Board's earlier Order, the Board concludes that consummation of the proposed acquisitions would not have any significant adverse effects on existing or potential competition.

While competitive considerations were found to be consistent with approval of the proposed acquisitions, the Board was concerned with the financial aspects of Applicant's earlier proposal and concluded that the adverse financial considerations involved warranted denial of those applications. In its February 7th Order, the Board noted that the proposed acquisitions would result in a substantial addition ($3.6 million) to Applicant's already high level of long-term debt, and stated that it was concerned that Applicant would not be able to meet the increased debt servicing requirements and also maintain and strengthen the capital of its existing subsidiary banks. The Board concluded that Applicant should direct its financial resources toward strengthening its existing subsidiaries before seeking further expansion of its banking interests.

In the context of Applicant's current proposal, the Board regards the financial and managerial resources and future prospects of Applicant, its subsidiaries, and the banks to be acquired, as generally satisfactory and consistent with approval of the applications. Applicant's current applications contain a substantially stronger financial proposal than that previously considered, and the Board is of the view that it would enable Applicant to meet the increased debt servicing requirements without placing additional funding requirements on its existing subsidiary banks. Pursuant to its revised financial plan, Applicant intends to promptly reduce the acquisition debt from $4.8 million to $1.3 million, and to bolster the capital positions of two of its existing subsidiary banks and of Beloit Bank by amounts totaling $1.25 million. Applicant would also maintain approximately $0.7 million as a reserve for future capital contributions to subsidiary banks which would be made as the need arose.[4] Accordingly, in view of the substantially revised financial aspects of the proposal, the Board concludes that banking factors are consistent with approval of the applications.

In its earlier Order, the Board noted that considerations relating to the convenience and needs of the community to be served were not sufficient to outweigh the adverse financial factors involved with the proposal. In view of the improved financial considerations reflected herein, it now appears that the proposed affiliation of the two Beloit banks with Applicant would enhance their operations and thereby benefit the residents of the area served by the two banks. Accordingly, convenience and needs considerations are consistent with approval of the applications. It is the Board's judgment that the proposed acquisitions would be in the public interest and that the applications should be approved.

On the basis of the record, the applications are approved for the reasons summarized above. The transactions shall not be made (a) before the thirtieth calendar day following the effective date of this Order, or (b) 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 March 25, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, and Partee. Absent and not voting: Governors Jackson and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[3] The Janesville-Beloit banking market is approximated by Rock County.

[4] In order to effect these actions, Applicant, in addition to using existing funds, has committed to issue and has received subscriptions for $2.0 million in convertible debentures, and has committed to sell $1.5 million in additional common stock of Inland Heritage Corporation.

King Ranch, Inc.,
Kingsville, Texas

Order Approving
Retention of Shares of Bank

King Ranch, Inc., Kingsville, Texas, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to retain 1.5 per cent of the outstanding voting shares of State Bank of Kingsville, Texas ("Bank").

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

Applicant,[1] a one-bank holding company by virtue of its ownership of approximately 35.6 per cent of the outstanding voting shares of Kleberg First National Bank of Kingsville, Kingsville, Texas ("Kleberg Bank"), seeks Board approval to retain 337 shares of Bank (1.5 per cent) acquired without the Board's prior approval as a result of Applicant's *pro rata* participation as of right in a 1973 increase in the number of outstanding shares of Bank's common stock.[2] Both prior to the offering and after its purchase, Applicant owned 16.02 per cent of the total outstanding voting shares of Bank. Bank ($18.9 million in deposits) is among the smaller banks in the State of Texas, and controls less than one tenth of one per cent of the total deposits in commercial banks in the State.[3]

Kleberg Bank and Bank are both located in Kingsville, Texas, and rank first and second, respectively, among the three banks located in the Kleberg County banking market (the relevant market). Applicant does not control Bank's policies or activities nor does Applicant have any officers or directors in common with Bank. Moreover, it appears that Applicant's retention of 1.5 per cent of Bank's outstanding voting shares will not increase its ability to direct Bank's operations as Applicant's proportionate stock interest will remain unchanged. Retention of Bank's shares would involve neither an expansion of Applicant nor an increase in the banking resources controlled by it. It is the Board's judgment that retention of this stock would eliminate neither existing nor potential competition nor increase the concentration of banking resources in any relevant area. Thus, competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant are satisfactory, while such considerations in the case of Bank are generally satisfactory. Overall, banking factors are consistent with approval. There is no indication in the record that the convenience and needs of the community to be served are not currently being met; however, such considerations are consistent with approval. Therefore, it is the Board's judgment that the retention of the shares of Bank would be 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.

By order of the Board of Governors, effective March 21, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, and Partee. Present and Abstaining: Governor Jackson. Absent and not voting: Governor Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Lincoln National Company,
Bala Cynwyd, Pennsylvania

Order Approving
Acquisition of Shares of Bank

Lincoln National Company, Bala Cynwyd, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company 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, indirectly, 9.9 per cent of the voting shares of The Bryn Mawr Trust Company, Bryn Mawr, Pennsylvania ("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. 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, a one-bank holding company, owns

[1] Applicant is engaged in a variety of nonbanking activities including a worldwide cattle ranching operation. Applicant also holds various oil and mineral interests on its properties. These nonbanking activities are exempt from the prohibitions of section 4 of the Act by virtue of section 4(c)(ii) of the Act (12 U.S.C. § 1843(c)(ii)).

[2] ¶7050 of the Board's Interpretations (12 C.F.R. § 225.103), which has been effective since 1957, states in part:

> . . . [I]t is the Board's opinion that receipt of bank stock *by means of a stock dividend or stock split, assuming no* change in class of stock, does not require the Board's prior *approval under the Act, but that purchase of bank stock* by a bank holding company through the exercise of rights does require the Board's prior approval, unless one of the exceptions set forth in section 3(a) is applicable.

It appears from the facts of record that the acquisition of the shares of Bank was based on a misunderstanding of the applicable statutes and regulations relating to the acquisition of the voting stock of banks by bank holding companies. In accord with the Board's position with respect to violations of the Act, the Board has scrutinized the underlying facts surrounding the acquisition of the shares of Bank. Upon its examination of all the facts of record, including Applicant's undertaking to guard against violations in the future, the Board is of the view that the facts surrounding the violation are not such as would call for denial of the application.

[3] *All banking data are as of December 31, 1975.*

all of the voting shares (less directors' qualifying shares) of Lincoln Bank, Bala Cynwyd, Pennsylvania,[1] with deposits of $94.6 million, representing 0.2 per cent of the total deposits in commercial banks in Pennsylvania.[2] Applicant also has one nonbanking subsidiary, Lincoln National Leasing Co., Bala Cynwyd, Pennsylvania, which is engaged in the leasing of personal property and equipment on a full payout basis. Applicant's indirect acquisition of shares of Bank would have no appreciable effect on the concentration of banking resources in Pennsylvania.

Applicant's subsidiary bank, Lincoln Bank, a State-chartered insured bank that is not a member of the Federal Reserve System, proposes to acquire for cash 9.9 per cent of the voting shares of Bank pursuant to Title 7 Pennsylvania Statutes, section 311(d)(ii)(B), which authorizes Pennsylvania banks to acquire and hold up to 10 per cent of the shares of another Pennsylvania bank or trust company.[3] The instant shares of Bank were previously held by Centennial Bank, Philadelphia, Pennsylvania, a bank that was ordered closed by the Commonwealth of Pennsylvania Department of Banking on October 19, 1976. In subsequent liquidation proceedings by the Federal Deposit Insurance Corporation, Lincoln Bank purchased certain assets and assumed certain deposit liabilities of Centennial Bank and, in addition, Lincoln Bank obtained an option to purchase the subject shares of Bank from the FDIC, as receiver.

Bank (deposits of $56.7 million) is the 25th largest banking organization in the Philadelphia-Camden banking market[4] and holds 0.4 per cent of total market deposits.[5] Lincoln Bank, through its twelve offices, also competes in the Philadelphia-Camden banking market and ranks as the 18th largest banking organization therein, with 0.7 per cent of total deposits in the market. Although Lincoln Bank and Bank compete in the same banking market, it does not appear that consummation of this proposal would have significant adverse effects on competition. The combined market share of Lincoln Bank and Bank would represent only 1.1 per cent of total deposits in the Philadelphia-Camden market. Accordingly, the Board concludes that consummation of the proposal would not have significant adverse effects on existing or potential competition; thus, competitive considerations are consistent with approval of the subject application.

The Board notes that neither Applicant nor Lincoln Bank will incur any debt in connection with the acquisition of shares of Bank. The financial and managerial resources and future prospects of Applicant, Lincoln Bank, and Bank are considered to be generally satisfactory. Accordingly, banking factors are consistent with approval of the application. There is no indication that the convenience and needs of the community to be served are not currently being met. Although there will be no immediate increase in the services offered by Bank, convenience and needs considerations are consistent with approval of the application.

This application presents the Board with a situation in which rather than acquiring control, Applicant, through its subsidiary bank, is making a relatively small investment in Bank. This investment would not appear to have any adverse effects on Applicant or Lincoln Bank. An acquisition of less than a 25 per cent interest is not a normal acquisition for a bank holding company. However, the Bank Holding Company Act authorizes investments of up to 5 per cent without Board approval, and, by requiring prior Board approval for the acquisition of more than 5 per cent of the voting shares of a bank, clearly contemplates investments between 5 and 25 per cent.[6]

It is the Board's judgment that the proposed transaction would be in the public interest and that the application should be approved. On the basis of record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good

[1] Applicant became a bank holding company with respect to Lincoln Bank on December 31, 1970 as a result of enactment of the *1970 Amendments to the Bank Holding Company Act*.

[2] Unless otherwise noted, all banking data are as of June 30, 1976.

[3] The Secretary of Banking of the Commonwealth of Pennsylvania, by letter dated February 15, 1977, has recommended approval of the subject application.

[4] The Philadelphia-Camden banking market is approximated by all of Philadelphia and Delaware Counties, portions of Chester, Montgomery and Bucks Counties in Pennsylvania, plus Camden, and portions of Burlington and Gloucester Counties in New Jersey.

[5] All market data are as of June 30, 1975.

[6] See the Board's Order of May 16, 1973 approving the application of First Piedmont Corporation, Greenville, South Carolina, to acquire shares of First Palmetto State Bank and Trust Company, Columbia, South Carolina, 38 *Federal Register* 14204 (1973), 59 Federal Reserve BULLETIN 456 (1973).

cause by the Board, or by the Federal Reserve Bank of Philadelphia pursuant to delegated authority.

By order of the Board of Governors, effective March 11, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns and Governor Coldwell.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

OLD CANAL BANKSHARES, INC.,
Lockport, Illinois

Order Denying Formation of Bank Holding Company

OLD CANAL BANKSHARES, INC., Lockport, Illinois, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 80 per cent or more of the voting shares of Heritage First National Bank of Lockport, Lockport, Illinois ("Bank").

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

Applicant is a recently chartered, nonoperating corporation organized under the laws of Delaware for the purpose of becoming a bank holding company by acquiring Bank ($50.2 million in deposits).[1] Upon acquisition of Bank, Applicant would control the 186th largest commercial banking organization in the State of Illinois and would control approximately 0.08 per cent of total deposits in commercial banks in the State.

Bank, located in Lockport, Illinois, approximately 30 miles southwest of Chicago, is the fourth largest of 22 commercial banks in the relevant banking market[2] and holds approximately 7.9 per cent of the total commercial bank deposits in the market. The proposed transaction involves the transfer of ownership of Bank from individuals to a corporation owned by the same individuals. Since the subject proposal is essentially a corporate reorganization and Applicant has no subsidiaries, it appears unlikely that consummation of the proposal would have any adverse effect upon existing or potential competition or increase the concentration of banking resources, or have any adverse competitive effect. Thus, the Board concludes that competitive effects of the instant proposal are not adverse.

The Board had indicated on previous occasions that a bank holding company should constitute a source of financial and managerial strength to its subsidiary bank(s), and that the Board will closely examine the condition of an applicant with this consideration in mind. With respect to the subject application, it appears that the financial and managerial resources and future prospects of Applicant are entirely dependent upon Bank. The managerial resources of Applicant and Bank are regarded as generally satisfactory. However, as part of this proposal, Applicant would assume certain debt that its principals incurred in acquiring Bank's shares. Thus, Applicant proposes to initially incur approximately $2.1 million in acquisition debt which it proposes to service over a twelve-year period through distributed earnings of Bank. The projected earnings for Bank, in the Board's view, would not provide Applicant with the necessary financial resources to meet its annual debt servicing requirements as well as any unexpected problems that might arise at Bank. Under the instant proposal, it does not appear that Bank would maintain an adequate level of capital throughout the debt retirement period.[3]

It does not appear that Bank's management proposes any significant changes in Bank's operations that might provide the necessary Bank earnings. In conclusion, the proposal would not provide Applicant the necessary financial flexibility to service its debt while maintaining adequate capital in Bank, and therefore Applicant's and Bank's financial resources and future prospects weigh against approval of the application.

[1]Deposit data as of December 31, 1975.

[2]The relevant banking market is approximated by Will County, Illinois.

[3]Within 180 days of approval of the subject proposal Applicant proposes to reduce the debt it would incur by $100,000. This would result from the issuance by Bank of $500,000 in 9 per cent preferred stock that would be funded through the sale of additional common stock in Applicant, which will be purchased by its principals for $600,000.

No significant changes in Bank's operations or in the services offered to customers of Bank are anticipated to follow from consummation of the proposed acquisition. Consequently, convenience and needs factors lend no weight toward approval.

On the basis of the circumstances concerning the instant application to become a bank holding company, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial resources and future prospects of both Applicant and Bank. Such adverse factors are not outweighed by any procompetitive effects, the managerial resources of Applicant or Bank, or benefits that would better satisfy the convenience and needs of the community to be served. Accordingly, it is the Board's judgment that approval of the application to become a bank holding company would not be in the public interest and that the application should be denied.

On the basis of the facts of record, the application to become a bank holding company is denied for the reasons summarized above.

By order of the Board of Governors, effective March 9, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Jackson, and Lilly. Absent and not voting: Chairman Burns and Governors Coldwell and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Republic of Texas Corporation,
Dallas, Texas

Order Approving Acquisition of Bank

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares, less directors' qualifying shares, of the successor by merger to Dallas National Bank in Dallas, Dallas, Texas ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Bank.

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

Applicant, the fourth largest banking organization in Texas, controls eight banks with aggregate deposits of approximately $3.1 billion, which represents 6.5 per cent of total commercial bank deposits in Texas.[1] Acquisition of Bank ($32.0 million in deposits) would increase Applicant's share of Statewide commercial bank desposits by less than 0.1 per cent and would have no appreciable effect upon the concentration of banking resources in Texas.

By Order dated October 25, 1973, the Board approved the application of Applicant to become a bank holding company through the direct acquisition of Republic National Bank of Dallas, Dallas, Texas ("Republic Bank"), and the indirect acquisition of 29.9 per cent of the voting shares of Oak Cliff Bank & Trust Company, Dallas, Texas ("Oak Cliff Bank"). At that time, Republic Bank owned indirectly between 5 and 24.9 per cent interests in twenty-one non-subsidiary banks, eighteen of which were in the Dallas banking market.[2] Applicant represented to the Board that it would file separate applications for prior approval by the Board for acquisition of additional shares in each of certain of those banks, and would divest completely its interest in others. The Board in its Order stated that each such application filed by Applicant would be considered on its own merit in light of the statutory standards set forth in § 3 of the Act. Since that time Applicant has divested its interests in seven of the Dallas-area banks. This is Applicant's second application to acquire additional shares in one of the Dallas-area banks.[3]

Bank is the 37th largest of 132 banks in the Dallas banking market and controls 0.4 per cent of the total deposits of commercial banks in the market. Applicant presently has two subsidiary banks in the Dallas banking market.[4] Republic

[1] All banking data are as of December 31, 1975, and reflect bank holding company formations and acquisitions approved through February 28, 1977.

[2] The relevant banking market is approximated by the Dallas RMA

[3] By separate action of this date, the Board approved Applicant's acquisition of First National Bank in Garland, Garland, Texas ("Garland Bank").

[4] Upon acquiring Garland Bank, Applicant will control a third subsidiary bank in the Dallas market and will thereby control an additional 0.7 per cent of market deposits.

Bank is the largest bank in that market with 25.5 per cent of the total deposits in commercial banks in the market, and Oak Cliff Bank & Trust Company is the eighth largest bank in the market with 1.2 per cent of market deposits. The eleven nonsubsidiary banks in the Dallas market (including Bank and Garland Bank) in which Applicant presently holds minority interests have aggregate deposits of $505.0 million, representing 5.4 per cent of market deposits.

While consummation of the proposal would appear to eliminate some existing competition since Applicant and Bank operate in the same market, the Board notes that Applicant, or its predecessor in interest, Republic Bank, has controlled 20 per cent or more of the shares of Bank since 1947, that officers and directors of Republic Bank were instrumental in the formation of Bank, and that the duration and nature of this relationship is such that little, if any, meaningful competition presently exists between Bank and Applicant's subsidiary banks in the Dallas market. Absent the history of the long established relationship between Applicant and Bank, the effects on existing competition would be regarded as more serious; however, in light of that relationship, the effects are considered as only slight. Moreover, while Applicant is the largest organization in the banking market, in view of all the facts of record, the Board does not regard the slight increase in concentration of market deposits as significant. Accordingly, the Board concludes that the proposed acquisition of Bank by Applicant would not have significant adverse effects on competition.

The financial and managerial resources and future prospects of Applicant, its subsidiaries, and Bank are regarded as satisfactory and consistent with approval of the application. Following consummation of the transaction, Applicant intends to improve and expand the services presently offered to customers of Bank. Applicant also has indicated that it would support and encourage Bank's efforts to aid the community it serves, by having Bank continue to engage in community development activities, which include programs for loans to minority businesses and home-improvement loans to low-income families. These considerations relating to convenience and needs of the community to be served lend weight toward approval of the application and, in the Board's view, outweigh any slightly adverse competitive effects that might result from consummation of the proposal. Accordingly, it is the Board's judgment that the proposed acquisition would be 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 made (a) before the thirtieth calendar day following the effective date of this Order or (b) 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 March 23, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Republic of Texas Corporation,
Dallas, Texas

Order Approving Acquisition of Bank

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares (less directors' qualifying shares) of the successor by merger to First National Bank in Garland, Garland, Texas ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Bank.

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

Applicant, the fourth largest banking organization in the State of Texas, controls eight bank subsidiaries with aggregate deposits of $3.1 billion, representing 6.5 per cent of commercial bank deposits in the State.[1] Acquisition of Bank would

[1] All banking data are as of December 31, 1975 unless otherwise stated.

increase Applicant's share of commercial bank deposits in Texas by 0.14 per cent but would not alter Applicant's State-wide ranking.

By Order dated October 25, 1973, the Board approved the application of Applicant to become a bank holding company through the direct acquisition of Republic National Bank of Dallas ("Republic Bank"), and the indirect acquisition of 29.9 per cent of the voting shares of Oak Cliff Bank and Trust Company, Dallas, Texas ("Oak Cliff Bank"). At that time Republic Bank owned indirectly between 5 and 24.99 per cent interest in twenty-one non subsidiary banks, eighteen of which were in the Dallas banking market.[2] Applicant represented to the Board that it would file separate applications for prior approval by the Board for acquisition of additional shares in each of certain of those banks, and would divest completely its interests in others. The Board in its Order stated that each such application filed by Applicant would be considered on its own merits in light of the statutory standards set forth in § 3 of the Act. Since that time Applicant had divested its interests in seven of the Dallas-area banks. This is Applicant's first application to acquire additional shares in one of the Dallas-area banks.[3]

Bank is the 16th largest of 132 banks in the Dallas banking market and holds deposits of $66.4 million, representing 0.7 per cent of the total deposits of commercial banks in the market. Applicant presently has two subsidiary banks in the Dallas banking market. Republic Bank is the largest bank in that market with 25.5 per cent of the total deposits in commercial banks in the market, and Oak Cliff Bank is the eighth largest bank in the market with 1.2 per cent of market deposits. The eleven non-subsidiary banks in the Dallas market (including Bank) in which Applicant presently holds minority interests have aggregate deposits of $505.0 million, representing 5.4 per cent of market deposits.

While consummation of the proposal would appear to eliminate some existing competition inasmuch as Applicant and Bank operate in the same market, the Board notes that Applicant, or its predecessor in interest, Republic Bank, has held 20 per cent or more of the shares of Bank for 30 years, and that the duration and nature of this relationship are such that little, if any, meaningful competition presently exists between Bank and Applicant's subsidiary banks in the Dallas market. But for the history of the long established relationship between Applicant and Bank, the effects on existing competition would be viewed as more serious, but viewed in light of that relationship the effects are only slight. Moreover, while Applicant is the largest organization in the banking market, in view of the facts presented in the record of this application, the Board does not regard the slight increase in concentration of market deposits as significant. Accordingly, the Board concludes that the proposed acquisition of Bank by Applicant would not have significant adverse effects on competition.

The financial and managerial resources of Applicant, its subsidiaries, and Bank are regarded as satisfactory and consistent with approval of the application. Considerations relating to banking factors are also consistent with approval of the application. Following consummation of the transaction, Applicant intends to improve and expand services presently offered to customers of Bank. These considerations relating to convenience and needs of the community to be served do not appear to be substantial but they do lend some weight toward approval of the application, and in the Board's view, outweigh any slightly adverse effects on competition that might result from consummation of this proposal. Accordingly, it is the Board's judgment that the proposed acquisition would be 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 made (a) before the thirtieth calendar day following the effective date of this Order or (b) 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 March 23, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) GRIFFITH L. GARWOOD,

[SEAL] *Deputy Secretary of the Board.*

[2] The relevant banking market is approximated by the Dallas RMA.

[3] By separate action of this date, the Board approved Applicant's acquisition of Dallas National Bank (formerly Fair Park National Bank), Dallas, Texas.

The Sumitomo Bank, Limited,
Osaka, Japan

Order Approving
Acquisition of Additional Shares of Bank

The Sumitomo Bank, Limited, Osaka, Japan, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to exercise preemptive rights to acquire additional voting shares of Central Pacific Bank, Honolulu, Hawaii ("Bank"). As a result of the exercise of these rights, Applicant would continue to hold 13.7 per cent of the voting shares of Bank.

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

Applicant presently owns 13.7 per cent of the voting shares of Bank. With deposits of approximately $240 million, Bank controls 8.5 per cent of the total deposits held by commercial banks in Hawaii and is the third largest bank in the State.[1] Applicant proposes to acquire 6,867 additional voting shares of Bank through the exercise of its preemptive rights in connection with a new issue of Bank's voting shares. If all of Bank's new shares are purchased, Applicant's percentage ownership of shares of Bank will not increase as a result of the proposal. Consummation of the proposal would not have any adverse effect on existing or potential competition, nor would it increase the concentration of banking resources or have any adverse effect on other banks in the area. Thus, competitive considerations are consistent with approval of the application.

The financial condition and managerial resources of Applicant and Bank are considered satisfactory and the future prospects for each appear favorable. Thus, the banking factors are consistent with approval of the application. Although there will be no immediate change or increase in the services offered by Bank as a result of the proposed transaction, the considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. It is the Board's judgment that the proposed transaction would be consistent with the public interest and that the application should be approved.

Under section 3(d) of the Bank Holding Company Act [12 U.S.C. 1842(d)] the Board may not approve an application by a bank holding company under section 3 of the Act to acquire shares of any "additional bank" located outside of the State in which the operations of the bank holding company's banking subsidiaries were principally conducted as of July 1, 1966, or the date on which it became a bank holding company, whichever is later, unless such acquisition is specifically authorized by the statute laws of the State in which the bank whose shares are to be acquired is located. Applicant became a bank holding company on December 31, 1970, by virtue of its ownership of a majority of the voting shares of The Sumitomo Bank of California, San Francisco, California, and thus, California is the State of Applicant's principal banking operations. The statute laws of the State of Hawaii do not specifically authorize the acquisition of shares or assets of a State bank by an out-of-State bank holding company. Thus, the Board may only approve the subject application if Bank is not considered an "additional bank" for purposes of section 3(d).

Applicant's investment in Bank originated in 1954, prior to the enactment of the Bank Holding Company Act. Since section 3(d) is prospective in its application, that investment was effectively grandfathered at the time Applicant became a bank holding company in 1970. Consummation of the proposed transaction would enable Applicant to maintain its present interest in Bank.

The Board has considered the legislative history of section 3(d), particularly the intent of that section to prevent the interstate *expansion* of the commercial banking operations of bank holding companies, and has determined that, based on the particular facts and circumstances of this case, Bank should not be considered an "additional bank" for purposes of that section. Approval of this application would not permit Applicant either to acquire control of an additional bank or to expand its grandfathered interest in Bank. However, in keeping with the policy of section 3(d), this approval is granted subject to the condition that, in the event all of Bank's newly issued shares are not subscribed, Applicant will only acquire and hold such shares as are necessary in order to maintain its present interest in Bank.

[1] All banking data are as of December 31, 1975.

In a letter of this date to Applicant, the Board has issued a preliminary determination, based upon the rebuttable presumptions of control in section 225.2(b)(1) of Regulation Y [12 CRF § 225.2(b)(1)], that Applicant exercises a controlling influence over the management or policies of Bank. The Board's decision to approve the subject application was made independent of that preliminary determination of control, and does not signify a Board decision on any further action that may result from such preliminary determination.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of San Francisco pursuant to delegated authority.

By order of the Board of Governors, effective March 29, 1977.

Voting for this action: Chairman Burns and Governors Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Governors Gardner and Wallich.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

ORDERS UNDER SECTION 4(c)(8) OF BANK HOLDING COMPANY ACT

D. H. Baldwin Company,
Cincinnati, Ohio

Order Approving Acquisition of Louisville Mortgage Service Company

D. H. Baldwin Company, Cincinnati, Ohio, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)), to acquire Louisville Mortgage Service Company, Louisville, Kentucky ("Service"), a company that engages in the activities of mortgage banking, including originating and servicing, for its own account and the account of others, conventional and guaranteed residential mortgage loans. Service also acts as insurance agent for the sale of insurance that is directly related to extensions of credit by Service, including mortgage cancellation insurance and credit accident and health insurance.[1] Such activities have been determined by the Board to be closely related to banking (12 CFR § 225.4(a)(1), (3), and (9)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (41 *Federal Register* 50031 (1976)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the fourth largest banking organization in Colorado, controls twelve subsidiary banks in that State, with aggregate deposits of $582 million, representing approximately 7.7 per cent of the total deposits in commercial banks in Colorado. Applicant also engages through subsidiaries in a variety of nonbanking activities, including savings and loan, mortgage banking, personal and real property leasing, consumer finance, and insurance agency and insurance underwriting. Applicant also engages in the manufacture and sale of musical instruments pursuant to indefinite grandfather benefits under section 4(a)(2) of the Act.[2]

Service operates a single office in Louisville, Kentucky. As of June 30, 1975, Service, with a real estate mortgage servicing portfolio of $176.0 million,[3] ranked 170th among all mortgage companies in the United States. Service engages principally in the origination and servicing of loans on 1-4 family residential properties in the Louis-

[1] Applicant originally proposed to continue Service's sale of property damage and casualty insurance. On January 10, 1977, the United States Court of Appeals for the Fifth Circuit ruled, in *Alabama Association of Insurance Agents* v. *Board of Governors*, 544 F.2d 1245 (1977), that the sale of property damage and casualty insurance in connection with extensions of credit by a nonbank subsidiary of a bank holding company is not closely related to banking and, therefore, is not a permissible activity. In a letter to the Board dated January 20, 1977, Applicant committed itself to halt the sale of property damage and casualty insurance upon consummation of the acquisition of Service

[2] Applicant's nonbank activities are described in detail in a Board determination dated June 14, 1973, relating to Applicant's grandfather benefits (59 Federal Reserve BULLETIN 536 (1973)).

[3] *American Banker* of October 21, 1975. Service was not listed in the *American Banker* of October 25, 1976, as among the 300 largest mortgage companies as of June 30, 1976. Applicant indicates that Service had a servicing portfolio of $181.5 million as of May 31, 1976, which would rank Service 176th among all mortgage banking companies as of mid year 1976

ville market,[1] and in 1975 originated approximately only 3 per cent (in dollar value) of the mortgage loans in that area. Service competes with at least 20 other mortgage banking companies (including six of the nation's largest), six banks, and twelve savings and loan associations. Applicant is currently engaged in mortgage banking through its wholly-owned subsidiary, C. C. Fletcher Mortgage Company, Cincinnati, Ohio ("FMC").[5] While Service primarily originates 1-4 family residential mortgage loans, FMC's principal business is originating commercial and industrial mortgage loans. Accordingly, it appears that there is no significant existing competition between Service and FMC. In addition, though Applicant's banking and savings and loan subsidiaries engage in mortgage lending, their activities are concentrated in Colorado and the western United States. Accordingly, it appears that there is not significant competition between Service and these subsidiaries. Thus approval of the proposed acquisition should have no adverse effect on existing competition.

The facts of record indicate that Service's market share has declined in recent years. It is anticipated that Service's affiliation with Applicant will provide Service with access to Applicant's expertise, substantial financial resources, and widespread investor relationships and thereby enable Service to strengthen and revitalize itself as a viable and aggressive competitor in the mortgage banking business. On balance, the Board concludes that the benefits to the public that can reasonably be expected to result upon consummation of this proposal outweigh any possible adverse effects on the public interest that might result from the proposed acquisition.

There is no evidence in the record indicating that consummation of the proposed acquisition would result in undue concentration of resources, conflicts of interests, unsound banking practices, or other adverse effects.

Service's wholly-owned subsidiary, General Realty Corporation of Kentucky, Inc., Louisville, Kentucky ("General"), is engaged primarily in holding real property for sale, which is an acitivty the Board has not determined to be permissible for bank holding companies. Therefore, Service must dispose of all the real estate holdings of General no later than two years from the effective date of this Order.[6]

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved subject to the conditions that Service dispose of the real estate holdings of General no later than two years from the effective date of this Order and reduce its interest in Heart to no more than 5 per cent of Heart's outstanding voting shares upon consummation of this proposal. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y 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 transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City.

By order of the Board of Governors, effective March 24, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Coldwell, Jackson, and Partee. Absent and not voting: Governors Wallich and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[4]The Louisville mortgage banking market is approximated by the Louisville SMSA (which includes Jefferson, Oldham, and Bullitt counties in Kentucky, and Floyd and Clark counties in Indiana), plus Fayette County, Kentucky.

[5]As of June 30, 1976, FMC had a mortgage servicing portfolio of $35.9 million.

[6]In accomplishing a divestiture of such property, Applicant has agreed to transfer irrevocably the real estate held by General to an independent trustee who shall have the duty of divesting the property within the applicable time period.

Service also holds in excess of 5 per cent of the voting stock of Heart of Louisville, Inc., Louisville, Kentucky ("Heart"), which engages in real property leasing that is not in compliance with the requirements of § 225.4(a)(6)(b) of Regulation Y (12 CFR § 225.4(a)(6)(b)). Applicant has stated it will reduce Service's interest in Heart to no more than 5 per cent upon consummation of the subject proposal.

Republic of Texas Corporation,
Dallas, Texas

Order Approving Retention of Republic Commerce Company, Republic Money Orders, Inc., and Republic Money Orders of California, Inc., all of Dallas, Texas

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the Act [12 U.S.C. 1843(c)(8)] and § 225.4(b)(2) of the Board's Regulation Y [12 CFR 225.4(b)(2)], to retain ownership of the voting shares of Republic Commerce Company, Dallas, Texas ("Company"), and indirect ownership of the voting shares of Republic Money Orders, Inc. ("RMO"), and Republic Money Orders of California, Inc. ("RMO of California"), both of Dallas, Texas. Company engages in no activities directly but merely serves as owner of record of all shares of RMO. RMO engages in the activity of issuing money orders and travelers checks to third party agents who, in turn, sell the instruments at the retail level.[1] RMO of California is a wholly-owned subsidiary of RMO which, until 1972, also issued money orders and travelers checks. RMO of California is inactive and will be liquidated in 1985 when any money orders that remain unclaimed at that time escheat to the State of California.

The Board has previously invited comment on a proposal to amend its Regulation Y to add the activity of issuing and selling payment instruments, such as money orders, to the list of activities permissible pursuant to section 4(c)(8) of the Act [41 *Federal Register* 14902]. In addition, notice of the instant application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published [40 *Federal Register* 44634 and 41 *Federal Register* 14902]. The time for filing comments and views has expired, and the Board has considered the entire record of this proposal, including all comments received, and has determined that the activity of issuing and selling money order-like payment instruments is closely related to banking. However, the Board has decided that it will leave the rulemaking proceeding open and that it will not at present amend Regulation Y to include this activity among those generally permissible for bank holding companies. Rather, it will consider applications for permission to engage in the activity on a case-by-case basis, applying the public benefits test of § 4(c)(8) to the facts in each case. The Board also has determined that the application of Republic of Texas Corporation should be approved.

By Order dated October 25, 1973, the Board approved the application of Applicant to become a bank holding company through the acquisition of Republic National Bank of Dallas ("Republic Bank") and 29.99 per cent of the voting shares of Oak Cliff Bank and Trust Company, Dallas, Texas. Applicant became a bank holding company on May 9, 1974. At the time that Applicant became a bank holding company, it also acquired, from Republic Bank, direct ownership of Company. Republic Bank was itself a bank holding company by virtue of the 1970 Amendemnts to the Act and owned various bank and nonbank interests. RMO and its subsidiary, RMO of California, were established as *de novo* subsidiaries of the profit sharing plan of Republic Bank. Pursuant to the provisions of § 4(a)(2) of the Act, Applicant had two years, subject to the possibility of three one-year extensions, from the date on which it became a bank holding company to divest its nonbank activities or, in the alternative, to apply to the Board for approval to retain them. In this proposal Applicant has applied to retain its money order activities. The Board regards the standards under § 4(c)(8) of the Act for retention of shares of a company to be the same as the standards for a proposed acquisition.

In order to authorize a bank holding company to engage in a nonbanking activity pursuant to § 4(c)(8) of the Bank Holding Company Act ("Act"), the Board must first determine whether the activity is closely related to banking or managing or controlling banks. The Board finds that banks historically have been in the business of issuing money orders and similar payment instruments, such as cashier's checks and certified checks. Such instruments evolved from the need for a safe method of transmitting funds over long distances and the need for a method of assuring payments. They are a functional equivalent of cash when used to effect payments, and are of particular usefulness to persons of limited resources who do not or cannot practically maintain checking accounts. The instruments that are the subject of this proposal extend, on an economical and convenient basis, the efficient payments mechanism of the

[1] By Order of June 25, 1976, the Board approved the subject application as it related to the issuance and sale of travelers checks [62 Federal Reserve BULLETIN 630].

commercial banking system to persons other than demand deposit customers of banks. Since the proposed activity is comparable to certain functions of banks, involves financial skills generally possessed by banks, and is a service that banks traditionally have performed, the Board concludes that the proposed activity is closely related to banking.

In order to approve the subject application, the Board must also find that the performance of the proposed activity by an affiliate of Applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." This balancing test necessitates a positive showing of public benefits, outweighing possible adverse effects of any proposal, before an application may be approved. An applicant seeking approval to engage in a nonbanking activity under this section must bear the burden of showing the public benefits that would flow from its proposal.

Applicant, the fourth largest banking organization in Texas, controls eight banks with total domestic deposits of approximately $3 billion, representing about 6.5 per cent of the total deposits in commercial banks in the State.[2] In addition, Applicant engages indirectly through a group of corporations, referred to collectively as The Howard Corporation, in various nonbanking activities that are described in a Board determination dated September 10, 1973, relating to the grandfather benefits of Republic Bank [59 Federal Reserve BULLETIN 768 (1973)]. The Board has previously ruled that Applicant would not be a successor to the grandfather privileges of Republic Bank, and Applicant has committed, and is required, to dispose of the impermissible activities within the two-year statutory period prescribed in § 4(a)(2) of the Act.[3]

RMO was established *de novo* by Republic Bank in 1959. It sells money orders and travelers checks through outlets located in all 50 States and some foreign countries. In 1976 it had total money order issues of approximately $1 billion.[4] In view of the highly concentrated nature of the money order industry and the fact that RMO was established *de novo*, as a subsidiary of Applicant's lead bank, the Board concludes that Applicant's retention of RMO would not result in any adverse effects on competition in any relevant area. Furthermore, there is no evidence in the record to indicate that the proposed retention of RMO by Applicant would lead to an undue concentration of resources, unfair competition, conflicts of interests, or unsound banking practices.

The Board notes that the wholesale aspect of the money order business in the United States is presently dominated by a few nonfinancial companies that are not subject to the Federal Reserve System's reserve requirements. The Board believes that the development of new competition in this business on a national scale may not be forthcoming under the present statutory framework unless a degree of competitive equity can be established between the nonfinancial institutions already in the business and potential bank holding company entrants. Such equity cannot be achieved if some competitors are subject to reserve requirements while others are not. In such unique circumstances, the Board finds that there are public benefits associated with enabling bank holding companies to compete with the dominant organizations in this business on an equal basis by permitting what is essentially a consumer-oriented demand deposit business to be conducted by nonbank affiliates of member banks.[5]

Unlike other issuers of money orders, RMO does not set a schedule of commissions that its agents must charge. As a result, RMO's agents have greater flexibility in dealing with retail cus-

[2] Unless otherwise noted, all banking data are as of December 31, 1975, and reflect bank holding company formations and acquisitions approved through December 31, 1976.

[3] The Federal Reserve Bank of Dallas, acting pursuant to delegated authority, has extended the period within which Applicant must dispose of its impermissible activities for one year to May 9, 1977, as permitted under § 4(a)(2) of the Act.

[4] All of the money orders Applicant now issues have a maximum face value of $200, and this limit is specified on the instrument. The Board regards Applicant's money orders as being essentially a consumer-oriented type of payment instrument, and believes that in no event should the instruments have a face value greater than $1,000, in order to assure that they are intended primarily for use by consumers.

[5] It should be noted, however, that the Board's decision with respect to money orders under the particular circumstances present in this proposal does not signify any change in the Board's opinion that there is a need for universal reserve requirements on demand deposits of nonmember banks, as well as member banks. As the Board stated in its Order of June 14, 1973, authorizing BankAmerica Corporation, San Francisco, California, to engage in the business of issuing traveler's checks [38 *Federal Register* 16280 (1973)], it continues to believe that all institutions engaged in deposit banking should be subject to common reserve requirements.

tomers and, in certain circumstances, may reduce retail prices. In addition to possible lower rates, continued affiliation of Applicant and RMO should increase the possibilities that RMO will expand the number of retail outlets that handle its money orders. Money orders are of particular usefulness to persons of limited resources who do not or cannot practically maintain checking accounts, and approval of this proposal will assure the continued availability to such persons of these instruments, which are issued by a large financial organization and enjoy ready acceptability. Accordingly, it is the Board's view that approval of the subject application would result in continued benefits to the public and is, therefore, in the public interest.[6]

Based upon the foregoing and other considerations reflected in the record, the Board has determined, in accordance with the provisions of § 4(c)(8) of the Act, that consummation of this proposal can reasonably be expected to result in benefits to the public that outweigh possible adverse effects. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y 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 March 11, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns and Governor Coldwell.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[6] The Board is concerned that because purchasers of money orders may view this instrument as a close equivalent to a personal check, such persons may misapprehend their right to stop payment on such instruments. Indeed, whether such a right exists may turn upon technicalities in the form of such instruments. So that purchasers are not misled, the Board urges that the issuer disclose on the instruments whether or not such a right exists and, if so, how it may be exercised. While the Board is not at this time requiring such a disclosure as a condition of engaging in the activity, it notes that, if experience should indicate that consumers are in fact being misled in this regard, the subject may be an appropriate one to be dealt with by the Federal Trade Commission or the Board under their respective jurisdictions to define unfair or deceptive practices.

Citicorp,
New York, New York

Order Approving
Engaging in Nonbank Activity

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. 225.4(b)(2)), to engage to *de novo*, through a new nonbank subsidiary, Citicorp Services, Inc. ("Services"), in the activity of issuing and offering on a consignment basis general purpose variable denominated payment instruments.

Notice of the application, and of proposed rulemaking to amend the Board's Regulation Y to add the activity of issuing and selling money order-like payment instruments to the list of activities permissible pursuant to § 4(c)(8) of the Act, was duly published (41 *Federal Register* 14902 (1976)) in order to afford opportunity for interested persons to submit comments and views on the public interest factors with respect to the application, and on the question of whether the proposed activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto.

The Board has considered the entire record of this proposal, including all comments received, and has determined that the activity is closely related to banking. However, the Board has decided that it will leave the rulemaking proceeding open and that it will not at present amend Regulation Y to include this activity among those generally permissible for bank holding companies. Rather, it will consider applications for permission to engage in the activity on a case-by-case basis, applying the public benefits test of § 4(c)(8) to the facts in each case. The Board also has determined that the application of Citicorp should be approved to the extent that it involves the issuance and marketing of payment instruments of a sort that would primarily be of use to consumers.

In order to authorize a bank holding company to engage in a nonbanking activity pursuant to § 4(c)(8) of the Bank Holding Company Act ("Act"), the Board must first determine whether the activity is closely related to banking or managing or controlling banks. The Board finds that banks historically have been in the business of issuing money orders and similar payment instruments, such as cashier's checks and certified checks. Such instruments evolved from the need for a safe method of transmitting funds over long distances and the need for a method of assuring payments. They are a functional equivalent of cash when used to effect payments, and are of particular usefulness to persons of limited resources who do not or cannot practically maintain checking accounts for effecting payment transactions. The instruments that are the subject of this proposal would extend, on an economical and convenient basis, the efficient payments mechanism of the commercial banking system to persons other than the typical demand deposit customers of banks. Since the proposed activity is comparable to certain functions of banks, involves financial skills generally possessed by banks, and is a type of service that banks traditionally have performed, the Board concludes that the proposed activity is closely related to banking.

In order to approve the subject application, the Board must also find that the performance of the proposed activity by a nonbank affiliate of Applicant "can reasonably be expected to produce benefits to the public such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." This balancing test necessitates a positive showing of public benefits outweighing the possible adverse effects of any proposed acquisition before an application may be approved. An applicant seeking approval to engage in a nonbanking activity under this section must bear the burden of showing the public benefits that would flow from its proposal.

Applicant, the largest banking organization in New York State and the second largest banking organization in the United States, controls two subsidiary banks,[1] which together operate banking offices throughout New York State and control combined deposits of approximately $19.5 billion, representing about 14.4 per cent of the total deposits in commercial banks in New York State.[2]

[1] Effective January 1, 1976, four of Applicant's up-State banking subsidiaries were merged to form Citibank (New York State), N.A., Buffalo, New York. The two remaining banking subsidiaries were merged into Applicant's lead bank, Citibank, N.A., New York, New York (formerly First National City Bank)

[2] Deposit data are as of December 31, 1975

Applicant engages in a variety of permissible nonbank activities through some 85 direct and indirect domestic nonbank subsidiaries. Applicant's nonbank activities include mortgage banking,[3] leasing, consumer and sales financing, and insurance agency activities for insurance which is directly related to extensions of credit by Applicant's subsidiaries.

Applicant proposes to issue and offer on a consignment basis general purpose, variable denominated payment instruments to vendors or agents who would then sell such instruments to the general public. The purchasers would specify the denomination of the instrument. Applicant proposes to engage in this activity *de novo* through its wholly owned subsidiary, Citicorp Services, Inc., which will act as the distributing and marketing agent in connection with offering the instruments. Applicant's payment instruments are intended to serve as substitutes or replacements for money orders, cashier's checks, teller's checks, dollar drafts, certified checks, and similar types of payment instruments. The instruments that Citicorp proposes to issue will be of two types: one will have a $1,000 limit on its face value and will be similar to the traditional personal money order; the second type will be unlimited in face value.

The facts of record on this proposal indicate that consumer-type payment instruments, such as traditional money orders, are marketed nationally on the wholesale level by a few large organizations and locally on a retail level by a wide variety of financial and nonfinancial institutions. On the national scale, the market is highly concentrated, being dominated by only a few large organizations.[4] Entry into this business on a national scale involves overcoming significant barriers

[3] Applicant engages in mortgage banking activities through Advance Mortgage Company ("Advance"), Southfield, Michigan, a nonbank subsidiary which Applicant acquired on June 15, 1970. Under the provisions of § 4(a)(2) of the Act, Applicant may not retain the shares of Advance beyond December 31, 1980, without Board approval. By Order dated December 26, 1973, the Board denied Applicant's application to retain Advance pursuant to § 4(c)(8) of the Act. [60 Federal Reserve BULLETIN 50].

[4] The Board notes that traditional money orders generally have a maximum face value printed on the instrument, that this ceiling is usually relatively low, perhaps $200 or $500, and that money orders are primarily used to transmit money by members of the consumer public who do not or cannot maintain checking accounts. The Board regards payment instruments of this type as being clearly "consumer-type payment instruments," and believes that the imposition of a $1,000 limitation on the face value of each instrument will assure that it is intended primarily for use by consumers.

since 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. Applicant already has an established organization of this type, and is one of a limited number of companies with such a capability so as to be regarded as a *potential entrant*. Applicant's entry into this 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 Applicant'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.

The Board notes that the wholesale aspect of the money order business in the United States is presently dominated by nonfinancial companies that are not subject to the Federal Reserve System's reserve requirements. The Board believes that the development of new competition in this business on a national scale may not be forthcoming under the present statutory framework unless a degree of competitive equity can be established between the nonfinancial institutions already in the business and potential bank holding company entrants. Such equity cannot be achieved if some competitors are subject to reserve requirements while others are not. In such unique circumstances, the Board finds that there are public benefits associated with enabling a bank holding company to compete with the dominant organizations in this business on an equal basis by permitting the issuance of a consumer-oriented instrument by a nonbank affiliate of a member bank.[5] However, the Board is unconvinced at this time that the public interest would be best served by permitting the issuance and marketing of such instruments without the imposition of a specific limitation on their denomination because of the potential for adverse effects on the reserve base that could result from such action. Reserve requirements serve as an essential tool of monetary policy and, in the Board's view, any action that would have the effect of diminishing the reserve base should be taken only if there are compelling reasons for doing so. The Board is concerned that approval of this proposal without any restrictions on the size of the instruments to be issued would result in an erosion of the reservable deposits of the banking system in an unquantifiable magnitude. There is nothing in the record of this proposal that would support a finding that a sufficiently compelling reason from a public interest standpoint exists to justify such action. Indeed, the public benefits that are likely to flow from Applicant's proposal are directly associated with the consumer-oriented instruments that may be issued. Accordingly, in order to provide such benefits but at the same time to limit the adverse impact on the reserve base that the issuance of such instruments by a nonbanking affiliate of a member bank may have, the Board finds that the imposition of a $1,000 maximum face value on the proposed instruments would be in the public interest.

In addition to increased competition, Applicant proposes to provide a benefit to the public through reduced costs and increased convenience to the purchaser.[6] Toward this end, Applicant states that lost or stolen instruments will be reissued at no charge to the customer and, in cases where a stop-payment cannot be made because an instrument has already been paid, photocopies of the instrument will be provided without charge. The Board believes that this would benefit the purchasers of these instruments as it appears to represent a cost savings when compared to the policies of other companies in the industry.

In summary, the Board finds that consumer-oriented payment instruments are of particular usefulness to persons of limited resources who do not or cannot practically maintain checking accounts; that approval of this proposal will increase the availability to such persons of these instruments, which will be issued by a large financial organization and will enjoy ready acceptability; and that certain of the proposed features of Appli-

[5] It should be noted that the Board's decision under the particular circumstances present in this proposal does not signify any change in the Board's opinion that there is a need for universal reserve requirements on demand deposits of nonmember banks, as well as member banks. As the Board stated in its Order of June 14, 1973, authorizing BankAmerica Corporation, San Francisco, California, to engage in the business of issuing traveler's checks (38 *Federal Register* 16280 (1973)), it continues to believe that all institutions engaged in deposit banking should be subject to common reserve requirements.

[6] Applicant proposes that one means of providing a benefit to the public through reduced costs to the purchaser will be by offering its instruments to the selling agents at a price that Applicant believes to be lower than the fees charged for competing instruments.

cant's instruments will offer greater convenience and benefits to the public and foster increased competition in the industry.[7] The Board further finds that the record of this proposal does not support a conclusion that the issuance by a nonbank subsidiary of a bank holding company of a payment instrument in a denomination in excess of $1,000 would offer sufficient public benefits to support approval.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable with respect to the activity of issuing consumer-oriented payment instruments having a maximum face value of $1,000. This determination is subject to the considerations set forth in § 225.4(c) of Regulation Y 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 activities 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 New York.

By order of the Board of Governors, effective March 11, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns and Governor Coldwell.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[7]The Board is concerned that because purchasers of these instruments may view them as a close equivalent to a personal check, such persons may misapprehend their right to stop payment on such instruments. Indeed, whether such a right exists may turn upon technicalities in the form of such instruments. So that purchasers are not misled, the Board urges that the issuer disclose on the instruments whether or not such a right exists and, if so, how it may be exercised. While the Board is not at this time requiring such a disclosure as a condition of engaging in the activity, it notes that, if experience should indicate that consumers are in fact being misled in this regard, the subject may be an appropriate one to be dealt with by the Federal Trade Commission or the Board under their respective jurisdictions to define unfair or deceptive practices.

Trust Company of Georgia,
Atlanta, Georgia

Order Approving
Acquisition of Adair Mortgage Company

Trust Company of Georgia, Atlanta, Georgia, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the Act [12 U.S.C. § 1843(c)(8)] and section 225.4(b)(2) of the Board's Regulation Y [12 CFR § 225.4(b)(2) (1976)], to acquire direct ownership of 100 per cent of the voting shares of Adair Mortgage Company, Atlanta, Georgia ("Adair"), from Trust Company of Georgia Associates, Atlanta, Georgia ("Associates"), a wholly-owned subsidiary of Applicant's lead bank.[1] Adair engages in the general activities of a mortgage banking company. Applicant has also applied to engage *de novo* through Adair, in the activities of a mortgage banking company at an office to be located in College Park, Georgia, and to relocate the main office of Adair from Atlanta to Cobb County, Georgia.[2] Each of the aforementioned activities has been determined by the Board to be closely related to banking [12 CFR § 225.4(a)(1) and (3) (1976)].

Notice of the applications, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published [41 *Federal Register* 54542 (1976)]. The time for filing comments and views has expired, and the Board has considered the applications and all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act [12 U.S.C. § 1843(c)(8)].

Applicant, the third largest banking organization in Georgia, directly controls Trust Company Bank,

[1]Adair, and its wholly-owned subsidiary, Adair Mortgage Company of Florida, were acquired by Associates on January 29, 1971, pursuant to section 4(c)(5) of the Act [12 U.S.C. § 1843(c)(5)]. Section 4(c)(5) of the Act generally permits a bank holding company to acquire, without Board approval, shares that are of the kinds and amounts explicitly eligible by statute for investment by national banking associations under the provisions of section 5136 of the Revised Statutes. Applicant's subject proposal contemplates its acquisition of Adair from Associates pursuant to section 4(c)(8) of the Act as an internal corporate reorganization to simplify Applicant's structure.

[2]In a related matter, the Board today approved Applicant's application filed pursuant to section 4(c)(8) of the Act and section 225.4(b)(2) of Regulation Y, to acquire, through Adair, loan servicing contracts and certain other assets (primarily shares of Federal National Mortgage Association) of Georgia Loan and Trust Company, Macon, Georgia.

Atlanta, Georgia ("Atlanta Bank") (deposits of $796 million), and, through Associates, indirectly controls five other banks (aggregate deposits of $400 million).[3] The aggregate deposits of Applicant's six subsidiary banks represent approximately 10 per cent of the total deposits in commercial banks in the State. Through its banking subsidiaries, Applicant engages in real estate mortgage lending as a part of its commercial banking business. Through Adair, Applicant also engages in mortgage banking activities including: origination of permanent mortgages secured by both one-to-four family and multi-unit residential properties; origination of permanent mortgages secured by commercial properties; origination of construction and development loans to facilitate Adair's permanent origination business; servicing of permanent loans; and origination of second mortgage loans.[4]

Applicant indirectly acquired Adair in 1971 pursuant to section 4(c)(5) of the Act and, through this application, seeks permission to operate Adair pursuant to section 4(c)(8) of the Act. The Board regards the standards of section 4(c)(8) for the retention of shares in a nonbanking company, previously operated by a bank holding company pursuant to section 4(c)(5), to be the same as the standards for a proposed acquisition under section 4(c)(8). Accordingly, the Board must find that neither the operation of the nonbanking company under section 4(c)(5) nor the Board's approval of the section 4(c)(8) application would result in an undue concentration resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

Prior to its acquisition of Adair in 1971, Atlanta Bank competed with Adair in a regional market with respect to construction, commercial, and multi-family residential loans. Nevertheless, the Atlanta banking market[5] was, and remains, the principal geographic area in which both Adair and Atlanta Bank originate permanent mortgages secured by one-to-four unit residential property. In 1969, $637 million in all types of mortgages were recorded in the Atlanta area by the numerous competitors therein[6] with Adair accounting for $6.6 million and Atlanta Bank for $20.8 million. With respect to total originations of one-to-four family residential mortgages in the market, Atlanta Bank accounted for approximately 2 per cent and Adair for approximately 1.2 per cent of that total. By contrast, in 1975, the numerous organizations[7] competing in the Atlanta area recorded $1,050 million in all types of mortgages in that area with Adair accounting for $7.9 million and Atlanta Bank for $6.4 million, both representing less than 1 per cent of the total. With respect to total recordings of one-to-four family residential mortgages in the market, Adair accounted for approximately 1 per cent and Atlanta Bank for approximately two-tenths of 1 per cent of that total.

While it appears that acquisition of Adair by Applicant did eliminate some direct competition in originations of mortgage loans, it appears that the effect of such elimination in the relevant market was not significantly adverse due to the large number of other competitors therein and the fact that neither Atlanta Bank nor Adair held substantial shares of the mortgage markets that are subject to definitive measurement prior to the time of acquisition. Therefore, it appears that the amount of existing competition that was eliminated was not substantial nor was any significant amount of competition foreclosed through Applicant's acquisition of Adair. The Board concludes that inasmuch as Applicant has continuously owned Adair since 1971 with limited adverse effects upon competition in the relevant market, Applicant's continued retention of Adair would not have any

[3] All banking data are as of December 31, 1975, unless otherwise indicated. In addition to its six subsidiary banks, Applicant received the Board's approval, on December 7, 1976, to acquire Security National Bank, Smyrna, Georgia (deposits of $17.4 million). [See 41 *Federal Register* 54541 (1976); 1977 Federal Reserve BULLETIN 77 (January).] Also, on January 3, 1977, Applicant received the Board's approval to acquire, through merger, Central Bankshares Corporation, Jonesboro, Georgia, that firm's sole subsidiary bank (deposits of $13.7 million), and its two non-banking activities. [See 42 *Federal Register* 2354 (1977); 1977 Federal Reserve BULLETIN 161 (February).]

[4] Adair's wholly-owned subsidiary in Florida engages in the origination of commercial loans; however, its business did not and does not overlap with Applicant or its subsidiaries.

[5] The Atlanta banking market is approximated by Clayton, Cobb, DeKalb, Douglas, Fulton, Gwinett, Henry, and Rockdale Counties.

[6] These included 41 mortgage companies, 20 savings and loan associations, nine banking organizations, all with offices in the Atlanta Standard Metropolitan Statistical Area ("SMSA"), as well as 42 other lenders outside the SMSA. The nation's fourth, eighth, and ninth largest mortgage companies had offices in the market.

[7] In 1975, there were 36 mortgage companies, eight banking organizations, 20 savings and loan associations, nine insurance companies, all with offices in the market, as well as 76 other lenders with offices outside the market. The Nation's first, second, fourth through seventh, and ninth largest mortgage companies had offices in the market.

significant adverse effects upon either actual or potential competition. To the contrary, Adair's affiliation with Applicant has enabled the latter to provide funds to Adair, which financial assistance has maintained Adair's ability to both operate as a viable competitor and make construction and development and second mortgage loans. Accordingly, the Board regards these considerations as being in the public interest.

Applicant has also proposed, in connection with this application, that it engage *de novo*, in the southern portion of metropolitan Atlanta, through Adair, in the following activities pursuant to section 4(c)(8) of the Act: making permanent residential and commercial mortgages for resale to investors; making loans for acquisition and development of real estate; making construction loans; servicing mortgages and acting as broker in placing permanent mortgages. Finally, Applicant has also proposed to relocate Adair's main office from its current location to an area wherein it will continue to serve the northern portion of metropolitan Atlanta. In that these latter two proposals are a part of Applicant's internal corporate restructuring, it does not appear that there would be any significant adverse effect upon either existing or potential competition as a result of Applicant's consummation of these two transactions.

It is the Board's judgment that the benefits that can reasonably be expected to result from each of these proposals are consistent with approval of the applications. There is no evidence in the record indicating that consummation of the proposed transactions would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects upon the public interest.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the applications are hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a bank holding company or 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 transactions shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, pursuant to authority hereby delegated.

By order of the Board of Governors, effective March 4, 1977.

Voting for this action: Governors Wallich, Coldwell, Jackson, and Lilly. Absent and not voting: Chairman Burns and Governors Gardner and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Trust Company of Georgia,
Atlanta, Georgia

Order Approving Acquisition of Georgia Loan and Trust Company

Trust Company of Georgia, Atlanta, Georgia, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the Act [12 U.S.C. § 1843(c)(8)] and section 225.4(b)(2) of the Board's Regulation Y [12 CFR § 225.4(b)(2) (1976)], to acquire through its wholly-owned subsidiary, Adair Mortgage Company, Atlanta, Georgia ("Adair"),[1] loan servicing contracts and certain other assets (primarily shares of Federal National Mortgage Association) of Georgia Loan and Trust Company, Macon, Georgia ("GL&T"), a company that engages in the general business of mortgage banking.[2] Such activity has been determined by the Board to be closely related to banking [12 CFR § 225.4(a)(3) (1976)].

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published [41 *Federal Register* 54542 (1976)]. The time for filing comments and views has expired, and the Board has considered the application and all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act [12 U.S.C. § 1843(c)(8)].

Applicant, the third largest banking organization

[1] In a related matter, the Board today approved Applicant's application filed pursuant to section 4(c)(8) of the Act to acquire direct ownership of Adair from a wholly owned subsidiary of Applicant's lead bank; to engage *de novo*, through Adair in mortgage banking activities in College Park, Georgia; and to relocate Adair's main office from Atlanta to Cobb County, Georgia.

[2] It is GL&T's intention to sell all of its marketable assets and to cease its operations as a mortgage company. However, GL&T will continue its insurance agency activities.

in Georgia, directly controls Trust Company Bank, Atlanta, Georgia (deposits of $796 million), and, through that bank's wholly owned subsidiary, Trust Company of Georgia Associates, Atlanta, Georgia, indirectly controls five other banks (aggregate deposits of $400 million).[3] The aggregate deposits of Applicant's six subsidiary banks represent approximately 10 per cent of the total deposits in commercial banks in the State. Through its banking subsidiaries, Applicant engages in residential mortgage lending as a part of its commercial banking business. Applicant, through Adair, also engages in mortgage banking activities.

GL&T engages in the general business of mortgage banking, including originating, warehousing, servicing, and selling mortgage loans.[4] GL&T currently operates in Macon from its only office[5] and competes with Applicant in a regional market for the servicing of mortgage loans. As of August 31, 1976, GL&T was servicing 5,025 loans with outstanding principal balances totalling approximately $64 million. As of the same date, Applicant was servicing mortgage loans with outstanding principal balances totalling approximately $281 million.[6] Although GL&T and Adair compete in the regional market for mortgage servicing business, Adair's total servicing portfolio is a very small fraction of that area's mortgage servicing while GL&T's total servicing portfolio is an even smaller fraction. Therefore, it does not appear that any significant existing competition would be eliminated as a result of the consummation of this proposal.

The possibility of competition developing in the future between Adair and GL&T would be eliminated by consummation of this proposal. However, such adverse competitive effects are mitigated by the large number of competitors in the relevant regional market, which includes numerous mortgage banking companies, savings and loan associations, and commercial banking organizations. In addition, GL&T has recently experienced financial adversities and would not be likely to continue as a competitor in the field of mortgage servicing. Therefore, the Board concludes that consummation of this proposal would not have significant adverse effects upon future competition. It is the Board's judgment that the benefits that can reasonably be expected to result from this proposal lend some weight toward approval of the application. There is no evidence in the record indicating that consummation of the proposed transaction would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or material adverse effects upon the public interest.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. The determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective March 4, 1977.

Voting for this action: Governors Wallich, Coldwell, and Lilly. Voting against this action: Governor Jackson. Absent and not voting: Chairman Burns and Governors Gardner and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[3] All banking data are as of December 31, 1975, unless otherwise indicated. In addition to its six subsidiary banks, Applicant received the Board's approval on December 7, 1976, to acquire Security National Bank, Smyrna, Georgia (deposits of $17.4 million). [See 41 *Federal Register* 54541 (1976); 1977 Federal Reserve BULLETIN 77 (January).] Also, on January 3, 1977, Applicant received the Board's approval to acquire, through merger, Central Bankshares Corporation, Jonesboro, Georgia, that firm's sole subsidiary bank (deposits of $13.7 million), and two non-banking activities [See 42 *Federal Register* 2354 (1977); 1977 Federal Reserve BULLETIN 161 (February).]

[4] GL&T also operates a property and casualty insurance agency; however, GL&T intends to retain this portion of its activities.

[5] A second office, located in Atlanta, engaged in originations of mortgage loans; however, it has been closed because of financial considerations.

[6] Adair accounted for $262 million.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

BY THE BOARD OF GOVERNORS

During March 1977, the Board of Governors approved the applications listed below. The orders have been published in the Federal Register, and copies are available upon request to Publications Services, Division of Administration Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*	*Federal Register citation*
Associated Bank Corporation, Mason City, Iowa	Cresco National Bank, Cresco, Iowa	3/21/77	42 F.R. 16479 3/28/77
First City Bancorporation of Texas, Inc., Houston, Texas	East Dallas Bank, Dallas, Texas	3/7/77	42 F.R. 13865 3/14/77
Page Bank Holding Company, Page, North Dakota	Page State Bank, Page, North Dakota	3/2/77	42 F.R. 13155 3/9/77
Texas Commerce Bancshares, Inc., Houston, Texas	Southern Bank and Trust Company, Garland, Texas	3/31/77	42 F.R. 18450 4/7/77

Sections 3 and 4

Applicant	*Bank(s)*	*Nonbanking company (or activity)*	*Board action (effective date)*	*Federal Register citation*
Kruse Insurance Agency, Inc., Mineola, Iowa	Mineola State Bank, Mineola, Iowa	Credit life and accident insurance	3/18/77	42 F.R. 15967 3/24/77

BY FEDERAL RESERVE BANKS

During February and March 1977, applications were approved by the Federal Reserve Banks as listed below. The orders were published in the Federal Register, and copies are available upon request to the Reserve Banks.

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date	Federal Register citation
TNB Financial Corporation, Springfield, Massachusetts	First National Bank of Athol, Athol, Massachusetts	Boston	2/2/77	42 F.R. 8708 2/11/77
Trust Company of Georgia, Atlanta, Georgia	The First National Bank of Albany, Albany, Georgia	Atlanta	3/16/77	42 F.R. 16673 3/29/77
Bancorporation of Wisconsin, West Allis, Wisconsin	West Allis State Bank, West Allis, Wisconsin, and Southwest Bank, New Berlin, Wisconsin	Chicago	2/24/77	42 F.R. 13354 3/10/77
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	Fox Heights State Bank, Green Bay, Wisconsin	Chicago	3/11/77	42 F.R. 15466 3/22/77
Spencer Financial Corporation, Spencer, Iowa	Spencer National Bank, Spencer, Iowa	Chicago	3/7/77	42 F.R. 14921 3/17/77
Farmers Bancshares, Inc., Hardinsburg, Kentucky	The Farmers Bank, Hardinsburg, Kentucky	St. Louis	3/2/77	42 F.R. 14170 3/13/77
Fort Sam Houston Bankshares, Inc., San Antonio, Texas	Northern Hills Bank of San Antonio, San Antonio, Texas	Dallas	2/2/77	42 F.R. 8708 2/11/77

PENDING CASES INVOLVING THE BOARD OF GOVERNORS*

First Security Corporation v. *Board of Governors*, filed March 1977, U.S.C.A. for the Tenth Circuit.

Farmers State Bank of Crosby v. *Board of Governors*, filed January 1977, U.S.C.A. for the Eighth Circuit.

National Automobile Dealers Association, Inc. v. *Board of Governors*, filed November 1976, U.S.C.A. for the District of Columbia.

*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.

First Security Corporation v. *Board of Governors*, filed August 1976, U.S.C.A. for the Tenth Circuit.

First State Bank of Clute, Texas, et al. v. *Board of Governors*, filed July 1976, U.S.C.A. for the Fifth Circuit.

North Lawndale Economic Development Corporation v. *Board of Governors*, filed June 1976, U.S.C.A. for the Seventh Circuit.

Central Wisconsin Bankshares, Inc. v. *Board of Governors*, filed June 1976, U.S.C.A. for the Seventh Circuit.

National Urban League, et al. v. *Office of the Comptroller of the Currency, et al.*, filed

April 1976, U.S.D.C. for the District of Columbia Circuit.

Farmers & Merchants Bank of Las Cruces, New Mexico v. *Board of Governors*, filed April 1976, U.S.C.A. for the District of Columbia Circuit.

Grandview Bank & Trust Company v. *Board of Governors*, filed March 1976, U.S.C.A. for the Eighth Circuit.

Association of Bank Travel Bureaus, Inc. v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Memphis Trust Company v. *Board of Governors*, filed February 1976, U.S.D.C. for the Western District of Tennessee.

First Lincolnwood Corporation v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et al.*, filed November 1975, U.S.D.C. for the Southern District of California.

National Computer Analysts, Inc. v. *Decimus Corporation, et al.*, filed November 1975, U.S.D.C. for the District of New Jersey.

Florida Association of Insurance Agents, Inc. v. *Board of Governors*, and *National Association of Insurance Agents, Inc.* v. *Board of Governors*, filed August 1975, actions consolidated in U.S.C.A. for the Fifth Circuit.

†‡*David R. Merrill, et al.* v. *Federal Open Market Committee of the Federal Reserve System*, filed May 1975, U.S.D.C. for the District of Columbia, appeal pending, U.S.D.A. for the District of Columbia.

Louis J. Roussel v. *Board of Governors*, filed April 1975, U.S.D.C. for the Eastern District of Louisiana.

Georgia Association of Insurance Agents, et al. v. *Board of Governors*, filed October 1974, U.S.C.A. for the Fifth Circuit.

Alabama Association of Insurance Agents, et al. v. *Board of Governors*, filed July 1974, U.S.C.A. for the Fifth Circuit.

†*Consumers Union of the United States, Inc., et al.* v. *Board of Governors*, filed September 1973, U.S.D.C. for the Distruct of Columbia.

Bankers Trust of New York Corporation v. *Board of Governors*, filed May 1973, U.S.C.A. for the Second Circuit.

†Decisions have been handed down in these cases, subject to appeals noted.

‡The Board of Governors is not named as a party in this action.

Announcements

REGULATION Q: Amendment

The Board of Governors of the Federal Reserve System announced on April 7, 1977, that it was establishing a new category of time deposit accounts to benefit individuals saving for their retirement.

The Board's action amended Regulation Q (Interest on Deposits) to create a category of deposits under which member banks could pay maximum interest rates for consumer-type time deposits to savers in individual retirement accounts[1] and Keogh plan[2] retirement accounts.

The main features of the new class of retirement savings deposits are as follows:

1. It will become effective after 90 days (July 6, 1977).
2. Member banks may pay interest on IRA and Keogh plan time deposits at a rate of interest equal to the highest rate permissible under Regulation Q, for time deposits of any maturity or denomination under $100,000, by a Federally insured commercial bank, mutual savings bank, or savings and loan association. The rate is presently 7.75 per cent.
3. No minimum denomination will be required for this class of deposit.
4. A maturity of 3 years or more will be required.
5. However, as with other types of IRA or Keogh accounts, withdrawals may be made before maturity without penalty for early withdrawal if the depositor reaches age 59½, or is disabled.
6. Member banks may modify existing IRA or Keogh plan agreements to permit retirement savers to take advantage of this new rule.

[1]The Employee Retirement Income Security Act of 1974 (ERISA) permits individuals not covered by a retirement plan to deposit in individual retirement accounts (IRA's) for retirement purposes, tax-deferred contributions up to $1,500 a year, or 15 per cent of gross income, whichever is less.

[2]Keogh (H.R. 10) plan accounts were authorized under the Self-Employed Individuals Tax Retirement Act of 1962. The act currently permits a self-employed person to deposit in a Keogh plan account tax-deferred contributions up to $7,500 a year, or 15 per cent of gross income, whichever is less.

Retirement savers may elect to use other types of time deposits for their IRA or Keogh plan funds, such as ordinary savings accounts or time deposits with maturities of less than 3 years. In such cases, the accounts will be subject to the existing ceiling rates of interest prescribed by Regulation Q.

In taking its action the Board noted a congressional report indicating that about half of all employees in private employment are not covered by retirement plans.

The Board estimated that for retirement savers contributing the maximum yearly amount under a Keogh plan at a member bank for 30 years, the higher interest allowable under the new category could increase retirement savings by up to $50,000 and that the increase for participants under IRA's could be up to $10,000. At present, Regulation Q permits thrift institutions to pay ¼ of a per cent more interest on such deposits than commercial banks may pay.

"Such a penalty for choosing deposits at a particular type of institution is clearly inconsistent with the objectives of maximizing the total amount of earnings on retirement savings that the Congress sought to encourage through establishment of IRA and Keogh programs," according to the Board's announcement.

The announcement noted that issues relating to the creation of a new deposit category for IRA or Keogh funds have been the subject of substantial public comment for nearly 2 years.

In June 1975 the Board requested public comment on a number of questions relating to IRA's, including the questions whether the existing schedule of interest rate ceilings that can be paid on IRA deposits should be increased and whether member banks should be permitted to pay interest on IRA deposits at rates equal to those that may be paid by savings and loan associations and mutual savings banks. In July 1976 the Board announced that it was of the view that IRA participants should be permitted to obtain the highest rate of interest permissible on their retirement savings regardless of where the funds are maintained. It was anticipated that further action by the Board to permit member banks to offer IRA's on a fully competitive basis would be appropriate in early 1977. "Accordingly," the Board said, "the public has had ample opportunity to comment on the issues relevant to the Board's action establishing a special category of deposit for IRA's and Keogh's."

By adopting a final rule at this time, the Board said, public uncertainty about IRA and Keogh accounts will be removed and retirement savers may begin immediately to plan their retirement programs. The 90-day deferral of the effective date gives member banks time to make operational and other changes and will give them opportunity to compete for IRA and Keogh deposits on an equal basis.

The Board's announcement pointed out that preferred tax treatment was given to IRA's to encourage savings for retirement, and not to extend a competitive advantage for a particular class of financial institution.

A survey conducted by the Board indicated that as of December 31, 1976, commercial banks had obtained only 35 per cent of the IRA market while accounting for 47 per cent of the total household time and savings deposit market.

The Board's action was taken at this time because of a number of other reasons that it found compelling, including the following:

1. A large number of people eligible to establish IRA or Keogh accounts still have not done so, owing in part, the Board believes, to lack of advertising of such accounts by commercial banks due to their noncompetitive position.

2. Making retirement savings accounts of equal value at all depositories early in the year may avoid substantially diminishing the number of people who start retirement savings this year.

3. Banks and other financial institutions offering IRA and Keogh plan accounts will require a substantial amount of lead time to develop marketing plans that can be put into effect sufficiently in advance of year-end to be useful.

By previous action the Board had made IRA and Keogh plan deposits subject to the same rules under Regulation Q.

CONSUMER COMPLIANCE AND EDUCATION PROGRAM

The Board of Governors on March 30, 1977, announced the establishment of a Systemwide program designed to improve compliance by member banks with consumer credit protection laws and regulations.

The program entitled "Consumer Compliance and Education Program of the Board of Governors of the Federal Reserve System" has two main parts:

1. A program designed to educate all member banks, both State and national, in the requirements of consumer credit protection laws.

2. A companion program to conduct special examinations of State member banks to assess compliance with consumer laws by examiners especially trained for that purpose.

The following procedures will be followed at State member banks:

Examiners who find what they regard as evidence of discrimination in credit transactions will report all findings to the appropriate Reserve Bank. The Reserve Bank, in consultation with the Board's Division of Consumer Affairs, will determine whether additional investigation is needed, and what if any corrective measures are appropriate.

In the event of overcharges, the bank will generally be required to reimburse customers for the amount of the overcharge. Customers will be given an explanation of the overcharge for which restitution is required.

In other cases of violations, State member banks will be instructed to make prompt correction of their policies, practices, procedures, or forms to avoid similar future violations.

In all cases of violations, the examiner's findings will be made known to the bank's board of directors.

The special examinations will assess compliance with the following laws and regulations for which the Board has enforcement responsibilities with respect to State member banks:

Fair Credit Reporting Act
Fair Housing Act
Real Estate Settlement Procedures Act
Regulation B (Equal Credit Opportunity Act)
Regulation C (Home Mortgage Disclosure Act)
Regulation Z (Truth in Lending, Fair Credit Billing, and Consumer Leasing acts)
Regulation AA (Unfair or Deceptive Acts or Practices by banks, and handling of consumer complaints)
Regulation H (Provisions related to national flood insurance)
Regulation Q (Interest on Deposits)

Any new consumer laws or regulations affecting State member banks for which the Board is given enforcement authority will be incorporated into the special consumer affairs compliance examinations.

The special examinations are to be uniform among all Federal Reserve Banks.

The Education Program

The Board has directed each Federal Reserve Bank to establish an educational and advisory service for all member banks (including national banks). To carry out this program, each Reserve Bank will be prepared to send a specialist to any member bank that requests such a service.

The purpose of the visits is to assist member bankers to develop appropriate policies, procedures, and forms in the consumer credit protection area, and to answer questions of bank personnel regarding the consumer credit protection laws and regulations, and compliance with them.

These specialists, in most cases, will receive special training through attendance at consumer affairs schools at the Federal Reserve Board.

The Special Examination Program

Aspects of this program not already cited are as follows:

1. The program will begin with a test period running through the end of 1978, after which the results will be evaluated and any indicated changes will be made.

2. Each Federal Reserve Bank will conduct a special examination of every State member bank in its district once within the next 12 months (through the end of March 1978). Additional examinations will be made in the remaining 9 months of the test period if the results of the first special examination indicate that a follow-up examination is needed.

3. Whenever possible, compliance examiners will be selected from the System's commercial bank examination force. They will be given special training, including attendance at consumer affairs schools conducted at the Board to educate examiners in consumer credit protection law requirements. Special compliance examiners not drawn from the commercial examiner force will have training also in commercial examination.

4. Generally, compliance examinations will be conducted concurrently with commercial examinations, but the Reserve Banks may make exceptions in certain circumstances.

5. Manuals explaining the laws and regulations cited above have been developed and will be used by the compliance examiners.

6. Compliance examiners will be provided with special checklists to help make their examinations efficient and comprehensive.

7. The compliance examiners will make use of special instructions in connection with sampling of loan files, reporting of violations and correction of violations, reimbursement of overcharges, and rating of banks for compliance with the consumer credit protection laws and regulations listed above.

These instructions include directions for actions to be taken in the various types of violations noted above (violations involving overcharges, discriminations, and other types of violations).

8. A special examination report to incorporate compliance examiners' findings has been developed, including pages for each consumer law and regulation covered by the compliance examination program. A copy of this report is to be transmitted to the board of directors of the State member bank examined, with a copy to the Federal Reserve Board's Division of Consumer Affairs. A report summary form has also been developed to be sent to the Board's Division of Consumer Affairs.

REGULATION Z: Amendments

The Board of Governors on April 12, 1977, amended its Regulation Z (Truth in Lending) to require advance disclosure of any variable rate clause in a credit contract that may result in an increase in the cost of the credit to the customer. The new rule will become effective October 10, 1977.

The amendment adopted was substantially similar to a proposal issued by the Board for public comment last October.

The main requirements of the new rule include disclosure of the following:

1. The fact that the annual percentage rate on the transaction is subject to increase. (The October proposal would have applied to all situations in which the annual percentage rate was subject either to an increase or decrease.)

2. The conditions under which the rate may increase, including identification of any index to which the rate is tied, and any limitation on the increase.

3. The manner in which an increase may be effected, including an increase in payment amounts, a change in the number of scheduled payments, or an increase in the amount due at maturity.

4. Numerical examples—in the case of home mortgage transactions only—based on a hypothetical immediate increase of ¼ of a percentage

point in the annual percentage rate, effected through a change in the number of scheduled payments, or an increase in the amount of those payments.

The requirement for numerical examples for residential mortgages applies to transactions in which a security interest is taken in real property used or expected to be used as the customer's dwelling and need not be made in transactions primarily for agricultural purposes.

The Board of Governors has also amended Regulation Z to permit— but not require— disclosures called for by the Truth in Lending Act and Regulation Z to be made in Spanish in Puerto Rico. At the customer's request disclosures must be provided in English.

REGULATION H: Amendments

The Board of Governors on April 13, 1977, announced adoption of four technical amendments to the flood insurance provisions of its Regulation H (Membership of State Banking Institutions in the Federal Reserve System) to make the regulation conform to recent changes in the Flood Disaster Protection Act of 1973 ("Flood Act").

Regulation H now provides, pursuant to the Flood Act, that State member banks may not make, increase, extend, or renew loans on property located in areas identified by the Department of Housing and Urban Development (HUD) as a flood-hazard area, unless the property is covered by Federally subsidized flood insurance.

The technical amendments to Regulation H adopted by the Board exempt from the flood insurance requirements of the regulation the following:

1. Loans secured by a dwelling occupied as a residence before March 1, 1976.

2. Loans on an office or other building of a small business occupied before January 1, 1976, up to a dollar limit to be established by the Secretary of HUD. The Secretary has proposed a $100,000 ceiling.

3. Improvement or rehabilitation loans on residences occupied before January 1, 1976, when such loans do not exceed $5,000.

4. Loans to finance nonresidential additions or improvements on a farm, up to a dollar limit to be established by the Secretary of HUD. The Secretary has proposed a $25,000 ceiling.

INTERPRETATIONS

The Board of Governors on March 31, 1977, adopted three interpretations intended to clarify certain aspects of its consumer credit protection regulations.

The Board adopted an interpretation of Regulation Z (Truth in Lending) stating that the amount of a dealer's participation in the finance charge on the credit purchase of an automobile or other durable goods need not be disclosed as a separate part of the finance charge. At the same time, the Board withdrew a proposal that would have required disclosure of the fact but not the amount of a dealer's participation. The Board took these actions because it did not feel that disclosure of a dealer participation in a finance charge would significantly benefit consumers in shopping for credit.

At the same time, the Board adopted two technical interpretations of its Regulation C (Home Mortgage Disclosure). The Home Mortgage Disclosure Act and Regulation C require depositary institutions with offices in metropolitan areas to disclose publicly the geographic area where they are making their residential mortgage loans.

The first technical interpretation permits a depositary institution subject to the act that is majority owned by another depository to disclose its mortgage loan data separately from that of the parent.

The second technical interpretation of Regulation C clarifies the disclosures that must be made by depositories that were exempt from the provisions of the act, but lose their exemption. A depository is exempt if (1) it does not have an office in a standard metropolitan statistical area (SMSA), (2) it does not have assets on the last day of its fiscal year of $10 million or more, or (3) it is a State-chartered institution subject to a State disclosure law that the Board has determined imposes disclosure requirements substantially similar to those of the Home Mortgage Disclosure Act. The Board's interpretation makes it clear that previously exempt institutions that become subject to the act (by extension of an SMSA to cover one or more of its offices or by growth of its assets) may report on their mortgage lending during their last full fiscal year by Postal ZIP code areas and thereafter by Census Bureau census tracts. This is the same treatment accorded depositories in the first year after Regulation C became effective (June 28, 1976).

REGULATION Q: Proposed Amendment Not Adopted

The Board of Governors on April 1, 1977, announced that it had determined not to adopt at this time a regulatory proposal to prohibit member banks from paying interest on pooled time deposits of $100,000 or more at a rate above Regulation Q ceilings.

In deciding not to adopt the proposed amendment—issued by the Board in March 1976—the Board noted that in February the Federal Deposit Insurance Corporation limited the amount of Federal deposit insurance coverage for certain pooled deposits to $40,000 in any one bank. The Board said it believed the FDIC action may minimize the potential for disruptive shifts of funds among depositary institutions as a result of pooling.

PROPOSED AMENDMENT AND INTERPRETATION

The Board of Governors proposed on April 13, 1977, an amendment to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) that generally would prohibit State member banks from purchasing loans on improved real estate or mobile homes located in a flood-hazard area if the property is not covered by flood insurance. The Board will receive comment through May 20, 1977.

The Board of Governors also on April 13, 1977, proposed an interpretation of Regulation Z (Truth in Lending) affecting credit-card issuers that bill customers in full on a transaction-by-transaction basis and impose no finance charges. The Board will receive comment through May 16, 1977.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following official staff actions:

Charles J. Siegman has been promoted from Associate International Division Officer to Senior International Division Officer, in the Division of International Finance, effective March 27, 1977.

James R. Wetzel has been promoted from Associate Research Division Officer to Senior Research Division Officer, in the Division of Research and Statistics, effective March 27, 1977.

Robert A. Eisenbeis has been appointed Associate Research Division Officer in the Division of Research and Statistics, effective March 27, 1977. Mr. Eisenbeis joined the Board's staff first in 1967, went to the Federal Deposit Insurance Corporation in 1968, and returned to the Board in July 1976. He holds an A.B. from Brown University, and M.A. and Ph.D. degrees from the University of Wisconsin.

Joseph S. Sims, Washington Information Manager for the U.S. League of Savings Associations, has been appointed Special Assistant to the Board, effective April 18, 1977. Prior to his association with the U.S. League of Savings Associations, Mr. Sims served as a free-lance writer in Brazil, Deputy Director of Public Affairs for the Federal Home Loan Bank Board, and Manager, Public Relations, for Pan American World Airways in Brazil. He holds an A.B. from Indiana University.

The Board has also announced the retirement of Brenton C. Leavitt, Director of the Division of Banking Supervision and Regulation, on March 31, 1977.

NEW BANK PRESIDENT

The Federal Reserve Bank of Minneapolis has announced that Mark H. Willes has been appointed as President of the Bank to succeed Bruce MacLaury, who resigned in February.

Mr. Willes, formerly First Vice President of the Federal Reserve Bank of Philadelphia, began his service at Minneapolis on April 16, 1977.

NEW PAMPHLET: *Fair Credit Billing*

The Board of Governors has issued a consumer pamphlet on *Fair Credit Billing*. It explains how a billing dispute may be resolved in a way that protects an individual's credit rating.

For copies of the pamphlet, or for answers to questions about Fair Credit Billing, write to any Federal Reserve Bank or to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

BOARD PUBLICATIONS: Two Price Changes

The Board of Governors has approved distribution of the System book *The Federal Reserve System: Purposes and Functions*—as a free publication. On April 12, 1977, the Board removed the $1.00 charge that has applied to the book's sixth edition since it was first issued in September 1974.

Also approved was an increase from $2.50 to $7.50 in the charge for *Published Interpretations of the Board of Governors of the Federal Reserve System*, effective May 1, 1977. This, the first price change since the compilation was originally published in 1961, represents increases in production and mailing costs.

SYSTEM MEMBERSHIP: Admission of State Banks

The following State banks were admitted to membership in the Federal Reserve System during the period between March 16, 1977, through April 15, 1977:

California

San Rafael .... Independent Bankers Trust Company

Colorado

Colorado Springs ..... Garden of the Gods Bank

South Carolina

Marion ....Colonial State Bank Inc.

Wyoming

Edgerton .... Citizens State Bank

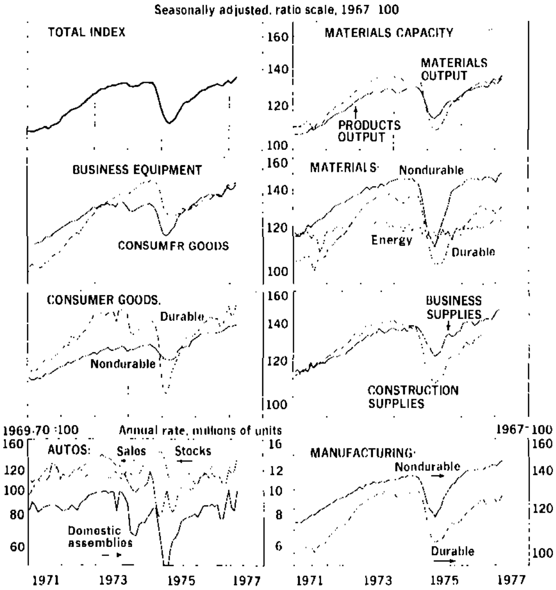
Industrial Production

Released for publication April 14

Industrial production in March increased by an estimated 1.4 per cent to 135.1 per cent of the 1967 average, following the 1.0 per cent gain in February. In March, gains in output were widespread among consumer goods, business equipment, construction supplies, and materials; but production by utilities declined appreciably. About one-third of the advance in total output reflected a stepped-up pace of motor vehicle production. March output of factories, mines, and utilities was 20.9 per cent above the recession low 2 years earlier and about 2.5 per cent above the pre-recession high in June 1974.

Output of durable consumer goods increased 5.7 per cent in March, with auto assemblies up 21 per cent to an annual rate of 9.9 million units. Announced schedules for auto assemblies indicate an annual rate for April of 9.4 million units. Output of nondurable consumer goods rose slightly. Production of business equipment increased 1.5 per cent.

Output of materials in March rose by 1.1 per cent. Production gains were widespread in both durable goods and nondurable goods materials. Among durable goods materials, output of iron and steel rose sharply; among nondurable goods materials, large gains occurred for textiles and paper.



F.R. indexes, seasonally adjusted. Latest figures: March.
*Auto sales and stocks include imports.

Industrial production	Seasonally adjusted, 1967 = 100				Per cent changes from		
	1976	1977					
	Dec.	Jan.	Feb.[p]	Mar.[e]	Month ago	Year ago	Q4 to Q1
Total	**133.1**	**132.0**	**133.3**	**135.1**	**1.4**	**5.5**	**1.3**
Products, total	133.8	133.0	133.7	135.7	1.5	5.9	1.8
Final products	132.1	130.8	131.5	133.7	1.7	5.8	1.7
Consumer goods	142.0	140.1	140.9	143.4	1.8	5.4	1.6
Durable goods	151.2	145.1	145.5	153.8	5.7	9.5	2.3
Nondurable goods	138.4	138.1	139.0	139.2	.1	3.6	1.2
Business equipment	143.2	142.0	142.9	145.1	1.5	8.3	2.5
Intermediate products	139.8	141.3	141.9	142.8	.6	5.9	2.2
Construction supplies	135.5	135.4	135.6	137.2	1.2	6.6	.7
Materials	131.9	130.5	132.5	134.0	1.1	4.5	.4

[p]Preliminary. [e]Estimated.

Financial and Business Statistics

CONTENTS

1.10 MONETARY AGGREGATES AND INTEREST RATES

	Item	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
		Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[12]								
	Member bank reserves									
1	Total	0.6	2.7	4.4	....	11.8	4.9	10.9	13.1	....
2	Required	1.1	2.4	4.0	....	10.5	4.3	11.3	-10.9	....
3	Nonborrowed	0.4	2.6	4.8	....	12.6	5.6	10.4	13.3	....
	Concepts of money [1]									
4	*M*-1	8.2	4.2	6.3	....	0.0	8.1	5.4	0.8	....
5	*M*-2	10.5	9.2	12.3	....	10.1	12.6	9.2	6.8	....
6	*M*-3	11.8	11.4	14.3	....	12.3	13.0	r11.3	8.6	....
	Time and savings deposits									
	Commercial banks:									
7	Total	5.4	7.3	11.8	....	15.3	16.1	10.0	10.2	....
8	Other than large CD's	12.4	13.0	16.8	....	17.6	15.6	12.4	11.1	....
9	Thrift institutions [2]	13.7	14.8	17.3	....	15.6	r13.9	r14.0	11.4	....
10	Total loans and investments at commercial banks [3]	5.4	6.0	8.7	....	9.4	2.0	9.0	14.8	....
		Interest rates (levels, per cent per annum)								
	Short-term rates									
11	Federal funds [4]	5.19	5.28	4.88	4.66	4.95	4.65	4.61	4.68	4.69
12	Treasury bills (3-month market yield) [5]	5.16	5.15	4.67	4.63	4.75	4.35	4.62	4.67	4.60
13	Commercial paper (90- to 119-day) [6]	5.45	5.41	4.91	4.74	4.98	4.66	4.72	4.76	4.75
14	Federal Reserve discount [7]	5.50	5.50	5.39	5.25	5.43	5.25	5.25	5.25	5.25
	Long-term rates									
	Bonds:									
15	U.S. Govt.[8]	8.01	7.90	7.54	7.62	7.64	7.30	7.48	7.64	7.74
16	Aaa utility (new issue) [9]	8.69	8.48	8.15	8.17	8.17	7.94	8.08	8.22	8.25
17	State and local government [10]	6.78	6.64	6.18	5.88	6.29	5.94	5.87	5.89	5.89
18	Conventional mortgages [11]	8.98	9.03	8.95	....	8.95	8.90	8.80	8.80	8.85

1 *M*-1 equals currency plus private demand deposits adjusted.
M-2 equals *M*-1 plus bank time and savings deposits other than large CD's.
M-3 equals *M*-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.
2 Savings and loan associations, mutual savings banks, and credit unions.
3 Quarterly changes calculated from figures shown in Table 1.23.
4 Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).
5 Quoted on a bank-discount rate basis.
6 Most representative offering rate quoted by five dealers.
7 Rate for the Federal Reserve Bank of New York.
8 Market yields adjusted to a 20-year maturity by the U.S. Treasury.
9 Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.
10 *Bond Buyer* series for 20 issues of mixed quality.
11 Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.
12 Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

	Factor	Monthly averages of daily figures							End-of-month figures		
		1976				1977			1977		
		Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p	Jan.	Feb.	Mar.p
	SUPPLYING RESERVE FUNDS										
1	**Reserve Bank credit outstanding**	**105,880**	**107,270**	**106,522**	**107,632**	**108,700**	**109,021**	**108,101**	**107,253**	**108,413**	**108,728**
2	*U.S. Govt. securities*[1]	*91,966*	*93,535*	*92,659*	*93,412*	*94,513*	*95,843*	*95,310*	*94,134*	*95,837*	*95,987*
3	Bought outright	89,926	91,886	91,527	91,031	92,905	94,674	94,313	94,134	94,905	95,547
4	Held under repurchase agreement	2,040	1,649	1,132	2,381	1,608	1,169	997	....	932	440
5	*Federal agency securities*	*6,831*	*6,839*	*6,848*	*6,916*	*6,884*	*6,846*	*6,782*	*6,790*	*6,844*	*6,785*
6	Bought outright	6,763	6,757	6,804	6,805	6,792	6,787	6,750	6,790	6,767	6,731
7	Held under repurchase agreement	68	82	44	111	92	59	32	....	77	54
8	Acceptances	447	323	326	457	413	330	289	191	322	280
9	Loans	75	66	84	62	61	79	111	47	24	270
10	*Float*	2,880	2,763	3,094	3,536	3,514	2,899	2,848	2,482	2,595	2,547
11	Other Federal Reserve assets	3,681	3,744	3,511	3,249	3,315	3,024	2,761	3,609	2,791	2,859
12	Gold stock	11,598	11,598	11,598	11,598	11,638	11,658	11,646	11,658	11,650	11,636
13	Special Drawing Rights certificate account	703	1,123	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
14	Treasury currency outstanding	10,737	10,778	10,826	10,865	10,897	10,930	10,966	10,865	10,884	10,990
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	89,863	90,312	91,988	93,730	92,582	91,753	92,831	91,164	91,697	93,415
16	Treasury cash holdings	442	482	458	464	461	499	494	502	506	471
	Deposits, other than member bank reserves with F.R. Banks:										
17	Treasury	8,270	9,199	6,709	6,138	7,850	10,698	8,577	11,397	12,179	7,150
18	Foreign	249	266	259	306	269	294	271	383	362	349
19	Other	1,071	1,012	947	974	820	616	669	642	856	637
20	Other F.R. liabilities and capital	3,315	3,372	3,326	3,253	3,223	3,224	3,206	3,475	3,630	3,457
21	Member bank reserves with F.R. Banks	25,708	26,127	26,458	26,430	27,229	25,725	25,865	23,411	22,916	27,074

		Weekly averages of daily figures for weeks ending—					Wednesday figures				
		1977					1977				
	SUPPLYING RESERVE FUNDS	Mar. 2	Mar. 9	Mar. 16	Mar. 23p	Mar. 30p	Mar. 2	Mar. 9	Mar. 16	Mar. 23p	Mar. 30p
22	**Reserve Bank credit outstanding**	**110,353**	**106,909**	**105,067**	**110,049**	**109,386**	**110,136**	**105,929**	**103,964**	**115,106**	**109,068**
23	*U.S. Govt. securities*[1]	*96,930*	*94,193*	*92,611*	*96,758*	*96,996*	*96,387*	*92,669*	*90,359*	*99,864*	*96,112*
24	Bought outright	95,124	94,193	92,611	94,865	94,976	95,455	92,669	90,359	94,855	96,112
25	Held under repurchase agreement	1,806	....	....	1,893	2,020	932	....	....	5,009	....
26	*Federal agency securities*	6,882	6,767	6,744	6,778	6,815	6,844	6,767	6,744	6,903	6,744
27	Bought outright	6,770	6,767	6,744	6,744	6,744	6,767	6,767	6,744	6,744	6,744
28	Held under repurchase agreement	112	....	....	34	71	77	....	....	159	....
29	Acceptances	462	177	174	341	444	326	174	171	460	155
30	Loans	30	20	24	339	58	41	33	29	2,196	149
31	Float	3,331	3,098	2,816	3,035	2,191	3,861	3,598	3,858	2,762	2,937
32	Other Federal Reserve assets	2,717	2,653	2,698	2,798	2,883	2,677	2,688	2,803	2,921	2,971
33	Gold stock	11,655	11,651	11,651	11,647	11,636	11,651	11,651	11,651	11,636	11,636
34	Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
35	Treasury currency outstanding	10,931	10,953	10,962	10,969	10,986	10,939	10,957	10,962	10,979	10,990
	ABSORBING RESERVE FUNDS										
36	Currency in circulation	91,814	92,273	93,084	93,086	93,013	92,125	92,975	93,382	93,219	93,469
37	Treasury cash holdings	505	509	504	492	470	500	508	493	491	471
	Deposits, other than member bank reserves with F.R. Banks:										
38	Treasury	11,588	8,696	5,803	9,800	9,182	11,614	7,082	4,274	10,764	7,769
39	Foreign	283	256	301	251	259	277	249	243	261	288
40	Other	833	703	676	649	592	735	707	781	525	563
41	Other F.R. liabilities and capital	3,390	2,998	3,131	3,273	3,375	3,030	3,071	3,191	3,346	3,426
42	Member bank reserves with F.R. Banks	25,725	25,278	25,381	26,312	26,316	25,645	25,145	25,413	30,315	26,907

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

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

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

	Reserve classification	1975 Dec.	1976 July	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.p
		Monthly averages of daily figures									
	All member banks										
	Reserves:										
1	At F.R. Banks	27,215	25,933	26,001	25,708	26,127	26,458	26,430	27,229	25,725	25,865
2	Currency and coin	7,773	8,064	7,989	8,113	8,025	8,180	8,548	8,913	8,326	8,138
3	*Total held*[1]	*34,989*	*34,146*	*34,141*	*33,979*	*34,305*	*34,797*	*35,136*	*36,290*	*34,199*	*34,149*
4	Required	34,727	34,076	33,844	33,692	34,116	34,433	34,964	35,796	34,234	33,879
5	Excess[1]	262	70	297	287	189	364	172	494	-35	270
	Borrowings at F.R. Banks:[2]										
6	Total	127	123	104	75	66	84	62	61	79	111
7	Seasonal	13	24	28	31	32	21	12	8	12	13
	Large banks in New York City										
8	*Reserves held*	*6,812*	*6,507*	*6,559*	*6,372*	*6,374*	*6,589*	*6,520*	*7,076*	*6,442*	*6,310*
9	Required	6,748	6,548	6,501	6,308	6,346	6,485	6,602	6,948	6,537	6,259
10	Excess	64	-41	58	64	28	104	82	128	-95	51
11	Borrowings[2]	63	37	28	22	....	36	15	6	47	44
	Large banks in Chicago										
12	*Reserves held*	*1,740*	*1,672*	*1,684*	*1,615*	*1,648*	*1,621*	*1,632*	*1,731*	*1,624*	*1,609*
13	Required	1,758	1,690	1,625	1,617	1,635	1,602	1,641	1,698	1,624	1,613
14	Excess	-18	-18	59	-2	13	19	-9	33	....	-4
15	Borrowings[2]	....	13	6	3	3	....	4	2	....	3
	Other large banks										
16	*Reserves held*	*13,249*	*12,633*	*12,610*	*12,584*	*12,704*	*12,889*	*13,117*	*13,556*	*12,683*	*12,645*
17	Required	13,160	12,660	12,549	12,521	12,706	12,802	13,053	13,427	12,765	12,700
18	Excess	89	-27	61	63	-2	87	64	129	82	-55
19	Borrowings[2]	26	11	20	3	17	7	14	25	4	30
	All other banks										
20	*Reserves held*	*13,188*	*13,334*	*13,288*	*13,408*	*13,579*	*13,698*	*13,867*	*13,927*	*13,450*	*13,415*
21	Required	13,061	13,178	13,169	13,246	13,429	13,544	13,668	13,723	13,308	13,307
22	Excess	127	156	119	162	150	154	199	204	142	108
23	Borrowings[2]	38	62	50	47	46	41	29	28	28	34

	Reserve classification	1977 Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23p	Mar. 30p
		Weekly averages of daily figures for weeks ending									
	All member banks										
	Reserves:										
24	At F.R. Banks	27,233	26,328	25,684	25,837	26,416	25,725	25,278	25,381	26,312	26,316
25	Currency and coin	8,812	8,797	8,763	8,568	7,594	8,212	8,181	8,500	7,498	8,299
26	*Total held*[1]	*36,193*	*35,275*	*34,595*	*34,553*	*34,157*	*34,083*	*33,607*	*34,029*	*33,955*	*34,759*
27	Required	35,769	35,145	34,339	34,389	33,928	33,933	33,334	33,861	33,843	34,440
28	Excess[1]	424	130	256	164	229	150	273	168	112	319
	Borrowings at F.R. Banks:[2]										
29	Total	89	86	75	129	36	30	20	24	339	58
30	Seasonal	8	11	12	13	11	12	11	11	13	14
	Large banks in New York City										
31	*Reserves held*	*7,010*	*6,623*	*6,621*	*6,706*	*6,439*	*6,326*	*5,993*	*6,385*	*6,164*	*6,501*
32	Required	6,915	6,663	6,596	6,714	6,391	6,362	5,988	6,380	6,234	6,401
33	Excess	95	-40	25	-8	48	-36	5	5	-70	100
34	Borrowings[2]	....	41	43	98	7	....	....	....	167	....
	Large banks in Chicago										
35	*Reserves held*	*1,632*	*1,662*	*1,632*	*1,670*	*1,596*	*1,628*	*1,621*	*1,643*	*1,552*	*1,669*
36	Required	1,616	1,666	1,605	1,654	1,621	1,593	1,616	1,631	1,575	1,638
37	Excess	16	-4	27	16	-25	35	5	12	23	31
38	Borrowings[2]	....	....	....	....	....	....	....	....	....	14
	Other large banks										
39	*Reserves held*	*13,542*	*13,119*	*12,857*	*12,765*	*12,709*	*12,699*	*12,686*	*12,623*	*12,579*	*12,903*
40	Required	13,385	13,155	12,782	12,809	12,618	12,730	12,549	12,642	12,653	12,940
41	Excess	157	-36	75	-44	91	-31	137	-19	-74	-37
42	Borrowings[2]	58	19	7	3	....	1	1	1	117	11
	All other banks										
43	*Reserves held*	*14,009*	*13,871*	*13,485*	*13,412*	*13,413*	*13,430*	*13,307*	*13,378*	*13,463*	*13,566*
44	Required	13,853	13,661	13,356	13,212	13,298	13,248	13,181	13,208	13,381	13,461
45	Excess	156	210	129	200	115	182	126	170	82	105
46	Borrowings[2]	31	26	25	28	29	29	19	23	55	33

1 Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merges into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

2 Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS of Money Market Banks

Millions of dollars, except as noted

	Type	1977, week ending—								
		Feb. 2	Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
		Total, 46 banks								
	Basic reserve position									
1	Excess reserves[1]	13	73	9	95	79	124	49	19	147
	LESS:									
2	Borrowings at F.R. Banks	37	46	91	7	....	....	....	241	14
3	Net interbank Federal funds transactions	14,175	18,004	17,687	16,755	15,664	18,027	18,488	16,396	14,363
	EQUALS: Net surplus, or deficit ( ):									
4	Amount	-14,199	17,977	-17,770	-16,666	-15,585	-17,903	-18,439	-16,618	-14,231
5	*Per cent of average required reserves*	*92.8*	*119.9*	*116.9*	*113.5*	*106.3*	*125.7*	*125.3*	*114.5*	*95.5*
	Interbank Federal funds transactions									
	Gross transactions:									
6	Purchases	21,637	24,143	23,795	23,441	22,763	24,478	25,141	23,263	22,819
7	Sales	7,462	6,139	6,108	6,686	7,099	6,451	6,653	6,868	8,457
8	Two-way transactions[2]	5,564	5,041	4,756	5,200	5,358	4,864	4,620	4,574	5,338
	Net transactions:									
9	Purchases of net buying banks	16,073	19,102	19,039	18,241	17,405	19,614	20,521	18,689	17,481
10	Sales of net selling banks	1,898	1,098	1,352	1,487	1,741	1,588	2,034	2,293	3,118
	Related transactions with U.S. Govt. securities dealers									
11	Loans to dealers[3]	3,060	2,541	2,748	2,437	2,560	3,489	4,496	2,819	2,469
12	Borrowing from dealers[4]	1,864	1,513	1,380	1,775	2,008	1,829	1,671	1,892	1,895
13	Net loans	1,196	1,028	1,369	662	553	1,660	2,825	927	574
		8 banks in New York City								
	Basic reserve position									
14	Excess reserves[1]	-23	11	-8	29	-7	....	18	-24	51
	LESS:									
15	Borrowings at F.R. Banks	37	32	89	7	....	....	....	153	....
16	Net interbank Federal funds transactions	4,233	5,626	6,191	5,611	4,709	6,353	6,894	4,901	4,984
	EQUALS: Net surplus, or deficit ( ):									
17	Amount	-4,293	-5,680	-6,288	5,589	4,716	-6,353	-6,912	-5,079	-4,933
18	*Per cent of average required reserves*	*70.9*	*94.5*	*102.6*	*96.4*	*81.6*	*117.1*	*118.7*	*89.5*	*84.6*
	Interbank Federal funds transactions									
	Gross transactions:									
19	Purchases	5,557	6,623	6,932	6,604	5,807	7,275	6,503	5,936	6,172
20	Sales	1,324	997	742	994	1,098	922	609	1,035	1,188
21	Two-way transactions[2]	1,324	997	742	994	1,097	922	609	1,035	1,187
	Net transactions:									
22	Purchases of net buying banks	4,233	5,626	6,191	5,611	4,710	6,353	6,894	4,901	4,984
23	Sales of net selling banks	....	....	....	....	....	....	....	....	....
	Related transactions with U.S. Govt. securities dealers									
24	Loans to dealers[3]	1,671	1,516	1,809	1,602	1,611	2,040	2,480	1,593	1,353
25	Borrowing from dealers[4]	765	680	621	648	795	822	788	871	804
26	Net loans	906	836	1,187	954	816	1,218	1,702	722	549
		38 banks outside New York City								
	Basic reserve position									
27	Excess reserves[1]	36	84	17	67	85	124	67	43	75
	LESS:									
28	Borrowings at F.R. Banks	....	3	3	....	....	....	....	88	14
29	Net interbank Federal funds transactions	9,942	12,378	11,496	11,144	10,955	11,674	11,594	11,495	9,379
	EQUALS: Net surplus, or deficit ( ):									
30	Amount	9,905	-12,297	-11,482	-11,077	-10,869	-11,550	-11,527	-11,539	-9,318
31	*Per cent of average required reserves*	*107.1*	*136.9*	*126.5*	*124.7*	*122.4*	*131.0*	*129.7*	*130.5*	*102.5*
	Interbank Federal funds transactions									
	Gross transactions:									
32	Purchases	16,080	17,520	16,862	16,837	16,956	17,203	17,638	17,328	16,648
33	Sales	6,138	5,142	5,366	5,693	6,001	5,529	6,044	5,833	7,269
34	Two-way transactions[2]	4,240	4,043	4,014	4,207	4,260	3,942	4,011	3,539	4,151
	Net transactions:									
35	Purchases of net buying banks	11,840	13,476	12,848	12,630	12,696	13,262	13,627	13,788	12,497
36	Sales of net selling banks	1,898	1,098	1,352	1,487	1,741	1,588	2,034	2,293	3,118
	Related transactions with U.S. Govt. securities dealers									
37	Loans to dealers[3]	1,390	1,025	940	835	950	1,449	2,016	1,226	1,117
38	Borrowing from dealers[4]	1,100	833	758	1,127	1,213	1,007	893	1,022	1,091
39	Net loans	290	192	181	-292	-264	442	1,123	205	25

For notes see end of table.

1.13 Continued

	Type	1977, week ending								
		Feb. 2	Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
		5 banks in City of Chicago								
	Basic reserve position									
40	Excess reserves[1]	13	26	42	5	31	24	44	--7	17
	LESS:									
41	Borrowings at F.R. Banks	....	....	....	....	....	....	....	....	14
42	Net interbank Federal funds transactions	5,506	5,994	5,665	5,742	5,972	6,182	6,105	6,136	5,617
	EQUALS: Net surplus, or deficit (-):									
43	Amount	-5,494	-5,968	5,623	5,747	-5,941	6,158	-6,061	6,143	5,615
44	*Per cent of average required reserves*	*352.6*	*398.3*	*363.2*	*378.7*	*399.3*	*408.0*	*401.6*	*419.1*	*367.4*
	Interbank Federal funds transactions									
	Gross transactions:									
45	Purchases	6,280	6,839	6,473	6,784	6,893	6,888	6,850	6,794	6,575
46	Sales	774	844	807	1,032	921	706	745	658	958
47	Two-way transactions[2]	743	828	807	1,035	921	707	745	658	958
	Net transactions:									
48	Purchases of net buying banks	5,537	6,011	5,665	5,749	5,972	6,182	6,105	6,136	5,617
49	Sales of net selling banks	31	17	....	7	....	....	....	....	....
	Related transactions with U.S. Govt. securities dealers									
50	Loans to dealers[3]	333	298	254	174	205	413	460	310	226
51	Borrowing from dealers[4]	257	235	402	488	525	412	393	493	481
52	Net loans	75	62	148	314	--320	1	67	183	255
		33 other banks								
	Basic reserve position									
53	Excess reserves[1]	24	58	25	72	54	100	22	50	79
	LESS:									
54	Borrowings at F.R. Banks	....	3	3	....	....	....	....	88	....
55	Net interbank Federal funds transactions	4,436	6,384	5,841	5,402	4,982	5,492	5,489	5,359	3,762
	EQUALS: Net surplus, or deficit (-):									
56	Amount	4,412	-6,329	-5,859	-5,330	--4,928	-5,392	-5,466	--5,396	3,683
57	*Per cent of average required reserves*	*57.4*	*84.5*	*77.8*	*72.4*	*66.7*	*73.8*	*74.1*	*73.2*	*48.9*
	Interbank Federal funds transactions									
	Gross transactions:									
58	Purchases	9,800	10,681	10,390	10,053	10,063	10,315	10,788	10,533	10,073
59	Sales	5,364	4,298	4,559	4,651	5,080	4,823	5,299	5,175	6,311
60	Two-way transactions[2]	3,497	3,216	3,207	3,172	3,339	3,235	3,266	2,882	3,193
	Net transactions:									
61	Purchases of net buying banks	6,303	7,465	7,183	6,881	6,723	7,080	7,522	7,652	6,880
62	Sales of net selling banks	1,868	1,082	1,352	1,480	1,741	1,588	2,034	2,293	3,118
	Related transactions with U.S. *Govt. securities dealers*									
63	Loans to dealers[3]	1,057	727	685	661	744	1,036	1,555	916	891
64	Borrowing from dealers[4]	842	598	356	639	688	595	500	528	611
65	Net loans	215	130	329	22	57	441	1,056	388	280

1 Based on reserve balances, including adjustments to include waivers of penalties for reserve deficiencies in accordance with changes in Board policy effective Nov. 19, 1975.

2 Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.

3 Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.

4 Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. Govt. or other securities.

NOTE.—Weekly averages of daily figures. For description of series, see FEDERAL RESERVE BULLETIN for August 1964, pp. 944–53. Back data for 46 banks appear in the Board's *Annual Statistical Digest, 1971–1975*, Table 3.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Per cent per annum

Current and recent levels

Federal Reserve Bank	Loans to member banks— Under Secs. 13 and 13a[1]			Under Sec. 10(b)[2] Regular rate			Under Sec. 10(b)[2] Special rate[3]			Loans to all others under last par. Sec. 13		
	Rate on 3/31/77	Effective date	Previous rate	Rate on 3/31/77	Effective date	Previous rate	Rate on 3/31/77	Effective date[3]	Previous rate	Rate on 3/31/77	Effective date	Previous rate
Boston	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
New York	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Philadelphia	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Cleveland	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Richmond	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Atlanta	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Chicago	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
St. Louis	5¼	11/26/76	5½	5¾	11/26/76	6	6¼	11/26/76	6½	8¼	11/26/76	8½
Minneapolis	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Kansas City	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
Dallas	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½
San Francisco	5¼	11/22/76	5½	5¾	11/22/76	6	6¼	11/22/76	6½	8¼	11/22/76	8½

Range of rates in recent years[5]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½	1973—Jan. 15	5	5	1975—Jan. 6	7¼–7¾	7¾
			Feb. 26	5–5½	5½	10	7¼–7¾	7¼
1971—Jan. 8	5¼–5½	5¼	Mar. 2	5½	5½	24	7¼	7¼
15	5¼	5¼	Apr. 23	5½–5¾	5½	Feb. 5	6¾–7¼	6¾
19	5 –5¼	5¼	May 4	5¾	5¾	7	6¾	6¾
22	5 –5¼	5	11	5¾–6	6	Mar. 10	6¼–6¾	6¼
29	5	5	18	6	6	14	6¼	6¼
Feb. 13	4¾–5	5	June 11	6–6½	6½	May 16	6–6¼	6
19	4¾	4¾	15	6½	6½	23	6	6
July 16	4¾–5	5	July 2	7	7			
23	5	5	Aug. 14	7–7½	7½	1976—Jan. 19	5½–6	5½
Nov. 11	4¾–5	5	23	7½	7½	23	5½	5½
19	4¾	4¾						
Dec. 13	4½–4¾	4¾	1974—Apr. 25	7½–8	8	Nov. 22	5¼–5½	5¼
17	4½–4¾	4½	30	8	8	26	5¼	5¼
24	4½	4½	Dec. 9	7¾–8	7¾			
			16	7¾	7¾	In effect Mar. 31, 1977	5¼	5¼

1 Discounts of eligible paper and advances secured by such paper or by U.S. Govt. obligations or any other obligations eligible for F.R. Bank purchase.

2 Advances secured to the satisfaction of the F.R. Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the Section 13 rate.

3 Applicable to special advances described in Section 201.2(e)(2) of Regulation A.

4 Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. Govt. or any agency thereof.

5 Rates under Secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, *Banking and Monetary Statistics, 1941–1970*, and *Annual Statistical Digest, 1971–75*.

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Per cent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect Mar. 31, 1977		Previous requirements	
	Per cent	Effective date	Per cent	Effective date
Net demand:[2]				
0-2	7	12/30/76	7½	2/13/75
2-10	9½	12/30/76	10	2/13/75
10-100	11¾	12/30/76	12	2/13/75
100-400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time:[2,3]				
Savings	3	3/16/67	3½	3/2/67
Other time:				
0-5, maturing in-				
30-179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	[4] 2½	1/8/76	3	3/16/67
4 years or more	[4] 1	10/30/75	3	3/16/67
Over 5, maturing in—				
30-179 days	6	12/12/74	5	10/1/70
180 days to 4 years	[4] 2½	1/8/76	3	12/12/74
4 years or more	[4] 1	10/30/75	3	12/12/74

	Legal limits, Mar. 31, 1977	
	Minimum	Maximum
Net demand:		
Reserve city banks	10	22
Other banks	7	14
Time	3	10

[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 1975, Table 13.

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

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are F.R. Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the Board's Regulation D.

(c) Member banks are required under the Board's Regulation M to maintain reserves against foreign branch deposits computed on the basis of net balances due from domestic offices to their foreign branches and against foreign branch loans to U.S. residents. Loans aggregating $100,000 or less to any U.S. resident are excluded from computations, as are total loans of a bank to U.S. residents if not exceeding $1 million. Regulation D imposes a similar reserve requirement on borrowings from foreign banks by domestic offices of a member bank. A reserve of 4 per cent is required for each of these classifications.

[3] Negotiable orders of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

[4] The average of reserves on savings and other time deposits must be at least 3 per cent, the minimum specified by law.

NOTE.—Required reserves must be held in the form of deposits with F.R. Banks or vault cash.

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

Per cent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Mar. 31, 1977		Previous maximum		In effect Mar. 31, 1977		Previous maximum	
	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(4)	5	(5)
2 Negotiable order of withdrawal (NOW) accounts[1]	5	1/1/74	....	....	5	1/1/74	....	....
Time (multiple- and single-maturity unless otherwise indicated):[2]								
30–89 days:								
3 Multiple-maturity	5	7/1/73	4½	1/21/70	(6)	....	(6)	....
4 Single-maturity			5	9/26/66				
90 days to 1 year:								
5 Multiple-maturity	5½	7/1/73	5	7/20/66	[3] 5¼	(4)	5¼	1/21/70
6 Single-maturity				9/26/66				
7 1 to 2 years[3]	6	7/1/73	5½	1/21/70	6½	(4)	5¾	1/21/70
8 2 to 2½ years[3]			5¾	1/21/70			6	1/21/70
9 2½ to 4 years	6½	7/1/73	5¾	1/21/70	6¾	(4)	6	1/21/70
10 4 to 6 years	7¼	11/1/73	(7)	....	7½	11/1/73	(7)	....
11 6 years or more	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
12 Governmental units (all maturities)	7¾	12/23/74	7½	11/27/74	7¾	12/23/74	7½	11/27/74

1 For authorized States only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks were first permitted to offer NOW accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976.

2 For exceptions with respect to certain foreign time deposits see the Federal Reserve BULLETIN for October 1962 (p. 1279), August 1965 (p. 1094), and February 1968 (p. 167).

3 A minimum of $1,000 is required for savings and loan associations, except in areas where mutual savings banks permit lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

4 July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

5 Oct. 1, 1966, for mutual savings banks; Jan. 21, 1970, for savings and loan associations.

6 No separate account category.

7 Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 per cent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ per cent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, the present ceilings were imposed on certificates maturing in 4 years or more with minimum denominations of $1,000. There is no limitation on the amount of these certificates that banks can issue. In December 1975, the Federal regulatory agencies removed the minimum-denomination requirement on time deposits representing funds contributed to an individual retirement account (IRA) established pursuant to the Internal Revenue Code. Similar action was taken for Keogh (H.R. 10) plans in November 1976.

NOTE—Maximum rates that can be paid by Federally insured commercial banks, mutual savings banks, and savings and loan associations are established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. The maximum rates on time deposits in denominations of $100,000 or more were suspended in mid-1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the Federal Reserve BULLETIN, the Federal Home Loan Bank Board *Journal*, and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1974	1975	1976	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
	U.S. GOVT. SECURITIES										
	Outright transactions (excl. matched sale-purchase transactions)										
	Treasury bills:										
1	Gross purchases	11,660	11,562	14,343	1,100	1,125	618	346	975	2,535	110
2	Gross sales	5,830	5,599	8,462	...	171	...	480	1,546	313	801
3	Redemptions	4,550	[2] 6,431	[2] 5,017	...	...	200	600	...	...	...
	Others within 1 year:[1]										
4	Gross purchases	450	3,886	472	42	129	...	18	59	45	107
5	Gross sales	...	...	...	...	...	...	...	...	...	...
6	Exchange, or maturity shift	-1,183	-4	792	1,525	-285	66	1,047	7	252	63
7	Redemptions	131	3,549	...	...	...	...	...	...	...	...
	1 to 5 years:										
8	Gross purchases	797	[2] 3,284	[2] 3,202	301	580	...	113	681	475	348
9	Gross sales	...	...	177	...	...	...	...	...	...	...
10	Exchange, or maturity shift	697	3,854	-2,588	-79	285	-66	430	7	-252	-880
	5 to 10 years:										
11	Gross purchases	434	1,510	1,048	72	272	...	62	170	128	151
12	Gross sales	...	...	...	...	...	...	...	...	...	...
13	Exchange, or maturity shift	1,675	-4,697	1,572	1,354	...	...	-1,167	...	...	517
	Over 10 years:										
14	Gross purchases	196	1,070	642	65	95	...	73	119	48	81
15	Gross sales	...	...	...	...	...	...	...	...	...	...
16	Exchange, or maturity shift	205	848	225	250	...	...	310	...	...	300
	All maturities:[1]										
17	Gross purchases	13,537	[2] 21,313	19,707	1,579	2,202	618	612	2,004	3,229	797
18	Gross sales	5,830	5,599	8,639	...	171	...	480	1,546	313	801
19	Redemptions	4,682	[2] 9,980	[2] 5,017	...	...	200	600	...	...	...
	Matched sale-purchase transactions										
20	Gross sales	64,229	151,205	196,078	16,389	19,828	23,289	22,675	23,193	24,595	22,674
21	Gross purchases	62,801	152,132	196,579	16,180	19,563	24,501	21,525	24,343	22,544	23,447
	Repurchase agreements										
22	Gross purchases	71,333	140,311	232,891	26,641	24,108	16,603	17,612	30,872	23,820	13,853
23	Gross sales	70,947	139,538	230,355	24,655	23,477	18,821	20,173	27,119	27,573	12,921
24	Net change in U.S. Govt. securities	1,984	7,434	9,087	3,357	2,397	588	-4,179	5,361	-2,887	1,702
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	3,087	1,616	891	...	...	...	115	...	...	...
26	Gross sales	...	...	...	...	...	...	...	...	...	...
27	Redemptions	322	246	169	27	22	...	14	63	4	24
	Repurchase agreements:										
28	Gross purchases	23,204	15,179	10,520	769	1,071	705	897	1,380	930	689
29	Gross sales	22,735	15,566	10,360	674	889	949	976	1,102	1,208	612
	BANKERS ACCEPTANCES										
30	Outright transactions, net	511	163	545	-68	-55	9	-9	8	-5	-18
31	Repurchase agreements, net	420	-35	410	220	85	492	140	795	-795	149
32	**Net change in total System Account**	**6,149**	**8,539**	**9,833**	**3,577**	**2,587**	**1,332**	**-4,307**	**6,379**	**3,969**	**1,886**

[1] Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): 1973, 1,187; 1974, 131; and 1975, 3,549.

[2] In 1975, the System obtained $421 million of 2-year Treasury notes in exchange for maturing bills. In 1976 there was a similar transaction amounting to $189 million. Acquisition of these notes is treated as a purchase; the run-off of bills, as a redemption.

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 F.R. Note Statements

Millions of dollars

	Account	1977 Mar. 2	Mar. 9	Mar. 16	Mar. 23p	Mar. 30p	1977 Jan.	Feb.	Mar.p
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,651	11,651	11,651	11,636	11,636	11,658	11,651	11,636
2	Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
3	Cash	377	374	372	370	359	395	388	360
	Loans:								
4	Member bank borrowings	41	33	29	2,196	149	47	24	270
5	Other								
	Acceptances:								
6	Bought outright	177	174	171	161	155	191	173	154
7	Held under repurchase agreements	149			299			149	126
	Federal agency obligations:								
8	Bought outright	6,767	6,767	6,744	6,744	6,744	6,790	6,767	6,731
9	Held under repurchase agreements	77			159			77	54
	U.S. Govt. securities								
	Bought outright:								
10	Bills	39,376	36,590	34,280	38,478	39,735	38,742	38,826	39,170
11	Certificates—Special								
12	Other								
13	Notes	48,920	48,920	48,920	49,181	49,181	48,619	48,920	49,181
14	Bonds	7,159	7,159	7,159	7,196	7,196	6,773	7,159	7,196
15	Total[1]	95,455	92,669	90,359	94,855	96,112	94,134	94,905	95,547
16	Held under repurchase agreements	932			5,009			932	440
17	**Total U.S. Govt. securities**	**96,387**	**92,669**	**90,359**	**99,864**	**96,112**	**94,134**	**95,837**	**95,987**
18	**Total loans and securities**	**103,598**	**99,643**	**97,303**	**109,423**	**103,160**	**101,162**	**103,027**	**103,322**
19	Cash items in process of collection	10,013	8,997	10,401	8,147	8,543	5,995	6,378	7,306
20	Bank premises	370	372	373	374	373	366	371	372
21	Operating equipment								
	Other assets:								
22	Denominated in foreign currencies	44	44	50	51	58	222	62	61
23	All other	2,263	2,272	2,380	2,496	2,540	3,021	2,358	2,426
24	**Total assets**	**129,516**	**124,553**	**123,730**	**133,697**	**127,869**	**124,019**	**125,435**	**126,683**
	LIABILITIES								
25	F.R. notes	82,063	82,900	83,285	83,101	83,310	81,198	81,709	83,257
	Deposits:								
26	Member bank reserves	25,645	25,145	25,413	30,315	26,907	23,411	22,916	27,074
27	U.S. Treasury—General account	11,614	7,082	4,274	10,764	7,769	11,397	12,179	7,150
28	Foreign	277	249	243	261	288	383	362	349
29	Other[2]	735	707	781	525	563	642	856	637
30	**Total deposits**	**38,271**	**33,183**	**30,711**	**41,865**	**35,527**	**35,833**	**36,313**	**35,210**
31	Deferred availability cash items	6,152	5,399	6,543	5,385	5,606	3,513	3,783	4,759
32	Other liabilities and accrued dividends	1,019	946	953	996	998	980	1,193	1,016
33	**Total liabilities**	**127,505**	**122,428**	**121,492**	**131,347**	**125,441**	**121,524**	**122,998**	**124,242**
	CAPITAL ACCOUNTS								
34	Capital paid in	989	989	990	991	990	986	989	991
35	Surplus	983	983	983	983	983	983	983	983
36	Other capital accounts	39	153	265	376	455	526	465	467
37	**Total liabilities and capital accounts**	**129,516**	**124,553**	**123,730**	**133,697**	**127,869**	**124,019**	**125,435**	**126,683**
38	MEMO: Marketable U.S. Govt. securities held in custody for foreign and intl. account	54,290	54,987	55,922	56,190	56,409	52,271	53,991	56,623
		Federal Reserve note statement							
39	F.R. notes outstanding (issued to Bank)	88,185	88,223	88,494	88,589	88,563	88,603	88,205	88,664
	Collateral held against notes outstanding:								
40	Gold certificate account	11,645	11,646	11,646	11,634	11,634	11,656	11,645	11,633
41	Special Drawing Rights certificate account	643	643	643	643	643	643	643	643
42	Acceptances								
43	U.S. Govt. securities	78,030	78,030	78,130	78,130	78,130	78,100	78,030	78,130
44	**Total collateral**	**90,318**	**90,319**	**90,419**	**90,407**	**90,407**	**90,399**	**90,318**	**90,406**

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

2 Includes certain deposits of domestic nonmember banks and foreign-owned banking institutions voluntarily held with member banks and redeposited in full with F.R. Banks.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday 1977 Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	End of month 1977 Jan. 31	Feb. 28	Mar. 31
1 **Loans**	**43**	**34**	**30**	**2,196**	**149**	**46**	**24**	**270**
2 Within 15 days	37	27	30	2,192	145	44	19	267
3 16 days to 90 days	6	7	....	4	4	2	5	3
4 91 days to 1 year	....	....	....	....	....	....	....	....
5 **Acceptances**	**326**	**174**	**171**	**460**	**155**	**191**	**322**	**280**
6 Within 15 days	167	22	19	320	22	39	169	147
7 16 days to 90 days	106	98	102	93	90	95	106	90
8 91 days to 1 year	53	54	50	47	43	57	47	43
9 **U.S. Govt. securities**	**96,387**	**92,669**	**90,359**	**99,864**	**96,112**	**94,134**	**95,837**	**95,987**
10 Within 15 days[1]	5,132	1,913	2,565	9,177	5,595	3,957	3,994	3,494
11 16 days to 90 days	20,996	19,703	16,832	19,562	20,422	18,096	20,962	20,422
12 91 days to 1 year	24,640	25,434	25,343	25,248	24,218	26,979	25,362	25,928
13 Over 1 year to 5 years	30,401	30,401	30,401	30,575	30,575	30,933	30,401	30,841
14 Over 5 years to 10 years	9,841	9,841	9,841	9,888	9,888	9,173	9,841	9,888
15 Over 10 years	5,377	5,377	5,377	5,414	5,414	4,996	5,377	5,414
16 **Federal agency obligations**	**6,844**	**6,767**	**6,744**	**6,903**	**6,744**	**6,790**	**6,844**	**6,785**
17 Within 15 days[1]	199	122	13	200	41	40	247	82
18 16 days to 90 days	171	239	296	268	268	330	171	268
19 91 days to 1 year	1,139	1,071	1,169	1,178	1,178	1,037	1,091	1,178
20 Over 1 year to 5 years	3,358	3,358	3,300	3,291	3,291	3,361	3,358	3,291
21 Over 5 years to 10 years	1,217	1,217	1,206	1,206	1,206	1,281	1,217	1,206
22 Over 10 years	760	760	760	760	760	741	760	760

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

1.20 DEMAND DEPOSIT ACCOUNTS Debits and Rate of Turnover

Seasonally adjusted annual rates

Standard metropolitan statistical area	1973	1974	1975	1976 Oct.	Nov.	Dec.	1977 Jan.	Feb.
	Debits (billions of dollars)[2]							
1 **All 233 SMSA's**	**18,641.3**	**22,192.2**	**23,565.1**	**27,406.2**	**28,061.4**	**28,914.6**	**r29,286.7**	**30,143.3**
2 New York City	8,097.7	9,931.8	10,970.9	13,522.0	13,495.5	13,835.0	14,411.8	14,898.0
3 *232 SMSA's*	*10,543.6*	*12,260.6*	*12,594.2*	*13,884.2*	*14,565.9*	*15,079.7*	*r14,874.9*	*15,245.3*
4 6 leading SMSA's other than N.Y.C.[1]	4,462.8	5,152.7	4,937.5	5,447.9	5,693.2	5,917.1	5,864.3	5,887.1
5 226 others	6,080.8	7,107.9	7,661.8	8,436.3	8,872.7	9,162.6	r9,010.6	9,358.1
	Turnover of deposits (annual rate)							
6 **All 233 SMSA's**	**110.2**	**128.0**	**131.0**	**146.4**	**147.2**	**153.3**	**154.3**	**153.3**
7 New York City	269.8	312.8	351.8	416.2	395.1	419.8	443.5	437.3
8 *232 SMSA's*	*75.8*	*86.6*	*84.7*	*89.8*	*93.1*	*r96.9*	*r94.5*	*93.8*
9 6 leading SMSA's other than N.Y.C.[1]	115.0	131.8	118.4	126.6	131.7	136.9	r133.9	129.9
10 226 others	60.6	69.3	71.6	75.6	78.3	r81.5	r79.4	79.8

1 Boston, Philadelphia, Chicago, Detroit, San Francisco-Oakland, and Los Angeles-Long Beach.

2 Excludes interbank and U.S. Govt. demand deposit accounts.

NOTE.—Total SMSA's includes some cities and counties not designated as SMSA's.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars; averages of daily figures

Item	1973 Dec.	1974 Dec.	1975 Dec.	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
	Seasonally adjusted									
MEASURES[1]										
1 *M*-1	270.5	283.1	294.8	306.3	306.6	310.1	310.1	312.2	313.6	313.8
2 *M*-2	571.4	612.4	664.3	710.5	716.5	725.9	732.0	739.7	745.4	749.6
3 *M*-3	919.6	981.5	1,092.9	1,181.4	1,194.5	1,211.2	1,223.6	1,236.9	r1,248.5	1,257.4
4 *M*-4	634.4	701.4	746.5	775.5	779.5	788.2	794.3	r802.9	808.4	812.8
5 *M*-5	982.5	1,070.5	1,175.1	1,246.3	1,257.6	1,273.6	1,285.8	1,300.2	1,311.5	1,320.7
COMPONENTS										
6 Currency	61.5	67.8	73.7	78.6	79.2	79.9	80.3	80.7	81.3	82.0
Commercial bank deposits:										
7 Demand	209.0	215.3	221.0	227.7	227.4	230.3	229.8	231.6	232.3	231.8
8 *Time and savings*	*363.9*	*418.3*	*451.7*	*469.1*	*472.9*	*478.1*	*484.2*	*490.7*	*494.8*	*499.0*
9 Negotiable CD's[2]	63.0	89.0	82.1	65.0	63.1	62.3	62.2	63.3	63.1	63.3
10 Other	300.9	329.3	369.6	404.1	409.9	415.8	421.9	427.4	431.8	435.8
11 Nonbank thrift institutions[3]	348.1	369.1	428.6	470.9	478.0	485.3	491.6	497.3	503.1	507.9
	Not seasonally adjusted									
MEASURES[1]										
12 *M*-1	278.3	291.3	303.2	303.3	304.6	309.0	312.1	321.1	319.5	309.7
13 *M*-2	576.5	617.5	669.3	707.3	712.8	723.0	729.7	744.7	750.3	746.1
14 *M*-3	921.8	983.8	1,094.6	1,178.6	1,189.2	1,205.5	1,216.5	1,237.7	1,250.9	1,252.3
15 *M*-4	640.5	708.0	752.8	773.6	778.1	787.1	792.6	809.0	813.4	807.4
16 *M*-5	985.8	1,074.3	1,178.1	1,244.9	1,254.5	1,269.7	1,279.4	1,302.0	r1,314.0	1,313.6
COMPONENTS										
17 Currency	62.7	69.0	75.1	78.9	79.0	79.7	80.8	82.2	80.7	81.0
Commercial bank deposits:										
18 *Demand*	*215.7*	*222.2*	*228.1*	*224.4*	*225.6*	*229.3*	*231.2*	*239.0*	*238.8*	*228.8*
19 Member	156.5	159.7	162.1	158.4	159.0	161.7	162.6	168.5	168.2	161.1
20 Domestic nonmember	56.3	58.5	62.6	r62.6	r63.5	r64.4	r65.4	r66.9	r67.1	64.2
21 *Time and savings*	*362.2*	*416.7*	*449.6*	*470.3*	*473.5*	*478.2*	*480.5*	*487.8*	*493.9*	*497.6*
22 Negotiable CD's[2]	64.0	90.5	83.5	66.3	65.3	64.2	62.9	64.3	63.1	61.3
23 Other	298.2	326.3	366.2	404.0	408.2	414.0	417.6	423.5	430.7	436.4
24 Nonbank thrift institutions[3]	345.3	366.3	425.3	471.3	476.4	482.6	486.8	493.1	500.6	506.2
25 U.S. Govt. deposits (all commercial banks)	6.3	4.9	4.1	3.7	4.9	3.9	4.0	4.4	3.8	4.1

[1] Composition of the money stock measures is as follows:

M-1: Averages of daily figures for (1) demand deposits of commercial banks other than domestic interbank and U.S. Govt., less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of commercial banks.

M-2: *M*-1 plus savings deposits, time deposits open account, and time certificates of deposits (CD's) other than negotiable CD's of $100,000 or more of large weekly reporting banks.

M-3: *M*-2 plus the average of the beginning and end-of-month deposits of mutual savings banks, savings and loan shares, and credit union shares (nonbank thrift).

M-4: *M*-2 plus large negotiable CD's.

M-5: *M*-3 plus large negotiable CD's.

For a description of the latest revisions in the money stock measures' see "Money Stock Measures Revisions" on pp. 305–306 of the March 1977 BULLETIN.

Latest monthly and weekly figures are available from the Board's H.6 release. Back data are available from the Banking Section, Division of Research and Statistics.

[2] Negotiable time CD's issued in denominations of $100,000 or more by large weekly reporting commercial banks.

[3] Average of the beginning- and end-of-month figures for deposits of mutual savings banks, for savings capital at savings and loan associations, and for credit union shares.

NOTES TO TABLE 1.23:

[1] Adjusted to exclude domestic commercial interbank loans.

[2] Loans sold are those sold outright to banks' own foreign branches, nonconsolidated nonbank affiliates of the bank, the banks' holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company. Prior to Aug. 28, 1974, the institutions included had been defined somewhat differently, and the reporting panel of banks was also different. On the new basis, both "Total loans" and "Commercial and industrial loans" were reduced by about $100 million.

[3] Reclassification of loans reduced these loans by about $1.2 billion as of Mar. 31, 1976.

[4] Data beginning June 30, 1974, include one large mutual savings bank that merged with a nonmember commercial bank. As of that date there were increases of about $500 million in loans, $100 million in "Other securities," and $600 million in "Total loans and investments."

As of Oct. 31, 1974, "Total loans and investments" of all commercial banks were reduced by $1.5 billion in connection with the liquidation of one large bank. Reductions in other items were: "Total loans," $1.0 billion (of which $0.6 billion was in "Commercial and industrial loans"), and "Other securities," $0.5 billion. In late November "Commercial and industrial loans" were increased by $0.1 billion as a result of loan reclassifications at another large bank.

[5] Data revised beginning Jan. 1976 to conform with June 1976 call report benchmarks. Complete revisions will be published in the *Annual Statistical Digest, 1972–1976*.

NOTE.—Data are for last Wednesday of month except for June 30 and Dec. 31; data are partly or wholly estimated except when June 30 and Dec. 31 are call dates.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars; averages of daily figures

Item	1973 Dec.	1974 Dec.	1975 Dec.	1976 July	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
	Seasonally adjusted										
1 **Reserves** [1]	34.94	33.60	34.73	34.34	34.51	34.34	34.51	34.85	34.95	34.78	34.40
2 Nonborrowed	33.64	35.87	34.60	34.21	34.41	34.27	34.41	34.78	34.90	34.71	34.33
3 Required	34.64	36.34	r34.46	34.11	34.31	34.14	34.29	34.59	34.68	34.51	34.20
4 **Deposits subject to reserve requirements** [2]	442.3	486.2	505.4	514.1	514.2	515.6	520.0	524.9	529.6	532.5	532.0
5 Time and savings	r279.2	322.1	337.9	343.5	341.7	343.3	346.2	350.2	355.0	357.3	360.1
Demand:											
6 Private	158.1	160.6	164.5	167.9	168.6	168.7	170.4	170.7	171.4	172.5	169.5
7 U.S. Govt.	5.0	3.5	3.0	2.7	3.9	3.6	3.4	4.0	3.2	2.7	2.5
8 **Deposits plus nondeposit items** [3]	448.9	495.6	513.8	r522.8	r523.1	r523.8	r529.0	r534.0	r538.8	r540.8	539.5
	Not seasonally adjusted										
9 **Deposits subject to reserve requirements** [2]	447.5	491.8	510.9	513.9	511.3	514.9	518.9	522.5	534.8	537.7	528.7
10 Time and savings	278.5	321.7	337.2	343.7	342.7	344.1	346.7	347.6	353.6	357.0	358.4
Demand:											
11 Private	164.0	166.6	170.7	167.7	165.9	167.2	169.5	171.9	177.9	177.8	167.2
12 U.S. Govt.	5.0	r3.4	3.1	2.5	2.7	3.6	r2.8	r3.0	3.3	2.9	3.1
13 **Deposits plus nondeposit items** [3]	454.0	500.1	519.3	r522.7	r520.2	r523.1	r527.9	r531.5	r544.0	546.0	r536.2

1 *Series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M.* There are breaks in series because of changes in reserve requirements effective Dec. 12, 1974; Feb. 13, May 22, and Oct. 30, 1975; and Jan. 8, 1976. In addition, effective Jan. 1, 1976, statewide branching in New York was instituted. The subsequent merger of a number of banks raised required reserves because of higher reserve requirements on aggregate deposits at these banks.

2 Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand *deposits except those due to the U.S. Govt., less cash items in process of* collection and demand balances due from domestic commercial banks.

3 "Total member bank deposits" subject to reserve requirements, plus Euro-dollar borrowings, loans sold to bank-related institutions, and certain other nondeposit items. This series for deposits is referred to as "the adjusted bank credit proxy."

NOTE.—Back data and estimates of the impact on required reserves and changes in reserve requirements are shown in Table 14 of the Board's *Annual Statistical Digest, 1971–1975.*

1.23 LOANS AND INVESTMENTS All Commercial Banks

Billions of dollars; last Wednesday of month except for June 30 and Dec. 31

Category	1973 Dec. 31	1974 [4] Dec. 31	1975 Dec. 31	1976 [5] Sept. 29 p	1976 Oct. 27 p	1976 Nov. 24 p	1976 Dec. 31 p	1977 Jan. 26 p	1977 Feb. 23 p	1977 Mar. 30 p
	Seasonally adjusted									
1 **Loans and investments** [1]	633.4	690.4	721.1	759.8	767.6	773.8	774.9	780.5	790.1	797.1
2 Including loans sold outright [2]	637.7	695.2	725.5	763.7	771.4	777.6	778.7	784.5	794.0	801.1
Loans:										
3 Total	449.0	500.2	496.9	517.9	525.8	528.4	528.1	535.0	539.3	545.3
4 Including loans sold outright [2]	453.3	505.0	501.3	521.8	529.6	532.2	531.9	539.0	543.2	549.3
5 Commercial and industrial [3]	156.4	183.3	176.0	174.4	177.2	179.3	178.8	179.9	181.4	183.0
6 Including loans sold outright [2,3]	159.0	186.0	178.5	176.9	179.6	181.7	181.2	182.5	184.0	185.7
Investments:										
7 U.S. Treasury	54.5	50.4	79.4	94.4	93.8	94.7	96.9	96.1	100.7	102.7
8 Other	129.9	139.8	144.8	147.5	148.0	150.7	149.9	149.4	150.1	149.1
	Not seasonally adjusted									
9 **Loans and investments** [1]	647.3	705.6	737.0	760.2	765.9	773.5	792.0	778.8	783.8	795.2
10 Including loans sold outright	651.6	710.4	741.4	764.1	769.7	777.3	795.8	782.8	787.7	799.2
Loans:										
11 Total [1]	458.5	510.7	507.4	519.9	524.7	527.2	539.2	530.1	532.9	542.0
12 Including loans sold outright [2]	462.8	515.5	511.8	523.8	528.5	531.0	543.0	534.1	536.8	546.0
13 *Commercial and industrial* [3]	*159.4*	*186.8*	*179.3*	*174.9*	*176.6*	*178.6*	*182.2*	*177.9*	*179.6*	*182.9*
14 Including loans sold outright [2,3]	162.0	189.5	181.8	177.4	179.0	181.0	184.6	180.5	182.2	185.6
Investments:										
15 U.S. Treasury	58.3	54.5	84.1	93.0	93.8	97.3	102.1	100.2	101.7	103.8
16 Other	130.6	140.5	145.5	147.3	147.4	149.1	150.7	148.5	149.2	149.4

For notes see bottom of opposite page.

1.24 COMMERCIAL BANK ASSETS AND LIABILITIES Last-Wednesday-of-Month Series

Billions of dollars, except for number of banks

	Account	1975	1976[3]							1977		
		Dec. 31	June	July p	Aug. p	Sept. p	Oct. p	Nov. p	Dec. p	Jan. p	Feb. p	Mar. p
		All commercial										
1	**Loans and investments**	775.8	789.4	780.6	790.0	798.4	804.9	813.9	834.7	819.7	827.0	836.1
2	Loans, gross	546.2	552.1	544.8	551.6	558.1	563.7	567.6	583.5	571.0	576.1	582.9
	Investments:											
3	U.S. Treasury securities	84.1	91.4	89.9	92.2	93.0	93.8	97.3	101.6	100.2	101.7	103.8
4	Other	145.5	146.0	146.0	146.2	147.3	147.4	149.1	149.7	148.5	149.2	149.4
5	**Cash assets**	133.6	128.4	110.8	108.6	118.0	114.5	123.8	128.0	117.0	123.5	119.3
6	Currency and coin	12.3	12.0	12.2	12.0	12.3	12.6	11.8	13.9	12.6	12.3	12.8
7	Reserves with F.R. Banks	26.8	28.2	28.0	25.4	29.8	26.4	29.1	29.9	28.6	28.6	26.9
8	Balances with banks	47.3	42.7	33.7	35.5	35.3	35.9	39.5	38.7	36.3	37.9	38.7
9	Cash items in process of collection	47.3	45.5	36.8	35.7	40.7	39.6	43.4	45.2	39.5	44.3	40.9
10	**Total assets/total liabilities and capital**[1]	964.9	963.6	939.5	945.8	965.4	967.9	988.4	1,016.2	988.6	1,003.1	1,010.1
11	**Deposits**	786.3	788.5	765.2	763.5	777.3	892.0	793.4	816.4	796.6	804.8	812.9
	Demand:											
12	Interbank	41.8	38.5	32.8	33.1	34.9	34.4	39.6	38.8	35.4	36.6	37.6
13	U.S. Govt.	3.1	4.6	3.5	3.6	5.7	3.6	3.2	3.3	3.8	3.6	2.9
14	Other	278.7	268.2	251.8	248.8	254.3	259.5	262.3	277.1	258.6	262.4	261.1
	Time:											
15	Interbank	12.0	10.7	10.2	9.7	9.6	9.2	9.1	9.2	8.9	8.7	9.0
16	Other	450.6	466.4	466.9	468.3	473.0	475.2	479.2	487.9	490.0	493.5	502.1
17	Borrowings	60.2	67.2	66.7	72.2	77.4	75.9	83.5	87.9	81.1	86.0	83.1
18	**Total capital accounts**[2]	69.1	74.6	72.5	72.9	73.5	74.0	74.4	75.4	75.9	76.3	76.7
19	MEMO: Number of banks	14,633	14,643	14,636	14,650	14,656	14,660	14,674	14,671	14,667	14,688	14,688
		Member										
20	**Loans and investments**	578.6	580.8	572.3	580.3	585.7	590.7	597.6	614.9	600.9	605.9	611.8
21	Loans, gross	416.4	414.4	407.5	412.9	417.2	421.6	424.1	437.5	426.3	429.9	434.6
	Investments:											
22	U.S. Treasury securities	61.5	66.0	64.5	66.7	67.0	67.7	70.8	74.3	72.6	73.7	74.9
23	Other	100.7	100.3	100.3	100.7	101.5	101.4	102.7	103.1	102.0	102.3	102.3
24	**Cash assets, total**	108.5	105.9	92.3	89.4	98.9	94.9	103.0	107.6	97.7	102.8	100.0
25	Currency and coin	9.2	9.0	9.2	9.0	9.2	9.5	8.9	10.5	9.5	9.3	9.6
26	Reserves with F.R. Banks	26.8	28.2	28.0	25.4	29.8	26.4	29.1	29.9	28.6	28.6	26.9
27	Balances with banks	26.9	24.8	19.6	20.5	20.6	20.9	23.3	23.5	21.5	22.2	24.0
28	Cash items in process of collection	45.5	43.9	35.5	34.4	39.3	38.2	41.8	43.7	38.1	42.7	39.5
29	**Total assets/total liabilities and capital**[1]	733.6	728.3	706.3	710.7	726.8	727.6	744.8	769.1	744.6	755.1	759.7
30	**Deposits**	590.8	586.2	565.2	562.3	573.9	576.1	584.8	604.6	587.0	592.0	598.1
	Demand:											
31	Interbank	38.6	36.2	30.7	30.9	32.7	32.2	37.2	36.4	33.1	34.1	35.3
32	U.S. Govt.	3.2	3.7	2.7	2.8	4.3	2.9	2.4	2.5	3.0	2.7	2.1
33	Other	210.8	202.0	188.7	185.9	191.0	194.7	196.0	208.6	193.7	196.6	195.9
	Time:											
34	Interbank	10.0	8.6	8.2	7.6	7.5	7.1	7.0	7.2	6.8	6.6	6.9
35	Other	329.1	335.6	334.9	335.1	338.4	339.2	342.1	349.9	350.3	351.9	357.9
36	Borrowings	53.6	60.5	60.3	65.9	70.6	69.1	76.4	80.4	73.6	78.0	75.3
37	**Total capital accounts**[2]	52.1	56.2	55.1	55.4	55.7	56.2	56.6	57.3	57.7	57.9	58.1
38	MEMO: Number of banks	5,788	5,777	5,768	5,772	5,774	5,769	5,767	5,759	5,739	5,740	5,740

[1] Includes items not shown separately.

Effective Mar. 31, 1976, some of the item "reserve for loan losses" and all of the item "unearned income on loans" are no longer reported as liabilities. As of that date the "valuation" portion of "reserve for loan losses" and the "unearned income on loans" have been netted against "other assets," and against "total assets" as well.

Total liabilities continue to include the deferred income tax portion of "reserve for loan losses."

[2] Effective Mar. 31, 1976, includes "reserves for securities" and the contingency portion (which is small) of "reserve for loan losses."

[3] Figures partly estimated except on call dates.

NOTE.—Figures include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.

Commercial banks: All such banks in the United States, including member and nonmember banks, stock savings banks, nondeposit trust companies, and U.S. branches of foreign banks, but excluding one national bank in Puerto Rico and one in the Virgin Islands.

Member banks: The following numbers of noninsured trust companies that are members of the Federal Reserve System are excluded from member banks in Tables 1.24 and 1.25 and are included with noninsured banks in Table 1.25: 1974—June, 2; December, 3; 1975—June and December, 4; 1976 (beginning month shown)—July, 5, December, 7; 1977–January 8.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars except for number of banks

	Account	1974 Dec. 31	1975 June 30	1975 Dec. 31	1976 June 30	1974 Dec. 31	1975 June 30	1975 Dec. 31	1976 June 30
		Total insured				National (all insured)			
1	**Loans and investments, Gross**	**734,516**	**736,164**	**762,400**	**773,696**	**428,433**	**428,167**	**441,135**	**443,955**
	Loans:								
2	Gross	541,111	526,272	535,170	539,017	321,466	312,229	315,738	315,624
3	Net	(2)	(2)	(2)	520,970	(2)	(2)	(2)	305,275
	Investments:								
4	U.S. Treasury securities	54,132	67,833	83,629	87,413	29,075	37,606	46,799	47,409
5	Other	139,272	142,060	143,602	147,266	77,892	78,331	78,598	80,922
6	Cash assets	125,375	125,181	128,256	124,072	76,523	75,686	78,026	75,488
7	**Total assets/total liabilities** [1]	**906,325**	**914,781**	**944,654**	**942,511**	**534,207**	**536,836**	**553,285**	**548,698**
8	**Deposits**	**741,665**	**746,348**	**775,209**	**776,957**	**431,039**	**431,646**	**447,590**	**444,251**
	Demand:								
9	U.S. Govt	4,799	3,106	3,108	4,622	2,437	1,723	1,788	2,858
10	Interbank	42,587	41,244	40,259	37,503	23,497	21,096	22,305	20,329
11	Other	265,444	261,903	276,384	265,670	154,397	152,576	159,840	152,382
	Time:								
12	Interbank	10,693	10,252	10,733	9,407	6,750	6,804	7,302	5,532
13	Other	418,142	429,844	444,725	459,753	243,959	249,446	256,355	263,148
14	Borrowings	55,988	59,310	56,775	63,824	39,603	41,954	40,875	45,184
15	**Total capital accounts**	**63,039**	**65,986**	**68,474**	**68,990**	**35,815**	**37,483**	**38,969**	**39,504**
16	MEMO: Number of banks	14,216	14,320	14,372	14,373	4,706	4,730	4,741	4,747
		State member (all insured)				Insured nonmember			
17	**Loans and investments, Gross**	**140,373**	**134,759**	**137,620**	**136,915**	**165,709**	**173,238**	**183,645**	**192,825**
	Loans:								
18	Gross	108,346	100,968	100,823	98,889	111,300	113,074	118,609	124,503
19	Net	(2)	(2)	(2)	96,036	(2)	(2)	(2)	119,658
	Investments:								
20	U.S. Treasury securities	9,846	12,004	14,720	15,096	15,211	18,223	22,109	24,907
21	Other	22,181	21,787	22,077	22,929	39,199	41,942	42,927	43,414
22	Cash assets	30,473	31,466	30,451	30,422	18,380	18,029	19,778	18,161
23	**Total assets/total liabilities**	**181,683**	**179,787**	**180,495**	**179,644**	**190,435**	**198,157**	**210,874**	**214,167**
24	**Deposits**	**144,799**	**141,995**	**143,409**	**142,061**	**165,827**	**172,707**	**184,210**	**190,644**
	Demand:								
25	U.S. Govt	746	443	467	869	1,616	940	853	894
26	Interbank	17,565	18,751	16,265	15,834	1,525	1,397	1,689	1,339
27	Other	49,807	48,621	50,984	49,658	61,240	60,706	65,560	63,629
	Time:								
28	Interbank	3,301	2,771	2,712	3,074	642	676	719	799
29	Other	73,380	71,409	72,981	72,624	100,804	108,989	115,389	123,980
30	Borrowings	13,247	14,380	12,771	15,300	3,138	2,976	3,128	3,339
31	**Total capital accounts**	**12,425**	**12,773**	**13,105**	**12,790**	**14,799**	**15,730**	**16,400**	**16,696**
32	MEMO: Number of banks	1,074	1,064	1,046	1,029	8,436	8,526	8,585	8,597
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, Gross**	**9,981**	**11,725**	**13,674**	**15,905**	**175,690**	**184,963**	**197,319**	**208,730**
	Loans:								
34	Gross	8,461	9,559	11,283	13,209	119,761	122,633	129,892	137,712
35	Net	(2)	(2)	(2)	13,092	(2)	(2)	(2)	132,751
	Investments:								
36	U.S. Treasury securities	319	358	490	472	15,530	18,581	22,599	25,379
37	Other	1,201	1,808	1,902	2,223	40,400	43,750	44,829	45,637
38	Cash assets	2,667	3,534	5,359	4,362	21,047	21,563	25,137	22,524
39	**Total assets/total liabilities**	**13,616**	**16,277**	**20,544**	**21,271**	**204,051**	**214,434**	**231,418**	**235,439**
40	**Deposits**	**6,627**	**8,314**	**11,323**	**11,735**	**172,454**	**181,021**	**195,533**	**202,380**
	Demand:								
41	U.S. Govt	8	11	6	4	1,624	951	859	899
42	Interbank	897	1,338	1,552	1,006	2,422	2,735	3,241	2,346
43	Other	2,062	2,124	2,308	2,555	63,302	62,830	67,868	66,184
	Time:								
44	Interbank	803	957	1,291	1,292	1,445	1,633	2,010	2,092
45	Other	2,857	3,883	6,167	6,876	103,661	112,872	121,556	130,857
46	Borrowings	2,382	3,110	3,449	3,372	5,520	6,086	6,577	6,711
47	**Total capital accounts**	**611**	**570**	**651**	**663**	**15,410**	**16,300**	**17,051**	**17,359**
48	MEMO: Number of banks	249	253	261	270	8,685	8,779	8,846	8,867

1 Includes items not shown separately.
2 Not available.

For Note see Table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, June 30, 1976

Asset and liability items are shown in millions of dollars.

	Asset account	All commercial banks	Insured commercial banks	Member banks [1]					Non-member banks [1]
				Total	Large banks			All other	
					New York City	City of Chicago	Other large		
1	**Cash bank balances, items in process**	**128,435**	**124,072**	**105,911**	**26,914**	**4,699**	**41,097**	**33,201**	**22,524**
2	Currency and coin	11,984	11,972	8,987	686	184	3,054	5,063	2,997
3	Reserves with F.R. Banks	28,212	28,212	28,212	4,956	2,174	11,508	9,575	....
4	Demand balances with banks in United States	30,921	28,765	17,838	6,562	286	3,351	7,639	13,083
5	Other balances with banks in United States	6,833	6,041	3,818	93	7	1,478	2,240	3,015
6	Balances with banks in foreign countries	4,948	3,623	3,179	327	33	1,767	1,052	1,769
7	Cash items in process of collection	45,537	45,459	43,877	14,290	2,016	19,939	7,633	1,660
8	**Total securities held Book value**	**235,836**	**233,184**	**165,113**	**18,349**	**7,553**	**53,364**	**85,847**	**70,723**
9	U.S. Treasury	91,420	90,948	66,013	9,209	3,766	22,163	30,875	25,408
10	Other U.S. Govt. agencies	34,264	33,729	20,706	996	348	5,880	13,482	13,558
11	States and political subdivisions	102,994	102,694	74,465	7,718	3,225	24,322	39,201	28,529
12	All other securities	6,995	5,701	3,849	425	214	970	2,239	3,146
13	Unclassified total	162	113	80	....	....	30	50	83
14	*Trading-account securities*	*5,795*	*5,745*	*5,654*	*2,612*	*678*	*2,103*	*261*	*141*
15	U.S. Treasury	3,535	3,535	3,507	1,950	494	970	93	28
16	Other U.S. Govt. agencies	665	665	659	244	44	342	28	6
17	States and political subdivisions	1,043	1,043	1,025	316	80	557	73	17
18	All other trading acct. securities	391	391	383	103	60	204	17	8
19	Unclassified	162	113	80	....	....	30	50	83
20	*Bank investment portfolios*	*230,041*	*227,439*	*159,460*	*15,737*	*6,875*	*51,261*	*85,586*	*70,582*
21	U.S. Treasury	87,886	87,413	62,506	7,260	3,272	21,193	30,782	25,380
22	Other U.S. Govt. agencies	33,600	33,064	20,047	752	304	5.538	13,454	13,552
23	States and political subdivisions	101,952	101,651	73,440	7,403	3,145	23,764	39,128	28,512
24	All other portfolio securities	6,604	5,310	3,466	323	155	766	2,223	3,138
25	F.R. stock and corporate stock	1,539	1,495	1,244	248	78	470	448	295
26	**Federal funds sold and securities resale agreement**	**36,120**	**34,262**	**26,819**	**1,929**	**1,150**	**14,110**	**9,630**	**9,300**
27	Commercial banks	30,954	29,471	22,170	1,094	1,016	10,937	9,124	8,784
28	Brokers and dealers	2,658	2,459	2,376	180	108	1,703	384	283
29	Others	2,507	2,333	2,273	655	26	1,470	123	234
30	**Other loans, gross**	**516,107**	**504,755**	**387,695**	**67,105**	**20,802**	**147,088**	**152,699**	**128,412**
31	LESS: Unearned income on loans	12,000	11,941	8,286	471	81	2,824	4,910	3,714
32	Reserves for loan loss	6,163	6,105	4,916	1,112	331	1,830	1,642	1,248
33	Other loans, net	497,944	486,709	374,493	65,522	20,390	142,434	146,148	123,451
	Other loans, gross, by category								
34	*Real estate loans*	*141,964*	*141,737*	*100,545*	*8,693*	*1,988*	*36,933*	*52,930*	*41,419*
35	Construction and land development	16,568	16,562	13,586	3,119	532	6,352	3,584	2,981
36	Secured by farmland	6,355	6,344	2,717	2	14	288	2,413	3,638
37	Secured by residential	80,203	80,062	57,630	3,976	922	21,168	31,563	22,573
38	*1- to 4-family residences*	*75,826*	*75,692*	*54,450*	*3,563*	*821*	*20,034*	*30,032*	*21,376*
39	FHA-insured or VA-guaranteed	8,297	8,262	7,150	533	52	3,958	2,607	1,147
40	Conventional	67,529	67,429	47,300	3,030	769	16,076	27,425	20,229
41	*Multifamily residences*	*4,377*	*4,371*	*3,180*	*413*	*101*	*1,134*	*1,531*	*1,197*
42	FHA-insured	412	411	321	121	25	99	77	90
43	Conventional	3,965	3,960	2,859	293	76	1,035	1,455	1,107
44	Secured by other properties	38,839	38,769	26,612	1,596	521	9,125	15,370	12,227
45	*Loans to financial institutions*	*41,609*	*36,645*	*34,684*	*12,206*	*4,548*	*14,980*	*2,949*	*6,925*
46	To REIT's and mortgage companies	10,556	10,510	10,172	3,753	1,457	4,193	769	384
47	To domestic commercial banks	5,182	3,201	2,527	806	138	1,215	369	2,655
48	To banks in foreign countries	8,625	6,076	5,907	2,297	324	2,873	413	2,718
49	To other depositary institutions	1,637	1,572	1,424	185	25	1,064	151	212
50	To other financial institutions	15,608	15,285	14,652	5,165	2,605	5,635	1,248	956
51	Loans to security brokers and dealers	7,743	7,521	7,390	4,535	987	1,734	134	353
52	Other loans to purch./carry securities	4,032	4,018	3,373	428	314	1,720	911	659
53	Loans to farmers—except real estate	22,174	22,149	12,380	77	135	2,988	9,179	9,795
54	Commercial and industrial loans	174,384	169,345	140,087	33,896	10,435	55,517	40,239	34,297
55	Loans to individuals	110,393	110,031	77,597	4,680	1,627	27,854	43,435	32,796
56	*Instalment loans*	*87,465*	*87,141*	*61,238*	*3,322*	*916*	*22,383*	*34,617*	*26,227*
57	Passenger automobiles	36,951	36,685	24,065	510	150	7,291	16,114	12,886
58	Residential-repair/modernize	6,107	6,106	4,320	263	37	1,747	2,274	1,787
59	Credit cards and related plans	12,196	12,193	10,746	1,127	534	6,112	2,973	1,450
60	Charge-account credit cards	9,517	9,516	8,540	817	504	4,987	2,232	977
61	Check and revolving credit plans	2,680	2,677	2,206	310	30	1,125	741	473
62	Other retail consumer goods	15,536	15,526	10,730	203	86	3,884	6,557	4,805
63	Mobile homes	8,720	8,719	6,238	112	33	2,300	3,792	2,483
64	Other	6,815	6,807	4,493	91	52	1,584	2,765	2,323
65	Other instalment loans	16,675	16,630	11,376	1,219	109	3,350	6,698	5,299
66	Single-payment loans to individuals	22,927	22,891	16,358	1,358	711	5,471	8,818	6,569
67	All other loans	13,807	13,309	11,639	2,589	766	5,362	2,922	2,168
68	**Total loans and securities, net**	**771,439**	**755,650**	**567,670**	**86,047**	**29,171**	**210,378**	**242,074**	**203,769**
69	Direct lease financing	4,675	4,675	4,455	983	128	2,714	630	221
70	Fixed assets—Buildings, furniture, real estate	18,585	18,484	13,902	1,626	611	5,605	6,060	4,683
71	Investment in unconsolidated subsidiaries	2,107	2,104	2,063	827	160	1,005	70	44
72	Customer acceptances outstanding	10,682	10,316	9,990	5,278	517	3,924	271	692
73	Other assets	27,861	27,210	24,353	9,081	1,627	9,775	3,871	3,507
74	**Total assets**	**963,783**	**942,511**	**728,344**	**130,756**	**36,912**	**274,499**	**286,177**	**235,440**

For notes see opposite page.

1.26 Continued

Liability or capital account	All commercial banks	Insured commercial banks	Member banks[1] Total	Large banks: New York City	Large banks: City of Chicago	Large banks: Other large	All other	Nonmember banks[1]
75 **Demand deposits**	**311,363**	**307,796**	**241,932**	**54,110**	**9,807**	**87,697**	**90,318**	**69,431**
76 Mutual savings banks	1,299	1,113	1,014	491	2	229	291	286
77 Other individuals, partnerships, and corporations	236,614	235,547	179,037	29,740	7,268	67,579	74,449	57,577
78 U.S. Govt	4,627	4,623	3,728	474	154	1,604	1,496	900
79 States and political subdivisions	17,336	17,216	12,278	620	155	3,732	7,770	5,058
80 Foreign governments, central banks, etc	1,757	1,295	1,250	981	21	230	17	507
81 Commercial banks in United States	30,870	30,573	29,454	13,524	1,781	10,589	3,560	1,416
82 Banks in foreign countries	6,341	5,817	5,697	4,240	148	1,192	117	644
83 Certified and officers' checks, etc	12,520	11,612	9,477	4,038	278	2,542	2,619	3,043
84 **Time deposits**	**293,204**	**285,431**	**212,740**	**32,483**	**13,165**	**77,746**	**89,347**	**80,464**
85 Accumulated for personal loan payments	171	171	136	....	....	13	123	35
86 Mutual savings banks	481	458	445	266	7	135	36	36
87 Other individuals, partnerships, and corporations	227,578	222,500	163,935	22,766	9,494	58,633	73,042	63,643
88 U.S. Govt	678	678	550	77	1	251	220	128
89 States and political subdivisions	43,942	43,653	30,739	803	1,106	13,711	15,121	13,203
90 Foreign governments, central banks, etc	10,143	9,029	8,778	5,255	1,295	2,187	41	1,366
91 Commercial banks in United States	8,082	7,522	6,797	2,613	1,162	2,337	685	1,285
92 Banks in foreign countries	2,129	1,419	1,360	702	100	478	80	769
93 **Savings deposits**	**184,126**	**183,730**	**131,640**	**8,752**	**2,715**	**48,362**	**71,811**	**52,486**
94 Individuals and nonprofit organizations	175,381	174,995	125,270	8,332	2,611	45,993	68,334	50,111
95 Corporations and other profit organizations	6,049	6,043	4,521	262	95	1,982	2,182	1,529
96 U.S. Govt	2,648	2,645	1,805	130	9	376	1,290	843
97 All other	47	47	44	28	....	11	4	4
98 **Total deposits**	**788,693**	**776,957**	**586,312**	**95,345**	**25,687**	**213,805**	**251,476**	**202,381**
99 **Federal funds purchased and securities sold under agreements to repurchase**	**60,719**	**58,944**	**55,906**	**11,224**	**7,215**	**29,308**	**8,158**	**4,813**
100 Commercial banks	35,182	33,936	32,667	6,445	4,883	17,374	3,965	2,514
101 Brokers and dealers	8,053	7,976	7,512	735	1,073	4,903	801	542
102 Others	17,484	17,031	15,727	4,045	1,259	7,032	3,392	1,757
103 Other liabilities for borrowed money	6,478	4,881	4,579	2,243	80	1,806	450	1,899
104 Mortgage indebtedness	789	787	577	53	16	316	192	212
105 Bank acceptances outstanding	11,287	10,917	10,591	5,854	525	3,938	274	696
106 Other liabilities	21,262	16,198	14,148	4,736	892	5,575	2,945	7,114
107 **Total liabilities**	**889,228**	**868,684**	**672,114**	**119,456**	**34,415**	**254,749**	**263,495**	**217,114**
108 Subordinated notes and debentures	4,901	4,837	3,935	1,099	83	1,752	1,001	966
109 **Equity capital**	**69,655**	**68,991**	**52,295**	**10,201**	**2,414**	**17,998**	**21,681**	**17,360**
110 Preferred stock	81	75	34	....	....	10	24	47
111 Common stock	15,963	15,843	11,723	2,264	570	3,894	4,995	4,239
112 Surplus	27,903	27,648	20,676	3,966	1,155	7,509	8,047	7,226
113 Undivided profits	23,842	23,630	18,566	3,858	645	6,154	7,909	5,276
114 *Other capital reserves*	1,867	1,794	1,296	114	44	431	706	571
115 **Total liabilities and equity capital**	**963,783**	**942,511**	**728,344**	**130,756**	**36,912**	**274,499**	**286,177**	**235,440**
116 MEMO: Demand deposits adjusted[2]	230,329	227,142	164,874	25,822	5,857	55,566	77,629	65,455
Average for last 15 or 30 days:								
117 Cash and due from bank	123,703	119,246	102,291	26,314	4,360	39,625	31,992	21,412
118 Federal funds sold and securities purchased under agreements to resell	38,280	35,632	27,149	2,253	1,341	13,353	10,202	11,131
119 Total loans	502,155	490,759	377,741	66,363	20,569	143,388	147,421	124,414
120 Time deposits of $100,000 or more	146,166	140,300	115,892	29,258	10,747	48,444	27,443	30,275
121 Total deposits	775,140	763,837	574,789	89,888	25,003	209,900	249,999	200,350
122 Federal funds purchased and securities sold under agreements to repurchase	64,655	62,022	58,970	14,334	7,184	29,212	8,240	5,695
123 Other liabilities for borrowed money	6,485	4,782	4,474	2,064	87	1,957	367	2,011
124 Standby letters of credit outstanding	10,950	10,535	9,927	5,289	954	3,043	641	1,023
125 Time deposits of $100,000 or more	146,783	141,105	117,342	28,910	11,159	49,561	27,712	29,441
126 Certificates of deposit	122,071	118,464	97,455	24,503	8,937	39,866	24,149	24,616
127 Other time deposits	24,712	22,641	19,887	4,407	2,221	9,696	3,563	4,825
128 Number of banks	14,643	14,373	5,776	11	9	155	5,601	8,867

[1] Member banks exclude and nonmember banks include 5 noninsured trust companies that are members of the Federal Reserve System, and member banks exclude 2 national banks outside the continental United States.

[2] Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. Govt., less cash items reported as in process of collection.

NOTE.—Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Holdings by type of security will be reported as soon as they become available.

Back data in lesser detail were shown in previous BULLETINS. Details may not add to totals because of rounding.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1977							
		Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
1	**Total loans and investments**	**404,696**	**408,189**	**406,996**	**409,782**	**412,780**	**416,040**	**409,678**	**410,064**
	Loans:								
2	*Federal funds sold*[1]	*20,082*	*21,317*	*21,281*	*21,703*	*23,990*	*23,769*	*20,589*	*21,648*
3	To commercial banks	15,906	16,862	17,117	16,934	18,337	16,922	16,116	16,276
	To brokers and dealers involving—								
4	U.S. Treasury securities	2,223	2,536	2,089	2,507	3,163	3,884	2,488	2,757
5	Other securities	827	911	1,076	1,080	1,170	1,036	451	662
6	To others	1,126	1,008	999	1,182	1,320	1,927	1,534	1,953
7	*Other, gross*	*284,798*	*285,987*	*285,368*	*287,263*	*286,819*	*289,683*	*287,931*	*288,131*
8	Commercial and industrial	114,851	115,035	115,451	116,198	116,325	117,060	117,099	116,774
9	Agricultural	4,187	4,174	4,165	4,191	4,223	4,245	4,251	4,268
	For purchasing or carrying securities:								
	To brokers and dealers:								
10	U.S. Treasury securities	1,417	1,257	1,283	1,317	1,596	2,520	1,125	1,362
11	Other securities	7,832	8,474	7,575	7,728	7,656	7,892	7,513	7,719
	To others:								
12	U.S. Treasury securities	75	77	75	71	70	71	69	72
13	Other securities	2,540	2,520	2,512	2,510	2,514	2,528	2,518	2,527
	To nonbank financial institutions:								
14	Personal and sales finance cos., etc.	7,071	7,001	6,972	7,102	7,132	7,263	7,293	7,248
15	Other	16,128	16,006	15,837	15,861	15,907	15,910	15,767	15,784
16	Real estate	64,136	64,381	64,463	64,496	64,503	64,824	64,930	64,948
	To commercial banks:								
17	Domestic	1,761	1,813	1,843	1,982	1,956	2,082	2,064	2,062
18	Foreign	5,591	5,845	5,828	5,894	5,668	5,684	5,492	5,450
19	Consumer instalment	39,382	39,457	39,472	39,545	39,492	39,516	39,591	39,755
20	Foreign governments, official institutions, etc.	1,897	1,888	1,861	1,828	1,768	1,757	1,828	1,859
21	All other loans	17,930	18,059	18,031	18,540	18,009	18,331	18,391	18,303
22	LESS: Loan loss reserve and unearned income on loans	8,613	8,674	8,687	8,685	8,734	8,773	8,783	8,679
23	*Other loans, net*	*276,185*	*277,313*	*276,681*	*278,578*	*278,085*	*280,910*	*279,148*	*279,452*
	Investments:								
24	*U.S. Treasury securities*	*48,147*	*49,238*	*48,752*	*49,645*	*50,651*	*50,691*	*49,872*	*48,890*
25	Bills	10,993	10,534	10,189	10,216	10,750	10,859	10,442	9,790
	Notes and bonds, by maturity:								
26	Within 1 year	7,654	7,694	7,805	8,060	8,054	8,046	8,101	7,923
27	1 to 5 years	25,512	26,913	26,810	27,594	28,090	27,901	27,690	27,431
28	After 5 years	3,988	4,097	3,948	3,775	3,757	3,885	3,639	3,746
29	*Other securities*	*60,282*	*60,321*	*60,282*	*59,856*	*60,054*	*60,670*	*60,069*	*60,074*
	Obligations of States and political subdivisions:								
30	Tax warrants, short-term notes, and bills	6,485	6,297	6,227	6,190	6,234	6,607	6,365	6,190
31	All other	40,114	40,177	40,319	40,088	40,185	40,538	40,287	40,456
	Other bonds, corporate stocks, and securities:								
32	Certificates of participation[2]	2,218	2,182	2,147	2,154	2,206	2,214	2,276	2,297
33	All other, including corporate stocks	11,465	11,665	11,589	11,424	11,429	11,311	11,141	11,131
34	Cash items in process of collection	31,676	35,372	38,696	38,300	32,126	37,776	35,642	35,947
35	Reserves with F.R. Banks	23,029	20,987	22,129	19,670	18,934	19,418	23,786	21,399
36	Currency and coin	5,265	5,447	5,656	5,343	5,283	5,582	5,735	5,863
37	Balances with domestic banks	10,922	12,063	12,279	13,479	12,665	12,620	12,126	14,375
38	Investments in subsidiaries not consolidated	2,535	2,515	2,507	2,506	2,522	2,579	2,543	2,530
39	Other assets	51,819	49,773	50,534	51,375	50,421	51,181	51,485	51,878
40	**Total assets/total liabilities**	**529,942**	**534,346**	**538,797**	**540,455**	**534,731**	**545,196**	**540,995**	**542,056**
	Deposits:								
41	*Demand deposits*	*162,147*	*167,657*	*169,719*	*173,207*	*164,326*	*178,073*	*167,195*	*170,095*
42	Individuals, partnerships, and corporations	120,055	121,973	122,817	124,820	120,164	126,723	121,706	122,736
43	States and political subdivisions	6,046	6,161	6,199	6,223	5,603	5,969	6,315	5,739
44	U.S. Govt.	1,255	1,983	1,673	1,314	1,252	6,856	1,126	1,060
	Domestic interbank:								
45	Commercial	21,229	23,787	24,854	25,902	23,813	24,610	23,552	26,193
46	Mutual savings	796	802	789	860	821	842	722	754
	Foreign:								
47	Governments, official institutions, etc.	869	793	1,116	1,302	1,160	868	1,019	1,146
48	Commercial banks	5,624	5,773	5,925	5,847	5,684	5,721	5,484	5,848
49	Certified and officers' checks	6,273	6,385	6,346	6,939	5,829	6,484	7,271	6,619
50	*Time and savings deposits*[3]	*231,523*	*230,765*	*230,274*	*230,610*	*231,890*	*231,912*	*233,261*	*234,313*
	Individuals, partnerships, and corporations:								
51	Savings	92,038	92,101	92,387	92,716	93,337	93,723	94,119	94,628
52	Other	105,476	104,748	104,239	104,539	104,974	104,568	105,507	105,976
53	States and political subdivisions	19,991	20,076	20,068	19,930	20,038	19,908	20,038	20,055
54	Domestic interbank	5,410	5,323	5,169	5,097	5,183	5,352	5,311	5,420
55	Foreign governments, official institutions, etc.	7,293	7,179	7,058	6,939	6,948	6,950	6,876	6,837
56	Federal funds purchased, etc.[4]	67,003	65,721	69,062	66,331	68,637	64,690	67,909	67,277
	Borrowings from:								
57	F.R. Banks	58	705	50	10	7	5	2,081	109
58	Others	3,995	4,093	4,177	3,696	3,693	3,804	3,945	3,925
59	Other liabilities, etc.[5]	23,344	23,659	23,785	24,743	24,223	24,842	24,722	24,512
60	Total equity capital and subordinated notes/debentures[6]	41,782	41,746	41,730	41,858	41,955	41,870	41,882	41,825

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes U.S. Govt. and foreign bank deposits not shown separately.
4 Includes securities sold under agreements to repurchase.
5 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
6 Includes reserves for securities and contingency portion of reserves for loans.

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

Millions of dollars, Wednesday figures

	Account	1977							
		Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
1	**Total loans and investments**	**88,435**	**89,938**	**88,967**	**90,432**	**90,398**	**91,896**	**88,562**	**89,235**
	Loans:								
2	*Federal funds sold* [1]	*2,608*	*3,125*	*2,852*	*3,141*	*2,899*	*3,393*	*3,135*	*4,043*
3	To commercial banks	1,664	1,925	1,694	1,637	1,478	2,026	2,000	2,221
	To brokers and dealers involving—								
4	U.S. Treasury securities	302	568	308	615	725	717	494	641
5	Other securities	388	369	346	503	554	413	0	145
6	To others	254	263	504	386	142	237	641	1,036
7	*Other, gross*	*67,433*	*68,031*	*67,437*	*68,159*	*67,868*	*69,410*	*66,839*	*67,206*
8	Commercial and industrial	33,642	33,577	33,641	34,045	33,982	34,170	33,897	33,939
9	Agricultural	122	115	113	113	115	120	121	121
	For purchasing or carrying securities:								
	To brokers and dealers:								
10	U.S. Treasury securities	1,192	1,071	1,097	1,145	1,427	2,158	896	1,154
11	Other securities	4,435	4,912	4,291	4,277	4,206	4,677	4,080	4,210
	To others:								
12	U.S. Treasury securities	13	13	13	12	12	12	11	11
13	Other securities	382	378	374	374	374	373	371	372
	To nonbank financial institutions:								
14	Personal and sales finance cos., etc.	2,357	2,315	2,314	2,396	2,422	2,508	2,433	2,492
15	Other	5,354	5,317	5,262	5,240	5,255	5,231	5,174	5,129
16	Real estate	8,923	8,991	8,990	8,955	8,953	8,979	8,991	8,924
	To commercial banks:								
17	Domestic	471	553	602	646	726	718	628	628
18	Foreign	2,429	2,629	2,670	2,768	2,603	2,583	2,416	2,397
19	Consumer instalment	4,034	4,037	4,040	4,045	4,045	4,018	3,998	3,977
20	Foreign governments, official institutions, etc.	470	474	459	405	374	403	366	426
21	All other loans	3,609	3,649	3,571	3,738	3,374	3,460	3,457	3,426
22	LESS: Loan loss reserve and unearned income on loans	1,660	1,685	1,687	1,706	1,720	1,720	1,697	1,618
23	*Other loans, net*	*65,773*	*66,346*	*65,750*	*66,453*	*66,148*	*67,690*	*65,142*	*65,588*
	Investments:								
24	*U.S. Treasury securities*	*11,494*	*11,836*	*11,798*	*12,315*	*12,775*	*12,232*	*11,877*	*11,230*
25	Bills	3,128	2,917	2,985	3,081	3,549	3,279	3,064	2,602
	Notes and bonds, by maturity:								
26	Within 1 year	742	639	657	817	831	868	889	868
27	1 to 5 years	6,783	7,273	7,309	7,622	7,677	7,266	7,227	7,078
28	After 5 years	841	1,007	847	795	718	819	697	682
29	*Other securities*	*8,560*	*8,631*	*8,567*	*8,523*	*8,576*	*8,581*	*8,408*	*8,374*
	Obligations of States and political subdivisions:								
30	Tax warrants, short-term notes, and bills	926	929	909	893	869	939	995	843
31	All other	5,967	6,019	6,040	5,954	5,974	6,063	5,936	5,975
	Other bonds, corporate stocks, and securities:								
32	Certificates of participation [2]	235	221	222	220	220	220	220	220
33	All other, including corporate stocks	1,432	1,462	1,396	1,456	1,513	1,359	1,257	1,336
34	Cash items in process of collection	11,210	11,725	12,475	11,854	10,316	12,355	13,398	13,596
35	Reserves with F.R. Banks	7,556	6,373	6,080	5,353	6,081	5,128	6,048	5,386
36	Currency and coin	775	784	803	763	815	892	913	921
37	Balances with domestic banks	4,760	5,528	5,267	6,603	5,869	5,473	5,739	6,757
38	Investments in subsidiaries not consolidated	1,166	1,167	1,173	1,184	1,157	1,190	1,191	1,165
39	Other assets	19,019	17,450	17,262	17,820	17,012	17,424	17,901	17,545
40	**Total assets/total liabilities**	**132,921**	**132,965**	**132,027**	**134,009**	**131,648**	**134,358**	**133,752**	**134,605**
	Deposits:								
41	*Demand deposits*	*46,228*	*47,074*	*47,879*	*49,478*	*46,048*	*51,125*	*48,958*	*49,793*
42	Individuals, partnerships, and corporations	27,566	26,960	27,325	27,903	26,011	28,880	27,671	27,627
43	States and political subdivisions	676	629	620	543	511	657	733	500
44	U.S. Govt.	131	294	180	106	81	1,994	158	102
	Domestic interbank:								
45	Commercial	9,450	10,636	10,866	11,743	11,069	11,102	10,841	12,494
46	Mutual savings	426	406	401	419	419	436	347	381
	Foreign:								
47	Governments, official institutions, etc.	635	579	870	1,057	925	657	800	912
48	Commercial banks	4,231	4,517	4,599	4,498	4,385	4,337	4,192	4,510
49	Certified and officers' checks	3,113	3,053	3,018	3,209	2,647	3,062	4,216	3,267
50	*Time and savings deposits* [3]	*42,844*	*42,371*	*41,955*	*41,881*	*41,875*	*41,609*	*41,748*	*42,163*
	Individuals, partnerships, and corporations:								
51	Savings	10,548	10,602	10,609	10,701	10,739	10,767	10,773	10,920
52	Other	23,877	23,410	23,090	23,143	23,065	22,753	23,083	23,190
53	States and political subdivisions	1,127	1,208	1,220	1,176	1,193	1,219	1,219	1,333
54	Domestic interbank	2,390	2,306	2,227	2,096	2,091	2,109	2,003	2,099
55	Foreign governments, official institutions, etc.	4,153	4,105	4,065	4,003	4,025	3,997	3,910	3,861
56	Federal funds purchased, etc. [4]	19,373	18,070	17,502	18,121	19,619	16,978	17,275	18,018
	Borrowings from:								
57	F.R. Banks	0	685	50	0	0	0	1,107	0
58	Others	2,125	2,184	2,178	1,846	1,791	1,650	1,729	1,861
59	Other liabilities, etc. [5]	10,472	10,683	10,559	10,778	10,401	11,087	11,015	10,841
60	Total equity capital and subordinated notes/debentures [6]	11,879	11,898	11,904	11,905	11,914	11,909	11,920	11,929

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes U.S. Govt. and foreign bank deposits not shown separately.
4 Includes securities sold under agreements to repurchase.
5 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
6 Includes reserves for securities and contingency portion of reserves for loans.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS OUTSIDE NEW YORK CITY
Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1977							
		Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
1	**Total loans and investments**	**316,261**	**318,251**	**318,029**	**319,350**	**322,382**	**324,144**	**321,116**	**320,829**
	Loans:								
2	*Federal funds sold*[1]	*17,474*	*18,192*	*18,429*	*18,562*	*21,091*	*20,376*	*17,454*	*17,605*
3	To commercial banks	14,242	14,937	15,423	15,297	16,859	14,896	14,116	14,055
	To brokers and dealers involving—								
4	U.S. Treasury securities	1,921	1,968	1,781	1,892	2,438	3,167	1,994	2,116
5	Other securities	439	542	730	577	616	623	451	517
6	To others	872	745	495	796	1,178	1,690	893	917
7	*Other, gross*	*217,365*	*217,956*	*217,931*	*219,104*	*218,951*	*220,273*	*221,092*	*220,925*
8	Commercial and industrial	81,209	81,458	81,810	82,153	82,343	82,890	83,202	82,835
9	Agricultural	4,065	4,059	4,052	4,078	4,108	4,125	4,130	4,147
	For purchasing or carrying securities:								
	To brokers and dealers:								
10	U.S. Treasury securities	225	186	186	172	169	362	229	208
11	Other securities	3,397	3,562	3,284	3,451	3,450	3,215	3,433	3,509
	To others:								
12	U.S. Treasury securities	62	64	62	59	58	59	58	61
13	Other securities	2,158	2,142	2,138	2,136	2,140	2,155	2,147	2,155
	To nonbank financial institutions:								
14	Personal and sales finance cos., etc.	4,714	4,686	4,658	4,706	4,710	4,755	4,860	4,756
15	Other	10,774	10,689	10,575	10,621	10,652	10,679	10,593	10,655
16	Real estate	55,213	55,390	55,473	55,541	55,550	55,845	55,939	56,024
	To commercial banks:								
17	Domestic	1,290	1,260	1,241	1,336	1,230	1,364	1,436	1,434
18	Foreign	3,162	3,216	3,158	3,126	3,065	3,101	3,076	3,053
19	Consumer instalment	35,348	35,420	35,432	35,500	35,447	35,498	35,593	35,778
20	Foreign governments, official institutions, etc.	1,427	1,414	1,402	1,423	1,394	1,354	1,462	1,433
21	All other loans	14,321	14,410	14,460	14,802	14,635	14,871	14,934	14,877
22	LESS: Loan reserve and unearned income on loans	6,953	6,989	7,000	6,979	7,014	7,053	7,086	7,061
23	*Other loans, net*	*210,412*	*210,967*	*210,931*	*212,125*	*211,937*	*213,220*	*214,006*	*213,864*
	Investments:								
24	*U.S. Treasury securities*	*36,653*	*37,402*	*36,954*	*37,330*	*37,876*	*38,459*	*37,995*	*37,660*
25	Bills	7,865	7,617	7,204	7,135	7,201	7,580	7,378	7,188
	Notes and bonds, by maturity:								
26	Within 1 year	6,912	7,055	7,148	7,243	7,223	7,178	7,212	7,055
27	1 to 5 years	18,729	19,640	19,501	19,972	20,413	20,635	20,463	20,353
28	After 5 years	3,147	3,090	3,101	2,980	3,039	3,066	2,942	3,064
29	*Other securities*	*51,722*	*51,690*	*51,715*	*51,333*	*51,478*	*52,089*	*51,661*	*51,700*
	Obligations of States and political subdivisions:								
30	Tax warrants, short-term notes, and bills	5,559	5,368	5,318	5,297	5,365	5,668	5,370	5,347
31	All other	34,147	34,158	34,279	34,134	34,211	34,475	34,351	34,481
	Other bonds, corporate stocks, and securities:								
32	Certificates of participation[2]	1,983	1,961	1,925	1,934	1,986	1,994	2,056	2,077
33	All other, including corporate stocks	10,033	10,203	10,193	9,968	9,916	9,952	9,884	9,795
34	Cash items in process of collection	20,466	23,647	26,221	26,446	21,810	25,421	22,244	22,351
35	Reserves with F. R. Banks	15,473	14,614	16,049	14,317	12,853	14,290	17,738	16,013
36	Currency and coin	4,490	4,663	4,853	4,580	4,468	4,690	4,822	4,942
37	Balances with domestic banks	6,162	6,535	7,012	6,876	6,796	7,147	6,387	7,618
38	Investments in subsidiaries not consolidated	1,369	1,348	1,334	1,322	1,365	1,389	1,352	1,365
39	Other assets	32,800	32,323	33,272	33,555	33,409	33,757	33,584	34,333
40	**Total assets/total liabilities**	**397,021**	**401,381**	**406,770**	**406,446**	**403,083**	**410,838**	**407,243**	**407,451**
	Deposits:								
41	*Demand deposits*	*115,919*	*120,583*	*121,840*	*123,729*	*118,278*	*126,948*	*118,237*	*120,302*
42	Individuals, partnerships, and corporations	92,489	95,013	95,492	96,917	94,153	97,843	94,035	95,109
43	States and political subdivisions	5,370	5,532	5,579	5,680	5,092	5,312	5,582	5,239
44	U.S. Govt.	1,124	1,689	1,493	1,208	1,171	4,862	968	958
	Domestic interbank:								
45	Commercial	11,779	13,151	13,988	14,159	12,744	13,508	12,711	13,699
46	Mutual savings	370	396	388	441	402	406	375	373
	Foreign:								
47	Governments, official institutions, etc.	234	214	246	245	235	211	219	234
48	Commercial banks	1,393	1,256	1,326	1,349	1,299	1,384	1,292	1,338
49	Certified and officers' checks	3,160	3,332	3,328	3,730	3,182	3,422	3,055	3,352
50	*Time and savings deposits*[3]	*188,679*	*188,394*	*188,319*	*188,729*	*190,015*	*190,303*	*191,513*	*192,150*
	Individuals, partnerships, and corporations:								
51	Savings	81,490	81,499	81,778	82,015	82,598	82,956	83,346	83,708
52	Other	81,599	81,338	81,149	81,396	81,909	81,815	82,424	82,786
53	States and political subdivisions	18,864	18,868	18,848	18,754	18,845	18,689	18,819	18,722
54	Domestic interbank	3,020	3,017	2,942	3,001	3,092	3,243	3,308	3,321
55	Foreign governments, official institutions, etc.	3,140	3,074	2,993	2,936	2,923	2,923	2,966	2,976
56	Federal funds purchased, etc.[4]	47,630	47,651	51,560	48,210	49,018	47,712	50,634	49,259
	Borrowings from:								
57	F. R. Banks	58	20	0	10	7	5	974	109
58	Others	1,870	1,909	1,999	1,850	1,902	2,154	2,216	2,064
59	Other liabilities, etc.[5]	12,872	12,976	13,226	13,965	13,822	13,755	13,707	13,671
60	Total equity capital and subordinated notes/debentures[6]	29,993	29,848	29,826	29,953	30,041	29,961	29,962	29,896

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes U.S. Govt. and foreign bank deposits not shown separately.
4 Includes securities sold under agreements to repurchase.
5 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
6 Includes reserves for securities and contingency portion of reserves for loans.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

	Account and bank group	1977 Feb. 9	Feb. 16	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
	Total loans (gross) and investments, adjusted[1]								
1	*Large banks*	*395,642*	*398,188*	*396,723*	*399,551*	*401,221*	*405,809*	*400,281*	*400,405*
2	New York City banks	87,960	89,145	88,358	89,855	89,914	90,872	87,631	88,004
3	Banks outside New York City	307,682	309,043	308,365	309,696	311,307	314,937	312,650	312,401
	Total loans (gross), adjusted								
4	*Large banks*	*287,213*	*288,629*	*287,689*	*290,050*	*290,516*	*294,448*	*290,340*	*291,441*
5	New York City banks	67,906	68,678	67,993	69,017	68,563	70,059	67,346	68,400
6	Banks outside New York City	219,307	219,951	219,696	221,033	221,953	224,389	222,994	223,041
	Demand deposits, adjusted[2]								
7	*Large banks*	*107,987*	*106,515*	*104,496*	*107,691*	*107,135*	*108,831*	*106,875*	*106,895*
8	New York City banks	25,437	24,419	24,358	25,775	24,582	25,674	24,561	23,601
9	Banks outside New York City	82,550	82,096	80,138	81,916	82,553	83,157	82,314	83,294
	Large negotiable time CD's included in time and savings deposits[3]								
	Total:								
10	**Large banks**	**62,148**	**61,225**	**60,374**	**60,206**	**60,774**	**60,277**	**61,253**	**61,768**
11	New York City	22,155	21,639	21,184	20,916	20,941	20,472	20,642	20,858
12	Banks outside New York City	39,993	39,586	39,190	39,290	39,833	39,805	40,611	40,910
	Issued to IPC's:								
13	*Large banks*	*40,737*	*39,912*	*39,350*	*39,375*	*39,733*	*39,141*	*40,113*	*40,473*
14	New York City Banks	15,170	14,706	14,384	14,282	14,265	13,829	14,205	14,251
15	Banks outside New York City	25,567	25,206	24,966	25,093	25,468	25,312	25,908	26,222
	Issued to others:								
16	*Large banks*	*21,411*	*21,313*	*21,024*	*20,831*	*21,041*	*21,136*	*21,140*	*21,295*
17	New York City banks	6,985	6,933	6,800	6,634	6,676	6,643	6,437	6,607
18	Banks outside New York City	14,426	14,380	14,224	14,197	14,365	14,493	14,703	14,688
	All other large time deposits[4]								
	Total:								
19	**Large banks**	**26,101**	**26,076**	**26,141**	**26,091**	**25,990**	**25,928**	**25,778**	**25,723**
20	New York City banks	5,289	5,247	5,287	5,303	5,200	5,303	5,247	5,252
21	Banks outside New York City	20,812	20,829	20,854	20,788	20,790	20,625	20,531	20,471
	Issued to IPC's:								
22	*Large banks*	*14,239*	*14,224*	*14,253*	*14,303*	*14,221*	*14,224*	*14,065*	*14,113*
23	New York City banks	3,898	3,876	3,888	3,951	3,862	3,902	3,842	3,861
24	Banks outside New York City	10,341	10,348	10,365	10,352	10,359	10,322	10,223	10,252
	Issued to others:								
25	*Large banks*	*11,862*	*11,852*	*11,888*	*11,788*	*11,769*	*11,704*	*11,713*	*11,610*
26	New York City banks	1,391	1,371	1,399	1,352	1,338	1,401	1,405	1,391
27	Banks outside New York City	10,471	10,481	10,489	10,436	10,431	10,303	10,308	10,219
	Savings deposits, by ownership category								
	Individuals and nonprofit organizations:								
28	*Large banks*	*84,600*	*84,656*	*84,891*	*85,209*	*85,728*	*86,195*	*86,572*	*87,031*
29	New York City banks	9,511	9,567	9,587	9,628	9,675	9,716	9,745	9,816
30	Banks outside New York City	75,089	75,089	75,304	75,581	76,053	76,479	76,827	77,215
	Partnerships and corporations for profit:[5]								
31	*Large banks*	*4,737*	*4,733*	*4,800*	*4,810*	*4,906*	*4,866*	*4,931*	*4,978*
32	New York City banks	509	515	524	528	531	533	533	544
33	Banks outside New York City	4,228	4,218	4,276	4,282	4,375	4,333	4,398	4,434
	Domestic governmental units:								
34	*Large banks*	*2,565*	*2,607*	*2,613*	*2,601*	*2,600*	*2,570*	*2,521*	*2,510*
35	New York City banks	418	442	439	471	452	446	422	472
36	Banks outside New York City	2,147	2,165	2,174	2,130	2,148	2,124	2,099	2,038
	All other:[6]								
37	*Large banks*	*136*	*105*	*83*	*96*	*103*	*92*	*95*	*109*
38	New York City banks	110	78	59	74	81	72	73	88
39	Banks outside New York City	26	27	24	22	22	20	22	21
	Gross liabilities of banks to their foreign branches								
40	*Large banks*	*2,671*	*3,036*	*3,831*	*3,515*	*3,158*	*4,785*	*3,682*	*3,789*
41	New York City banks	1,722	2,009	2,930	2,486	2,359	3,827	2,643	3,027
42	Banks outside New York City	949	1,027	901	1,029	799	958	1,039	762
	Loans sold outright to selected institutions by all large banks[7]								
43	Commercial and industrial	2,545	2,553	2,612	2,644	2,667	2,674	2,718	2,721
44	Real estate	212	211	212	205	211	173	213	216
45	All other	1,137	1,096	1,118	1,106	1,073	1,078	1,067	1,105

1 Exclusive of loans and Federal funds transactions with domestic commercial banks.

2 All demand deposits except U.S. Govt. and domestic commercial banks, less cash items in process of collection.

3 Certificates of deposit (CD's) issued in denominations of $100,000 or more.

4 All other time deposits issued in denominations of $100,000 or more (not included in large negotiable CD's).

5 Other than commercial banks.

6 Domestic and foreign commercial banks, and official international organizations.

7 To bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Commercial and Industrial Loans

Millions of dollars

Industry group	Outstanding					Net change during—				
	1977					1976	1977			
	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	Q4	Q1	Jan.	Feb.	Mar.
	Total loans classified[2]									
1 **Total**	**95,735**	**95,739**	**96,240**	**96,148**	**95,946**	**4,037**	**−760**	**−2,196**	**664**	**772**
Durable goods manufacturing:										
2 Primary metals	2,579	2,621	2,626	2,619	2,577	138	377	189	148	40
3 Machinery	4,704	4,711	4,866	4,790	4,762	41	104	−72	44	132
4 Transportation equipment	2,190	2,171	2,296	2,310	2,294	−180	64	−20	−13	97
5 Other fabricated metal products	1,778	1,829	1,889	1,888	1,886	22	176	−12	77	111
6 Other durable goods	3,231	3,275	3,365	3,350	3,358	−249	104	−147	81	170
Nondurable goods manufacturing:										
7 Food, liquor, and tobacco	3,310	3,345	3,377	3,378	3,366	128	−134	−88	−43	−3
8 Textiles, apparel, and leather	3,318	3,397	3,414	3,408	3,375	−504	379	121	128	130
9 Petroleum refining	2,489	2,446	2,352	2,340	2,348	120	−293	−2	−117	−174
10 Chemicals and rubber	2,616	2,661	2,714	2,726	2,690	18	132	−13	31	114
11 Other nondurable goods	1,972	1,995	2,020	2,018	2,037	14	140	2	61	77
12 Mining, including crude petroleum and natural gas	7,422	7,451	7,477	7,443	7,436	361	115	84	12	19
Trade:										
13 Commodity dealers	2,158	2,142	2,187	2,134	2,140	377	207	−21	197	31
14 Other wholesale	6,488	6,610	6,693	6,695	6,730	211	470	−52	165	357
15 Retail	6,374	6,405	6,452	6,546	6,532	−268	434	3	100	331
16 Transportation	5,216	5,174	5,203	5,196	5,178	81	−127	−263	135	1
17 Communication	1,588	1,475	1,512	1,443	1,349	−131	−9	53	183	−245
18 Other public utilities	5,648	5,604	5,619	5,591	5,556	−101	−45	12	92	−149
19 Construction	3,935	3,932	3,903	3,968	3,974	−203	65	−48	67	46
20 Services	10,854	10,909	10,913	10,919	10,965	129	410	243	62	105
21 All other domestic loans	7,542	7,451	7,512	7,679	7,656	576	−263	−415	−106	258
22 Bankers acceptances	4,378	4,201	3,972	3,870	3,903	3,285	−2,970	−1,811	−631	−528
23 Foreign commercial and industrial loans	5,945	5,934	5,878	5,837	5,834	172	−96	61	−9	−148
MEMO:										
24 Commercial paper included in total classified loans[1]	....	....	....	....	320	241	−248	−192	−42	−14
25 Total commercial and industrial loans of all large weekly reporting banks	116,198	116,325	117,060	117,099	116,774	4,264	191	−2,145	1,013	1,323
	1976		1977			1976	1977	1977		
	Nov. 24	Dec. 29	Jan. 26	Feb. 23	Mar. 30	Q4	Q1	Jan.	Feb.	Mar.
	"Term" loans classified[3]									
26 **Total**	**r44,812**	**45,211**	**45,291**	**45,735**	**45,838**	**r450**	**627**	**80**	**444**	**103**
Durable goods manufacturing:										
27 Primary metals	1,253	1,317	1,449	1,481	1,521	103	204	132	32	40
28 Machinery	2,637	2,585	2,587	2,551	2,552	−90	−33	2	−36	1
29 Transportation equipment	1,303	1,352	1,365	1,298	1,339	−29	−13	13	−67	41
30 Other fabricated metal products	777	776	767	815	820	20	44	−9	48	5
31 Other durable goods	1,655	1,625	1,549	1,585	1,625	r−111	....	−75	36	40
Nondurable goods manufacturing:										
32 Food, liquor, and tobacco	1,392	1,398	1,449	1,447	1,412	−37	14	51	−2	−35
33 Textiles, apparel, and leather	1,118	1,098	1,033	1,036	1,071	−46	−27	−65	3	35
34 Petroleum refining	1,864	1,972	1,925	1,901	1,770	r64	−202	−46	−24	−131
35 Chemicals and rubber	1,449	1,444	1,456	1,522	1,547	−20	103	12	66	25
36 Other nondurable goods	950	954	975	987	1,032	r19	78	20	12	45
37 Mining, including crude petroleum and natural gas	5,517	5,683	5,793	5,761	5,856	341	173	110	−32	95
Trade:										
38 Commodity dealers	r219	200	227	219	199	−9	−1	27	−8	−20
39 Other wholesale	1,474	1,463	1,483	1,478	1,478	69	15	20	−5	....
40 Retail	2,249	2,045	2,085	r2,212	2,273	89	228	40	r127	61
41 Transportation	3,809	3,937	3,720	r3,830	3,773	r3	−164	−218	r110	−57
42 Communication	913	847	810	829	779	−56	−68	−37	19	−50
43 Other public utilities	3,549	3,664	3,762	3,869	3,907	60	243	98	107	38
44 Construction	r1,665	1,629	1,638	1,683	1,661	r−62	32	9	45	−22
45 Services	5,151	4,998	5,212	5,216	5,111	31	113	214	4	−105
46 All other domestic loans	2,567	2,600	2,383	2,352	2,426	181	−174	−217	40	74
47 Foreign commercial and industrial loans	r3,301	3,624	3,623	3,663	3,686	r108	62	−1	−31	23

1 Reported for the last Wednesday of each month.
2 Includes "term" loans, shown below.
3 Outstanding loans with an original maturity of more than 1 year and all outstanding loans granted under a formal agreement—revolving credit or standby—on which the original maturity of the commitment was in excess of 1 year.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars; estimated daily-average balances

Type of holder	1972 Dec.	1973 Dec.	1974 Dec.	1975 June	1975 Sept.	1975 Dec.	1976 Mar.	1976 June	1976 Sept.	1976 Dec.
	All commercial banks									
1 **All holders, IPC**	**208.0**	**220.1**	**225.0**	**222.2**	**227.0**	**236.9**	**227.9**	**234.2**	**236.1**	**250.1**
2 Financial business	18.9	19.1	19.0	19.4	19.0	20.1	19.9	20.3	19.7	22.3
3 Nonfinancial business	109.9	116.2	118.8	115.1	118.7	125.1	116.9	121.2	122.6	130.2
4 Consumer	65.4	70.1	73.3	74.8	76.5	78.0	77.2	78.8	80.0	82.6
5 Foreign	1.5	2.4	2.3	2.3	2.2	2.4	2.4	2.5	2.3	2.7
6 Other	12.3	12.4	11.7	10.6	10.6	11.3	11.4	11.4	11.5	12.4

Type of holder	1973 Dec.	1974 Dec.	1975 Dec.	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
	All weekly reporting banks									
7 **All holders, IPC**	**118.1**	**119.7**	**124.4**	**112.9**	**121.4**	**123.8**	**124.3**	**128.5**	**127.4**	**123.0**
8 Financial business	14.9	14.8	15.6	15.0	15.4	16.8	16.2	17.5	16.7	15.6
9 Nonfinancial business	66.2	66.9	69.9	61.4	66.6	68.4	68.7	69.7	69.5	67.4
10 Consumer	28.0	29.0	29.9	29.2	30.7	29.6	30.4	31.7	32.0	31.1
11 Foreign	2.2	2.2	2.3	1.8	2.2	2.4	2.5	2.6	2.2	2.4
12 Other	6.8	6.8	6.6	5.6	6.6	6.6	6.6	7.1	7.1	6.5

NOTE.—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.

1.33 COMMERCIAL PAPER AND BANKERS ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1974 Dec.	1975 Dec.	1976 Dec.	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
1 **Commercial paper all issuers**	**49,144**	**47,690**	**r52,041**	**r50,100**	**r49,852**	**r51,370**	**r53,116**	**r52,041**	**r53,905**	**54,216**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	4,611	6,239	7,294	6,243	6,347	6,674	7,113	7,294	7,347	7,291
3 Bank-related	1,814	1,762	r1,900	r1,612	r1,644	r1,703	r1,825	r1,900	r1,895	1,929
Directly-placed paper:[3]										
4 Total	31,839	31,276	r32,416	r31,537	r31,476	r31,880	r32,691	r32,416	r32,753	32,176
5 Bank-related	6,518	6,892	r5,959	r5,976	r6,250	r5,864	r5,944	r5,959	r5,637	5,502
6 Nonfinancial companies[4]	12,694	10,175	12,331	12,320	12,029	12,816	13,312	12,331	13,805	14,749
7 **Dollar acceptances total**	**18,484**	**18,727**	**22,523**	**19,383**	**19,599**	**20,312**	**20,678**	**22,523**	**22,362**	**22,187**
Held by:										
8 *Accepting banks*	*4,226*	*7,333*	10,442	*6,107*	*6,798*	*7,959*	*9,031*	*10,442*	*8,183*	*7,991*
9 Own bills	3,685	5,899	8,769	5,449	5,865	6,789	7,706	8,769	7,011	6,654
10 Bills bought	542	1,435	1,673	658	933	1,170	1,325	1,673	1,172	1,337
F.R. Banks:										
11 Own account	999	1,126	991	808	838	337	188	991	191	322
12 Foreign correspondents	1,109	293	375	442	417	387	349	375	374	440
13 Others	12,150	9,975	13,447	r12,026	r11,545	11,629	r11,111	r10,715	r13,615	13,434
Based on:										
14 Imports into United States	4,023	3,726	4,992	4,530	4,498	4,737	4,667	4,992	4,992	5,138
15 Exports from United States	4,067	4,001	4,818	4,355	4,420	4,715	4,628	4,818	5,137	5,074
16 All other	10,394	11,000	12,713	10,498	10,680	10,860	11,383	12,713	12,233	11,974

[1] 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.

[2] Includes all financial company paper sold by dealers in the open market.

[3] As reported by financial companies that place their paper directly with investors.

[4] Includes public utilities and firms engaged primarily in activities such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.34 PRIME RATE CHARGED BY BANKS on Short-term Business Loans

Per cent per annum

Effective date	Rate	Effective date	Rate	Month	Average rate
1975—Jan. 9	10¼	1975—Aug. 12	7¼	1975—Aug.	7.66
15	10	Sept. 15	8	Sept.	7.88
20	9¾	Oct. 27	7¾	Oct.	7.96
28	9½	Nov. 5	7½	Nov.	7.53
Feb. 3	9¼	Dec. 2	7¼	Dec.	7.26
10	9	1976—Jan. 12	7	1976—Jan.	7.00
18	8¾	21	6¾	Feb.	6.75
24	8½	June 1	7	Mar.	6.75
Mar. 5	8¼	7	7¼	Apr.	6.75
10	8	Aug. 2	7	May	6.75
18	7¾	Oct. 4	6¾	June	7.20
24	7½	Nov. 1	6½	July	7.25
May 20	7¼	Dec. 13	6¼	Aug.	7.01
June 9	7			Sept.	7.00
July 18	7¼			Oct.	6.78
28	7½			Nov.	6.50
				Dec.	6.35
				1977—Jan.	6.25
				Feb.	6.25
				Mar.	6.25

1.35 INTEREST RATES CHARGED BY BANKS on Business Loans

Per cent per annum

Center	All sizes		Size of loan (in thousands of dollars): 1–9		10–99		100–499		500–999		1,000 and over	
	1976 Nov.	1976 Aug.	1976 Nov.	1976 Aug.	1976 Nov.	1976 Aug.	1976 Nov.	1976 Aug.	1976 Nov.	1976 Aug.	1976 Nov.	1976 Aug.
					Short-term rates							
1 **All 35 centers**	**7.28**	**7.80**	**8.83**	**9.06**	**8.18**	**8.58**	**7.66**	**7.99**	**7.31**	**7.84**	**7.02**	**7.61**
2 New York City	6.88	7.48	8.56	8.85	7.94	8.40	7.43	7.91	7.24	7.77	6.74	7.36
3 7 Other Northeast	7.62	8.18	9.22	9.41	8.34	8.84	7.88	8.25	7.49	8.16	7.34	7.98
4 8 North Central	7.28	7.70	8.45	8.65	8.12	8.50	7.69	7.85	7.36	7.71	7.03	7.55
5 7 Southeast	7.51	7.95	9.13	9.33	8.48	8.76	7.71	8.00	7.04	7.85	7.07	7.54
6 8 Southwest	7.33	7.75	8.51	8.83	7.82	8.24	7.39	7.80	7.21	7.61	7.12	7.55
7 4 West Coast	7.52	8.15	8.69	9.26	8.46	8.79	7.88	8.28	7.44	8.06	7.34	8.05
					Revolving credit rates							
8 **All 35 centers**	**7.19**	**7.87**	**8.37**	**8.70**	**8.14**	**8.33**	**7.60**	**8.02**	**7.41**	**7.80**	**7.12**	**7.88**
9 New York City	7.18	8.14	7.23	7.25	7.86	8.26	7.21	7.70	6.97	7.56	7.19	8.19
10 7 Other Northeast	6.92	7.59	8.15	8.00	8.20	8.22	7.26	7.67	7.75	8.36	6.75	7.47
11 8 North Central	7.54	7.96	8.52	8.94	8.95	9.03	8.05	8.50	7.88	7.74	7.39	7.90
12 7 Southeast	7.05	7.48	8.31	8.75	8.09	8.40	7.56	8.16	6.77	....	6.83	7.13
13 8 Southwest	7.45	7.81	8.19	8.74	7.96	8.09	7.74	8.20	7.24	7.47	7.39	7.80
14 4 West Coast	7.11	7.73	8.77	9.10	7.85	8.08	7.58	7.95	7.45	7.91	7.01	7.68
					Long-term rates							
15 **All 35 centers**	**7.48**	**8.45**	**9.39**	**9.61**	**8.88**	**9.02**	**8.14**	**8.55**	**8.13**	**8.60**	**7.24**	**8.40**
16 New York City	7.36	8.52	7.19	....	8.55	8.27	7.93	8.05	8.06	8.44	7.26	8.56
17 7 Other Northeast	6.64	8.62	9.22	9.40	8.84	9.43	7.95	8.93	7.92	7.50	5.73	8.70
18 8 North Central	7.66	8.05	9.20	8.83	9.03	9.07	8.35	8.26	8.99	8.36	7.32	7.92
19 7 Southeast	7.59	8.88	9.87	9.60	9.35	9.08	7.93	9.88	4.00	8.18	7.79	8.06
20 8 Southwest	7.73	8.42	10.54	10.85	9.05	9.04	8.28	8.23	8.44	8.69	7.20	8.30
21 4 West Coast	8.04	8.67	8.70	9.28	8.54	8.58	8.31	8.81	7.78	10.00	8.03	8.46

NOTE.—Weighted-average rates based on sample of loans made during first 7 days of the survey month.

1.36 INTEREST RATES/Money and Capital Markets

Averages, per cent per annum

	Instrument	1974	1975	1976	1976	1977			1977, week ending—				
					Dec.	Jan.	Feb.	Mar.	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Apr. 2
		Money market rates											
	Prime commercial paper [1]												
1	90- to 119-day	10.05	6.26	5.24	4.66	4.72	4.76	4.75	4.75	4.75	4.75	4.75	4.75
2	4- to 6-month	9.87	6.33	5.35	4.70	4.74	4.82	4.87	4.85	4.85	4.88	4.88	4.88
3	Finance company paper, directly placed, 3- to 6- month [2]	8.62	6.16	5.22	4.56	4.64	4.75	4.77	4.75	4.75	4.75	4.85	4.85
4	Prime bankers acceptances, 90-day [3]	9.92	6.30	5.19	4.62	4.81	4.83	4.80	4.83	4.84	4.81	4.79	4.76
5	Federal funds [4]	10.51	5.82	5.05	4.65	4.61	4.68	4.69	4.68	4.63	4.62	4.77	4.74
	Large negotiable certificates of deposit												
6	3-month, secondary market [5]	10.27	6.43	5.26	4.67	4.82	4.65	4.83	4.88	4.87	4.83	4.80	4.81
7	3-month, primary market [6]	......	......	5.15	4.44	4.68	4.69	4.74	4.75	4.75	4.75	4.71	4.75
8	Euro-dollar deposits, 3-month [7]	10.96	6.97	5.57	5.01	5.14	5.08	5.13	5.15	5.09	5.10	5.08	5.24
	U.S. Govt. securities												
	Bills: [8]												
	Market yields:												
9	3-month	7.84	5.80	4.98	4.35	4.62	4.67	4.60	4.66	4.63	4.59	4.57	4.57
10	6-month	7.95	6.11	5.26	4.51	4.83	4.90	4.88	4.93	4.92	4.87	4.85	4.81
11	1-year	7.71	6.30	5.52	4.64	5.00	5.16	5.19	5.23	5.22	5.18	5.17	5.15
	Rates on new issue:												
12	3-month	7.886	5.838	4.989	4.354	4.597	4.662	4.613	4.708	4.652	4.545	4.553	4.609
13	6-month	7.926	6.122	5.266	4.513	4.783	4.896	4.883	4.943	4.965	4.813	4.826	4.870
	Notes and bonds maturing in— [9]												
14	9 to 12 months	8.25	6.70	5.84	4.92	5.34	5.50	5.50	5.55	5.54	5.50	5.46	5.45
15	3 to 5 years	7.81	7.55	6.94	5.96	6.49	6.69	6.73	6.76	6.77	6.71	6.68	6.70
	Constant maturities: [10]												
16	1-year	8.18	6.76	5.88	4.89	5.29	5.47	5.50	5.55	5.52	5.49	5.49	5.45
17	2-year	......	......	6.31	5.38	5.90	6.09	6.09	6.11	6.12	6.08	6.06	6.05
18	3-year	7.82	7.49	6.77	5.68	6.22	6.44	6.47	6.49	6.50	6.46	6.44	6.45
19	5-year	7.80	7.77	7.18	6.10	6.58	6.83	6.93	6.96	6.96	6.90	6.89	6.94
		Capital market rates											
	Government notes and bonds												
	U.S. Treasury:												
	Constant maturities: [10]												
20	7-year	7.71	7.90	7.42	6.37	6.92	7.16	7.20	7.22	7.23	7.17	7.18	7.22
21	10-year	7.56	7.99	7.61	6.87	7.21	7.39	7.46	7.46	7.49	7.45	7.45	7.45
22	20-year	8.05	8.19	7.86	7.30	7.48	7.64	7.73	7.75	7.76	7.72	7.71	7.73
23	30-year	......	......	......	......	......	......	7.80	7.81	7.82	7.78	7.77	7.79
24	Long-term [9]	6.99	6.98	6.78	6.39	6.68	7.15	7.20	7.21	7.22	7.20	7.18	7.19
	State and local: [11]												
	Moody's series:												
25	Aaa	5.89	6.42	5.66	5.07	5.10	5.17	5.21	5.20	5.23	5.20	5.20	5.20
26	Baa	6.53	7.62	7.49	6.73	6.58	6.50	6.41	6.47	6.43	6.40	6.40	6.35
27	*Bond Buyer* series [12]	6.17	7.05	6.64	5.94	5.87	5.89	5.89	5.92	5.92	5.90	5.88	5.85
	Corporate bonds												
	Seasoned issues [13]												
28	All industries	9.03	9.57	9.01	8.47	8.41	8.48	8.51	8.51	8.52	8.50	8.51	8.53
	By rating groups:												
29	Aaa	8.57	8.83	8.43	7.98	7.96	8.04	8.10	8.10	8.12	8.09	8.09	8.10
30	Aa	8.84	9.17	8.75	8.24	8.16	8.26	8.28	8.27	8.26	8.28	8.29	8.31
31	A	9.20	9.65	9.09	8.53	8.45	8.49	8.55	8.52	8.53	8.54	8.56	8.59
32	Baa	9.50	10.61	9.75	9.12	9.08	9.12	9.12	9.16	9.15	9.10	9.09	9.11
	Aaa utility bonds: [14]												
33	New issue	9.33	9.40	8.48	7.94	8.08	8.22	8.25	......	8.30	8.23	8.22	8.25
34	Recently offered issues	9.34	9.41	8.49	7.93	8.09	8.19	8.29	8.27	8.32	8.27	8.29	8.26
	Common stocks												
	Dividend/price ratio:												
35	Preferred stocks	8.23	8.38	7.97	7.70	7.54	7.55	7.56	4.35	4.37	4.29	4.38	4.47
36	Common stocks	4.47	4.31	3.77	3.99	3.99	4.21	4.37	7.51	7.61	7.51	7.56	7.60

1 Averages of the most representative daily offering rate quoted by dealers.

2 Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

3 Beginning Aug. 15, 1974, the rate is the average of the midpoint of the range of daily dealer closing rates offered for domestic issues; prior data are averages of the most representative daily offering rate quoted by dealers.

4 Weekly figures are 7-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

5 Averages of the daily midpoints as determined from the range of offering rates in the secondary market.

6 Posted rates, which are the annual interest rates most often quoted on new offerings of negotiable CD's in denominations of $100,000 or more. Rates prior to 1976 not available. Weekly figures are for Wednesday dates.

7 Averages of daily quotations for the week ending Wednesday.

8 Except for new bill issues, yields are computed from daily closing bid prices. Yields for all bills are quoted on a bank-discount basis.

9 Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years.

10 Yields on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

11 General obligations only, based on figures for Thursday, from Moody's Investors Service.

12 Twenty issues of mixed quality.

13 Averages of daily figures from Moody's Investors Service.

14 Compilation of the Board of Governors of the Federal Reserve System.

Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

1.37 STOCK MARKET Selected Statistics

	Indicator	1974	1975	1976	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
		Prices and trading (averages of daily figures)									
	Common stock prices										
1	**New York Stock Exchange (Dec. 31, 1965 = 50)**	**43.84**	**45.73**	**54.45**	**56.30**	**54.43**	**54.17**	**56.34**	**56.28**	**54.93**	**54.67**
2	Industrial	48.08	51.88	60.44	62.34	60.07	59.45	61.54	61.26	59.65	59.56
3	Transportation	31.89	30.73	39.57	40.36	38.37	39.28	41.77	41.93	40.59	40.52
4	Utility	29.82	31.45	36.97	38.77	38.33	38.85	40.61	41.13	40.86	40.18
5	Finance	49.67	46.62	52.94	54.51	52.74	53.25	57.45	57.86	55.65	54.84
6	**Standard and Poor's Corporation (1941-43 = 10)**[1]	**82.85**	**85.17**	**102.01**	**105.45**	**101.89**	**101.19**	**104.66**	**103.81**	**100.96**	**100.57**
7	**American Stock Exchange (Aug. 31, 1973 = 100)**	**79.97**	**83.15**	**101.63**	**102.92**	**98.99**	**99.20**	**104.06**	**111.04**	**112.17**	**111.77**
	Volume of trading thousands of shares										
8	New York Stock Exchange	13,883	18,568	21,189	18,892	17,397	19,370	23,621	23,562	19,310	17,814
9	American Stock Exchange	1,908	2,150	2,565	1,902	1,700	2,211	3,095	3,268	2,830	2,580
		Customer financing (end-of-period balances, in millions of dollars)									
10	**Regulated margin credit at brokers/dealers and banks**[3]	**4,836**	**6,500**	**r8,995**	**r8,788**	**8,772**	**r8,640**	**8,995**	**9,289**	....	....
11	*Brokers, total*	*3,980*	*5,540*	*8,166*	*7,707*	*7,704*	*7,790*	*8,166*	*8,469*	*8,679*	....
12	Margin stock[4]	3,840	5,390	7,960	7,530	7,530	7,610	7,960	8,270	8,480	....
13	Convertible bonds	137	147	204	174	168	178	204	196	197	....
14	Subscription issues	3	3	2	3	6	2	2	3	2	....
15	*Banks, total*	*856*	*960*	*r829*	*r1,081*	*1,068*	*r850*	*829*	*820*	....	....
16	Margin stocks	815	909	r786	r1,032	1,019	r801	r786	776	....	....
17	Convertible bonds	30	36	r29	r34	34	35	r29	27	....	....
18	Subscription issues	11	15	r14	r15	15	14	14	17	....	....
19	**Unregulated nonmargin stock credit at banks**[5]	**2,064**	**2,281**	**r3,684**	**r2,651**	**2,774**	**r3,737**	**r3,684**	**3,693**	....	....
	MEMO: Free credit balances at brokers[6]										
20	Margin-account	410	475	585	555	611	615	585	645	605	....
21	Cash-account	1,425	1,525	1,855	1,710	1,580	1,740	1,855	1,930	1,815	....
		Margin-account debt at brokers (percentage distribution, end of period)									
22	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	....	....
	By equity class (in per cent):[7]										
23	Under 40	45.4	25.0	13.0	12.2	15.0	14.0	13.0	15.0	....	....
24	40-49	23.0	28.8	22.0	29.9	34.0	32.0	22.0	23.0	....	....
25	50-59	13.9	22.3	35.0	29.6	25.6	27.0	35.0	35.0	....	....
26	60-69	8.8	11.6	15.0	14.1	12.7	13.0	15.0	13.0	....	....
27	70-79	4.6	6.9	8.7	8.0	7.2	8.0	8.7	8.0	....	....
28	80 or more	4.3	5.3	6.0	6.3	5.7	6.0	6.0	6.0	....	....

Margin requirements[8] (per cent of market value) effective—

		Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
29	Margin stocks	70	80	65	55	65	50
30	Convertible bonds	50	60	50	50	50	50
31	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 Based on trading for a 5½-hour day.

3 Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended by brokers is end-of-month data for member firms of the New York Stock Exchange; June data for banks are universe totals; all other data for banks are estimates for all commercial banks based on data from a sample of reporting banks.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

4 A distribution of this total by equity class is shown below.

5 Nonmargin stocks are those not listed on a national securities exchange and not included on the Federal Reserve System's list of over-the-counter margin stocks. At banks, loans to purchase or carry nonmargin stocks are unregulated; at brokers, such stocks have no loan value.

6 Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

7 Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

8 Regulations G, T, and U, 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 per cent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

Regulation G and special margin requirements for bonds convertible into stocks were adopted by the Board of Governors effective Mar. 11, 1968.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1974	1975	1976	1976 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1977 Jan.	Feb.
							Savings and loan associations					
1 **Assets**	**295,545**	**338,233**	**391,999**	**366,425**	**371,770**	**376,188**	**379,747**	**385,013**	**389,173**	**391,999**	**398,299**	**403,597**
2 Mortgages	249,301	278,590	323,130	299,296	303,527	307,766	311,847	315,742	319,273	323,130	326,056	329,104
3 Cash and investment securities[1]	23,251	30,853	35,660	35,258	35,968	35,815	35,209	36,442	36,605	35,660	38,252	39,503
4 Other	22,993	28,790	33,209	31,871	32,275	32,607	32,691	32,829	33,295	33,209	33,991	34,990
5 **Liabilities and net worth**	**295,545**	**338,233**	**391,999**	**366,425**	**371,770**	**376,188**	**379,747**	**385,013**	**389,173**	**391,999**	**398,299**	**403,597**
6 Savings capital	242,974	285,743	336,030	312,904	316,072	318,227	323,800	327,252	329,833	336,030	341,211	344,603
7 *Borrowed money*	*24,780*	*20,634*	*19,087*	*18,173*	*18,360*	*18,856*	*19,083*	*18,810*	*18,715*	*19,087*	*18,455*	*18,271*
8 FHLBB	21,508	17,524	15,708	15,016	15,139	15,495	15,832	15,636	15,571	15,708	15,029	14,661
9 Other	3,272	3,110	3,379	3,157	3,221	3,361	3,251	3,174	3,144	3,379	3,426	3,610
10 Loans in process	3,244	5,128	6,836	6,397	6,572	6,628	6,688	6,735	6,753	6,836	6,718	6,785
11 Other	6,105	6,949	8,015	8,176	9,756	11,197	8,779	10,531	11,918	8,015	9,667	11,418
12 Net worth[2]	18,442	19,779	22,031	20,775	21,010	21,280	21,398	21,685	21,954	22,031	22,248	22,520
MEMO:												
13 Mortgage loan commitments outstanding[3]	7,454	10,673	14,828	16,610	16,301	15,773	15,449	15,319	15,467	14,828	15,079	16,914
							Mutual savings banks					
14 **Assets**	**109,550**	**121,056**	**134,702**	**128,436**	**129,826**	**130,571**	**131,413**	**132,455**	**133,361**	**134,702**	**135,827**	....
Loans:												
15 Mortgage	74,891	77,221	81,554	78,803	79,398	79,781	80,145	80,543	80,884	81,554	81,771	....
16 Other	3,812	4,023	5,192	5,137	5,341	5,210	5,478	5,549	5,801	5,192	5,964	....
Securities:												
17 U.S. Govt.	2,555	4,740	5,911	5,635	5,640	5,733	5,851	5,796	5,836	5,911	5,991	....
18 State and local government	930	1,545	2,420	2,337	2,376	2,339	2,359	2,429	2,466	2,420	2,298	....
19 Corporate and other[4]	22,550	27,992	33,676	31,493	32,028	32,319	32,432	32,793	33,074	33,676	34,359	....
20 Cash	2,167	2,330	2,374	1,558	1,538	1,552	1,581	1,695	1,668	2,374	1,814	....
21 Other assets	2,645	3,205	3,574	3,470	3,505	3,576	3,567	3,649	3,632	3,574	3,629	....
22 **Liabilities**	**109,550**	**121,056**	**134,702**	**128,436**	**129,826**	**130,571**	**131,413**	**132,455**	**133,361**	**134,702**	**135,827**	....
23 *Deposits*	*98,701*	*109,873*	*122,802*	*116,876*	*117,883*	*118,225*	*119,590*	*120,360*	*120,971*	*122,802*	*123,773*	....
24 Regular[5]	98,221	109,291	121,874	115,985	116,895	117,203	118,510	119,346	120,125	121,874	122,815	....
25 Ordinary savings	64,286	69,653	74,483	72,763	73,223	72,872	73,484	73,610	73,857	74,483	74,591	....
26 Time and other	33,935	39,639	47,391	43,223	43,662	44,331	45,027	45,736	46,268	47,391	48,224	....
27 Other	480	582	928	890	988	1,022	1,080	1,014	846	928	958	....
28 Other liabilities	2,888	2,755	2,853	2,841	3,161	3,490	2,898	3,140	3,376	2,853	2,952	....
29 General reserve accounts	7,961	8,428	9,047	8,719	8,781	8,855	8,925	8,955	9,015	9,047	9,101	....
MEMO:												
30 Mortgage loan commitments outstanding[6]	2,040	1,803	2,439	2,402	2,433	2,459	2,671	2,548	2,553	2,439	2,584	....
							Life insurance companies					
31 **Assets**	**263,349**	**289,304**	**320,555**	**304,728**	**307,005**	**309,295**	**312,044**	**313,960**	**316,505**	**320,555**	**322,489**	....
Securities:												
32 *Government*	*10,900*	*13,758*	*17,270*	*15,947*	*16,672*	*16,902*	*16,862*	*17,329*	*17,565*	*17,270*	*17,549*	....
33 United States[7]	3,372	4,736	5,156	4,863	5,150	5,922	5,150	5,448	5,606	5,156	5,291	....
34 State and local	3,667	4,508	5,551	5,196	5,263	5,324	5,364	5,446	5,467	5,551	5,614	....
35 Foreign[8]	3,861	4,514	6,563	5,888	6,259	6,286	6,348	6,435	6,492	6,563	6,644	....
36 *Business*	*119,637*	*135,317*	*157,625*	*147,193*	*148,617*	*150,303*	*152,125*	*153,298*	*154,502*	*157,625*	*159,464*	....
37 Bonds	97,717	107,256	123,149	114,583	116,101	117,806	118,706	120,358	121,659	123,149	125,892	....
38 Stocks	21,920	28,061	34,476	32,610	32,516	32,497	33,419	32,940	32,843	34,476	33,572	....
39 Mortgages	86,234	89,167	91,581	89,691	89,753	89,891	90,217	90,323	90,808	91,581	91,615	....
40 Real estate	8,331	9,621	10,526	10,004	10,050	10,146	10,175	10,285	10,310	10,526	10,550	....
41 Policy loans	22,862	24,467	25,849	25,142	25,257	25,383	25,505	25,607	25,710	25,849	25,921	....
42 Other assets	15,385	16,971	17,704	16,751	16,656	16,670	17,160	17,118	17,610	17,704	17,390	....
							Credit unions					
43 **Total assets/liabilities and capital**	**31,948**	**38,037**	**44,897**	**41,884**	**41,729**	**42,266**	**43,079**	**43,415**	**44,089**	**44,835**	**44,906**	**45,798**
44 Federal	16,715	20,209	24,164	22,520	22,385	22,698	23,198	23,283	23,668	24,164	24,188	24,756
45 State	15,233	17,828	20,733	19,364	19,344	19,658	19,881	20,132	20,421	20,671	20,718	21,042
46 *Loans outstanding*	*24,432*	*28,169*	*34,033*	*31,089*	*31,555*	*32,300*	*33,093*	*33,275*	*33,732*	*34,293*	*34,188*	*34,549*
47 Federal	12,730	14,869	18,022	16,421	16,614	17,065	17,458	17,522	17,786	18,202	18,081	18,275
48 State	11,702	13,300	16,011	14,668	14,941	15,235	15,635	15,753	15,946	16,091	16,107	16,274
49 *Savings*	*27,518*	*33,013*	*39,264*	*36,675*	*36,615*	*36,752*	*37,436*	*37,854*	*38,281*	*38,968*	*39,344*	*39,981*
50 Federal (shares)	14,370	17,530	21,149	19,696	19,663	19,783	20,167	20,358	20,597	20,980	21,165	21,559
51 State (shares and deposits)	13,148	15,483	18,115	16,979	16,952	16,969	17,269	17,496	17,684	17,988	18,179	18,422

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS
Millions of dollars

	Type of account or operation	Fiscal year 1975	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Calendar year 1975 H2	1976 H1	1976 H2	1976 Dec.	1977 Jan.	1977 Feb.
	U.S. Budget									
1	Receipts	280,997	300,005	81,773	139,455	160,552	157,961	29,472	29,977	24,327
2	Outlays [1,2]	326,105	366,466	94,746	185,097	181,369	193,719	31,891	32,640	30,880
3	*Surplus, or deficit (−)*	*−45,108*	*−66,461*	*−12,973*	−45,642	−20,816	*−35,758*	*−2,419*	*−2,664*	*−6,554*
4	Trust funds	7,419	2,409	−1,952	−3,125	5,503	−4,621	1,737	−2,344	1,099
5	Federal funds [3]	−52,526	−68,870	−11,021	−42,517	−26,320	−31,137	−4,156	−321	−7,654
	Off-budget entities surplus, or deficit (−)									
6	Federal Financing Bank outlays	−6,389	−5,915	−2,575	−2,693	−3,222	−5,176	−1,598	−1,009	−460
7	Other [1,4]	−1,652	−1,355	793	−236	−1,119	3,809	48	−1,881	9
	U.S. Budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit (−)*	*−53,149*	*−73,731*	*−14,755*	*−48,571*	*−25,158*	*−37,125*	*−3,969*	*−5,554*	*−7,005*
	Financed by:									
9	Borrowing from the public [2]	50,867	82,922	18,027	49,361	33,561	35,457	6,306	3,157	9,118
10	Cash and monetary assets (decrease, or increase (−))	−320	−7,796	−2,899	−2,046	−7,909	2,153	−3,527	−1,583	−1,194
11	Other [5]	2,602	−1,396	−373	1,256	−495	−485	1,189	3,980	−920
	MEMO:									
12	**Treasury operating balance (level, end of period)**	**7,591**	**14,836**	**17,418**	**8,452**	**14,836**	**11,670**	**11,670**	**12,688**	**14,599**
13	F.R. Banks	5,773	11,975	13,299	7,286	11,975	10,393	10,393	11,397	12,179
14	Tax and loan accounts	1,475	2,854	4,119	1,159	2,854	1,277	1,277	1,292	2,420
15	Other demand accounts [6]	343	7	....	7	7	....	....	....	....

1 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status.
2 Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to Pefco are treated as debt rather than asset sales.
3 Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.
4 Includes Pension Benefit Guaranty Corp., Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Housing for the Elderly or Handicapped Fund.
5 Includes: Public debt accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment.
6 Excludes the gold balance but includes deposits in certain commercial depositories that have been converted from a time deposit to a demand deposit basis to permit greater flexibility in Treasury cash management.

SOURCE.—"Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and *U.S. Budget, Fiscal Year 1978*.

NOTES TO TABLE 1.38

1 Stock of the Federal Home Loan Bank Board (FHLBB) is included in "other assets."
2 Includes net undistributed income, which is accrued by most, but not all, associations.
3 Excludes figures for loans in process, which are shown as a liability.
4 Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. Govt. agencies.
5 Excludes checking, club, and school accounts.
6 Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Assn. of the State of New York.
7 Direct and guaranteed obligations. Excludes Federal agency issues not guaranteed, which are shown in this table under "business" securities.
8 Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

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

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States. Data are reported on a gross-of-valuation-reserves basis.

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

Credit unions: Estimates by the National Credit Union Administration for a group of Federal and State-chartered credit unions that account for about 30 per cent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

	Source or type	Fiscal year 1975	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Calendar year 1975 H2	Calendar year 1976 H1	Calendar year 1976 H2	Calendar year 1976 Dec.	Calendar year 1977 Jan.	Calendar year 1977 Feb.
	Receipts									
1	**All sources**	**280,997**	**300,005**	**81,773**	**139,455**	**160,552**	**157,961**	**29,472**	**29,977**	**24,327**
2	*Individual income taxes, net*	*122,386*	*131,603*	*38,801*	*65,835*	*65,767*	*75,094*	*12,663*	*18,108*	*8,515*
3	Withheld	122,071	123,408	32,949	59,549	63,859	68,023	12,179	11,979	11,398
4	Presidential Election Campaign Fund	32	34	1	....	33	1	....	1	8
5	Nonwithheld	34,296	35,528	6,809	7,649	27,879	8,426	678	6,141	1,154
6	Refunds	34,013	27,367	958	1,362	26,004	1,356	194	13	4,045
7	*Corporation income taxes:*									
8	Gross receipts	45,747	46,783	9,808	18,810	27,973	20,706	7,838	2,007	1,311
9	Refunds	5,125	5,374	1,348	2,735	2,639	2,886	205	313	363
10	*Social insurance taxes and contributions, net*	*86,441*	*92,714*	*25,760*	*40,886*	*51,828*	*47,596*	*6,207*	*7,320*	*10,764*
11	Payroll employment taxes and contributions [1]	71,789	76,391	21,534	35,443	40,947	40,427	5,809	6,271	9,110
12	Self-employment taxes and contributions [1]	3,417	3,518	269	268	3,250	286	17	240	247
13	Unemployment insurance	6,771	8,054	2,698	2,861	5,193	4,379	−26	347	997
14	Other net receipts [2]	4,466	4,752	1,259	2,314	2,438	2,504	407	462	410
15	Excise taxes	16,551	16,963	4,473	8,761	8,204	8,910	1,513	1,447	1,294
16	Customs	3,676	4,074	1,212	1,927	2,147	2,361	412	381	347
17	Estate and gift	4,611	5,216	1,455	2,573	2,643	2,943	502	504	1,890
18	Miscellaneous receipts [3]	6,711	8,026	1,612	3,397	4,630	3,236	542	521	568
	Outlays									
19	**All types** [4]	**326,105**	**366,466**	**94,746**	**185,097**	**181,369**	**193,719**	**31,891**	**32,640**	**30,880**
20	National defense	86,585	89,996	22,518	46,214	44,052	45,002	7,575	7,082	8,131
21	International affairs [4]	5,862	5,067	1,997	2,574	2,668	3,028	472	349	381
22	General science, space, and technology	3,989	4,370	1,161	2,415	1,708	2,377	418	304	333
23	Natural resources, environment, and energy	9,537	11,282	3,324	5,018	6,900	7,206	1,217	1,042	895
24	Agriculture	1,660	2,502	584	1,489	417	2,019	507	582	350
25	Commerce and transportation	16,010	17,248	4,700	11,496	5,766	9,643	995	681	−323
26	Community and regional development	4,431	5,300	1,530	2,548	2,411	3,192	506	397	480
27	Education, training, employment, and social services	15,248	18,167	5,013	8,423	9,116	9,083	1,563	1,541	1,585
28	Health	27,647	33,448	8,720	16,681	17,008	19,329	4,071	2,961	3,064
29	Income security	108,605	127,406	32,796	61,655	65,336	65,456	10,533	11,652	11,719
30	Veterans benefits and services	16,597	18,432	3,962	9,010	9,450	8,542	1,467	1,630	1,606
31	Law enforcement and justice	2,942	3,320	859	1,589	1,784	1,839	297	340	244
32	General government	3,089	2,927	878	1,929	870	1,734	326	93	285
33	Revenue sharing and general purpose fiscal assistance	7,005	7,119	2,024	3,528	3,664	4,729	127	2,062	44
34	Interest [5]	30,974	34,589	7,246	15,180	18,560	18,409	6,025	2,382	2,674
35	Undistributed offsetting receipts [5,6]	−14,075	−14,704	−2,567	−4,652	−8,340	−7,869	−4,207	−460	−588

1 Old-age, disability and hospital insurance, and Railroad Retirement accounts.

2 Supplementary medical insurance premiums, Federal employee retirement contributions and Civil Service retirement and disability fund.

3 Deposits of earnings by F.R. Banks and other miscellaneous receipts.

4 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status. Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to Pefco are treated as debt rather than asset sales.

5 Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. Govt. accounts from an accrual basis to a cash basis.

6 Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. Govt. contributions for employee retirement.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMIT

Billions of dollars

Item	1973 June 30	1973 Dec. 31	1974 June 30	1974 Dec. 31	1975 June 30	1975 Dec. 31	1976 June 30	1976 Sept. 30	1976 Dec. 31
1 **Federal debt outstanding**	**468.4**	**480.7**	**486.2**	**504.0**	**544.1**	**587.6**	**631.9**	**[2]646.4**	**665.5**
2 *Public debt securities*	*457.3*	*469.1*	*474.2*	*492.7*	*533.7*	*576.6*	*620.4*	*634.7*	*653.5*
3 Held by public	333.9	339.4	336.0	351.5	387.9	437.3	470.8	488.6	506.4
4 Held by agencies	123.4	129.6	138.2	141.2	145.3	139.3	149.6	146.1	147.1
5 *Agency securities*	*11.1*	*11.6*	*12.0*	*11.3*	*10.9*	*10.9*	*11.5*	*11.6*	*12.0*
6 Held by public	9.1	9.6	10.0	9.3	9.0	8.9	9.5	[2]9.7	10.0
7 Held by agencies	2.0	2.0	2.0	2.0	1.9	2.0	2.0	1.9	1.9
8 **Debt subject to statutory limit**	**459.1**	**470.8**	**476.0**	**493.0**	**534.2**	**577.8**	**621.6**	**635.8**	**654.7**
9 Public debt securities	456.7	468.4	473.6	490.5	532.6	576.0	619.8	634.1	652.9
10 Other debt[1]	2.4	2.4	2.4	2.4	1.6	1.7	1.7	1.7	1.7
11 MEMO: Statutory debt limit	465.0	475.7	495.0	495.0	577.0	595.0	636.0	636.0	682.0

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

2 Gross Federal debt and Agency debt held by the public increased $0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan asset sales to debt, effective July 1, 1975.

SOURCE.—U.S. Treasury *Bulletin*.

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

Billions of dollars, end of period

Type and holder	1973	1974	1975	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
1 **Total gross public debt[1]**	**469.9**	**492.7**	**576.6**	**637.6**	**644.6**	**653.5**	**653.9**	**663.3**	**669.2**
By type:									
2 **Interest-bearing debt**	r467.8	r491.6	r575.7	r635.1	r643.6	r652.5	r653.0	r662.3	668.2
3 *Marketable*	*270.2*	*282.9*	*363.2*	*408.6*	*415.4*	*421.3*	*424.0*	*431.6*	*435.4*
4 Bills	107.8	119.7	157.5	161.5	161.7	164.0	164.0	164.2	164.3
5 Notes	124.6	129.8	167.1	207.3	213.0	216.7	219.5	225.9	229.6
6 Bonds	37.8	33.4	38.6	39.8	40.7	40.6	40.5	41.6	41.5
7 *Nonmarketable[2]*	*197.6*	*208.7*	*212.5*	*226.5*	*228.2*	*231.2*	*229.0*	*230.7*	*232.8*
8 Convertible bonds[3]	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.2
9 Foreign issues[4]	26.0	22.8	21.6	22.3	22.5	22.3	22.2	r22.1	22.1
10 Savings bonds and notes	60.8	63.8	67.9	71.5	71.9	72.3	72.6	73.0	73.4
11 Govt. account series[5]	108.0	119.1	119.4	127.2	127.4	129.7	126.8	127.8	128.2
By holder:[6]									
12 U.S. Govt. agencies and trust funds	129.6	141.2	139.3	144.6	144.9	147.1	144.0	....	....
13 F.R. Banks	78.5	80.5	87.9	95.7	91.7	97.0	94.1	....	....
14 **Private investors**	261.7	271.0	349.4	397.3	408.1	409.5	415.8	....	....
15 Commercial banks	60.3	55.6	85.1	94.8	99.8	102.5	101.0	....	....
16 Mutual savings banks	2.9	2.5	4.5	5.3	5.3	5.5	5.6	....	....
17 Insurance companies	6.4	6.1	9.3	12.1	12.2	12.3	12.2	....	....
18 Other corporations	10.9	11.0	20.2	24.7	24.2	25.5	27.8	....	....
19 State and local governments	29.2	29.2	33.8	41.5	42.1	41.6	44.4	....	....
Individuals:									
20 Savings bonds	60.3	63.4	67.3	71.3	71.6	72.0	72.4	....	....
21 Other securities	16.9	21.5	24.0	28.8	29.0	28.8	28.6	....	....
22 Foreign and international[7]	55.5	58.4	66.5	75.2	76.0	78.1	80.3	....	....
23 Other miscellaneous investors[8]	19.3	23.2	38.6	43.6	47.7	43.2	43.4	....	....

1 Includes $1.0 billion of non-interest-bearing debt (of which $612 million on Mar. 31, 1977, was not subject to statutory debt limitations).

2 Includes (not shown separately): Securities issued to the Rural Electrification Administration and to State and local governments, depositary bonds, retirement plan bonds, and individual retirement bonds.

3 These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ per cent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.

4 Nonmarketable certificates of indebtedness, notes, and bonds in the Treasury foreign series and foreign-currency series.

5 Held only by U.S. Govt. agencies and trust funds.

6 Data for F.R. Banks and U.S. Govt. agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

7 Consists of the investments of foreign balances and international accounts in the United States. Beginning with 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

8 Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain Govt. deposit accounts, and Govt.-sponsored agencies.

NOTE.—Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

SOURCE.—For data by type of security, *Monthly Statement of the Public Debt of the United States*, U.S. Treasury Department; for data by holder, *Treasury Bulletin*.

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1975	1976	1977 Jan.	1977 Feb.	1975	1976	1977 Jan.	1977 Feb.
	All maturities				1 to 5 years			
1 **All holders**	**363,191**	**421,276**	**423,995**	**431,607**	**112,270**	**141,132**	**138,727**	**143,927**
2 U.S. Govt. agencies and trust funds	19,347	16,485	16,214	15,788	7,058	6,141	6,143	6,167
3 F. R. Banks	87,934	96,971	94,134	95,837	30,518	31,249	30,933	31,076
4 *Private investors*	*255,860*	*307,820*	*313,647*	*319,982*	*74,694*	*103,742*	*101,651*	*106,684*
5 Commercial banks	64,398	78,262	78,077	79,706	29,629	40,005	40,110	42,533
6 Mutual savings banks	3,300	4,072	4,169	4,304	1,524	2,010	1,941	2,114
7 Insurance companies	7,565	10,284	10,070	10,121	2,359	3,885	3,706	3,765
8 Nonfinancial corporations	9,365	14,193	15,330	16,367	1,967	2,618	2,981	3,884
9 Savings and loan associations	2,793	4,576	4,808	5,138	1,558	2,360	2,310	2,475
10 State and local governments	9,285	12,252	14,836	12,883	1,761	2,543	2,620	2,746
11 All others	159,154	184,182	186,357	191,463	35,894	50,321	47,984	49,168
	Total, within 1 year				5 to 10 years			
12 **All holders**	**199,692**	**211,035**	**213,558**	**217,404**	**26,436**	**43,045**	**45,731**	**43,223**
13 U.S. Govt. agencies and trust funds	2,769	2,012	1,767	1,934	3,283	2,879	2,870	2,163
14 F. R. Banks	46,845	51,569	49,033	49,528	6,463	9,148	9,173	9,856
15 *Private investors*	*150,078*	*157,454*	*162,758*	*165,942*	*16,690*	*31,018*	*33,688*	*31,204*
16 Commercial banks	29,875	31,213	29,805	30,035	4,071	6,278	7,466	6,367
17 Mutual savings banks	983	1,214	1,238	1,262	448	567	716	649
18 Insurance companies	2,024	2,191	2,173	1,998	1,592	2,546	2,589	2,500
19 Nonfinancial corporations	7,105	11,009	11,751	11,942	175	370	359	295
20 Savings and loan associations	914	1,984	2,115	2,404	216	155	313	188
21 State and local governments	5,288	6,622	9,083	6,997	782	1,465	1,488	1,466
22 All others	103,889	103,220	106,592	111,305	9,405	19,637	20,756	19,740
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**157,483**	**163,992**	**164,005**	**164,175**	**14,264**	**11,865**	**11,814**	**11,764**
24 U.S. Govt. agencies and trust funds	207	449	239	269	4,233	3,102	3,102	3,102
25 F. R. Banks	38,018	41,279	38,743	38,865	1,507	1,363	1,370	1,371
26 *Private investors*	*119,258*	*122,264*	*125,023*	*125,041*	*8,524*	*7,400*	*7,342*	*7,291*
27 Commercial banks	17,481	17,303	15,136	14,314	552	339	343	322
28 Mutual savings banks	554	454	429	426	232	139	132	136
29 Insurance companies	1,513	1,463	1,416	1,128	1,154	1,114	1,074	1,339
30 Nonfinancial corporations	5,829	9,939	10,504	10,628	61	142	181	169
31 Savings and loan associations	518	1,266	1,341	1,445	82	64	55	58
32 State and local governments	4,566	5,556	8,057	5,689	896	718	713	700
33 All others	88,797	86,282	88,137	91,410	5,546	4,884	4,842	4,567
	Other, within 1 year				Over 20 years			
34 **All holders**	**42,209**	**47,043**	**49,553**	**53,229**	**10,530**	**14,200**	**14,165**	**15,288**
35 U.S. Govt. agencies and trust funds	2,562	1,563	1,528	1,665	2,053	2,350	2,331	2,421
36 F. R. Banks	8,827	10,290	10,290	10,663	2,601	3,642	3,626	4,006
37 *Private investors*	*30,820*	*35,190*	*37,735*	*40,901*	*5,876*	*8,208*	*8,208*	*8,861*
38 Commercial banks	12,394	13,910	14,669	15,721	271	427	353	449
39 Mutual savings banks	429	760	809	836	112	143	141	143
40 Insurance companies	511	728	757	870	436	548	527	519
41 Nonfinancial corporations	1,276	1,070	1,247	1,314	57	55	58	77
42 Savings and loan associations	396	718	774	959	22	13	14	14
43 State and local governments	722	1,066	1,026	1,308	558	904	931	975
44 All others	15,092	16,938	18,455	19,895	4,420	6,120	6,184	6,684

NOTE.—Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Dept.).

Data complete for U.S. Govt. agencies and trust funds and F.R. Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of February 28, 1977: (1) 5,499 commercial banks, 468 mutual savings banks, and 727 insurance companies, each about 90 per cent; (2) 447 nonfinancial corporations and 486 savings and loan assns., each about 50 per cent; and (3) 500 State and local govts., about 40 per cent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

Item	1974	1975	1976	1977		1977					
						Week ending Wednesday					
			Dec.	Jan.	Feb.	Feb. 23	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30
1 **U.S. Govt. securities**	**3,579**	**6,027**	**13,059**	**12,502**	**12,871**	**r10,933**	**13,334**	**11,340**	**10,049**	**10,517**	**10,738**
By maturity:											
2 Bills	2,550	3,889	7,511	7,630	7,593	r6,355	7,842	7,564	7,003	7,048	7,094
3 Other within 1 year	250	223	172	156	283	192	333	221	263	235	245
4 1–5 years	465	1,414	3,355	2,805	3,262	r2,899	3,946	2,527	2,025	2,351	2,088
5 5–10 years	256	363	1,653	1,604	1,388	r1,184	941	803	588	697	1,122
6 Over 10 years	58	138	368	307	346	r303	272	224	140	187	189
By type of customer:											
7 U.S. Govt. securities dealers	652	885	1,650	1,641	1,537	r1,475	1,652	1,399	1,433	1,553	1,456
8 U.S. Govt. securities brokers	965	1,750	4,444	4,586	4,428	r3,613	4,241	3,411	2,661	2,869	3,441
9 Commercial banks	998	1,451	2,999	2,884	3,013	r2,486	3,337	2,679	2,271	2,503	2,194
10 All others[1]	964	1,941	3,966	3,392	3,893	r3,359	4,105	3,851	3,683	3,592	3,647
11 **Federal agency securities**	**965**	**1,043**	**2,025**	**1,764**	**1,579**	**r1,648**	**1,623**	**1,299**	**1,366**	**1,984**	**1,586**

1 Includes—among others—all other dealers and brokers in commodities and securities, foreign banking agencies, and the F.R. System.

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

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

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

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

Item	1974	1975	1976	1977		1977					
						Week ending Wednesday					
			Dec.	Jan.	Feb.	Jan. 26	Feb. 2	Feb. 9	Feb. 16	Feb. 23	Mar. 2
	Positions[2]										
1 **U.S. Govt. securities**	**2,580**	**5,884**	**10,840**	**8,914**	**6,251**	**8,426**	**5,582**	**6,937**	**6,365**	**6,295**	**5,431**
2 Bills	1,932	4,297	8,394	6,596	4,646	6,181	3,888	4,552	4,751	5,325	4,511
3 Other within 1 year	−6	265	155	138	193	151	196	209	137	211	221
4 1–5 years	265	886	1,336	1,270	587	1,348	857	923	460	247	347
5 5–10 years	302	300	596	532	417	436	348	745	501	178	126
6 Over 10 years	88	136	359	379	407	310	292	508	516	334	226
7 **Federal agency securities**	**1,212**	**943**	**1,435**	**923**	**466**	**891**	**423**	**501**	**491**	**482**	**421**
	Sources of financing[3]										
8 **All sources**	**3,977**	**6,666**	**14,032**	**11,938**	**9,017**	**11,371**	**8,922**	**8,108**	**8,903**	**10,049**	**9,433**
Commercial banks:											
9 New York City	1,032	1,621	2,567	2,362	1,360	1,904	1,430	1,372	1,314	1,383	1,451
10 Outside New York City	1,064	1,466	2,839	2,353	1,727	1,872	1,666	1,574	1,780	1,832	1,771
11 Corporations[1]	459	842	2,437	2,141	2,038	2,213	2,068	1,847	2,044	2,187	2,173
12 All other	1,423	2,738	6,188	5,082	3,892	5,381	3,759	3,315	3,764	4,648	4,038

1 All business corporations except commercial banks and insurance companies.

2 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. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreements to resell.

3 Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. Govt. and Federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE.—Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1973	1974	1975	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.
1 **Federal and Federally sponsored agencies**	**71,594**	**89,381**	**97,680**	**101,724**	**102,456**	**103,865**	**103,415**	**103,308**	**103,487**
2 *Federal agencies*	*11,554*	*12,719*	*19,046*	*21,453*	*21,895*	*22,676*	*22,645*	*22,419*	*22,168*
3 Defense Department[1]	1,439	1,312	1,220	1,152	1,136	1,128	1,117	1,113	1,095
4 Export-Import Bank[2,3]	2,625	2,893	7,188	7,945	7,728	8,353	8,336	8,574	8,557
5 Federal Housing Administration[4]	415	440	564	582	578	589	585	575	579
6 Government National Mortgage Association Participation Certificates[5]	4,390	4,280	4,200	4,145	4,145	4,145	4,145	4,120	3,845
7 Postal Service[6]	250	721	1,750	2,998	3,498	3,498	3,498	2,998	2,998
8 Tennessee Valley Authority	2,435	3,070	3,915	4,535	4,713	4,865	4,865	4,935	4,985
9 United States Railway Association[6]	....	3	209	96	97	98	99	104	109
10 *Federally sponsored agencies*	*60,040*	*76,662*	*78,634*	*80,271*	*80,561*	*81,189*	*80,770*	*80,889*	*81,321*
11 Federal home loan banks	15,362	21,890	18,900	17,113	17,061	17,122	16,807	16,811	16,805
12 Federal Home Loan Mortgage Corporation	1,784	1,551	1,550	1,150	1,150	1,150	1,150	1,150	1,350
13 Federal National Mortgage Association	23,002	28,167	29,963	30,429	30,685	30,656	30,413	30,565	30,394
14 Federal land banks	10,062	12,653	15,000	16,566	16,566	17,124	17,127	17,127	17,304
15 Federal intermediate credit banks	6,932	8,589	9,254	10,687	10,791	10,712	10,669	10,494	10,631
16 Banks for cooperatives	2,695	3,589	3,655	3,919	3,901	4,023	4,207	4,330	4,425
17 Student Loan Marketing Association[7]	200	220	310	405	405	400	395	410	410
18 *Other*	*3*	*3*	*2*	*2*	*2*	*2*	*2*	*2*	*2*
MEMO:									
19 **Federal Financing Bank debt[6,8]**	....	**4,474**	**17,154**	**25,052**	**25,888**	**26,636**	**27,028**	**28,711**	**29,848**
Lending to Federal and Federally sponsored agencies:									
20 Export-Import Bank[3]	....	....	4,595	4,985	4,768	4,768	4,768	5,208	5,208
21 Postal Service[6]	....	500	1,500	2,748	3,248	3,248	3,248	2,748	2,748
22 Student Loan Marketing Association[7]	....	220	310	405	405	400	395	410	410
23 Tennessee Valley Authority	....	895	1,840	2,560	2,738	2,810	2,890	3,110	3,160
24 United States Railway Association[6]	....	3	209	96	97	98	99	104	109
Other lending:[9]									
25 Farmers Home Administration	....	2,500	7,000	9,650	9,650	10,250	10,250	10,750	11,450
26 Rural Electrification Administration	....	....	566	1,215	1,514	1,573	1,674	1,768	1,509
27 Others	....	356	1,134	3,393	3,468	3,489	3,704	4,613	5,254

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 prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

6 Off-budget.

7 Unlike other Federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

8 The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other Federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

9 Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES State and Local Government and Corporate

Millions of dollars

Type of issue or issuer, or use	1974	1975	1976	1976 July	Aug.r	Sept.r	Oct.r	Nov.	Dec.
	State and local government								
1 **All issues, new and refunding** [1]	**24,315**	**30,607**	....	**2,691**	**2,765**	**2,808**	....	....	....
By type of issue:									
2 General obligation	13,563	16,020	....	1,186	1,269	1,265	....	....	....
3 Revenue	10,212	14,511	....	1,496	1,488	1,538	....	....	....
4 Housing Assistance Administration [2]	461	....	....	....	....	....	....	....	....
5 U.S. Govt. loans	79	76	....	9	8	5	....	....	....
By type of issuer:									
6 State	4,784	7,438	....	308	669	470	....	....	....
7 Special district and statutory authority	8,638	12,441	....	1,261	1,162	1,229	....	....	....
8 Municipalities, counties, townships, school districts	10,817	10,660	....	1,118	930	1,104	....	....	....
9 **Issues for new capital, total**	**23,508**	**29,495**	....	**2,470**	**2,504**	**2,590**	....	....	....
By use of proceeds:									
10 Education	4,730	4,689	....	309	373	356	....	....	....
11 Transportation	1,712	2,208	....	36	166	251	....	....	....
12 Utilities and conservation	5,634	7,209	....	1,000	784	747	....	....	....
13 Social welfare	3,820	4,392	....	488	694	767	....	....	....
14 Industrial aid	494	445	....	66	24	30	....	....	....
15 Other purposes	7,118	10,552	....	571	463	439	....	....	....
	Corporate								
16 **All issues** [3]	**r38,313**	**r53,619**	**53,608**	**3,216**	**3,365**	**4,832**	**4,427**	**3,458**	**6,334**
17 **Bonds**	**32,066**	**42,756**	**42,515**	**2,587**	**2,687**	**4,278**	**3,479**	**2,768**	**5,414**
By type of offering:									
18 Public	25,903	32,583	26,853	1,239	1,565	2,100	2,729	1,656	2,568
19 Private placement	6,160	10,172	15,662	1,348	1,122	2,178	750	1,112	2,846
By industry group:									
20 Manufacturing	9,867	16,980	13,161	1,090	749	687	1,261	512	2,196
21 Commercial and miscellaneous	1,845	2,750	4,321	171	319	543	75	376	661
22 Transportation	1,550	3,439	4,350	118	48	1,205	240	193	564
23 Public utility	8,873	9,658	8,287	621	663	1,118	803	795	550
24 Communication	3,710	3,464	2,801	20	218	147	155	163	194
25 Real estate and financial	6,218	6,469	9,601	568	692	577	946	728	1,250
26 **Stocks**	**6,247**	**10,863**	**11,093**	**629**	**678**	**554**	**948**	**690**	**920**
By type:									
27 Preferred	2,253	3,458	2,788	89	214	136	275	282	308
28 Common	3,994	7,405	8,305	540	464	418	673	408	612
By industry group:									
29 Manufacturing	544	1,670	2,236	108	282	83	87	9	110
30 Commercial and miscellaneous	940	1,470	1,183	164	69	33	73	34	198
31 Transportation	22	1	24	....	13	7	....	....	....
32 Public utility	3,964	6,235	6,101	311	257	347	611	532	596
33 Communication	217	1,002	776	6	3	....	....	27	....
34 Real estate and financial	562	488	771	40	54	84	177	88	15

1 Par amounts of long-term issues based on date of sale.

2 Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

3 Figures, which represent gross proceeds of issues maturing in more than 1 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.

SOURCES.—State and local government securities, Securities Industry Association; corporate securities, Securities and Exchange Commission.

1.48 CORPORATE SECURITIES Net Change in Amounts Outstanding

Millions of dollars

	Source of change, or industry	1973	1974	1975	1975 Q1	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3
	All issues[1]										
1	New issues	33,559	39,344	53,255	15,211	15,602	9,079	13,363	13,671	14,229	11,385
2	Retirements	11,804	9,935	10,991	2,088	3,211	2,576	3,116	2,315	3,668	2,478
3	**Net change**	**21,754**	**29,399**	**42,263**	**13,123**	**12,390**	**6,503**	**10,247**	**11,356**	**10,561**	**8,907**
	Bonds and notes										
4	New issues	21,501	31,354	40,468	12,759	11,460	6,654	9,595	9,404	10,244	8,701
5	Retirements	8,810	6,255	8,583	1,587	2,336	2,111	2,549	1,403	3,159	1,826
6	**Net change: Total**	**12,691**	**25,098**	**31,886**	**11,172**	**9,124**	**4,543**	**7,047**	**8,001**	**7,084**	**6,875**
	By industry:										
7	*Manufacturing*	801	7,404	13,219	5,134	4,574	1,442	2,069	2,966	1,529	1,551
8	Commercial and other[2]	109	1,116	1,605	373	483	221	528	203	726	610
9	Transportation, including railroad	1,044	341	2,165	1	429	147	1,588	985	488	1,092
10	Public utility	4,265	7,308	7,236	2,653	1,977	1,395	1,211	1,820	1,260	2,109
11	Communication	3,165	3,499	2,980	1,269	810	472	429	498	953	335
12	Real estate and financial	3,523	5,428	4,682	1,742	852	866	1,222	1,530	2,128	1,178
	Common and preferred stock										
13	New issues	12,057	7,980	12,787	2,452	4,142	2,425	3,768	4,267	3,985	2,684
14	Retirements	2,993	3,678	2,408	501	875	465	567	912	509	652
15	**Net change: Total**	**9,064**	**4,302**	**10,377**	**1,951**	**3,266**	**1,960**	**3,200**	**3,355**	**3,477**	**2,032**
	By industry:										
16	Manufacturing	658	17	1,607	262	500	412	433	838	1,120	744
17	Commercial and other[2]	1,411	135	1,137	77	490	108	462	88	318	117
18	Transportation, including railroad	--93	20	65	1	7	53	4	5	25	17
19	Public utility	4,509	3,834	6,015	1,569	1,866	1,043	1,537	2,174	1,300	932
20	Communication	1,399	398	1,084	24	359	97	604	47	735	19
21	Real estate and financial	1,181	207	468	18	43	247	160	203	-21	203

1 Excludes issues of investment companies.
2 Extractive and commercial and miscellaneous companies.

NOTE.---Securities and Exchange Commission estimates of cash transactions only, as published in the Commission's *Statistical Bulletin*.

New issues and retirements exclude foreign sales and include sales of securities held by affiliated companies, special offerings to employees, new stock issues and cash proceeds connected with conversions of bonds into stocks. Retirements, defined in the same way, include securities retired with internal funds or with proceeds of issues for that purpose.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

	Item	1975	1976	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
	INVESTMENT COMPANIES Excluding money market funds									
1	Sales of own shares[1]	3,302	4,226	256	338	378	446	661	655	423
2	Redemptions of own shares[2]	3,686	6,802	536	573	450	419	628	628	463
3	Net sales	-384	2,496	280	--235	72	27	33	141	40
4	**Assets**[3]	**42,179**	**47,537**	**45,457**	**46,138**	**44,858**	**45,369**	**47,537**	**45,760**	**44,948**
5	Cash position[4]	3,748	2,747	2,561	2,507	2,434	2,635	2,747	2,958r	3,276
6	Other	38,431	44,790	42,896	43,631	42,424	42,734	44,790	42,802r	41,672

1 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.
2 Excludes share redemption resulting from conversions from one fund to another in the same group.
3 Market value at end of period, less current liabilities.
4 Also includes all U.S. Govt. 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.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1974	1975	1976	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
1 **Profits before tax**	**127.6**	**114.5**	**148.0**	**105.8**	**126.9**	**131.3**	**141.1**	**146.2**	**150.2**	**154.5**
2 Profits tax liability	52.4	49.2	64.4	44.8	54.8	57.2	61.4	63.5	65.1	67.5
3 Profits after tax	75.2	65.3	83.6	61.0	72.1	74.2	79.7	82.7	85.1	86.9
4 Dividends	30.8	32.1	35.2	31.9	32.6	32.2	33.1	34.4	35.4	37.7
5 Undistributed profits	44.4	33.2	48.4	29.1	39.5	42.0	46.6	48.3	49.7	49.2
6 Capital consumption allowances with capital consumption adjustment	81.6	89.4	97.3	87.9	90.5	92.9	94.3	96.2	98.2	100.5
7 Net cash flow	126.0	122.6	145.7	117.0	130.0	134.9	140.9	144.5	147.9	149.7

SOURCE.—U.S. Dept. of Commerce, *Survey of Current Business*.

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, end of period

Account	1971	1972	1973	1974	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3
1 **Current assets**	**529.4**	**574.4**	**643.2**	**712.2**	**703.2**	**716.5**	**731.6**	**753.5**	**775.4**	**791.8**
2 Cash	53.3	57.5	61.6	62.7	63.7	65.6	68.1	68.4	70.8	71.1
3 U.S. Govt. securities	11.0	10.2	11.0	11.7	12.7	14.3	19.4	21.7	23.3	23.9
4 *Notes and accounts receivable*	*221.1*	*243.4*	*269.6*	*293.2*	*288.1*	*298.0*	*298.2*	*310.9*	*321.8*	*328.5*
5 U.S. Govt.[1]	3.5	3.4	3.5	3.5	3.3	3.3	3.6	3.6	3.7	4.3
6 Other	217.6	240.0	266.1	289.7	284.8	294.7	294.6	307.3	318.1	324.2
7 Inventories	200.4	215.2	246.7	288.0	281.4	279.6	285.8	288.8	295.6	302.1
8 Other	43.8	48.1	54.4	56.6	57.3	59.0	60.0	63.6	63.9	66.3
9 **Current liabilities**	**326.0**	**352.2**	**401.0**	**450.6**	**434.2**	**444.7**	**457.5**	**465.9**	**475.9**	**484.1**
10 *Notes and accounts payable*	*220.5*	*234.4*	*265.9*	*292.7*	*275.9*	*279.6*	*288.0*	*286.9*	*293.8*	*291.7*
11 U.S. Govt.[1]	4.9	4.0	4.3	5.2	5.8	6.2	6.4	6.4	6.8	7.0
12 Other	215.6	230.4	261.6	287.5	270.1	273.4	281.6	280.5	287.0	284.7
13 Accrued Federal income taxes	13.1	15.1	18.1	23.2	17.7	19.4	20.7	23.9	22.0	24.9
14 Other	92.4	102.6	117.0	134.8	140.6	145.6	148.8	155.0	160.1	167.5
15 **Net working capital**	**203.6**	**221.3**	**242.3**	**261.5**	**269.0**	**271.8**	**274.1**	**287.6**	**299.5**	**307.7**

1 Receivables from, and payables to, the U.S. Govt. exclude amounts offset against each other on corporations' books.

SOURCE.—Securities and Exchange Commission estimates published in the Commission's *Statistical Bulletin*.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

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

	Industry	1975	1976	1975		1976				1977	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1[2]	Q2[2]
1	**All industries**	**112.75**	**120.82**	**112.16**	**111.80**	**114.72**	**118.12**	**122.55**	**125.22**	**129.19**	**132.71**
	Manufacturing										
2	Durable goods industries	21.88	23.50	21.01	21.07	21.63	22.54	24.59	25.50	25.33	26.77
3	Nondurable goods industries	26.13	29.22	26.38	25.75	27.58	28.09	30.20	28.93	30.84	31.13
	Nonmanufacturing										
4	Mining	3.80	3.98	3.82	3.82	3.83	3.83	4.21	4.13	4.26	4.16
	Transportation:										
5	Railroad	2.56	2.35	2.75	2.39	2.08	2.64	2.69	2.63	2.37	2.68
6	Air	1.87	1.31	2.12	1.65	1.18	1.44	1.12	1.41	1.76	1.45
7	Other	3.03	3.56	2.99	3.56	3.29	4.16	3.44	3.49	2.87	2.45
	Public utilities:										
8	Electric	16.99	18.90	16.58	17.92	18.56	18.82	18.22	19.49	20.44	21.96
9	Gas and other	3.14	3.47	3.21	3.00	3.36	3.03	3.45	3.96	4.08	4.24
10	Communication	12.76	12.93	12.95	12.22	12.54	12.62	13.64	14.30	37.25	37.87
11	Commercial and other[1]	20.61	20.87	20.34	20.44	20.68	20.94	20.99	21.36		

[1] Includes trade, service, construction, finance, and insurance.
[2] Anticipated by business.

NOTE.—Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

SOURCE.—U.S. Dept. of Commerce, *Survey of Current Business*.

1.53 MORTGAGE MARKETS

Millions of dollars, ~~except as noted~~

	Item	1974	1975	1976	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	40.1	44.6	48.4	50.6	49.0	48.6	51.0	r52.5	51.8
2	Amount of loan (thous. dollars)	29.8	33.3	35.9	37.4	36.2	36.0	37.1	r39.0	38.6
3	Loan/price ratio (per cent)	74.3	74.7	74.2	75.6	75.3	75.6	74.7	r76.3	76.1
4	Maturity (years)	26.3	26.8	27.2	27.7	28.0	27.0	27.7	28.2	27.7
5	Fees and charges (per cent of loan amount)[2]	1.30	1.54	1.44	1.42	1.38	1.36	1.38	r1.38	1.29
6	Contract rate (per cent per annum)	8.71	8.75	8.76	8.85	8.85	8.83	8.87	r8.82	8.77
	Yield (per cent per annum):									
7	FHLBB series[3]	8.92	9.01	8.99	9.08	9.07	9.05	9.10	9.05	8.98
8	HUD series[4]	9.22	9.10	8.99	9.00	9.00	8.95	8.90	8.80	8.80
	SECONDARY MARKETS									
	Yields (per cent per annum) on–									
9	FHA mortgages (HUD series)[5]	9.55	9.19	8.82	8.82	8.55	8.45	8.25	8.40	8.50
10	GNMA securities[6]	8.72	8.52	8.17	8.10	7.98	7.93	7.59	7.85	7.98
	FNMA auctions:[7]									
11	Government-underwritten loans	9.53	9.31	8.92	8.88	8.75	8.66	8.45	8.48	8.55
12	Conventional loans	9.70	9.36	9.12	9.11	9.05	9.00	8.84	8.82	8.86
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings at end of period:									
13	Total	29,578	31,824	32,904	32,062	32,019	32,929	32,904	32,848	32,792
14	FHA-insured	19,189	19,732	18,916	19,133	19,077	18,986	18,916	18,854	18,771
15	VA-guaranteed	8,310	9,573	9,212	9,366	9,314	9,264	9,212	9,162	9,115
16	Conventional	2,080	2,519	4,776	3,563	3,628	4,679	4,776	4,833	4,906
	Mortgage transactions during period:									
17	Purchases	6,953	4,263	3,606	199	162	1,131	191	141	150
18	Sales	4	2	86	....	....	8	....	....	....
	Mortgage commitments:[8]									
19	Contracted during period	10,765	6,106	6,247	463	480	615	290	1,180	968
20	Outstanding at end of period	7,960	4,126	3,398	3,983	3,672	3,649	3,398	4,142	4,707
	Auction of 4-month commitments to buy—									
	Government-underwritten loans:									
21	Offered[9]	5,492.7	7,042.8	4,929.8	221.0	235.5	494.1	56.9	747.4	868.4
22	Accepted	2,371.4	3,848.3	2,787.2	117.9	107.1	221.1	41.5	549.1	484.7
	Conventional loans:									
23	Offered[9]	1,206.8	1,401.1	2,595.7	321.7	297.5	353.3	150.2	326.8	300.0
24	Accepted	656.4	765.2	1,879.3	225.4	215.8	296.9	135.4	238.3	235.8
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings at end of period:[10]									
25	Total	4,586	4,987	4,269	4,269	4,190	4,162	4,269	3,896	3,672
26	FHA/VA	1,904	1,824	1,618	1,679	1,660	1,638	1,618	1,594	1,580
27	Conventional	2,682	3,163	2,651	2,590	2,530	2,523	2,651	2,302	2,092
	Mortgage transactions during period:									
28	Purchases	2,191	1,716	1,175	88	78	101	208	16	98
29	Sales	52	1,020	1,396	93	116	91	60	51	290
	Mortgage commitments:[11]									
30	Contracted during period	4,553	982	1,477	163	171	245	105	250	....
31	Outstanding at end of period	2,390	111	333	243	326	452	333	462	....

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) in order to obtain a loan.

3 Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4 Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Dept. of Housing and Urban Development.

5 Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6 Average net yields to investors on Government National Mortgage Association-guaranteed, mortgage-backed, fully-modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7 Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8 Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA–GNMA Tandem plans.

9 Mortgage amounts offered by bidders are total bids received.

10 Includes participations as well as whole loans.

11 Includes conventional and Government-underwritten loans.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars

Type of holder, and type of property	End of year				End of quarter			
					1976			
	1972	1973	1974	1975	Q1	Q2	Q3	Q4
1 **All holders**	**603,417**	**682,321**	**742,504**	**801,546**	**817,278**	**r838,761**	**r862,229**	**r883,843**
2 1- to 4-family	372,793	416,883	449,937	491,678	503,402	519,437	r537,321	r552,994
3 Multifamily	82,572	92,877	99,851	100,348	100,487	r100,548	r100,755	r101,131
4 Commercial	112,294	131,308	146,428	158,644	161,024	164,527	168,144	171,978
5 Farm	35,758	41,253	46,288	50,876	52,365	54,249	56,009	57,740
6 **Major financial institutions**	**450,000**	**505,400**	**542,552**	**581,296**	**592,061**	**609,086**	**626,487**	**642,851**
7 *Commercial banks*[1]	*99,314*	*119,068*	*132,105*	*136,186*	*137,986*	*141,086*	*143,986*	*146,586*
8 1- to 4-family	57,004	67,998	74,758	77,018	78,218	80,218	81,928	83,402
9 Multifamily	5,778	6,932	7,619	5,915	5,515	5,115	5,040	5,072
10 Commercial	31,751	38,696	43,679	46,882	47,812	49,112	50,251	51,233
11 Farm	4,781	5,442	6,049	6,371	6,441	6,641	6,767	6,879
12 *Mutual savings banks*	*67,556*	*73,230*	*74,920*	*77,249*	*77,738*	*78,735*	*80,145*	*81,554*
13 1- to 4-family	46,229	48,811	49,213	50,025	50,344	50,989	51,902	52,814
14 Multifamily	10,910	12,343	12,923	13,792	13,876	14,030	14,282	14,534
15 Commercial	10,355	12,012	12,722	13,373	13,456	13,653	13,897	14,141
16 Farm	62	64	62	59	62	63	64	65
17 *Savings and loan associations*	*206,182*	*231,733*	*249,293*	*278,693*	*286,556*	*299,574*	*312,139*	*323,130*
18 1- to 4-family	167,049	187,750	201,553	224,710	231,337	241,996	252,521	261,732
19 Multifamily	20,783	22,524	23,683	25,417	25,847	26,722	27,468	28,116
20 Commercial	18,350	21,459	24,057	28,566	29,372	30,856	32,150	33,282
21 *Life insurance companies*	*76,948*	*81,369*	*86,234*	*89,168*	*89,781*	*89,691*	*90,217*	*91,581*
22 1- to 4-family	22,315	20,426	19,026	17,590	17,321	16,861	16,458	16,058
23 Multifamily	17,347	18,451	19,625	19,629	19,726	19,374	19,256	19,276
24 Commercial	31,608	36,496	41,256	45,196	45,907	46,456	47,322	48,766
25 Farm	5,678	5,996	6,327	6,753	6,827	7,000	7,181	7,481
26 **Federal and related agencies**	**40,157**	**46,721**	**58,320**	**66,891**	**67,350**	**r66,033**	**r67,314**	**r66,755**
27 *Government National Mortgage Assn.*	*5,113*	*4,029*	*4,846*	*7,438*	*7,619*	*5,557*	*5,068*	*4,241*
28 1- to 4-family	2,513	1,455	2,248	4,728	4,886	3,165	2,486	1,970
29 Multifamily	2,600	2,574	2,598	2,710	2,733	2,392	2,582	2,271
30 *Farmers Home Admin.*	*1,019*	*1,366*	*1,432*	*1,109*	*650*	*830*	*1,355*	*1,064*
31 1- to 4-family	279	743	759	208	97	228	754	454
32 Multifamily	29	29	167	215	23	46	143	218
33 Commercial	320	218	156	190	96	151	133	72
34 Farm	391	376	350	496	434	405	325	320
35 *Federal Housing and Veterans Admin.*	*3,338*	*3,476*	*4,015*	*4,970*	*5,033*	*r5,111*	*r5,092*	*r5,150*
36 1- to 4-family	2,199	2,013	2,009	1,990	1,908	1,781	r1,716	r1,676
37 Multifamily	1,139	1,463	2,006	2,980	3,125	r3,330	r3,376	r3,474
38 *Federal National Mortgage Assn.*	*19,791*	*24,175*	*29,578*	*31,824*	*32,182*	*32,028*	*32,962*	*32,904*
39 1- to 4-family	17,697	20,370	23,778	25,813	26,262	26,112	27,030	26,934
40 Multifamily	2,094	3,805	5,800	6,011	5,920	5,916	5,932	5,970
41 *Federal land banks*	*9,107*	*11,071*	*13,863*	*16,563*	*17,264*	*17,978*	*18,568*	*19,127*
42 1- to 4-family	13	123	406	549	563	575	586	603
43 Farm	9,094	10,948	13,457	16,014	16,701	17,403	17,982	18,524
44 *Federal Home Loan Mortgage Corp.*	*1,789*	*2,604*	*4,586*	*4,987*	*4,602*	*4,529*	*4,269*	*4,269*
45 1- to 4-family	1,754	2,446	4,217	4,588	4,247	4,166	3,917	3,889
46 Multifamily	35	158	369	399	355	363	352	380
47 **Mortgage pools or trusts**[2]	**14,404**	**18,040**	**23,799**	**34,138**	**37,684**	**41,225**	**44,960**	**49,801**
48 *Government National Mortgage Assn.*	*5,504*	*7,890*	*11,769*	*18,257*	*20,479*	*23,634*	*26,725*	*30,572*
49 1- to 4-family	5,353	7,561	11,249	17,538	19,693	22,821	25,841	29,583
50 Multifamily	151	329	520	719	786	813	884	989
51 *Federal Home Loan Mortgage Corp.*	*441*	*766*	*757*	*1,598*	*1,999*	*2,153*	*2,506*	*2,671*
52 1- to 4-family	331	617	608	1,349	1,698	1,831	2,141	2,282
53 Multifamily	110	149	149	249	301	322	365	389
54 *Farmers Home Admin.*	*8,459*	*9,384*	*11,273*	*14,283*	*15,206*	*15,438*	*15,729*	*16,558*
55 1- to 4-family	5,017	5,458	6,782	9,194	9,516	9,670	9,587	10,219
56 Multifamily	131	138	116	295	542	541	535	532
57 Commercial	867	1,124	1,473	1,948	2,122	2,104	2,291	2,440
58 Farm	2,444	2,664	2,902	2,846	3,026	3,123	3,316	3,367
59 **Individuals and others**[3]	**98,856**	**112,160**	**117,833**	**119,221**	**120,183**	**c122,417**	**123,468**	**124,436**
60 1- to 4-family	45,040	51,112	53,331	56,378	57,312	59,024	60,454	61,378
61 Multifamily	21,465	23,982	24,276	22,017	21,738	c21,584	20,540	19,910
62 Commercial	19,043	21,303	23,085	22,489	22,259	22,195	22,100	22,044
63 Farm	13,308	15,763	17,141	18,337	18,874	19,614	20,374	21,104

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 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 separate data are not readily available.

NOTE.—Based on data from various institutional and Govt. sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Dept. of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations where required, are estimated mainly by Federal Reserve. Multifamily debt refers to loans on structures of 5 or more units.

1.55 CONSUMER INSTALMENT CREDIT Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1974	1975	1976	1976					1977	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Amounts outstanding (end of period)									
1 **Total**	**155,384**	**162,237**	**178,775**	**171,160**	**172,918**	**173,930**	**175,333**	**178,775**	**177,975**	**178,252**
By holder:										
2 Commercial banks	75,846	78,703	85,379	82,961	83,714	84,152	84,278	85,379	85,051	85,005
3 Finance companies	36,208	36,695	39,642	38,398	38,575	38,809	39,129	39,642	39,665	39,831
4 Credit unions	22,116	25,354	30,546	28,956	29,600	29,711	30,053	30,546	30,410	30,701
5 Retailers[1]	17,933	18,002	19,178	16,911	17,012	17,205	17,726	19,178	18,693	18,322
6 Others[2]	3,281	3,483	4,030	3,934	4,017	4,053	4,147	4,030	4,156	4,393
By type of credit:										
7 *Automobile*	*50,392*	*53,028*	*60,498*	*58,665*	*59,270*	*59,717*	*60,002*	*60,498*	*60,349*	*60,774*
8 Commercial banks	30,994	31,534	35,313	34,414	34,701	35,009	35,095	35,313	35,284	35,492
9 Indirect	18,687	18,353	19,642	19,404	19,495	19,611	19,575	19,642	19,566	19,640
10 Direct	12,306	13,181	15,671	15,010	15,206	15,398	15,520	15,671	15,719	15,852
11 Finance companies	10,618	11,439	13,059	12,748	12,808	12,901	12,957	13,059	12,973	13,042
12 Credit unions	8,414	9,653	11,633	11,024	11,270	11,311	11,442	11,633	11,579	11,690
13 Others	366	402	493	479	491	496	508	493	513	550
Mobile homes:										
14 Commercial banks	8,972	8,704	8,233	8,379	8,340	8,294	8,254	8,233	8,146	8,094
15 Finance companies	3,524	3,451	3,277	3,323	3,319	3,309	3,295	3,277	3,248	3,207
16 *Home improvement*	*7,754*	*8,004*	*8,773*	*8,562*	*8,665*	*8,726*	*8,790*	*8,773*	*8,736*	*8,750*
17 Commercial banks	4,694	4,965	5,381	5,263	5,318	5,359	5,388	5,381	5,340	5,307
Revolving credit:										
18 Bank credit cards	8,281	9,501	11,075	9,924	10,153	10,232	10,329	11,075	10,996	10,820
19 Bank check credit	2,797	2,810	3,010	2,870	2,922	2,933	2,935	3,010	3,031	3,039
20 *All other*	*73,664*	*76,738*	*83,910*	*79,438*	*80,249*	*80,719*	*81,728*	*83,910*	*83,469*	*83,568*
21 Commercial banks, total	20,108	21,188	22,368	22,112	22,280	22,325	22,277	22,368	22,254	22,253
22 Personal loans	13,771	14,629	15,606	15,308	15,450	15,534	15,517	15,606	15,569	15,590
23 Finance companies, total	21,717	21,655	23,178	22,192	22,316	22,469	22,748	23,178	23,319	23,454
24 Personal loans	16,961	17,681	19,043	18,275	18,371	18,509	18,773	19,043	19,002	18,998
25 Credit unions	13,037	14,937	17,993	17,060	17,438	17,505	17,706	17,993	17,915	18,086
26 Retailers	17,933	18,002	19,178	16,911	17,012	17,205	17,726	19,178	18,693	18,322
27 Others	869	956	1,193	1,163	1,203	1,215	1,271	1,193	1,288	1,453
	Net change (during period)[3]									
28 **Total**	**8,952**	**6,843**	**16,539**	**1,403**	**1,481**	**1,564**	**1,243**	**1,823**	**1,918**	**2,022**
By holder:										
29 Commercial banks	3,975	2,851	6,678	518	697	671	381	913	565	829
30 Finance companies	806	483	2,946	169	233	317	245	364	481	442
31 Credit unions	2,507	3,238	5,192	386	483	280	395	537	416	540
32 Retailers	1,538	69	1,176	183	24	263	98	64	249	118
33 Others	126	202	547	148	45	33	124	−55	207	93
By type of credit:										
34 *Automobile*	*327*	*2,631*	*7,470*	*621*	*605*	*528*	*477*	*1,013*	*758*	*884*
35 Commercial banks	−508	535	3,779	377	376	350	221	652	418	504
36 Indirect	−310	−340	1,289	159	125	117	70	330	160	239
37 Direct	−198	875	2,490	218	251	233	151	322	258	265
38 Finance companies	−100	821	1,620	62	28	77	98	146	99	161
39 Credit unions	958	1,239	1,980	136	172	105	144	207	174	213
40 Other	−23	36	91	46	28	−4	14	8	66	6
Mobile homes:										
41 Commercial banks	632	−268	−471	−35	−53	−56	−43	32	−43	−26
42 Finance companies	168	−73	−174	16	−16	−16	−16	−16	−18	43
43 *Home improvement*	*804*	*248*	*768*	*39*	*65*	*73*	*103*	*73*	*130*	*73*
44 Commercial banks	611	271	416	25	43	44	55	54	36	14
Revolving credit:										
45 Bank credit cards	1,443	1,220	1,576	86	166	123	71	−33	28	170
46 Bank check credit	543	14	199	−6	17	27	6	7	41	32
47 *All other*	*5,036*	*3,072*	*7,172*	*714*	*698*	*884*	*645*	*747*	*1,023*	*931*
48 Commercial banks, total	1,255	1,080	1,180	71	148	183	72	199	85	134
49 Personal loans	898	858	977	46	108	161	47	148	101	114
50 Finance companies, total	803	−64	1,523	126	223	258	163	236	401	320
51 Personal loans	479	717	1,362	106	198	237	161	113	178	129
52 Credit unions	1,473	1,900	3,056	240	297	166	239	313	227	312
53 Retailers	1,538	69	1,176	183	24	263	98	64	249	118
54 Others	−33	87	237	96	5	15	73	−66	60	48

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE.—Total consumer noninstalment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $39.0 billion at the end of 1976, $35.0 billion at the end of 1975, and $33.4 billion at the end of 1974. Comparable data for Dec. 31, 1977, will be published in the *Bulletin* for February 1978.

1.56 CONSUMER INSTALMENT CREDIT Extensions and Liquidations

Millions of dollars

	Holder, and type of credit	1974	1975	1976	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
					Extensions[1]						
1	**Total**	**160,008**	**163,483**	**186,221**	**15,685**	**15,775**	**16,055**	**15,763**	**16,702**	**16,870**	**17,186**
	By holder:										
2	Commercial banks	72,605	77,131	88,666	7,487	7,546	7,618	7,486	8,182	7,546	8,055
3	Finance companies	35,644	32,582	35,956	2,965	3,072	3,148	3,059	3,157	3,431	3,437
4	Credit unions	22,403	24,151	28,829	2,313	2,424	2,350	2,395	2,688	2,683	2,743
5	Retailers[2]	27,034	27,049	29,569	2,548	2,463	2,673	2,467	2,480	2,775	2,603
6	Others[3]	2,322	2,570	3,201	372	271	266	356	194	436	347
	By type of credit:										
7	*Automobile*	*43,209*	*48,103*	*55,807*	*4,712*	*4,769*	*4,587*	*4,632*	*5,263*	*4,940*	*5,205*
8	Commercial banks	26,406	28,333	32,687	2,762	2,846	2,770	2,691	3,170	2,892	3,075
9	Indirect	15,576	15,761	17,600	1,480	1,511	1,479	1,426	1,723	1,544	1,641
10	Direct	10,830	12,572	15,087	1,282	1,335	1,291	1,265	1,446	1,349	1,435
11	Finance companies	8,630	9,598	11,210	937	891	904	927	992	964	999
12	Credit unions	7,788	9,702	11,336	928	963	875	957	1,051	974	1,075
13	Others	385	470	574	84	69	37	57	51	110	55
	Mobile homes:										
14	Commercial banks	3,486	2,681	2,449	186	200	178	207	267	195	207
15	Finance companies	1,413	771	690	54	53	59	54	53	50	52
16	*Home improvement*	*4,571*	*4,398*	*5,034*	*400*	*434*	*463*	*464*	*461*	*494*	*457*
17	Commercial banks	2,789	2,722	3,036	242	266	282	276	288	262	251
	Revolving credit:										
18	Bank credit cards	17,098	20,428	25,481	2,183	2,165	2,198	2,181	2,217	2,117	2,332
19	Bank check credit	4,227	4,024	4,832	413	375	413	410	426	462	448
20	*All other*	*86,004*	*83,079*	*91,928*	*7,737*	*7,779*	*8,158*	*7,815*	*8,015*	*8,612*	*8,484*
21	Commercial banks, total	18,599	18,944	20,182	1,702	1,693	1,777	1,721	1,815	1,618	1,742
22	Personal loans	13,176	13,386	14,463	1,197	1,193	1,286	1,238	1,317	1,213	1,281
23	Finance companies, total	25,316	22,135	24,014	1,970	2,125	2,182	2,072	2,108	2,413	2,379
24	Personal loans	16,691	17,333	19,610	1,607	1,745	1,776	1,696	1,688	1,787	1,843
25	Credit unions	14,228	13,992	16,911	1,338	1,410	1,426	1,389	1,582	1,656	1,612
26	Retailers	27,034	27,049	29,569	2,548	2,463	2,673	2,467	2,480	2,775	2,603
27	Others	827	959	1,253	180	87	100	166	30	151	149
					Liquidations[1]						
28	**Total**	**151,056**	**156,640**	**169,682**	**14,282**	**14,294**	**14,491**	**14,520**	**14,879**	**14,952**	**15,164**
	By holder:										
29	Commercial banks	68,630	74,280	81,988	6,970	6,849	6,947	7,105	7,269	6,981	7,227
30	Finance companies	34,838	32,099	33,010	2,796	2,839	2,831	2,814	2,793	2,949	2,995
31	Credit unions	19,896	20,913	23,637	1,927	1,941	2,070	2,000	2,151	2,267	2,203
32	Retailers[2]	25,496	26,980	28,393	2,365	2,439	2,410	2,369	2,416	2,526	2,485
33	Others[3]	2,196	2,368	2,654	224	226	233	232	249	228	254
	By type of credit:										
34	*Automobile*	*42,883*	*45,472*	*48,337*	*4,090*	*4,165*	*4,059*	*4,155*	*4,250*	*4,183*	*4,320*
35	Commercial banks	26,915	27,798	28,908	2,385	2,470	2,420	2,470	2,517	2,474	2,571
36	Indirect	15,886	16,101	16,311	1,321	1,386	1,363	1,356	1,393	1,384	1,402
37	Direct	11,029	11,697	12,597	1,064	1,084	1,058	1,114	1,124	1,090	1,169
38	Finance companies	8,730	8,777	9,590	874	862	827	829	846	866	838
39	Credit unions	6,830	8,463	9,356	792	791	770	813	843	800	862
40	Others	408	434	483	39	42	42	43	43	43	49
	Mobile homes:										
41	Commercial banks	2,854	2,949	2,921	222	253	233	250	234	238	233
42	Finance companies	1,245	844	864	70	69	74	70	70	67	96
43	*Home improvement*	*3,767*	*4,150*	*4,266*	*361*	*369*	*390*	*360*	*388*	*364*	*385*
44	Commercial banks	2,178	2,451	2,620	216	223	239	221	234	227	237
	Revolving credit:										
45	Bank credit cards	15,655	19,208	23,905	2,097	2,000	2,074	2,110	2,250	2,089	2,161
46	Bank check credit	3,684	4,010	4,632	419	358	386	404	419	421	416
47	*All other*	*80,969*	*80,007*	*84,757*	*7,023*	*7,081*	*7,274*	*7,170*	*7,268*	*7,590*	*7,553*
48	Commercial banks, total	17,345	17,864	19,002	1,631	1,545	1,594	1,649	1,615	1,533	1,608
49	Personal loans	12,278	12,528	13,486	1,151	1,085	1,125	1,191	1,169	1,111	1,167
50	Finance companies, total	24,513	22,199	22,491	1,844	1,902	1,924	1,909	1,872	2,012	2,059
51	Personal loans	16,212	16,616	18,248	1,501	1,547	1,539	1,535	1,575	1,608	1,714
52	Credit unions	12,755	12,092	13,855	1,098	1,113	1,260	1,150	1,268	1,429	1,300
53	Retailers	25,496	26,980	28,393	2,365	2,439	2,410	2,369	2,416	2,526	2,485
54	Others	860	872	1,016	85	82	86	93	96	90	101

1 Monthly figures are seasonally adjusted.
2 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.
3 Mutual savings banks, savings and loan associations, and auto dealers.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

	Transaction category, or sector	1971	1972	1973	1974	1975	1976	1975 H1	1975 H2	1976 H1	1976 H2	
1	**NONFINANCIAL SECTORS**	**151.0**	**176.9**	**197.6**	**188.8**	**210.4**	**257.7**	**184.2**	**236.5**	**238.3**	**277.2**	1
2	*Excluding equities*	*139.6*	*166.4*	*190.0*	*185.0*	*200.3*	*247.3*	*173.8*	*226.9*	*224.7*	*269.9*	2
	By sector and instrument:											
3	U.S. Govt.	**24.7**	**15.2**	**8.3**	**12.0**	**85.2**	**68.9**	**80.8**	**89.6**	**71.7**	**66.2**	3
4	Public debt securities	26.0	14.3	7.9	12.0	85.8	69.1	82.0	89.7	71.8	66.5	4
5	Agency issues and mortgages	−1.3	1.0	.4	*	−.6	−.2	−1.2	−.1	−.1	−.4	5
6	**All other nonfinancial sectors**	**126.3**	**161.7**	**189.4**	**176.8**	**125.2**	**188.8**	**103.4**	**146.9**	**166.6**	**211.0**	6
7	Corporate equities	11.5	10.5	7.7	3.8	10.0	10.5	10.5	9.6	13.6	7.3	7
8	Debt instruments	114.8	151.2	181.7	173.0	115.1	178.3	93.0	137.3	153.0	203.7	8
9	**Private domestic nonfinancial sectors**	**121.1**	**157.7**	**183.1**	**161.6**	**112.2**	**168.5**	**94.9**	**129.4**	**151.1**	**185.8**	9
10	Corporate equities	11.4	10.9	7.9	4.1	9.9	10.1	10.3	9.5	13.3	6.9	10
11	*Debt instruments*	*109.7*	*146.8*	*175.3*	*157.5*	*102.3*	*158.4*	*84.6*	*119.9*	*137.8*	*178.9*	11
12	*Debt capital instruments*	*86.8*	*102.8*	*106.7*	*101.2*	*101.3*	*122.0*	*97.5*	*105.1*	*110.6*	*133.4*	12
13	State and local obligations	17.5	15.4	16.3	19.6	17.3	18.2	16.2	18.4	17.9	18.6	13
14	Corporate bonds	18.8	12.2	9.2	19.7	27.2	23.7	33.4	21.0	20.7	26.7	14
	Mortgages:											
15	Home	28.6	42.6	46.4	34.6	40.8	59.1	33.5	48.1	53.5	64.8	15
16	Multifamily residential	9.7	12.7	10.4	7.0	−.1	1.3	*	−.2	.7	1.9	16
17	Commercial	9.8	16.4	18.9	15.1	10.9	12.8	8.7	13.1	11.9	13.7	17
18	Farm	2.4	3.6	5.5	5.1	5.2	6.9	5.6	4.8	6.0	7.8	18
19	*Other debt instruments*	*22.8*	*44.0*	*68.6*	*56.3*	*1.0*	*36.4*	*−12.8*	*14.8*	*27.2*	*45.5*	19
20	Consumer credit	11.6	18.6	21.7	9.8	8.5	20.5	1.1	16.0	19.4	21.6	20
21	Bank loans n.e.c.	6.5	18.1	34.8	26.2	−14.5	−2.2	−23.5	−5.5	−12.9	8.6	21
22	Open market paper	.4	.8	2.5	6.8	−2.2	3.5	−.2	−4.2	8.2	−1.3	22
23	Other	5.1	6.5	9.6	13.5	9.1	14.6	9.7	8.5	12.6	16.5	23
24	*By borrowing sector*	*121.1*	*157.7*	*183.1*	*161.6*	*112.2*	*168.5*	*94.9*	*129.4*	*151.1*	*185.8*	24
25	State and local governments	17.8	15.2	14.8	18.6	14.9	17.7	13.9	15.9	16.2	19.3	25
26	Households	42.1	64.8	73.5	45.2	49.7	80.2	39.0	60.4	71.9	88.5	26
27	Farm	4.5	5.8	9.7	7.9	9.4	12.7	9.4	9.4	11.9	13.5	27
28	Nonfarm noncorporate	10.3	13.1	12.3	6.7	1.2	4.7	−.8	3.2	3.8	5.7	28
29	Corporate	46.4	58.8	72.9	83.1	37.1	53.1	33.5	40.6	47.3	58.8	29
30	**Foreign**	**5.2**	**4.0**	**6.2**	**15.3**	**13.0**	**20.3**	**8.5**	**17.4**	**15.4**	**25.2**	30
31	Corporate equities	*	−.4	−.2	−.2	.1	.4	.1	.1	.3	.4	31
32	*Debt instruments*	*5.2*	*4.4*	*6.4*	*15.5*	*12.8*	*20.0*	*8.4*	*17.3*	*15.1*	*24.8*	32
33	Bonds	.9	1.0	1.0	2.1	6.2	8.8	5.7	6.7	7.3	10.3	33
34	Bank loans n.e.c.	2.1	3.0	2.8	4.7	4.0	5.0	.6	7.4	3.8	6.1	23
35	Open market paper	.3	−1.0	.9	7.1	−.1	2.5	−1.2	1.0	.8	4.2	35
36	U.S. Govt. loans	1.8	1.5	1.7	1.6	2.8	3.7	3.3	2.2	3.2	4.2	36
37	MEMO: U.S. Govt. cash balance	3.2	−.3	−1.7	−4.6	2.9	2.8	.5	5.2	11.1	−5.4	37
	Totals net of changes in U.S. Govt. cash balance:											
38	Total funds raised	147.8	177.2	199.3	193.4	207.5	254.9	183.7	231.3	227.2	282.6	38
39	By U.S. Govt.	21.6	15.5	9.9	16.6	82.3	66.1	80.3	84.4	60.6	71.6	39
40	**FINANCIAL SECTORS**	**17.0**	**29.1**	**56.7**	**43.0**	**14.8**	**29.4**	**14.4**	**15.3**	**30.5**	**28.3**	40
	By instrument:											
41	*U.S. Govt. related*	*5.9*	*8.4*	*19.9*	*23.1*	*13.5*	*17.4*	*14.0*	*13.1*	*18.0*	*16.9*	41
42	Sponsored credit agencies	1.1	3.5	16.3	16.6	2.3	2.4	1.4	3.3	3.9	.9	42
43	Mortgage pool securities	4.8	4.9	3.6	5.8	10.3	15.2	11.5	9.2	14.2	16.2	43
44	Loans from U.S. Govt.	......	......	......	.7	.9	−.2	1.1	.6	*	−.3	44
45	*Private financial sectors*	*11.1*	*20.7*	*36.8*	*19.9*	*1.3*	*11.9*	*.4*	*2.1*	*12.4*	*11.4*	45
46	Corporate equities	3.5	2.8	1.5	1.0	1.2	.7	1.2	1.2	.3	1.1	46
47	*Debt instruments*	*7.6*	*18.0*	*35.3*	*18.9*	*.1*	*11.2*	*−.8*	*1.0*	*12.1*	*10.3*	47
48	Corporate bonds	3.8	5.1	3.5	2.1	2.9	5.7	2.5	3.3	7.2	4.3	48
49	Mortgages	2.1	1.7	−1.2	−1.3	2.3	2.0	1.2	3.4	1.2	2.8	49
50	Bank loans n.e.c.	3.5	6.8	14.0	7.5	−3.9	−3.9	−4.7	−3.2	−2.8	−4.9	50
51	Open market paper and Rp's	.9	4.4	11.8	3.9	2.8	9.3	7.6	−1.9	8.7	9.9	51
52	Loans from FHLB's	−2.7	*	7.2	6.7	−4.0	−2.0	−7.3	−.6	−2.3	−1.7	52
	By sector:											
53	Sponsored credit agencies	1.1	3.5	16.3	17.3	3.2	2.2	2.5	4.0	3.9	.7	53
54	Mortgage pools	4.8	4.9	3.6	5.8	10.3	15.2	11.5	9.2	14.2	16.2	54
55	*Private financial sectors*	*11.1*	*20.7*	*36.8*	*19.9*	*1.3*	*11.9*	*.4*	*2.1*	*12.4*	*11.4*	55
56	Commercial banks	2.4	4.8	8.1	1.1	1.7	9.3	5.7	−2.3	11.9	6.8	56
57	Bank affiliates	−.4	.7	2.2	3.5	.3	−.8	.9	−.3	−1.3	−.3	57
58	Foreign banking agencies	1.6	.8	5.1	2.9	−.3	−.5	−.9	.2	−1.5	.5	58
59	Savings and loan associations	−.1	2.0	6.0	6.3	−2.1	*	−7.8	3.6	−.7	.8	59
60	Other insurance companies	.6	.5	.5	.9	.9	1.0	.9	1.0	1.0	1.0	60
61	Finance companies	2.7	6.2	9.4	4.5	.7	5.4	−.8	2.1	6.6	4.3	61
62	REIT's	2.9	6.3	6.5	1.1	−1.9	−1.4	−1.6	−2.2	−1.7	−1.0	62
63	Open-end investment companies	1.3	−.5	−1.2	−.5	.8	−.9	1.5	.1	−1.1	−.7	63
64	Money market funds	......	......	......	2.4	1.3	−.3	2.6	*	−.7	.2	64
65	**ALL SECTORS, by instrument**	**168.1**	**206.0**	**254.3**	**231.8**	**225.2**	**287.1**	**198.6**	**251.8**	**268.7**	**305.5**	65
66	Investment company shares	1.3	−.5	−1.2	−.5	.8	−.9	1.5	.1	−1.1	−.7	66
67	Other corporate equities	13.7	13.8	10.4	5.4	10.4	12.1	10.2	10.7	15.1	9.1	67
68	*Debt instruments*	*153.1*	*192.8*	*245.2*	*227.0*	*214.0*	*275.9*	*187.0*	*241.0*	*254.8*	*297.1*	68
69	U.S. Govt. securities	30.7	23.7	28.3	34.5	98.0	86.6	93.6	102.4	89.9	83.4	69
70	State and local obligations	17.5	15.4	16.3	19.6	17.3	18.2	16.2	18.4	17.9	18.6	70
71	Corporate and foreign bonds	23.5	18.4	13.6	23.9	36.3	38.2	41.6	31.0	35.2	41.3	71
72	Mortgages	52.5	76.8	79.9	60.5	59.0	82.0	49.1	69.0	73.2	90.8	72
73	Consumer credit	11.6	18.6	21.7	9.8	8.5	20.5	1.1	16.0	19.4	21.6	73
74	Bank loans n.e.c.	12.1	27.8	51.6	38.4	−14.4	−1.1	−27.6	−1.2	−11.9	9.8	74
75	Open market paper and Rp's	.9	4.1	15.2	17.8	.5	15.3	6.2	−5.1	17.7	12.8	75
76	Other loans	4.2	8.0	18.5	22.5	8.7	16.1	6.8	10.7	13.5	18.8	76

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

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category or sector	1971	1972	1973	1974	1975	1976	1975 H1	1975 H2	1976 H1	1976 H2	
1 **Total funds advanced in credit markets to nonfinancial sectors**	**139.6**	**166.4**	**190.0**	**185.0**	**200.3**	**247.3**	**173.8**	**226.9**	**224.7**	**269.9**	1
By public agencies and foreign:											
2 *Total net advances*	*43.4*	*19.8*	*34.2*	*52.7*	*44.2*	*54.5*	*51.9*	*36.6*	*50.8*	*58.3*	2
3 U.S. Govt. securities	34.4	7.6	9.6	11.9	22.5	25.6	32.6	12.4	26.6	24.7	3
4 Residential mortgages	7.0	7.0	8.2	14.7	16.2	12.7	15.9	16.5	11.1	14.4	4
5 FHLB advances to S&L's	-2.7	*	7.2	6.7	4.0	-2.0	-7.3	-.6	-2.3	-1.7	5
6 Other loans and securities	4.6	5.1	9.2	19.5	9.5	18.1	10.6	8.3	15.4	20.9	6
Totals advanced, by sector											
7 U.S. Govt.	2.8	1.8	2.8	9.8	15.1	10.7	14.9	15.2	5.9	15.5	7
8 Sponsored credit agencies	5.2	9.2	21.4	25.6	14.5	20.3	15.9	13.2	20.0	20.6	8
9 Monetary authorities	8.9	.3	9.2	6.2	8.5	9.8	7.0	10.1	13.6	6.1	9
10 *Foreign*	26.4	8.4	.7	11.2	6.1	13.8	14.2	-2.0	11.4	16.1	10
11 Agency borrowing not included in line 1	5.9	8.4	19.9	23.1	13.5	17.4	14.0	13.1	18.0	16.9	11
Private domestic funds advanced											
12 *Total net advances*	*102.1*	*155.0*	*175.7*	*155.3*	*169.6*	*210.2*	*135.9*	*203.4*	*191.9*	*228.4*	12
13 U.S. Govt. securities	-3.7	16.1	18.7	22.6	75.5	61.0	61.0	90.0	63.3	58.8	13
14 State and local obligations	17.5	15.4	16.3	19.6	17.3	18.2	16.2	18.4	17.9	18.6	14
15 Corporate and foreign bonds	19.5	13.1	10.0	20.9	32.8	31.5	38.9	26.7	27.0	35.9	15
16 Residential mortgages	31.2	48.1	48.5	26.9	24.4	47.6	17.7	31.1	43.1	52.1	16
17 Other mortgages and loans	35.0	62.3	89.3	71.9	15.7	49.9	-5.2	36.5	38.4	61.4	17
18 Less: FHLB advances	-2.7	*	7.2	6.7	4.0	-2.0	-7.3	-.6	-2.3	-1.7	18
Private financial intermediation											
19 *Credit market funds advanced by private financial institutions*	*109.7*	*149.4*	*163.8*	*126.2*	*116.0*	*168.2*	*97.7*	*134.3*	*141.3*	*195.1*	19
20 Commercial banks	50.6	70.5	86.5	64.6	27.6	42.6	13.5	41.7	20.8	64.5	20
21 Savings institutions	39.1	47.2	36.0	27.0	51.0	72.3	49.8	52.2	71.1	73.5	21
22 Insurance and pension funds	14.2	17.8	23.8	30.1	39.3	46.5	36.4	42.3	44.3	48.8	22
23 Other finance	5.9	13.8	17.4	4.5	-1.8	6.7	-1.9	-1.8	5.1	8.3	23
24 *Sources of funds*	*109.7*	*149.4*	*163.8*	*126.2*	*116.0*	*168.2*	*97.7*	*134.3*	*141.3*	*195.1*	24
25 Private domestic deposits	89.4	100.9	86.4	69.4	90.5	108.1	90.3	90.6	88.8	127.3	25
26 Credit market borrowing	7.6	18.0	35.3	18.9	.1	11.2	.8	1.0	12.1	10.3	26
27 *Other sources*	*12.6*	*30.5*	*42.1*	*37.8*	*25.4*	*48.9*	*8.2*	*42.7*	*40.4*	*57.5*	27
28 Foreign funds	-3.9	5.3	6.9	14.5	-.4	4.9	-5.7	5.0	2.1	7.6	28
29 Treasury balances	2.2	.7	-1.0	-5.1	1.7	.2	-3.5	.1	3.8	4.1	29
30 Insurance and pension reserves	8.6	11.6	18.4	26.0	29.9	35.6	27.4	32.5	33.6	37.6	30
31 Other, net	5.7	12.8	17.8	2.4	2.4	8.6	10.1	5.2	.9	16.4	31
Private domestic nonfinancial investors											
32 *Direct lending in credit markets*	*	*23.6*	*47.2*	*40.8*	*53.7*	*53.1*	*37.4*	*70.1*	*62.7*	*43.7*	32
33 U.S. Govt. securities	-10.8	4.2	19.4	17.9	23.0	22.4	5.0	41.0	28.3	16.5	33
34 State and local obligations	.5	3.1	7.5	12.2	9.9	6.5	10.3	9.6	7.1	5.9	34
35 Corporate and foreign bonds	8.3	4.2	.9	5.3	10.4	5.9	12.9	7.9	6.4	5.4	35
36 Commercial paper	-1.1	3.0	12.5	4.6	3.1	6.3	3.5	2.7	9.4	3.2	36
37 Other	3.2	9.1	6.9	8.1	7.3	12.0	5.6	8.9	11.6	12.6	37
38 *Deposits and currency*	*92.8*	*105.3*	*90.3*	*75.7*	*96.7*	*115.8*	*95.7*	*97.7*	*93.0*	*138.5*	38
39 *Time and saving accounts*	*79.1*	*83.7*	*76.2*	*67.4*	*84.8*	*105.6*	*75.0*	*94.7*	*85.1*	*126.0*	39
40 Large negotiable CD's	7.7	8.7	18.4	23.6	9.7	-15.1	-22.3	2.9	-23.0	-7.4	40
41 Other at commercial banks	31.8	29.7	29.4	21.4	35.4	51.5	34.4	36.4	42.1	60.9	41
42 At savings institutions	39.6	45.4	28.4	22.4	59.2	69.2	63.0	55.4	66.0	72.4	42
43 *Money*	*13.7*	*21.6*	*14.1*	*8.3*	*11.9*	*10.2*	*20.7*	*3.0*	*7.9*	*12.5*	43
44 Demand deposits	10.4	17.2	10.2	2.0	5.7	2.5	15.3	-4.0	3.7	1.3	44
45 Currency	3.4	4.4	3.9	6.3	6.2	7.7	5.4	7.1	4.1	11.2	45
46 **Total of credit market instruments, deposits and currency**	**92.9**	**129.0**	**137.5**	**123.7**	**150.4**	**168.9**	**133.1**	**167.8**	**155.7**	**182.1**	46
47 Public support rate (in per cent)	31.1	11.9	18.0	28.5	22.1	22.0	29.9	16.1	22.6	21.6	47
48 Private financial intermediation (in per cent)	107.4	96.4	93.2	81.2	68.4	80.0	71.9	66.0	73.6	85.4	48
49 Total foreign funds	22.5	13.7	7.6	25.7	5.7	18.6	8.5	3.0	13.5	23.8	49
MEMO: Corporate equities not included above											
50 **Total net issues**	**15.0**	**13.3**	**9.2**	**4.9**	**11.2**	**11.2**	**11.7**	**10.8**	**14.0**	**8.4**	50
51 Mutual fund shares	1.3	-.5	-1.2	-.5	.8	-.9	1.5	.1	-1.1	-.7	51
52 Other equities	13.7	13.8	10.4	5.4	10.4	12.1	10.2	10.7	15.1	9.1	52
53 Acquisitions by financial institutions	17.8	15.3	13.3	5.5	8.3	10.4	9.2	7.4	11.8	9.1	53
54 Other net purchases	2.9	2.1	4.1	-.7	2.9	.8	2.4	3.4	2.2	-.6	54

NOTES BY LINE NO.

1. Line 2 of p. A-44.
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. Included below in lines 13 and 33. Includes all GNMA-guaranteed security issues backed by mortgage pools.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Lines 39 plus 44.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33-37. Lines 13-17 less amounts acquired by private finance. Line 37 includes mortgages.
45. Mainly an offset to line 9.
46. Lines 32 plus 38 or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Lines 10 plus 28.
50, 52. Includes issues by financial institutions.

2.10 SELECTED MEASURES OF NONFINANCIAL BUSINESS ACTIVITY

1967 = 100 ~~except as noted~~; monthly and quarterly data are seasonally adjusted

Measure	1974	1975	1976	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
1 **Industrial production**	**129.3**	**117.8**	**129.8**	**131.3**	**130.8**	**130.4**	**131.8**	**133.1**	**132.0**	**133.3**	**135.1**
Market groupings:											
2 *Products, total*	*129.3*	*119.3*	*129.3*	*130.3*	*129.7*	*129.6*	*131.7*	*133.8*	*133.0*	*133.7*	*135.7*
3 Final, total	125.1	118.2	127.3	128.3	127.4	127.4	129.8	132.1	130.8	131.5	133.7
4 Consumer goods	128.9	124.0	136.8	137.5	136.2	136.9	139.1	142.0	140.1	140.9	143.4
5 Equipment	120.0	110.2	114.3	115.7	115.2	114.4	116.9	118.6	117.9	118.7	120.5
6 Intermediate	135.3	123.1	136.8	137.8	138.7	138.3	138.8	139.8	141.3	141.9	142.8
7 Materials	132.4	115.5	130.5	133.0	132.5	131.6	131.9	131.9	130.5	132.5	134.0
Industry groupings:											
8 Manufacturing	129.4	116.3	129.4	131.6	130.7	129.9	131.9	132.8	131.1	132.6	135.0
Capacity utilization (per cent)[1] in:											
9 Manufacturing	84.2	73.6	80.1	81.1	80.4	79.7	80.8	81.2	80.0	80.7	82.0
10 Industrial materials industries	87.7	73.6	80.3	81.6	81.0	80.3	80.3	80.1	79.0	80.1	80.8
11 Construction contracts[2]	173.9	162.3	190.2	186.0	182.0	237.0	186.0	183.0	203.0	207.0	....
12 **Nonagricultural employment, total**[3]	**119.1**	**116.9**	**120.6**	**120.9**	**121.4**	**121.2**	**121.6**	**122.0**	**122.3**	**122.7**	**p123.5**
13 Goods-producing, total	106.2	96.9	100.3	100.2	100.8	100.2	100.9	101.0	101.3	r101.8	p103.0
14 Manufacturing, total	103.1	94.3	97.5	97.6	98.2	97.4	98.0	98.2	98.8	98.8	p99.7
15 Manufacturing, production-worker	102.1	91.3	95.2	95.2	96.1	94.9	95.6	95.7	96.5	r96.4	p97.8
16 Service-producing	126.1	127.8	131.7	132.2	132.6	132.7	132.9	133.5	133.8	134.2	p134.7
17 **Personal income, total**[4]	**184.1**	**199.4**	**219.1**	**221.1**	**222.1**	**224.9**	**226.8**	**229.7**	**r230.0**	**r233.2**	**p237.1**
18 Wages and salary disbursements	178.9	188.7	208.3	208.8	209.9	211.3	213.2	217.6	r218.4	r221.5	p224.4
19 Manufacturing	157.6	157.9	176.7	178.1	178.9	179.1	182.4	184.1	r185.0	r187.8	p191.5
20 Disposable personal income	180.5	198.5	217.0	217.0	....	....	218.1	....	....	234.1	....
21 Retail sales[5]	171.2	186.0	206.6	208.8	206.7	208.8	212.3	221.2	216.5	222.2	227.6
Prices:[6]											
22 Consumer	147.7	161.2	170.5	171.9	172.6	173.3	173.8	174.3	175.3	177.1	....
23 Wholesale	160.1	174.1	182.9	183.7	184.7	185.2	185.6	187.1	188.0	190.0	191.9

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

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

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

4 Based on data in *Survey of Current Business* (U.S. Dept. of Commerce). Series for disposable income is quarterly.

5 Based on Bureau of Census data published in *Survey of Current Business* (U.S. Dept. of Commerce).

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

NOTE.—Basic data (not index numbers) for series mentioned in notes 3, 4, and 5, and indexes for series mentioned in notes 2 and 6 may also be found in the *Survey of Current Business* (U.S. Dept. of Commerce).

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	Output (1967 = 100) 1976 Q2	1976 Q3	1976 Q4	1977 Q1[p]	Capacity (per cent of 1967 output) 1976 Q2	1976 Q3	1976 Q4	1977 Q1[p]	Utilization rate (per cent) 1976 Q2	1976 Q3	1976 Q4	1977 Q1[p]
1 **Manufacturing**	**129.4**	**131.1**	**131.5**	**132.9**	**161.3**	**162.3**	**163.2**	**164.3**	**80.2**	**80.8**	**80.6**	**80.9**
2 Primary processing	136.6	139.3	138.9	138.7	167.5	168.8	170.1	171.4	81.5	82.5	81.7	80.9
3 Advanced processing	125.2	126.3	127.5	129.9	158.0	158.8	159.6	160.6	79.3	79.6	79.9	80.9
4 **Materials**	**130.3**	**132.6**	**131.8**	**132.3**	**161.7**	**163.1**	**164.3**	**165.5**	**80.6**	**81.3**	**80.2**	**80.0**
5 Durable goods	126.1	130.7	128.4	128.5	165.5	166.7	167.8	169.0	76.2	78.4	76.5	76.0
6 Basic metal	110.8	117.1	107.7	105.8	143.1	143.7	144.4	144.8	77.4	81.5	74.6	....
7 Nondurable goods	146.9	146.6	147.0	147.5	171.0	172.5	174.1	175.6	85.9	85.0	84.4	84.0
8 Textile, paper, and chemical	151.6	151.2	151.5	152.2	178.3	180.1	182.0	183.6	85.0	84.0	83.2	82.9
9 Textile	115.5	114.4	111.7	112.0	139.0	139.8	140.6	141.4	83.1	81.8	79.4	....
10 Paper	132.5	131.9	130.2	131.7	145.7	146.7	147.9	148.9	90.9	89.9	88.1	....
11 Chemical	175.3	175.1	177.6	178.3	208.7	211.2	213.7	216.2	84.0	82.9	83.1	....
12 Energy	120.0	119.9	121.5	122.8	141.5	142.7	143.9	144.3	84.8	84.0	84.4	85.1

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted; except as noted.

Category	1974	1975	1976	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.[p]
	Household survey data									
1 **Noninstitutional population**[1]	**150,827**	**153,449**	**156,048**	**156,595**	**156,788**	**157,006**	**157,176**	**157,381**	**157,584**	**157,782**
2 **Labor force (including Armed Forces)**[1]	**93,240**	**94,793**	**96,917**	**97,387**	**97,449**	**98,020**	**98,106**	**97,649**	**98,282**	**98,677**
3 Civilian labor force	91,011	92,613	94,773	95,242	95,302	95,871	95,960	95,516	96,145	96,539
Employment:										
4 Nonagricultural industries[2]	82,443	81,403	84,188	84,516	84,428	84,972	85,184	85,468	85,872	86,359
5 Agriculture	3,492	3,380	3,297	3,278	3,310	3,248	3,257	3,090	3,090	3,116
Unemployment:										
6 Number	5,076	7,830	7,288	7,448	7,564	7,651	7,517	6,958	7,183	7,064
7 *Rate (per cent of civilian labor force)*	*5.6*	*8.5*	*7.7*	*7.8*	*7.9*	*8.0*	*7.8*	*7.3*	*7.5*	*7.3*
8 **Not in labor force**	**57,587**	**58,655**	**59,130**	**59,208**	**59,339**	**58,986**	**59,071**	**59,732**	**59,302**	**59,104**
	Establishment survey data									
9 **Nonagricultural payroll employment**[3]	**78,413**	**77,050**	**79,443**	**79,918**	**79,819**	**80,106**	**80,344**	**[r]80,561**	**[r]80,816**	**81,304**
10 Manufacturing	20,046	18,347	18,958	19,100	18,941	19,065	19,095	[r]19,211	[r]19,217	19,383
11 Mining	694	745	783	798	800	805	808	[r]817	[r]827	841
12 Contract construction	3,957	3,515	3,593	3,565	3,582	3,619	3,605	[r]3,561	[r]3,636	3,731
13 Transportation and public utilities	4,696	4,499	4,508	4,528	4,506	4,519	4,553	[r]4,549	[r]4,555	4,579
14 Trade	17,017	16,997	17,694	17,839	17,824	17,808	17,898	[r]17,981	[r]18,086	18,177
15 Finance	4,208	4,222	4,315	4,338	4,359	4,381	4,403	[r]4,423	[r]4,438	4,458
16 Service	13,617	14,008	14,645	14,798	14,819	14,873	14,936	[r]15,010	[r]15,068	15,124
17 Government	14,177	14,773	14,947	14,952	14,988	15,036	15,046	[r]15,009	[r]14,989	15,011

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. Dept. 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 February 1977 benchmark. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

2.13 INDUSTRIAL PRODUCTION

~~Unless otherwise noted, figures are~~ indexes (1967 = 100 except as noted); monthly data are seasonally adjusted.

	Grouping	1967 proportion	1976^p average	1975 Dec.	1976 Jan.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
		Major market groupings										
1	**Total index**	100.00	129.8	124.4	125.7	130.8	130.4	131.8	133.1	132.0	133.3	135.1
2	**Products**	60.71	129.3	124.9	126.0	129.7	129.6	131.7	133.8	133.0	133.7	135.7
3	*Final products*	47.82	127.3	123.5	123.9	127.4	127.4	129.8	132.1	130.8	131.5	133.7
4	Consumer goods	27.68	136.8	132.3	133.1	136.2	136.9	139.1	142.0	140.1	140.9	143.4
5	Equipment	20.14	114.3	111.5	111.2	115.2	114.4	116.9	118.6	117.9	118.7	120.5
6	Intermediate products	12.89	136.8	129.9	133.6	138.7	138.3	138.8	139.8	141.3	141.9	142.8
7	**Materials**	39.29	130.5	123.3	125.3	132.5	131.6	131.9	131.9	130.5	132.5	134.0
	Consumer goods											
8	*Durable consumer goods*	7.89	141.5	134.0	134.7	138.4	139.4	143.7	151.2	145.1	145.5	153.8
9	Automotive products	2.83	154.8	147.7	142.8	147.4	148.8	161.6	180.4	163.4	160.5	181.9
10	Autos and utility vehicles	2.03	149.9	140.0	133.4	139.1	137.9	154.6	180.1	156.6	154.3	182.6
11	Autos	1.90	132.0	122.8	118.9	120.9	121.5	139.1	159.8	136.9	132.8	159.8
12	Auto parts and allied goods	.80	167.2	167.0	167.4	168.6	176.6	179.3	181.7	180.7	176.3	179.8
13	Home goods	5.06	134.1	126.4	130.3	133.3	134.1	133.8	134.9	135.0	137.0	137.9
14	Appliances, A/C, and TV	1.40	115.8	101.1	107.8	111.4	115.8	115.3	111.7	113.4	117.4	119.0
15	Appliances and TV	1.33	118.6	104.4	110.6	115.1	118.6	117.6	113.8	116.0	120.0	....
16	Carpeting and furniture	1.07	144.1	142.0	144.8	146.3	147.0	143.6	144.7	141.3	144.5	....
17	Misc. home goods	2.59	139.9	133.6	136.6	139.8	138.6	139.9	143.6	144.1	144.4	145.0
18	*Nondurable consumer goods*	19.79	134.9	131.5	132.5	135.3	135.8	137.1	138.4	138.1	139.0	139.2
19	Clothing	4.29	126.9	123.9	127.4	123.0	125.9	126.4	126.4	124.2	....	....
20	Consumer staples	15.50	137.2	133.6	133.9	138.7	138.5	140.0	141.7	141.9	143.0	142.7
21	Consumer foods and tobacco	8.33	130.8	127.2	128.5	133.0	133.2	132.5	132.8	132.4	133.3	....
22	Nonfood staples	7.17	144.6	141.0	140.2	145.4	144.8	149.0	151.8	152.9	154.3	152.8
23	Consumer chemical products	2.63	166.6	159.7	157.3	169.2	168.3	174.4	177.9	177.8	178.6	....
24	Consumer paper products	1.92	113.3	113.4	113.3	111.9	109.9	113.8	117.7	117.0	117.8	....
25	Consumer energy products	2.62	145.4	142.8	142.4	145.9	146.9	149.0	150.9	154.5	156.4	....
26	Residential utilities	1.45	....	152.0	154.5	154.3	154.4	....	....	....	....	....
	Equipment											
27	*Business equipment*	12.63	136.1	131.6	131.0	137.5	135.9	140.2	143.2	142.0	142.9	145.1
28	Industrial equipment	6.77	127.9	124.5	123.5	129.8	129.9	131.3	133.5	131.5	132.8	135.3
29	Building and mining equip.	1.44	177.4	172.9	171.4	180.4	180.9	181.5	187.4	187.9	189.3	194.9
30	Manufacturing equipment	3.85	106.4	101.3	101.2	108.6	107.9	109.9	110.7	107.9	109.0	110.5
31	Power equipment	1.47	135.3	137.6	134.6	135.6	137.8	138.0	140.0	137.7	139.7	142.3
32	Commercial transit, farm equip.	5.86	145.5	139.7	139.7	146.1	142.7	150.5	154.4	153.9	154.5	156.4
33	Commercial equipment	3.26	173.2	164.4	165.0	176.8	177.5	179.7	185.3	185.2	185.7	187.0
34	Transit equipment	1.93	103.8	102.9	100.2	99.3	98.3	107.6	109.1	107.0	107.3	110.7
35	Farm equipment	.67	130.6	125.6	131.5	131.4	102.0	132.2	134.8	137.0	138.4	....
36	*Defense and space equipment*	7.51	77.9	77.7	78.0	77.7	78.5	77.9	77.4	77.4	78.1	79.1
	Intermediate products											
37	Construction supplies	6.42	132.0	124.1	126.8	134.3	134.0	135.7	135.5	135.4	135.6	137.2
38	Business supplies	6.47	141.5	135.9	140.3	143.0	142.5	141.7	144.2	147.2	148.3	....
39	Commercial energy products	1.14	156.5	147.9	158.1	156.4	154.0	155.4	156.7	162.0	162.1	....
	Materials											
40	*Durable goods materials*	20.35	126.6	115.5	118.3	130.0	128.5	128.5	128.3	126.6	128.5	130.3
41	Durable consumer parts	4.58	121.6	111.6	111.7	123.5	119.4	126.2	124.7	120.6	123.0	127.6
42	Equipment parts	5.44	133.9	123.9	125.7	138.3	138.0	137.2	138.8	135.1	138.8	139.6
43	Durable materials n.e.c.	10.34	125.0	112.9	117.4	128.4	127.5	124.9	124.2	124.6	125.3	126.7
44	Basic metal materials	5.57	109.8	96.1	101.9	113.9	112.0	106.3	104.7	104.7	105.6	....
45	*Nondurable goods materials*	10.47	146.4	142.6	142.9	147.8	147.5	147.2	146.2	144.2	148.5	149.9
46	Textile, paper, and chem. mat.	7.62	151.2	147.9	147.5	152.6	152.5	151.3	150.6	148.9	153.1	154.7
47	Textile materials	1.85	114.4	118.9	117.8	113.6	112.6	108.8	113.6	110.6	111.5	....
48	Paper materials	1.62	131.1	125.9	126.5	131.0	132.1	131.0	127.6	127.6	132.4	....
49	Chemical materials	4.15	175.5	169.5	168.9	178.2	178.2	178.3	176.3	174.4	177.9	....
50	Containers, nondurable	1.70	142.6	136.1	139.0	143.5	141.7	145.9	143.8	137.6	146.9	....
51	Nondurable materials n.e.c.	1.14	120.0	116.7	118.3	122.8	122.4	122.2	119.7	122.5	120.6	....
52	*Energy materials*	8.48	120.3	118.7	120.6	119.6	119.6	121.7	123.1	122.7	122.2	123.5
53	Primary energy	4.65	107.0	107.3	107.7	108.4	109.0	107.1	106.6	104.2	102.4	....
54	Converted fuel materials	3.82	136.4	132.3	136.3	133.2	132.7	139.5	143.2	145.2	146.4	....
	Supplementary groups											
55	Home goods and clothing	9.35	130.8	125.2	129.9	128.7	130.3	130.4	131.0	130.1	131.0	132.6
56	Energy, total	12.23	129.0	126.6	128.8	128.6	128.6	130.7	132.2	133.1	133.2	132.9
57	Products	3.76	148.8	144.5	147.2	149.1	149.1	150.9	152.7	156.7	158.1	....
58	Materials	8.48	120.3	118.7	120.6	119.6	119.6	121.7	123.1	122.7	122.2	....

For NOTE see opposite page.

2.13 Continued

	Grouping	SIC code	1967 proportion	1976 average	1975 Dec.	1976 Jan.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
	Gross value of products in market structure (annual rates, in billions of 1972 dollars)												
1	**Products, total**		[1]286.3	**550.6**	**528.4**	**531.9**	**548.8**	**549.4**	**558.3**	**570.6**	**563.4**	**569.1**	**580.0**
2	*Final products*		[1]*221.4*	*426.2*	*410.6*	*410.9*	*422.2*	*423.6*	*432.2*	*443.9*	*435.8*	*440.0*	*450.2*
3	Consumer goods		[1]156.3	302.9	292.0	292.3	300.7	302.2	307.4	315.7	308.9	312.5	319.1
4	Equipment		[1]65.3	123.5	118.9	119.1	121.7	121.4	125.0	128.2	126.9	127.6	131.1
5	Intermediate products		[1]64.9	124.3	117.9	120.8	126.6	126.0	126.2	126.5	127.3	129.0	129.9
	Major industry groupings												
6	*Mining and utilities*		*12.05*	*131.9*	*129.2*	*131.8*	*131.9*	*133.1*	*134.1*	*134.8*	*136.0*	*136.5*	*136.9*
7	Mining		6.36	114.1	112.9	113.6	115.7	116.7	116.2	116.2	114.3	115.2	119.5
8	Utilities		5.69	151.7	147.2	152.0	150.1	151.2	154.0	155.5	160.2	160.5	156.3
9	Electric		3.88	....	162.3	167.4	167.8	168.8	....	....	....	....	....
10	*Manufacturing*		*87.95*	*129.4*	*123.6*	*125.2*	*130.7*	*129.9*	*131.9*	*132.8*	*131.1*	*132.6*	*135.0*
11	Nondurable		35.97	141.0	136.9	138.4	142.6	142.2	143.5	143.7	143.1	145.1	146.3
12	Durable		51.98	121.4	114.4	115.8	122.4	121.5	123.8	125.2	122.9	124.0	127.3
	Mining												
13	Metal mining	10	.51	122.8	117.9	122.2	123.6	127.4	128.1	130.4	136.6	136.3	....
14	Coal	11, 12	.69	116.9	109.9	111.2	121.3	132.3	125.1	125.9	95.3	100.8	123.9
15	Oil and gas extraction	13	4.40	112.0	113.1	112.5	113.3	112.5	112.4	112.8	113.5	114.1	117.0
16	Stone and earth minerals	14	.75	118.3	111.5	117.1	119.2	120.0	121.4	117.9	121.6	120.2	....
	Nondurable manufactures												
17	Foods	20	8.75	132.0	128.5	129.2	135.7	134.7	134.7	134.3	134.6	136.0	
18	Tobacco products	21	.67	117.2	116.0	117.3	115.4	118.3	119.7	119.1	115.0	....	....
19	Textile mill products	22	2.68	135.9	139.0	137.6	135.7	134.2	132.2	133.3	131.8	133.7	....
20	Apparel products	23	3.31	126.1	121.2	123.8	122.5	126.4	125.9	128.0	123.6	....	....
21	Paper and products	26	3.21	133.1	129.5	130.3	132.1	132.3	132.5	131.8	130.6	134.9	135.9
22	Printing and publishing	27	4.72	120.7	118.4	120.0	120.6	119.2	119.3	123.1	124.7	124.5	125.1
23	Chemicals and products	28	7.74	169.4	163.3	162.9	170.5	170.6	174.2	173.5	172.0	174.6	....
24	Petroleum products	29	1.79	132.7	126.3	125.7	134.1	130.2	135.8	138.9	141.3	145.1	145.6
25	Rubber & plastic products	30	2.24	199.8	185.3	188.4	212.4	211.1	215.7	212.3	211.9	214.7	....
26	Leather and products	31	.86	82.0	83.2	86.0	77.9	77.2	75.8	73.4	74.8	75.2	....
	Durable manufactures												
27	Ordnance, pvt. & govt.	19, 91	3.64	71.7	70.1	69.9	73.2	73.3	72.2	71.8	71.4	71.0	72.2
28	Lumber and products	24	1.64	125.1	116.4	123.5	128.7	130.7	129.0	127.5	132.7	132.2	....
29	Furniture and fixtures	25	1.37	132.8	130.3	132.7	133.0	134.5	134.0	135.7	134.1	134.8	....
30	Clay, glass, stone prod.	32	2.74	135.8	129.4	128.6	138.4	138.4	142.2	142.0	137.2	140.1	....
31	Primary metals	33	6.57	108.0	92.6	98.1	114.1	109.9	107.3	102.7	99.2	100.4	102.8
32	Iron and steel		4.21	104.4	89.1	92.9	110.3	105.1	103.1	95.6	89.8	91.7	95.0
33	Fabricated metal prod.	24	5.93	123.3	117.3	116.6	126.6	123.5	126.7	128.2	125.3	125.5	127.9
34	Nonelectrical machinery	35	9.15	134.7	128.6	129.0	136.8	134.1	137.5	141.2	139.6	139.5	140.9
35	Electrical machinery	36	8.05	131.7	122.7	124.7	133.7	135.0	135.8	135.6	134.0	138.6	140.2
36	Transportation equip.	37	9.27	110.6	106.7	105.8	104.4	104.7	112.7	118.2	113.5	113.7	124.1
37	Motor vehicles & pts.		4.50	140.7	130.1	126.7	130.2	129.3	145.8	156.4	145.4	144.8	164.5
38	Aerospace & misc. tr. eq.		4.77	82.2	84.7	86.1	80.1	81.4	81.6	82.4	83.4	84.6	85.9
39	Instrument	38	2.11	148.2	140.9	142.0	148.7	150.3	150.3	155.7	153.7	156.8	156.8
40	Miscellaneous mfrs.	39	1.51	143.5	137.3	139.5	143.8	142.2	143.7	146.8	146.4	149.6	149.8

[1] 1972 dollars.

NOTE. Published groupings include some series and subtotals not shown separately. For summary description and historical data, see BULLETIN for June 1976, pp. 470–79. Availability of detailed descriptive and historical data will be announced in a forthcoming BULLETIN.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at annual rates except as noted

Item	1974	1975	1976ʳ	1976 Aug.ʳ	Sept.ʳ	Oct.ʳ	Nov.ʳ	Dec.ʳ	1977 Jan.ʳ	Feb.ʳ
	Private residential real estate activity (thousands of units ~~, monthly figures, seasonally adjusted; exceptions noted~~)									
NEW UNITS										
1 *Permits authorized*	*1,074*	*927*	*1,281*	*1,296*	*1,504*	*1,492*	*1,590*	*1,514*	*1,307*	*1,514*
2 1-family	644	669	895	874	926	998	1,072	1,053	ʳ927	1,075
3 2-or-more-family	431	278	386	422	578	494	518	461	ʳ380	439
4 *Started*	*1,338*	*1,160*	*1,540*	*1,530*	*1,768*	*1,715*	*1,706*	*1,889*	*1,386*	....
5 1-family	888	892	1,163	1,172	1,254	1,269	1,236	1,324	1,010	....
6 2-or-more-family	450	268	377	358	514	446	470	565	376	....
7 *Under construction, end of period*	*1,189*	*1,003*	*1,157*	*1,074*	*1,107*	*1,140*	*1,168*	*1,192*	*1,214*	....
8 1-family	516	531	662	622	641	662	671	687	701	....
9 2-or-more-family	673	472	495	452	466	478	497	506	514	....
10 *Completed*	*1,692*	*1,297*	*1,354*	*1,401*	*1,387*	*1,326*	*1,399*	*1,435*	*1,373*	....
11 1-family	931	866	1,021	1,094	1,017	989	1,068	1,074	1,060	....
12 2-or-more-family	760	430	333	307	370	337	331	361	313	....
13 Mobile homes shipped	329	213	250	252	255	277	251	252	258	....
Merchant builder activity in 1-family units:										
14 Number sold	501	544	635	656	714	728	688	785	765	....
15 Number for sale, end of period	407	383	....	410	415	420	430	433	436	....
Price (thous. of dollars)										
Median:										
16 Units sold	35.9	39.3	44.2	44.2	44.7	45.3	45.7	46.1	45.2	....
17 Units for sale	36.2	38.9	41.6	40.8	41.0	41.0	41.2	41.6	41.9	....
Average:										
18 Units sold	38.9	ʳ42.5	48.1	48.5	48.2	50.4	50.0	50.9	51.0	53.1
EXISTING UNITS (1-family)										
19 Number sold	2,272	2,452	3,002	3,070	3,250	3,230	3,300	3,470	3,190	3,080
Price of units sold (thous. of dollars):										
20 Median	32.0	35.3	38.1	39.4	38.7	38.5	38.8	39.0	39.6	40.7
21 Average	35.8	39.0	42.2	43.4	42.7	42.4	42.9	43.3	44.0	45.1
	Value of new construction [2] (millions of dollars. ~~monthly figures, seasonally adjusted~~)									
CONSTRUCTION										
22 Total put in place	**138,526**	**132,043**	**144,821**	**141,887**	**146,631**	**148,475**	**152,819**	**152,185**	**137,076**	**150,511**
23 *Private*	*100,179*	*93,034*	*108,424*	*104,538*	*109,000*	*114,503*	*118,752*	*118,918*	*107,153*	*117,714*
24 Residential	50,378	46,476	59,948	55,245	59,130	65,405	69,181	69,951	63,404	69,465
25 Nonresidential, total	49,801	46,558	48,476	49,293	49,870	49,098	49,571	48,967	43,749	48,249
Buildings:										
26 Industrial	7,902	8,017	6,910	6,902	6,894	6,407	6,461	6,453	6,088	6,613
27 Commercial	15,945	12,804	12,586	12,984	12,786	12,560	12,522	12,859	12,178	12,813
28 Other	5,797	5,585	6,252	6,689	6,669	6,489	6,677	6,497	5,978	6,190
29 Public utilities and other	20,157	20,152	22,728	22,718	23,521	23,642	23,911	23,158	19,505	22,633
30 *Public*	*38,347*	*39,009*	*36,397*	*37,349*	*37,631*	*33,972*	*34,067*	*33,267*	*29,923*	*32,797*
31 Military	1,188	1,391	1,479	1,450	1,352	1,467	1,622	1,567	1,509	1,597
32 Highway	12,069	10,345	9,112	9,596	8,856	8,738	7,843	7,508	6,112	....
33 Conservation and development	2,741	3,227	3,659	3,618	4,281	2,949	4,077	3,856	3,435	....
34 Other	22,349	24,046	22,147	22,685	23,142	20,818	20,525	20,336	18,867	....

1 Not seasonally adjusted.
2 Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to 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 for 14,000 jurisdictions reporting to the Census Bureau.

2.15 CONSUMER AND WHOLESALE PRICES

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to— 1976 Feb.	12 months to— 1977 Feb.	3 months (at annual rate) to— 1976 Mar.	1976 June	1976 Sept.	1976 Dec.	1 month to— 1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	Index level Feb. 1977 (1967 = 100)[1]
					Consumer prices							
1 **All items**	**6.3**	**6.0**	**3.9**	**6.1**	**5.3**	**4.2**	**.3**	**.3**	**.4**	**.8**	**1.0**	**177.1**
2 *Commodities*	*5.1*	*5.3*	*.2*	*6.0*	*3.9*	*3.4*	*.3*	*.2*	*.4*	*.8*	*1.2*	*170.9*
3 Food	4.9	4.3	-5.4	6.2	1.6	0.0	.2	-.3	.1	.9	2.0	187.7
4 Commodities less food	5.4	5.8	4.0	5.6	5.5	5.7	.4	.4	.6	.7	.7	161.6
5 Durable	6.4	7.0	7.2	6.5	5.0	6.0	.3	.4	.7	.9	.9	159.7
6 Nondurable	4.8	4.7	1.8	5.0	6.0	5.4	.4	.4	.4	.5	1.5	175.0
7 *Services*	*8.3*	*7.2*	*10.6*	*6.5*	*7.5*	*5.1*	*.4*	*.4*	*.4*	*.9*	*.6*	*188.7*
8 Rent	5.2	5.7	6.1	5.4	5.4	5.3	.4	.4	.5	.8	.3	150.2
9 Services less rent	8.8	7.4	11.2	6.7	7.7	5.4	.5	.4	.4	.9	.7	195.6
Other groupings:												
10 All items less food[1]	6.8	6.5	5.3	7.0	7.4	5.3	.5	.5	.3	.4	.6	174.0
11 All items less shelter[1]	6.4	6.1	3.0	6.9	5.6	4.3	.4	.4	.3	.5	1.1	173.1
12 Homeownership[1]	6.4	5.0	1.9	4.3	8.0	1.2	.2	0.0	.1	.9	.7	196.7
					Wholesale prices							
13 **All commodities**	**4.7**	**4.7**	**1.6**	**6.4**	**3.3**	**.7**	**.5**	**.6**	**.6**	**.5**	**.9**	**190.0**
14 *Farm products, and processed foods and feeds*	*1.4*	*3.5*	*-9.5*	*12.7*	*-12.2*	*.3*	*-.6*	*.1*	*2.1*	*.3*	*2.0*	*188.4*
15 Farm products	9.4	4.2	-12.2	16.5	-12.1	1.0	-.5	-.5	2.6	1.1	2.2	199.0
16 Processed foods and feeds	-3.4	3.1	-7.7	10.3	-12.2	-.1	-.6	.5	1.8	-.2	1.8	181.9
17 *Industrial commodities*	*5.7*	*6.7*	*5.1*	*4.5*	*8.2*	*.8*	*.9*	*.7*	*.3*	*.5*	*.6*	*189.9*
Materials, supplies, and components of which:												
18 Crude materials[2]	4.9	18.1	5.2	16.8	10.8	-.5	3.7	3.5	-2.2	-1.2	4.0	273.7
19 Intermediate materials[3]	5.1	6.3	5.8	3.5	8.1	.9	.8	.5	.5	.5	.6	196.6
Finished goods, excluding foods:												
20 Consumer	6.4	5.5	3.1	3.0	8.2	.9	.5	.4	.3	1.0	.3	168.1
21 Durable	4.8	4.4	4.0	2.8	5.1	.6	.5	.2	.1	.7	.5	149.2
22 Nondurable	7.2	6.2	2.4	3.1	9.9	.9	.6	.7	.3	1.1	.2	180.7
23 Producer	7.3	6.1	7.1	4.5	5.0	.6	1.1	.4	.7	.4	.5	180.2
MEMO:												
24 Consumer foods	2.7	2.7	13.7	13.2	-13.8	0.0	-.5	.3	2.8	.1	2.0	180.5

1 Not seasonally adjusted.

2 Excludes crude foodstuffs and feedstuffs, plant and animal fibers, oilseeds, and leaf tobacco.

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	1974	1975	1976	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
Gross national product									
1 **Total**	**1,413.2**	**1,516.3**	**r1,691.6**	**1,548.7**	**1,588.2**	**1,636.2**	**1,675.2**	**1,708.9**	**r1,745.1**
By source:									
2 *Personal consumption expenditures*	*887.5*	*973.2*	*1,079.7*	*987.3*	*1,012.0*	*1,043.6*	*1,064.7*	*1,088.5*	*1,122.0*
3 Durable goods	121.6	131.7	156.5	136.0	141.8	151.4	155.0	157.6	162.0
4 Nondurable goods	376.2	409.1	440.4	414.6	421.6	429.1	434.8	441.8	456.0
5 Services	389.6	432.4	482.8	436.7	448.6	463.2	474.9	489.1	504.0
6 *Gross private domestic investment*	*215.0*	*183.7*	*239.6*	*197.7*	*201.4*	*229.6*	*239.2*	*247.0*	*242.8*
7 Fixed investment	204.3	198.3	227.7	198.6	205.7	214.7	223.2	231.9	241.0
8 *Nonresidential*	*149.2*	*147.1*	*160.0*	*146.1*	*148.7*	*153.4*	*157.9*	*163.0*	*165.6*
9 Structures	54.1	52.0	55.3	51.8	52.1	53.2	54.9	56.0	57.0
10 Producers' durable equipment	95.1	95.1	104.7	94.2	96.6	100.2	103.0	107.0	108.6
11 Residential structures	55.1	51.2	67.7	52.6	57.0	61.3	65.3	68.9	75.5
12 Nonfarm	52.7	49.0	65.1	50.2	54.2	58.6	62.9	66.3	72.7
13 Change in business inventories	10.7	-14.6	11.9	-2.0	-4.3	14.8	16.0	15.1	1.7
14 Nonfarm	12.2	-17.6	11.9	-4.2	-9.5	12.7	17.3	15.6	2.2
15 *Net exports of goods and services*	*7.5*	*20.5*	*r6.6*	*21.4*	*21.0*	*8.4*	*9.3*	*4.7*	*r4.2*
16 Exports	144.4	148.1	162.7	148.2	153.7	154.1	160.3	167.7	r168.5
17 Imports	136.9	127.6	r156.0	126.8	132.7	145.7	151.0	163.0	r164.3
18 *Govt. purchases of goods and services*	*303.3*	*339.0*	*365.6*	*343.2*	*353.8*	*354.7*	*362.0*	*369.6*	*376.2*
19 Federal	111.6	124.4	133.4	124.6	130.4	129.2	131.2	134.5	138.9
20 State and local	191.6	214.5	232.2	218.6	223.4	225.5	230.9	235.0	237.4
By major type of product:									
21 Final sales, total	1,402.5	1,531.0	r1,679.7	1,550.6	1,592.5	1,621.4	1,659.2	1,694.7	r1,743.4
22 *Goods*	*639.7*	*681.7*	*760.2*	*703.5*	*719.7*	*742.3*	*758.4*	*766.1*	*774.3*
23 Durable goods	247.2	254.4	300.5	265.0	270.0	282.7	301.2	308.2	309.8
24 Nondurable	392.4	427.3	459.8	438.4	449.7	459.6	457.1	457.9	464.5
25 Services	626.6	692.5	r772.0	700.2	719.5	742.6	759.6	781.5	r804.4
26 Structures	146.9	142.1	159.3	145.0	149.1	151.3	157.3	162.2	166.5
27 Change in business inventories	10.7	-14.6	11.9	-2.0	-4.3	14.8	16.0	15.1	1.7
28 Durable goods	7.1	-12.1	2.7	-7.0	-10.6	-3.6	5.4	6.8	2.0
29 Nondurable goods	3.6	-2.6	9.2	5.0	6.3	18.5	10.6	8.3	-.3
MEMO:									
30 **Total GNP in 1972 dollars**	**1,214.0**	**1,191.7**	**r1,264.7**	**1,209.3**	**1,219.2**	**1,246.3**	**1,260.0**	**1,272.2**	**r1,280.4**
National income									
31 **Total**	**1,135.7**	**1,207.6**	**r1,348.5**	**1,233.4**	**1,264.6**	**1,304.7**	**1,337.4**	**1,362.5**	**1,389.5**
32 Compensation of employees	875.8	928.8	1,028.4	935.2	963.1	994.4	1,017.2	1,037.5	1,064.5
33 *Wages and salaries*	*764.5*	*806.7*	*890.4*	*811.7*	*836.4*	*861.5*	*881.1*	*897.8*	*921.0*
34 Government and Government enterprises	160.4	175.8	190.7	177.3	182.2	185.4	188.7	191.7	197.0
35 Other	604.1	630.8	699.7	634.4	654.1	676.1	692.4	706.1	r723.9
36 *Supplement to wages and salaries*	*111.3*	*122.1*	*138.0*	*123.5*	*126.7*	*132.9*	*136.2*	*139.6*	*143.5*
37 Employer contributions for social insurance	55.8	59.7	67.9	60.2	61.6	65.9	67.1	68.6	70.2
38 Other labor income	55.5	62.5	70.1	63.3	65.2	67.1	69.0	71.1	73.3
39 *Proprietors' income*[1]	*86.9*	*90.2*	*96.7*	*95.5*	*97.2*	*93.2*	*100.3*	*96.1*	*97.1*
40 Business and professional[1]	61.1	65.3	73.8	66.3	69.0	71.4	72.8	74.4	76.8
41 Farm[1]	25.8	24.9	22.8	29.2	28.3	21.9	27.5	21.7	20.3
42 Rental income of persons[2]	21.0	22.4	23.5	22.1	22.9	23.3	23.1	23.4	24.3
43 Corporate profits[1]	84.8	91.6	r117.9	105.3	105.6	115.1	116.4	122.0	118.1
44 Profits before tax[3]	127.6	114.5	r148.0	126.9	131.3	141.1	146.2	150.2	154.5
45 Inventory valuation adjustment	-39.8	-11.4	-14.6	-9.0	-12.3	-11.5	-14.4	-12.6	-20.0
46 Capital consumption adjustment	-3.0	-11.5	-15.5	-12.6	-13.5	-14.5	-15.4	-15.7	-16.4
47 Net interest	67.1	74.6	82.0	74.9	75.8	78.6	80.3	83.5	85.6

1 With inventory valuation and capital consumption adjustments.
2 With capital consumption adjustments.
3 For after-tax profits, dividends, etc., see Table 1.50.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

2.17 PERSONAL INCOME AND SAVING

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

Account	1974	1975	1976	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
					Personal income and saving				
1 **Total personal income**	**1,153.3**	**1,249.7**	**1,375.3**	**1,265.5**	**1,299.7**	**1,331.3**	**1,362.0**	**1,386.0**	**1,421.7**
2 *Wage and salary disbursements*	*765.0*	*806.7*	*890.4*	*811.7*	*836.4*	*961.5*	*881.1*	*897.8*	*921.0*
3 Commodity-producing industries	273.9	275.3	304.8	272.2	285.8	295.3	302.9	307.0	314.0
4 Manufacturing	211.4	211.7	237.0	212.5	220.3	229.6	235.6	238.9	r243.9
5 Distributive industries	184.4	195.6	214.9	196.8	202.3	208.3	212.8	216.5	221.9
6 Service industries	145.9	159.9	180.0	161.3	166.1	172.4	176.7	182.7	188.1
7 Government and government enterprises	160.9	175.8	190.7	177.3	182.2	185.4	188.7	191.7	197.0
8 Other labor income	55.5	62.5	70.1	63.3	65.2	67.1	69.0	71.1	73.3
9 *Proprietors' income*[1]	*86.9*	*90.2*	*96.7*	*95.5*	*97.2*	*93.2*	*100.3*	*96.1*	*97.1*
10 Business and professional[1]	61.1	65.3	73.8	66.3	69.0	71.4	72.8	74.4	76.8
11 Farm[1]	25.8	24.9	22.8	29.2	28.3	21.9	27.5	21.7	20.3
12 Rental income of persons[2]	21.0	22.4	23.5	22.4	22.9	23.3	23.1	23.4	24.3
13 Dividends	30.8	32.1	35.1	32.6	32.2	33.1	34.4	35.4	37.7
14 Personal interest income	101.4	110.7	123.0	111.0	114.4	118.0	120.7	125.0	128.4
15 Transfer payments	140.3	175.2	191.3	179.1	182.5	188.6	187.6	192.4	196.6
16 Old-age survivors, disability, and health insurance benefits	70.1	81.4	93.0	84.7	86.3	88.1	89.5	95.8	98.5
17 LESS: Personal contributions for social insurance	47.6	50.0	54.9	50.1	51.0	53.4	54.3	55.2	56.6
18 EQUALS: Personal income	1,153.3	1,249.7	1,375.3	1,265.5	1,299.7	1,331.3	1,362.0	1,386.0	1,421.7
19 LESS: Personal tax and nontax payments	170.4	168.8	193.6	174.0	197.8	183.8	189.5	195.8	205.3
20 EQUALS: Disposable personal income	982.9	1,080.9	1,181.7	1,091.5	1,119.9	1,147.6	1,172.5	1,190.2	1,216.5
21 LESS: Personal outlays	910.7	996.9	1,105.2	1,011.1	1,036.2	1,068.0	1,089.6	1,114.3	1,148.6
22 EQUALS: Personal saving	72.2	84.0	r76.5	80.5	83.7	79.5	82.9	75.8	67.8
MEMO:									
Per capita (1972 dollars):									
23 Gross national product	3,968.0	4,007.0	4,140.0	4,009.0	4,049.0	4,103.0	4,143.0	4,142.0	4,168.0
24 Personal consumption expenditures	887.5	973.2	1,079.7	987.3	1,012.0	1,043.6	1,064.7	1,088.5	1,122.0
25 Disposable personal income	840.8	855.5	890.5	857.1	867.5	880.4	890.5	892.0	899.6
26 Saving rate (per cent)	7.3	7.8	6.5	7.4	7.5	6.9	7.1	6.4	5.6
					Gross saving				
27 **Gross private saving**	**211.6**	**255.6**	**r274.7**	**262.7**	**269.4**	**273.8**	**279.1**	**278.9**	**266.8**
28 Personal saving	72.2	84.0	76.5	80.5	83.7	79.5	82.9	75.8	67.8
29 Undistributed corporate profits[1]	1.7	10.3	r18.4	17.9	16.2	20.6	18.5	21.5	12.8
30 Corporate inventory valuation adjustment	−39.8	−11.4	−14.6	−9.0	−12.3	−11.5	−14.4	−12.6	−20.0
Capital consumption allowances:									
31 Corporate	84.6	100.9	112.8	103.1	106.4	108.8	111.6	113.9	116.9
32 Noncorporate	53.1	60.4	67.0	61.3	63.2	64.8	66.1	67.7	69.3
33 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34 *Government surplus, or deficit (−), national income and product accounts*	*−4.2*	*−64.4*	*r−44.6*	*−58.1*	*−61.5*	*51.6*	*−44.9*	*−44.7*	*−37.3*
35 Federal	−11.5	−71.2	r−58.6	−66.0	−69.4	−63.8	−54.1	−57.4	−59.2
36 State and local	7.3	6.9	14.0	7.9	7.9	12.2	9.2	12.7	21.9
37 Capital grants received by the United States, net	−2.0	....	....	....	....	....	....	....	....
38 *Investment*	*211.9*	*195.6*	*r237.7*	*209.8*	*214.0*	*229.4*	*240.0*	*242.9*	*r238.4*
39 Gross private domestic	215.0	183.7	239.6	196.7	201.4	229.6	239.2	247.0	242.8
40 Net foreign	−3.0	11.9	r−2.0	13.1	12.6	−.2	.8	−4.1	r−4.3
41 Statistical discrepancy	6.8	4.4	r7.7	5.1	6.1	7.2	5.8	8.7	8.9

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

SOURCE. *Survey of Current Business* (U.S. Dept. 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	1974	1975	1976	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
1 Merchandise exports	98,310	107,088	114,692	27,657	26,997	28,378	29,600	29,717
2 Merchandise imports	103,679	98,058	123,916	25,437	28,324	29,914	32,387	33,291
3 Merchandise trade balance[2]	-5,369	9,030	-9,224	2,220	-1,327	-1,536	-2,787	3,574
4 Military transactions, net	2,083	-883	391	12	-15	155	339	223
5 Investment income, net	10,227	6,007	10,538	1,670	2,286	2,468	2,784	3,000
6 Other service transactions, net	812	2,163	2,696	455	475	781	860	578
7 Balance on goods and services[3]	**3,586**	**16,316**	**4,401**	**4,357**	**1,419**	**1,558**	**1,196**	**227**
8 Remittances, pensions, and other transfers	-1,710	-1,727	-1,866	-433	-483	452	446	487
9 U.S. Govt. grants (excluding military)	-5,475	-2,893	-3,139	-818	635	-468	-1,479	-557
10 Balance on current account	**3,598**	**11,697**	**604**	**3,106**	**301**	**638**	**-729**	**-817**
11 *Not seasonally adjusted*	......	......	......	*4,305*	*1,449*	*742*	*-3,677*	*883*
12 Change in U.S. Govt. assets, other than official reserve assets, net (increase, -)	365	-3,463	-4,295	952	-684	1,009	-1,450	-1,153
13 *Change in U.S. official reserve assets (increase, -)*	*-1,434*	*-607*	*-2,530*	*89*	*773*	*-1,578*	*407*	*228*
14 Gold	......	......	......	......	......	......	......	......
15 SDR's	-172	66	-78	-21	45	14	-18	29
16 Reserve position in IMF	-1,265	-466	-2,212	-57	237	-798	716	-461
17 Foreign currencies	3	75	-240	167	-491	-794	327	718
18 Change in U.S. private assets abroad (increase, -)	**-32,323**	**27,523**	**-36,195**	**-10,375**	**-8,550**	**-7,288**	**-6,824**	**-13,534**
19 *Bank-reported claims*	*-19,494*	*-13,487*	*-20,742*	*-5,348*	*-3,582*	*-4,767*	*3,355*	*-9,038*
20 Long-term	-1,183	-2,373	-2,098	-943	250	-385	-993	-470
21 Short-term	-18,311	-11,114	-18,644	-4,405	-3,332	-4,382	-2,362	-8,568
22 *Nonbank-reported claims*	*3,221*	*-1,522*	*-1,772*	*972*	*-751*	*962*	*721*	*-780*
23 Long-term	-474	-441	-14	-379	-187	146	53	-26
24 Short-term	-2,747	-1,081	-1,758	-593	-564	-1,108	668	-754
25 U.S. purchase of foreign securities, net	-1,854	-6,206	-8,682	-2,361	-2,460	-1,357	-2,743	-2,123
26 U.S. direct investments abroad, net	7,753	-6,307	-5,000	-1,694	-1,757	202	-1,447	-1,593
27 *Change in foreign official assets in the United States (increase, +)*	*10,981*	*6,899*	*18,107*	*2,771*	*3,942*	*4,105*	*2,999*	*7,061*
28 U.S. Treasury securities	3,282	4,338	9,301	1,069	1,998	2,166	1,261	3,876
29 Other U.S. Govt. obligations	902	891	566	307	68	316	66	116
30 Other U.S. Govt. liabilities[4]	724	1,732	5,013	499	1,482	797	1,746	988
31 Other U.S. liabilities reported by U.S. banks	5,818	-2,158	1,012	134	-275	135	-598	1,750
32 Other foreign official assets[5]	254	2,095	2,215	762	669	691	524	331
33 Change in foreign private assets in the United States (increase, +)	**21,452**	**8,427**	**15,022**	**3,103**	**1,454**	**3,225**	**5,248**	**5,095**
34 *U.S. bank-reported liabilities*	*16,017*	*647*	*10,974*	*691*	*675*	*3,518*	*1,766*	*5,015*
35 Long-term	9	-300	172	146	-91	-25	67	221
36 Short-term	16,008	947	10,802	545	766	3,543	1,699	4,794
37 *U.S. nonbank-reported liabilities*	*1,615*	*171*	*-588*	*-68*	*24*	*-248*	*-324*	*-40*
38 Long-term	-212	345	-1,017	10	332	188	-285	-212
39 Short-term	1,827	-174	429	-78	356	60	-39	172
40 Foreign private purchases of U.S. Treasury securities, net	697	2,667	2,825	213	453	-598	3,026	-56
41 Foreign purchases of other U.S. securities, net	378	2,505	1,250	1,038	1,030	131	68	21
42 Foreign direct investments in the United States, net	2,745	2,437	561	1,229	-728	422	712	155
43 Allocations of SDR's	......	......	......	......	......	......	......	......
44 *Discrepancy*	*4,557*	*4,570*	*10,495*	*2,258*	*4,310*	*1,907*	*1,163*	*3,120*
45 Owing to seasonal adjustments	......	......	......	1,275	958	73	-2,800	1,773
46 Statistical discrepancy in recorded data before seasonal adjustment	4,557	4,570	10,495	983	3,352	1,834	3,963	1,347
MEMO:								
Changes in official assets:								
47 U.S. official reserve assets (increase, -)	-1,434	-607	-2,530	89	773	-1,578	407	228
48 Foreign official assets in the U.S. (increase, +)	10,257	5,166	13,094	2,272	2,460	3,308	1,253	6,073
49 Changes in OPEC official assets in the U.S. (part of line 27 above)	10,841	7,108	9,517	1,996	3,491	3,339	1,687	1,000
50 Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	1,817	2,232	400	177	50	99	156	95

1 Seasonal factors are no longer calculated for capital transactions – lines 13 through 50.

2 Data are on an international accounts (IA) basis. Differs from the Census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of Line 4.

3 Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition excludes certain military sales to Israel from exports and excludes U.S. Government interest payments from imports.

4 Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5 Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1974	1975	1976	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	97,908	107,130	114,807	9,737	9,788	9,699	9,589	10,410	9,599	9,808
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	100,252	96,115	120,677	10,477	10,651	10,555	10,623	11,020	11,269	11,674
3 **Trade balance**	**−2,344**	**+11,014**	**−5,870**	**−740**	**−863**	**−857**	**−1,034**	**−610**	**−1,670**	**−1,866**

NOTE.—Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Before 1974 imports were reported on a customs import value basis. For calendar year 1974 the f.a.s. import value was $100.3 billion, about 0.7 per cent less than the corresponding customs import value. The international-accounts-basis data shown in Table 3.10 adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import* side, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE.—U.S. Dept. of Commerce, Bureau of the Census, Summary of U.S. Export and Import Merchandise Trade (FT 900).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1973	1974	1975	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
1 **Total**	[3] **14,378**	**15,883**	**16,226**	**18,945**	**19,013**	**19,416**	**18,747**	**19,087**	**19,122**	[4] **19,120**
2 Gold stock, including Exchange Stabilization Fund[1]	[3] 11,652	11,652	11,599	11,598	11,598	11,598	11,598	11,658	11,658	11,658
3 Special Drawing Rights[2]	[3] 2,166	2,374	2,335	2,357	2,352	2,365	2,395	2,375	2,383	[4] 2,389
4 Reserve position in International Monetary Fund	[3] 552	1,852	2,212	3,952	3,997	4,307	4,434	4,682	4,819	[4] 4,812
5 Convertible foreign currencies	8	5	80	1,038	1,066	1,146	320	372	262	261

[1] Gold held under earmark at F.R. Banks for foreign and international accounts is not included in the gold stock of the United States; see Table 3.24.

[2] Includes allocations by the International Monetary Fund of SDR's as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; and $710 million on Jan. 1, 1972; plus net transactions in SDR's.

[3] Change in par value of U.S. dollar on Oct. 18, 1973 increased total reserve assets by $1,436 million, gold stock by $1,165 million, SDR's by $217 million, and reserve position in IMF by $54 million.

[4] Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974. At valuation used prior to July 1974 (SDR1 = $1.20635) total U.S. reserve assets at end of March amounted to $19,304; SDR holdings, $2,487; and reserve position in IMF, $4,898.

3.13 SELECTED U.S. LIABILITIES TO FOREIGNERS

Millions of dollars, end of period

Holder, and type of liability	1973	1974		1975	1976				1977	
		Dec.[9]			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **Total**	**92,490**	**119,240**	**119,164**	**126,552**	**140,834**	**143,728**	**144,643**	**151,329**	**147,775**	**149,253**
2 **Foreign countries**	**90,487**	**115,918**	**115,842**	**120,929**	**133,072**	**136,093**	**136,411**	**142,846**	**139,831**	**157,276**
3 *Official institutions*[1]	*66,861*	*76,801*	*76,823*	*80,695*	*86,085*	*86,827*	*87,745*	*91,850*	*92,996*	*93,835*
4 Short-term, reported by banks in the United States[2]	43,923	53,057	53,079	49,513	49,654	49,017	49,273	53,478	54,465	54,784
U.S. Treasury bonds and notes:										
5 Marketable[3]	5,701	5,059	5,059	6,671	10,800	11,027	11,367	11,788	2,017	12,725
6 Nonmarketable[4]	15,564	16,339	16,339	19,976	19,803	20,876	21,131	20,648	20,622	20,496
7 Other readily marketable liabilities[5]	1,673	2,346	2,346	4,535	5,828	5,907	5,974	5,936	5,892	5,830
Commercial banks abroad:										
8 Short-term reported by banks in the United States[2,6]	17,694	30,314	30,106	29,516	34,641	36,940	35,384	37,429	33,359	33,283
9 *Other foreigners*	*5,932*	*8,803*	*8,913*	*10,718*	*12,346*	*12,326*	*13,282*	*13,567*	*13,476*	*14,112*
10 Short-term, reported by banks in the United States[2]	5,502	8,305	8,415	10,017	11,475	11,399	12,312	12,591	12,479	13,092
11 Marketable U.S. Treasury bonds and notes[3,7]	430	498	498	701	871	927	970	976	997	1,020
12 **Nonmonetary international and regional organization**[8]	**2,003**	**3,322**	**3,322**	**5,623**	**7,762**	**7,635**	**8,232**	**8,483**	**7,944**	**8,023**
13 Short-term, reported by banks in the United States[2]	1,955	3,171	3,171	5,292	5,966	5,102	5,506	5,450	4,650	3,956
14 Marketable U.S. Treasury bonds and notes[3]	48	151	151	331	1,796	2,533	2,726	3,033	3,294	4,067

1 Includes Bank for International Settlements.
2 Includes Treasury bills as shown in Table 3.15.
3 Derived by applying reported transactions to benchmark data.
4 Excludes notes issued to foreign official nonreserve agencies.
5 Includes long-term liabilities reported by banks in the United States and debt securities of U.S. Federally sponsored agencies and U.S. corporations.
6 Includes short-term liabilities payable in foreign currencies to commercial banks abroad and to other foreigners.
7 Includes marketable U.S. Treasury bonds and notes held by commercial banks abroad and other foreigners.
8 Principally the International Bank for Reconstruction and Development and the Inter-American and Asian Development Banks.
9 Data in the two columns shown for this date differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those for the preceding date; figures in the second column are comparable with those shown for the following date.

NOTE.—Based on Treasury Dept. data and on data reported to the Treasury Dept. by banks (including Federal Reserve banks) and brokers in the United States. Data exclude the holdings of dollars of the International Monetary Fund derived from payments of the U.S. subscription, and from the exchange transactions and other operations of the IMF. Data also exclude U.S. Treasury letters of credit and nonnegotiable, non-interest-bearing special U.S. notes held by nonmonetary international and regional organizations.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Area	1973	1974		1976	1976				1977	
		Dec.[3]			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **Total**	**66,861**	**76,801**	**76,823**	**80,695**	**86,085**	**86,827**	**87,745**	**91,850**	**92,996**	**93,835**
2 Western Europe[1]	45,764	44,328	44,328	45,685	41,565	41,933	44,075	45,855	45,927	46,114
3 Canada	3,853	3,662	3,662	3,132	3,417	3,389	2,406	3,406	3,197	2,844
4 Latin American republics	2,544	4,419	4,419	4,450	4,287	4,086	4,087	4,853	4,541	4,546
5 Asia	10,887	18,604	18,626	22,550	32,434	33,438	33,906	34,112	35,561	36,458
6 Africa	788	3,161	3,161	2,984	2,759	2,415	1,925	1,843	1,707	1,721
7 Other countries[2]	3,025	2,627	2,627	1,894	1,623	1,566	1,346	1,781	2,603	2,152

1 Includes Bank for International Settlements.
2 Includes countries in Oceania and Eastern Europe, and Western European dependencies in Latin America.
3 See Note 9 to Table 3.13.

NOTE.—Data represent breakdown by area of line 3, Table 3.13.

3.15 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States
By Holder and by Type of Liability
Millions of dollars, end of period

	Holder, and type of liability	1973	1974		1975	1976				1977	
			Dec.[8]	Dec.[8]		Sept.	Oct.	Nov.	Dec.	Jan.p	Feb.p
1	**All foreigners, excluding the International Monetary Fund**	**69,074**	**94,847**	**94,771**	**94,338**	**101,736**	**102,458**	**102,474**	**108,949**	**104,953**	**105,115**
2	*Payable in dollars*	*68,477*	*94,081*	*94,004*	*93,780*	*101,034*	*101,692*	*101,693*	*108,225*	*104,227*	*104,316*
	Deposits:										
3	Demand	11,310	14,068	14,051	13,564	14,793	14,658	15,811	16,803	15,314	16,098
4	Time[1]	6,882	10,106	9,932	10,348	10,644	10,546	10,757	11,546	11,430	11,236
5	U.S. Treasury bills and certificates[2]	31,886	35,662	35,662	37,414	40,119	38,934	38,643	40,744	41,275	42,760
6	Other short-term liabilities[3]	18,399	34,246	34,359	32,466	35,478	37,552	36,484	39,133	36,207	34,222
7	*Payable in foreign currencies*	*597*	*766*	*766*	*558*	*702*	*766*	*781*	*724*	*726*	*799*
8	**Nonmonetary international and regional organizations[4]**	**1,955**	**3,171**	**3,171**	**5,293**	**5,966**	**5,102**	**5,506**	**5,450**	**4,650**	**3,957**
9	*Payable in dollars*	*1,955*	*3,171*	*3,171*	*5,284*	*5,692*	*5,098*	*5,502*	*5,445*	*4,646*	*3,951*
	Deposits:										
10	Demand	101	139	139	139	331	256	287	290	166	209
11	Time[1]	83	111	111	148	151	164	199	208	230	239
12	U.S. Treasury bills and certificates	296	497	497	2,554	4,031	3,196	3,604	2,701	2,890	2,824
13	Other short-term liabilities[5]	1,474	2,424	2,424	2,443	1,449	1,482	1,412	2,247	1,360	678
14	*Payable in foreign currencies*				*8*	*4*	*4*	*4*	*5*	*4*	*6*
15	**Official institutions, banks, and other foreigners**	**67,119**	**91,676**	**91,600**	**89,046**	**95,770**	**97,356**	**96,969**	**103,499**	**100,303**	**101,159**
16	*Payable in dollars*	*66,522*	*90,910*	*90,834*	*88,497*	*95,073*	*96,594*	*96,193*	*102,780*	*99,581*	*100,365*
	Deposits:										
17	Demand	11,209	13,928	13,912	13,426	14,462	14,402	15,524	16,513	15,148	15,888
18	Time[1]	6,799	9,995	9,821	10,200	10,493	10,383	10,558	11,338	11,201	10,997
19	U.S. Treasury bills and certificates[2]	31,590	35,165	35,165	34,860	36,086	35,736	35,039	38,042	38,386	39,935
20	Other short-term liabilities[3]	16,925	31,822	31,935	30,023	34,029	36,070	35,072	36,886	34,847	33,544
21	*Payable in foreign currencies*	*597*	*766*	*766*	*549*	*697*	*762*	*776*	*719*	*722*	*794*
22	**Official institutions[6]**	**43,923**	**53,057**	**53,079**	**49,513**	**49,654**	**49,017**	**49,273**	**53,478**	**54,465**	**54,784**
23	*Payable in dollars*	*43,795*	*52,930*	*52,952*	*49,513*	*49,654*	*49,017*	*49,273*	*53,478*	*54,465*	*54,784*
	Deposits:										
24	Demand	2,125	2,951	2,951	2,644	2,544	2,706	2,685	3,394	2,931	2,411
25	Time[1]	3,911	4,257	4,167	3,423	2,144	2,127	2,149	2,335	2,456	2,376
26	U.S. Treasury bills and certificates[2]	31,511	34,656	34,656	34,182	35,651	35,241	34,656	37,675	38,031	39,555
27	Other short-term liabilities[5]	6,248	11,066	11,178	9,264	9,314	8,943	9,783	10,075	11,047	10,443
28	*Payable in foreign currencies*	*127*	*127*	*127*							
29	**Banks and other foreigners**	**23,196**	**38,619**	**38,520**	**39,533**	**46,115**	**48,339**	**47,696**	**50,021**	**45,838**	**46,374**
30	*Payable in dollars*	*22,727*	*37,980*	*37,881*	*38,984*	*45,418*	*47,577*	*46,920*	*49,302*	*45,116*	*45,580*
31	Banks[7]	17,224	29,676	29,467	28,966	33,944	36,178	34,608	36,710	32,637	32,489
	Deposits:										
32	Demand	6,941	8,248	8,231	7,534	8,233	8,361	8,897	9,104	8,474	9,387
33	Time[1]	529	1,942	1,910	1,942	2,578	2,291	1,949	2,479	2,071	1,773
34	U.S. Treasury bills and certificates	11	232	232	335	176	223	174	169	172	152
35	Other short-term liabilities[3]	9,743	19,254	19,094	19,155	22,956	25,303	23,589	24,957	21,920	21,177
36	*Other foreigners*	5,502	8,304	8,414	10,017	11,475	11,399	12,312	12,592	12,479	13,091
	Deposits:										
37	Demand	2,143	2,729	2,730	3,248	3,686	3,335	3,943	4,015	3,743	4,091
38	Time[1]	2,359	3,796	3,744	4,823	5,771	5,965	6,461	6,524	6,673	6,848
39	U.S. Treasury bills and certificates	68	277	277	342	259	274	209	198	183	229
40	Other short-term liabilities[5]	933	1,502	1,664	1,605	1,759	1,824	1,700	1,854	1,880	1,924
41	*Payable in foreign currencies*	*469*	*639*	*639*	*549*	*697*	*762*	*776*	*719*	*722*	*794*

[1] Excludes negotiable time certificates of deposit, which are included in "Other short-term liabilities."

[2] Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

[3] Includes liabilities of U.S. banks to their foreign branches, liabilities of U.S. agencies and branches of foreign banks to their head offices and foreign branches of their head offices, bankers acceptances, commercial paper, and negotiable time certificates of deposit.

[4] Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.

[5] Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

[6] Foreign central banks and foreign central governments and their agencies, and Bank for International Settlements.

[7] Excludes central banks, which are included in "Official institutions."

[8] Data in the two columns shown for this date differ because of changes in reporting coverage. Figures in the first column are comparable with those for the preceding date; figures in the second column are comparable with those shown for the following date.

NOTE.—"Short-term obligations" are those payable on demand, or having an original maturity of 1 year or less.

3.16 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

	Area and country	1973	1974		1975	1976				1977	
			Dec.[7]			Sept.	Oct.	Nov.	Dec.	Jan.[p]	Feb.[p]
1	**Total**	**69,074**	**94,847**	**94,771**	**94,338**	**101,736**	**102,458**	**102,475**	**108,949**	**104,953**	**105,115**
2	**Foreign countries**	**67,119**	**91,676**	**91,600**	**89,046**	**95,770**	**97,356**	**96,969**	**103,499**	**100,303**	**101,159**
3	*Europe*	*40,742*	*48,667*	*48,813*	*43,988*	*40,177*	*39,967*	*42,480*	*46,925*	*43,614*	*43,581*
4	Austria	161	607	607	754	335	334	332	348	373	401
5	Belgium-Luxembourg	1,483	2,506	2,506	2,898	1,946	1,879	2,085	2,268	2,376	2,411
6	Denmark	659	369	369	332	317	372	416	363	419	419
7	Finland	165	266	266	391	415	407	378	419	389	367
8	France	3,483	4,287	4,287	7,733	4,363	4,409	4,642	4,875	4,701	4,596
9	Germany	13,227	9,420	9,429	4,357	5,964	6,532	5,418	5,965	5,304	5,487
10	Greece	389	248	248	284	336	405	378	403	421	346
11	Italy	1,404	2,617	2,577	1,072	1,574	1,583	2,884	3,206	2,858	2,703
12	Netherlands	2,886	3,234	3,234	3,411	2,566	2,534	2,694	3,007	2,832	2,786
13	Norway	965	1,040	1,040	996	789	690	740	785	566	823
14	Portugal	534	310	310	195	193	177	206	239	172	228
15	Spain	305	382	382	426	540	506	478	565	492	546
16	Sweden	1,885	1,138	1,138	2,286	1,979	1,295	1,420	1,693	1,613	1,593
17	Switzerland	3,377	9,986	10,139	8,514	9,016	8,331	8,846	9,453	9,571	9,661
18	Turkey	98	152	152	118	65	74	88	166	85	82
19	United Kingdom	6,148	7,559	7,584	6,886	7,296	7,953	8,401	10,001	8,844	8,711
20	Yugoslavia	86	183	183	126	128	131	147	188	113	121
21	Other Western Europe[1]	3,352	4,073	4,073	2,970	2,103	2,089	2,639	2,672	2,263	2,092
22	U.S.S.R.	22	82	82	40	70	80	84	51	47	45
23	Other Eastern Europe	110	206	206	200	182	184	203	255	172	162
24	*Canada*	*3,627*	*3,517*	*3,520*	*3,076*	*4,796*	*4,033*	*3,944*	*4,784*	*4,519*	*4,900*
25	*Latin America*	*7,664*	*12,038*	*11,754*	*14,942*	*17,490*	*19,065*	*17,684*	*19,010*	*17,836*	*18,665*
26	Argentina	924	886	886	1,147	1,437	1,374	1,293	1,538	1,648	1,820
27	Bahamas	852	1,448	1,054	1,827	2,628	4,817	2,654	2,789	1,979	2,553
28	Brazil	860	1,034	1,034	1,227	1,132	1,323	1,168	1,432	1,292	1,272
29	Chile	158	276	276	317	325	298	315	335	325	302
30	Colombia	247	305	305	417	767	804	922	1,017	1,090	1,152
31	Cuba	7	7	7	6	6	6	6	6	6	6
32	Mexico	1,296	1,770	1,770	2,066	2,348	2,475	2,860	2,848	2,710	2,782
33	Panama	282	488	510	1,099	912	866	1,188	1,140	909	1,002
34	Peru	135	272	272	244	236	247	243	257	244	228
35	Uruguay	120	147	165	172	244	233	238	245	250	239
36	Venezuela	1,468	3,413	3,413	3,289	3,208	2,644	3,009	3,060	2,986	2,921
37	Other Latin American republics	884	1,316	1,316	1,494	1,750	1,676	1,740	2,064	2,033	2,235
38	Netherlands Antilles[2]	71	158	158	129	147	160	157	140	151	157
39	Other Latin America	359	519	589	1,507	2,348	2,142	1,890	2,139	2,212	1,995
40	*Asia*	*10,839*	*21,073*	*21,130*	*21,539*	*28,406*	*29,745*	*28,982*	*28,461*	*29,789*	*29,258*
41	China, People's Republic of (Mainland)	38	50	50	123	45	48	59	47	47	47
42	China, Republic of (Taiwan)	757	818	818	1,025	1,122	1,182	1,092	985	1,058	1,158
43	Hong Kong	372	530	530	623	874	887	859	892	941	1,039
44	India	85	261	261	126	985	1,048	910	648	510	559
45	Indonesia	133	1,221	1,221	369	995	1,154	314	340	695	546
46	Israel	327	386	389	386	300	310	325	385	430	547
47	Japan	6,967	10,897	10,931	10,218	14,424	14,663	14,736	14,380	14,481	13,358
48	Korea	195	384	384	390	350	366	324	437	448	483
49	Philippines	515	747	747	698	622	582	606	627	602	554
50	Thailand	247	333	333	252	215	223	244	275	301	313
51	Middle East oil-exporting countries[3]	....	4,633	4,623	6,461	7,198	7,741	8,124	8,073	9,029	9,276
52	Other[4]	1,202	813	844	867	1,276	1,539	1,388	1,373	1,245	1,378
53	*Africa*	*1,056*	*3,551*	*3,551*	*3,373*	*3,076*	*2,782*	*2,281*	*2,300*	*2,207*	*2,406*
54	Egypt	35	103	103	343	186	213	171	333	209	244
55	Morocco	11	38	38	68	80	85	72	88	97	105
56	South Africa	114	130	130	169	165	183	132	143	211	155
57	Zaire	87	84	84	63	37	45	64	35	48	41
58	Oil-exporting countries[5]	....	2,814	2,814	2,239	2,075	1,732	1,321	1,116	1,033	1,125
59	Other[4]	808	383	383	491	532	524	521	585	609	735
60	*Other countries*	*3,190*	*2,831*	*2,831*	*2,128*	1,824	1,763	1,598	*2,019*	*2,339*	*2,348*
61	Australia	3,131	2,742	2,742	2,014	1,711	1,645	1,486	1,911	2,224	2,231
62	All other	59	89	89	114	114	119	112	108	116	118
63	**Nonmonetary international and regional organizations**	**1,955**	**3,171**	**3,171**	**5,293**	**5,966**	**5,102**	**5,506**	**5,450**	**4,650**	**3,957**
64	International	1,627	2,900	2,900	5,064	5,613	4,717	5,109	5,091	4,300	3,599
65	Latin American regional	272	202	202	187	154	182	160	136	160	177
66	Other regional[6]	57	69	69	42	199	203	237	223	189	181

For notes see bottom of p. A59.

3.17 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Supplemental "Other" Countries [1]

Millions of dollars, end of period

	Area and country	1974 Dec.	1975 Apr.	1975 Dec.	1976 Apr.	1976 Dec.
	Other Western Europe:					
1	Cyprus	7	17	6	38	69
2	Iceland	21	20	33	43	40
3	Ireland, Republic of	29	29	75	39	......
	Other Eastern Europe:					
4	Bulgaria	36	13	19	13	34
5	Czechoslovakia	34	11	32	10	21
6	German Democratic Republic	36	18	17	3	......
7	Hungary	14	11	13	10	19
8	Poland	55	42	66	65	77
9	Rumania	25	14	44	28	19
	Other Latin American republics:					
10	Bolivia	96	93	110	104	133
11	Costa Rica	118	120	124	69	141
12	Dominican Republic	128	214	169	149	275
13	Ecuador	122	157	120	150	319
14	El Salvador	129	144	171	128	178
15	Guatemala	219	255	260	177	397
16	Haiti	35	34	38	33	47
17	Honduras	88	92	99	69	137
18	Jamaica	69	62	41	49	35
19	Nicaragua	127	125	133	89	119
20	Paraguay	46	38	43	43	49
21	Surinam[2]	......	......	......	12	......
22	Trinidad and Tobago	107	31	131	44	167
	Other Latin America:					
23	Bermuda	116	100	170	197	177
24	British West Indies	449	627	1,311	2,284	1,874
	Other Asia:					
25	Afghanistan	18	19	41	54	57
26	Bangladesh	21	50	54	41	......
27	Burma	65	49	31	34	13
28	Cambodia	4	4	4	3	4
29	Jordan	22	30	39	20	37
30	Laos	3	5	2	2	1
31	Lebanon	126	180	117	132	140
32	Malaysia	63	92	77	105	396
33	Nepal	25	22	28	34	33
34	Pakistan	91	118	74	89	189
35	Singapore	245	215	256	34	280
36	Sri Lanka (Ceylon)	14	13	13	9	23
37	Vietnam	126	70	62	33	66
	Other Africa:					
38	Ethiopia (incl. Eritrea)	95	76	60	70	41
39	Ghana	18	13	23	45	27
40	Ivory Coast	7	11	62	76	10
41	Kenya	31	32	19	37	46
42	Liberia	39	33	53	63	77
43	Southern Rhodesia	2	3	1	1	1
44	Sudan	4	14	12	17	22
45	Tanzania	11	21	30	18	......
46	Tunisia	19	23	29	33	20
47	Uganda	13	38	22	50	43
48	Zambia	22	18	78	14	......
	All Other:					
49	New Zealand	47	36	42	29	45

1 Represents a partial breakdown of the amounts shown in the "Other" categories on Table 3.16.

2 Surinam included with Netherlands Antilles until January 1976.

3.18 LONG-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

Holder, and area or country	1973	1974	1975	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.[p]	1977 Feb.[p]
1 **Total**	**1,462**	**1,285**	**1,812**	**2,242**	**2,206**	**2,315**	**2,310**	**2,393**	**2,353**	**2,245**
2 **Nonmonetary international and regional organizations**	**761**	**822**	**415**	**246**	**214**	**333**	**308**	**261**	**264**	**259**
3 **Foreign countries**	**700**	**464**	**1,397**	**1,996**	**1,991**	**1,983**	**2,003**	**2,132**	**2,090**	**1,987**
4 Official institutions, including central banks	310	124	931	1,402	1,386	1,314	1,313	1,352	1,262	1,180
5 Banks, excluding central banks	291	261	364	445	446	499	524	585	604	577
6 Other foreigners	100	79	100	149	159	170	165	194	224	230
Area or country:										
7 Europe	470	226	330	457	458	489	507	525	555	529
8 Germany	159	146	214	311	312	310	309	313	313	245
9 United Kingdom	66	59	66	88	87	99	125	132	144	131
10 Canada	8	19	23	26	26	26	26	29	31	29
11 Latin America	132	115	140	122	125	151	152	230	244	255
12 Middle East oil-exporting countries[1]	....	94	894	1,369	1,340	1,286	1,239	1,251	1,186	1,104
13 Other Asia[2]	82	7	8	19	41	27	77	96	68	67
14 African oil-exporting countries[3]	....	*	*	*	*	*	*	*	*	*
15 Other Africa[4]	1	1	1	1	1	1	1	1	2	1
16 All other countries	7	*	*	1	1	1	1	1	4	1

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2 Includes Middle East oil-exporting countries until December 1974.
3 Comprises Algeria, Gabon, Libya, and Nigeria.

4 Includes African oil-exporting countries until December 1974.

NOTE.—Long-term obligations are those having an original maturity of more than 1 year.

NOTES TO TABLE 3.16:

1 Includes Bank for International Settlements.
2 Surinam included with Netherlands Antilles until January 1976.
3 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4 Includes oil-exporting countries until December 1974.
5 Comprises Algeria, Gabon, Libya, and Nigeria.

6 Asian, African, and European regional organizations, except BIS, which is included in "Other Western Europe."
7 Data in the two columns shown for this date differ because of changes in reporting coverage. Figures in the first column are comparable with those shown for the preceding date; figures in the second column are comparable with those shown for the following date.

3.19 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

	Area and country	1973	1974	1975	1976					1977	
					Aug.	Sept.	Oct.	Nov.	Dec.	Jan.^{p}	Feb.^{p}
1	**Total**	**20,723**	**39,056**	**50,231**	**58,014**	**60,317**	**60,986**	**63,890**	**69,011**	**63,650**	**63,289**
2	**Foreign countries**	**20,723**	**39,055**	**50,229**	**58,002**	**60,305**	**60,981**	**63,884**	**69,005**	**63,643**	**63,284**
3	*Europe*	*3,970*	*6,255*	*8,987*	*9,479*	*9,436*	*10,435*	*10,797*	*12,072*	*10,415*	*10,642*
4	Austria	11	21	15	24	47	42	54	44	41	42
5	Belgium-Luxembourg	147	384	352	465	437	504	501	662	554	609
6	Denmark	48	46	49	50	57	64	129	85	72	64
7	Finland	108	122	128	176	129	137	136	141	137	133
8	France	621	673	1,471	929	1,169	1,096	1,098	1.448	1.246	1,371
9	Germany	311	589	436	412	498	585	577	562	511	666
10	Greece	35	64	49	68	117	88	76	79	81	85
11	Italy	316	345	370	617	648	733	877	929	875	805
12	Netherlands	133	348	300	268	256	399	240	304	246	510
13	Norway	72	119	71	78	68	79	85	98	124	127
14	Portugal	23	20	16	57	55	46	53	65	80	90
15	Spain	222	196	249	239	265	264	304	429	362	385
16	Sweden	153	180	167	143	106	101	93	177	112	85
17	Switzerland	176	335	237	442	417	499	511	472	539	530
18	Turkey	10	15	86	77	80	125	140	183	199	207
19	United Kingdom	1,459	2,580	4,718	5,167	4,844	5,376	5,591	6.068	4,864	4,538
20	Yugoslavia	10	22	38	40	28	37	38	45	60	64
21	Other Western Europe	25	22	27	50	56	54	58	52	53	60
22	U.S.S.R.	46	46	103	53	52	83	103	99	82	95
23	Other Eastern Europe	44	131	108	125	107	123	134	130	177	175
24	*Canada*	*1,955*	*2,776*	*2,817*	*3,050*	*3,169*	*3,129*	*3,136*	*3,100*	*2,944*	*3,510*
25	*Latin America*	*5,900*	*12,377*	*20,532*	*27,607*	*30,042*	*29,275*	*31,580*	*34,034*	*31,476*	*31,418*
26	Argentina	499	720	1,203	1,149	961	902	858	962	937	867
27	Bahamas	883	3,405	7,570	11,519	14,192	12,587	14,594	15,340	13.899	14,079
28	Brazil	900	1,418	2,221	2,772	2,891	3,125	3,259	3,383	3,456	3,149
29	Chile	151	290	360	352	343	350	358	396	370	379
30	Colombia	397	713	689	501	459	517	523	575	593	598
31	Cuba	12	14	13	13	13	13	14	13	13	13
32	Mexico	1,373	1,972	2,802	3,559	3,457	3,211	3,285	3,414	3,356	3.332
33	Panama	274	505	1,052	778	809	1,119	781	1.021	770	862
34	Peru	178	518	583	666	694	638	629	690	737	748
35	Uruguay	55	63	51	31	28	28	35	38	41	39
36	Venezuela	518	704	1,086	1,503	1,305	1,338	1,512	1,553	1,296	1.261
37	Other Latin American republics	493	852	967	978	1,112	1,037	1,068	1.140	1,127	1,120
38	Netherlands Antilles[1]	13	62	49	29	42	41	43	40	45	41
39	Other Latin America	154	1,142	1,885	3,759	3,737	4,369	4,620	5,469	4,838	4,932
40	*Asia*	*8,224*	*16,226*	*16,057*	*15,832*	*15,695*	*16,099*	*16,365*	*17,765*	*16,672*	*15,466*
41	China, People's Republic of (Mainland)	31	4	22	4	4	5	3	3	4	30
42	China, Republic of (Taiwan)	140	500	736	939	981	991	1,099	987	1.028	1,089
43	Hong Kong	147	223	258	251	252	208	267	361	229	265
44	India	16	14	21	36	33	64	48	41	28	23
45	Indonesia	88	157	102	108	119	117	120	76	54	55
46	Israel	155	255	491	257	313	320	330	554	352	337
47	Japan	6,398	12,518	10,776	10,116	10,220	10,534	10,428	10,992	10,581	9.474
48	Korea	403	955	1,561	1,551	1,594	1,555	1,577	1,722	1,710	1.576
49	Philippines	181	372	384	459	472	478	495	559	592	479
50	Thailand	273	458	499	437	434	415	414	422	421	446
51	Middle East oil-exporting countries[2]	....	330	524	836	721	765	1,082	1,312	981	1,036
52	Other[3]	392	441	684	838	553	647	503	735	690	658
53	*Africa*	*388*	*855*	*1,228*	*1,395*	*1,332*	*1,382*	*1,394*	*1,486*	*1,519*	*1,518*
54	Egypt	35	111	101	115	114	106	109	132	151	126
55	Morocco	5	18	9	15	17	8	14	13	19	13
56	South Africa	129	329	545	695	691	772	748	763	798	838
57	Zaire	61	98	34	24	23	14	25	29	16	11
58	Oil-exporting countries[4]	....	115	231	268	176	215	213	257	238	249
59	Other[3]	158	185	308	278	312	267	284	292	298	282
60	*Other countries*	*286*	*565*	*609*	*638*	*631*	*661*	*612*	*549*	*618*	*729*
61	Australia	243	466	535	553	521	558	502	450	512	605
62	All other	43	99	73	85	110	103	110	99	105	125
63	**Nonmonetary international and regional organizations**	**1**	*	**1**	**12**	**12**	**5**	**6**	**5**	**7**	**5**

[1] Includes Surinam until January 1976.

[2] Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

[3] Includes oil-exporting countries until December 1974.

[4] Comprises Algeria, Gabon, Libya, and Nigeria.

3.20 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Type of Claim

Millions of dollars, end of period

	Type	1973	1974	1975	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.p	1977 Feb.p
1	**Total**	**20,723**	**39,056**	**50,231**	**58,014**	**60,317**	**60,986**	**63,890**	**69,011**	**63,650**	**63,289**
2	*Payable in dollars*	*20,061*	*37,859*	*48,902*	*59,556*	*58,661*	*59,330*	*62,085*	*67,365*	*61,907*	*61,258*
3	*Loans, total*	*7,660*	*11,291*	*13,205*	*15,270*	*14,914*	*16,221*	*16,191*	*18,347*	*16,094*	*16,350*
4	Official institutions, including central banks	284	381	613	1,009	781	1,055	1,269	1,452	1,250	935
5	Banks, excluding central banks	4,538	7,332	7,665	9,060	9,003	10,015	9,639	11,081	9,341	9,839
6	All other, including nonmonetary international and regional organizations	2,838	3,579	4,926	5,202	5,130	5,151	5,282	5,815	5,503	5,576
7	Collections outstanding	4,307	5,637	5,467	5,495	5,746	5,586	5,628	5,846	5,834	5,866
8	Acceptances made for accounts of foreigners	4,160	11,237	11,147	11,144	11,213	11,461	11,422	12,367	12,018	11,963
9	Other claims[1]	3,935	9,689	19,082	24,562	26,789	26,015	28,843	30,805	27,962	27,078
10	*Payable in foreign currencies*	*662*	*1,196*	*1,329*	*1,542*	*1,656*	*1,704*	*1,805*	*1,645*	*1,743*	*2,031*
11	Deposits with foreigners	428	669	656	903	1,029	1,052	1,084	1,063	1,137	1,089
12	Foreign government securities, commercial and finance paper	119	289	301	143	120	102	85	84	145	272
13	Other claims	115	238	372	496	507	550	635	498	460	671

1 Includes claims of U.S. banks on their foreign branches and claims of U.S. agencies and branches of foreign banks on their head offices and foreign branches of their head offices.

NOTE.—Short-term claims are principally the following items payable on demand or with a contractual maturity of not more than 1 year: loans made to, and acceptances made for, foreigners; drafts drawn against foreigners, where collection is being made by banks and bankers for their own account or for account of their customers in the United States; and foreign currency balances held abroad by banks and bankers and their customers in the United States. Excludes foreign currencies held by U.S. monetary authorities.

3.21 LONG-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

	Type, and area or country	1973	1974	1975	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.p	1977 Feb.p
1	**Total**	**5,996**	**7,179**	**9,540**	**10,955**	**11,205**	**11,345**	**11,612**	**11,687**	**11,711**	**11,870**
	By type:										
2	*Payable in dollars*	*5,924*	*7,099*	*9,423*	*10,822*	*11,063*	*11,206*	*11,465*	*11,539*	*11,561*	*11,693*
3	*Loans, total*	*5,446*	*6,490*	*8,316*	*9,357*	*9,551*	*9,670*	*9,837*	*9,933*	*9,950*	*10,128*
4	Official institutions, including central banks	1,156	1,324	1,350	1,338	1,312	1,323	1,364	1,420	1,404	1,532
5	Banks, excluding central banks	591	929	1,567	1,979	2,039	2,115	2,164	2,212	2,202	2,220
6	All other, including nonmonetary international and regional organizations	3,698	4,237	5,399	6,040	6,201	6,232	6,308	6,298	6,344	6,376
7	Other long-term claims	478	609	1,107	1,465	1,512	1,536	1,628	1,606	1,611	1,564
8	*Payable in foreign currencies*	*72*	*80*	*116*	*133*	*142*	*139*	*147*	*148*	*150*	*177*
	By area or country:										
9	Europe	1,271	1,908	2,708	3,093	3,133	3,191	3,285	3,246	3,325	3,377
10	Canada	490	501	555	592	623	570	590	586	520	538
11	Latin America	2,116	2,614	3,468	4,382	4,519	4,565	4,694	4,806	4,878	4,948
12	*Asia*	*1,582*	*1,619*	*1,795*	*1,835*	*1,856*	*1,901*	*1,885*	*1,886*	*1,839*	*1,846*
13	Japan	251	258	296	355	370	381	368	391	387	367
14	Middle East oil-exporting countries[1]	....	384	220	187	171	171	141	146	117	123
15	Other Asia[2]	1,331	977	1,279	1,667	1,315	1,349	1,376	1,349	1,335	1,357
16	*Africa*	*355*	*366*	*747*	*771*	*800*	*839*	*888*	*883*	*852*	*876*
17	Oil-exporting countries[3]	....	62	151	226	236	259	269	264	201	201
18	Other[4]	355	305	596	545	564	580	619	619	651	675
19	All other countries[5]	181	171	267	282	274	281	270	280	296	284

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Includes Middle East oil-exporting countries until December 1974.

3 Comprises Algeria, Gabon, Libya, and Nigeria.

4 Includes oil-exporting countries until December 1974.

5 Includes nonmonetary international and regional organizations.

3.22 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars; end of period

	Asset account	1973	1974	1975	1976						1977
					July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
		All foreign countries									
1	**Total, all currencies**	**121,866**	**151,905**	**176,493**	**196,865**	**196,174**	**199,843**	**206,383**	**207,372**	**219,811**	**213,030**
2	*Claims on United States*	*5,091*	*6,900*	*6,743*	*8,709*	*6,980*	*6,628*	*9,939*	*7,557*	*7,909*	*6,514*
3	Parent bank	1,886	4,464	3,665	5,575	3,934	3,248	6,834	4,280	4,390	2,935
4	Other	3,205	2,435	3,078	3,134	3,046	3,381	3,105	3,276	3,519	3,579
5	*Claims on foreigners*	*111,974*	*138,712*	*163,391*	*181,323*	*182,499*	*186,192*	*189,317*	*192,609*	*204,861*	*198,908*
6	Other branches of parent bank	19,177	27,559	34,508	41,738	41,000	41,174	41,812	42,729	46,582	47,135
7	Other banks	56,368	60,283	69,206	71,762	71,802	74,796	76,152	77,179	83,546	77,094
8	Official institutions	2,693	4,077	5,792	8,444	8,766	9,208	9,205	9,540	10,598	10,825
9	Nonbank foreigners	33,736	46,793	53,886	59,379	60,932	61,015	62,148	63,162	64,135	63,855
10	Other assets	4,802	6,294	6,359	6,834	6,695	7,022	7,128	7,206	7,041	7,608
11	**Total payable in U.S. dollars**	**79,445**	**105,969**	**132,901**	**149,124**	**147,245**	**150,434**	**156,031**	**156,364**	**168,222**	**163,791**
12	*Claims on United States*	*4,599*	*6,603*	*6,408*	*8,440*	*6,666*	*6,269*	*9,595*	*7,214*	*7,615*	*6,235*
13	Parent bank	1,848	4,428	3,628	5,530	3,895	3,184	6,790	4,218	4,330	2,896
14	Other	2,751	2,175	2,780	2,910	2,771	3,085	2,805	2,996	3,285	3,338
15	*Claims on foreigners*	*73,018*	*96,209*	*123,496*	*137,293*	*137,374*	*140,919*	*143,083*	*145,837*	*157,405*	*153,646*
16	Other branches of parent bank	12,799	19,688	28,478	33,843	33,009	33,358	34,051	34,382	38,537	39,412
17	Other banks	39,527	45,067	55,319	56,597	56,422	58,877	59,316	60,246	66,227	60,618
18	Official institutions	1,777	3,289	4,864	7,148	7,606	7,906	7,885	8,289	9,007	9,457
19	Nonbank foreigners	18,915	28,164	34,835	39,705	40,337	40,779	41,831	42,920	43,634	44,159
20	Other assets	1,828	3,157	2,997	3,392	3,206	3,246	3,353	3,314	3,202	3,910
		United Kingdom									
21	**Total, all currencies**	**61,732**	**69,804**	**74,883**	**73,494**	**73,229**	**73,589**	**76,854**	**77,249**	**81,466**	**76,482**
22	*Claims on United States*	*1,789*	*3,248*	*2,392*	*1,862*	*1,758*	*2,036*	*3,256*	*3,426*	*3,354*	*2,262*
23	Parent bank	738	2,472	1,449	1,002	938	1,081	2,413	2,538	2,376	1,357
24	Other	1,051	776	943	860	821	955	843	888	978	905
25	*Claims of foreigners*	*57,761*	*64,111*	*70,331*	*69,359*	*69,298*	*69,217*	*71,162*	*71,477*	*75,859*	*71,995*
26	Other branches of parent bank	8,773	12,724	17,557	18,843	18,044	17,745	18,358	17,949	19,753	19,483
27	Other banks	34,442	32,701	35,904	33,589	34,135	34,405	35,336	35,846	38,089	34,827
28	Official institutions	735	788	881	909	1,007	1,138	1,211	1,168	1,274	1,377
29	Nonbank foreigners	13,811	17,898	15,990	16,018	16,112	15,929	16,257	16,514	16,743	16,309
30	Other assets	2,183	2,445	2,159	2,273	2,173	2,335	2,436	2,345	2,253	2,225
31	**Total payable in U.S. dollars**	**40,323**	**49,211**	**57,361**	**54,871**	**54,522**	**54,547**	**57,161**	**57,699**	**61,587**	**57,758**
32	*Claims on United States*	*1,642*	*3,146*	*2,273*	*1,780*	*1,658*	*1,902*	*3,124*	*3,313*	*3,275*	*2,185*
33	Parent bank	730	2,468	1,445	997	934	1,064	2,406	2,523	2,374	1,352
34	Other	912	678	828	783	724	838	719	789	902	833
35	*Claims on foreigners*	*37,817*	*44,694*	*54,121*	*52,250*	*52,006*	*51,782*	*53,112*	*53,541*	*57,488*	*54,735*
36	Other branches of parent bank	6,509	10,265	15,645	16,204	15,401	15,195	15,829	15,405	17,249	17,183
37	Other banks	23,389	23,716	28,224	25,370	25,826	25,866	26,421	27,008	28,983	26,184
38	Official institutions	510	610	648	659	799	862	912	817	846	1,110
39	Nonbank foreigners	7,409	10,102	9,604	10,018	9,980	9,859	9,950	10,311	10,410	10,258
40	Other assets	865	1,372	967	841	858	863	925	845	824	838
		Bahamas and Caymans									
41	**Total, all currencies**	**23,771**	**31,733**	**45,203**	**59,913**	**57,677**	**60,753**	**63,508**	**61,758**	**67,398**	**67,393**
42	*Claims on United States*	*2,210*	*2,464*	*3,229*	*5,835*	*3,554*	*3,330*	*5,464*	*2,892*	*3,420*	*3,148*
43	Parent bank	317	1,081	1,477	3,864	1,641	1,257	3,490	766	1,095	767
44	Other	1,893	1,383	1,752	1,971	1,913	2,072	1,973	2,126	2,325	2,381
45	*Claims on foreigners*	*21,041*	*28,453*	*41,040*	*52,898*	*52,933*	*56,255*	*56,806*	*57,634*	*62,760*	*62,498*
46	Other branches of parent bank	1,928	3,478	5,411	7,149	6,791	7,250	7,296	7,389	8,853	9,521
47	Other banks	9,895	11,354	16,298	20,669	20,217	22,447	22,136	22,438	25,324	23,748
48	Official institutions	1,151	2,022	3,576	5,699	5,929	6,059	6,040	6,485	7,101	7,004
49	Nonbank foreigners	8,068	11,599	15,756	19,381	19,995	20,498	21,334	21,322	21,483	22,225
50	Other assets	520	815	933	1,180	1,190	1,169	1,239	1,232	1,217	1,747
51	**Total payable in U.S. dollars**	**21,937**	**28,726**	**41,887**	**56,076**	**53,520**	**56,600**	**59,219**	**57,672**	**63,329**	**63,180**

3.22 Continued

	Liability account	1973	1974	1975	1976 July	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.p
						All foreign countries					
52	**Total, all currencies**	**121,866**	**151,905**	**176,493**	**196,865**	**196,174**	**199,843**	**206,383**	**207,372**	**219,811**	**213,030**
53	*To United States*	*5,610*	*11,982*	*20,221*	*28,616*	*27,118*	*29,978*	*29,457*	*30,757*	*31,559*	*30,343*
54	Parent bank	1,642	5,809	12,165	15,947	16,495	18,957	17,869	19,058	18,192	18,673
55	Other	3,968	6,173	8,057	12,669	10,623	11,020	11,588	11,699	13,367	11,670
56	*To foreigners*	*111,615*	*132,990*	*149,815*	*161,637*	*162,711*	*163,318*	*170,083*	*169,862*	*181,421*	*175,816*
57	Other branches of parent bank	18,213	26,941	34,111	41,064	40,071	40,119	41,044	41,650	46,458	45,444
58	Other banks	65,389	65,675	72,259	74,211	74,367	75,054	78,912	77,810	83,410	79,439
59	Official institutions	10,330	20,185	22,773	22,279	23,428	23,731	25,019	23,967	25,828	25,480
60	Nonbank foreigners	17,683	20,189	20,672	24,084	24,844	24,414	25,107	26,436	25,725	25,453
61	Other liabilities	4,641	6,933	6,456	6,612	6,346	6,547	6,844	6,753	6,831	6,871
62	**Total payable in U.S. dollars**	**80,374**	**107,890**	**135,907**	**153,221**	**151,788**	**155,149**	**160,440**	**160,824**	**173,594**	**168,330**
63	*To United States*	*5,027*	*11,437*	*19,503*	*27,848*	*26,348*	*29,088*	*28,683*	*29,866*	*30,771*	*29,402*
64	Parent bank	1,477	5,641	11,939	15,691	16,254	18,624	17,633	18,821	17,979	18,419
65	Other	3,550	5,795	7,564	12,157	10,094	10,464	11,049	11,046	12,793	10,982
66	*To foreigners*	*73,189*	*92,503*	*112,879*	*121,997*	*122,187*	*122,677*	*128,358*	*127,535*	*139,208*	*135,171*
67	Other branches of parent bank	12,554	19,330	28,217	33,852	32,690	32,921	33,850	33,951	39,189	38,836
68	Other banks	43,641	43,656	51,583	53,573	53,298	53,505	56,302	55,464	60,270	56,867
69	Official institutions	7,491	17,444	19,982	19,625	20,620	20,787	21,910	20,924	22,877	22,747
70	Nonbank foreigners	9,502	12,072	13,097	14,947	15,579	15,465	16,296	17,196	16,872	16,720
71	Other liabilities	2,158	3,951	3,526	3,377	3,252	3,383	3,400	3,422	3,614	3,758
						United Kingdom					
72	**Total, all currencies**	**61,732**	**69,804**	**74,883**	**73,494**	**73,229**	**73,589**	**76,854**	**77,249**	**81,466**	**76,482**
73	*To United States*	*2,431*	*3,978*	*5,646*	*5,628*	*5,266*	*5,379*	*5,310*	*5,520*	*5,997*	*5,101*
74	Parent bank	136	510	2,122	1,727	1,520	1,442	1,468	1,459	1,198	1,211
75	Other	2,295	3,468	3,523	3,901	3,746	3,938	3,842	4,061	4,798	3,889
76	*To foreigners*	*57,311*	*63,409*	*67,240*	*65,594*	*65,883*	*66,026*	*69,151*	*69,368*	*73,228*	*69,202*
77	Other branches of parent bank	3,944	4,762	6,494	6,927	6,668	6,788	6,826	6,783	7,092	7,663
78	Other banks	34,979	32,040	32,964	31,487	30,834	31,015	32,488	33,690	36,259	32,627
79	Official institutions	8,140	15,258	16,553	15,462	16,147	16,389	17,567	16,181	17,273	16,684
80	Nonbank foreigners	10,248	11,349	11,229	11,718	12,234	11,834	12,270	12,713	12,605	12,228
81	Other liabilities	1,990	2,418	1,997	2,272	2,080	2,184	2,394	2,360	2,241	2,179
82	**Total payable in U.S. dollars**	**39,689**	**49,666**	**57,820**	**55,978**	**55,701**	**55,625**	**58,031**	**58,757**	**63,174**	**59,009**
83	*To United States*	*2,173*	*3,744*	*5,415*	*5,443*	*5,093*	*5,183*	*5,152*	*5,330*	*5,849*	*4,876*
84	Parent bank	113	484	2,083	1,703	1,498	1,404	1,448	1,447	1,182	1,195
85	Other	2,060	3,261	3,332	3,740	3,595	3,779	3,704	3,883	4,666	3,681
86	*To foreigners*	*36,646*	*44,594*	*51,447*	*49,691*	*49,746*	*49,579*	*52,017*	*52,503*	*56,372*	*53,230*
87	Other branches of parent bank	2,519	3,256	5,442	5,878	5,604	5,790	5,742	5,520	5,874	6,573
88	Other banks	22,051	20,526	23,330	21,765	20,910	20,526	21,493	23,040	25,527	22,428
89	Official institutions	5,923	13,225	14,498	13,604	14,296	14,418	15,550	14,283	15,423	14,893
90	Nonbank foreigners	6,152	7,587	8,176	8,444	8,936	8,846	9,233	9,660	9,547	9,336
91	Other liabilities	870	1,328	959	844	862	862	862	924	953	903
						Bahamas and Caymans					
92	**Total, all currencies**	**23,771**	**31,733**	**45,203**	**59,913**	**57,677**	**60,753**	**63,508**	**61,758**	**67,398**	**67,392**
93	*To United States*	*1,573*	*4,815*	*11,147*	*19,370*	*18,237*	*21,218*	*20,640*	*21,144*	*21,446*	*21,617*
94	Parent bank	307	2,636	7,628	11,611	12,311	15,243	14,000	14,797	14,462	15,136
95	Other	1,266	2,180	3,520	7,759	5,927	5,975	6,640	6,347	6,984	6,481
96	*To foreigners*	*21,747*	*26,149*	*32,949*	*39,411*	*38,380*	*38,411*	*41,815*	*39,515*	*44,798*	*44,363*
97	Other branches of parent bank	5,508	7,702	10,569	13,317	12,416	11,854	13,381	12,931	16,085	14,665
98	Other banks	14,071	14,050	16,825	20,350	20,125	20,621	22,240	19,525	21,515	22,236
99	Official institutions	492	2,377	3,308	2,811	2,857	2,712	2,784	3,198	3,573	3,607
100	Nonbank foreigners	1,676	2,011	2,248	2,933	2,982	3,224	3,409	3,861	3,626	3,856
101	Other liabilities	451	778	1,106	1,131	1,059	1,125	1,053	1,099	1,154	1,412
102	**Total payable in U.S. dollars**	**22,328**	**28,840**	**42,197**	**56,636**	**54,154**	**57,232**	**59,972**	**58,244**	**64,046**	**63,770**

3.23 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1974	1975	1976	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.ᵖ	1977 Feb.ᵖ
	Holdings, end of period [4]									
1 **Estimated total**	**5,708**	**7,703**	....	**12,153**	**13,467**	**14,487**	**15,063**	**15,798**	**16,307**	**17,813**
2 **Foreign countries**	**5,557**	**7,372**	....	**10,746**	**11,671**	**11,954**	**12,337**	**12,765**	**13,014**	**13,746**
3 *Europe*	*885*	*1,085*	....	*1,733*	*2,024*	*2,064*	*2,293*	*2,330*	*2,300*	*2,504*
4 Belgium-Luxembourg	10	13	....	9	9	13	14	14	14	14
5 Germany	9	215	....	324	518	535	746	764	764	789
6 Netherlands	6	16	....	283	282	283	288	288	287	367
7 Sweden	251	276	....	275	240	242	192	191	191	188
8 Switzerland	30	55	....	171	268	267	291	261	271	324
9 United Kingdom	493	363	....	383	396	403	433	485	476	529
10 Other Western Europe	81	143	....	284	307	317	325	323	293	289
11 Eastern Europe	5	4	....	4	4	4	4	4	4	4
12 Canada	713	395	....	337	386	390	250	256	256	261
13 Latin America	100	200	....	271	178	160	302	312	314	293
14 Venezuela	4	4	....	4	4	4	149	149	149	149
15 Other Latin America republics	3	29	....	38	26	32	28	35	31	31
16 Netherlands Antilles [1]	83	161	....	222	138	113	115	118	125	121
17 Asia	3,709	5,370	....	7,883	8,552	8,808	8,950	9,323	9,637	10,330
18 Japan	3,498	3,271	....	2,952	3,052	3,093	2,587	2,687	2,682	2,806
19 Africa	151	321	....	521	531	531	543	543	506	356
20 All other	*	*	....	*	*	*	*	*	*	*
21 **Nonmonetary international and regional organizations**	**151**	**331**	....	**1,406**	**1,796**	**2,533**	**2,726**	**3,033**	**3,294**	**4,068**
22 International	97	322	....	1,388	1,768	2,504	2,655	2,905	3,180	3,948
23 Latin American regional	53	9	....	18	28	28	71	128	114	119
	Transactions, net purchases, or sales (−), during period									
24 **Total**	**−472**	**1,994**	**8,095**	**729**	**1,315**	**1,019**	**577**	**735**	**510**	**1,505**
25 **Foreign countries**	**−573**	**1,814**	**5,393**	**396**	**925**	**283**	**383**	**428**	**254**	**731**
26 Official institutions	−642	1,612	5,116	316	964	227	340	421	229	709
27 Other foreign	69	202	276	80	−39	56	43	6	21	23
28 **Nonmonetary international and regional organizations**	**101**	**180**	**2,702**	**333**	**390**	**736**	**193**	**307**	**261**	**773**
MEMO: Oil-exporting countries										
29 Middle East [2]	....	1,797	3,886	228	315	98	630	140	254	505
30 Africa [3]	....	170	221	20	10	....	11	....	−37	150

1 Includes Surinam until January 1976.
2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States). Data not available until 1975.
3 Comprises Algeria, Gabon, Libya, and Nigeria. Data not available until 1975.
4 Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

3.24 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1973	1974	1975	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
1 Deposits	251	418	352	393	362	305	352	383	361	349
Assets held in custody:										
2 U.S. Treasury securities [1]	52,070	55,600	60,019	64,215	64,942	63,962	66,532	66,992	68,653	71,435
3 Earmarked gold [2]	17,068	16,838	16,745	16,590	16,505	16,457	16,414	16,343	16,304	16,271

1 Marketable U.S. Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2 The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

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.

3.25 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1975	1976	1977 Jan.–Feb.[p]	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.[p]	1977 Feb.[p]
		U.S. corporate securities									
	Stocks										
1	Foreign purchases	15,347	18,227	2,587	1,062	1,124	1,226	977	1,562	1,425	1,162
2	Foreign sales	10,678	15,474	2,172	971	1,116	1,321	1,025	1,287	1,137	1,035
3	**Net purchases, or sales (–)**	**4,669**	**2,752**	**415**	**91**	**9**	**–95**	**49**	**274**	**288**	**127**
4	**Foreign countries**	**4,651**	**2,740**	**415**	**87**	**7**	**–98**	**–50**	**281**	**290**	**125**
5	Europe	2,491	336	177	–15	–60	–251	–118	111	130	47
6	France	262	256	17	28	23	–12	–25	37	27	10
7	Germany	251	68	–6	–13	6	–16	–13	24	1	–7
8	Netherlands	359	–199	19	–21	–26	–37	–29	–35	24	–5
9	Switzerland	899	–100	62	6	–55	–95	–44	–7	39	23
10	United Kingdom	594	340	75	13	29	–72	–5	84	39	36
11	Canada	361	325	38	35	5	18	1	60	8	30
12	Latin America	7	155	18	–26	10	–17	25	1	4	14
13	Middle East[1]	1,640	1,803	150	92	60	126	64	115	100	50
14	Other Asia[2]	142	117	29	2	4	28	23	9	46	17
15	Africa	10	7	1	–3	–4	–3	1	2	*	1
16	Other countries	15	–4	3	2	*	1	*	–17	2	1
17	**Nonmonetary international and regional organizations**	**18**	**12**	**–1**	**3**	**2**	**4**	**2**	**–6**	**–2**	**1**
	Bonds[3]										
18	Foreign purchases	5,408	5,529	934	411	361	625	355	533	400	534
19	Foreign sales	4,642	4,322	536	237	375	386	364	524	322	214
20	**Net purchases, or sales (–)**	**766**	**1,207**	**398**	**174**	**–14**	**239**	**–9**	**9**	**78**	**320**
21	**Foreign countries**	**1,795**	**1,248**	**402**	**173**	**9**	**203**	**110**	**6**	**73**	**329**
22	Europe	113	92	289	29	–16	–10	24	53	8	281
23	France	82	49	8	4	–1	–1	5	7	–5	3
24	Germany	–6	50	*	3	*	5	4	1	–4	4
25	Netherlands	8	–29	*	–3	*	5	3	20	2	–2
26	Switzerland	117	158	47	16	–7	2	–3	13	15	32
27	United Kingdom	52	23	233	23	7	*	15	54	8	225
28	Canada	128	96	66	9	18	–1	16	7	11	55
29	Latin America	31	94	3	9	5	29	6	27	–5	8
30	Middle East[1]	1,553	1,179	52	121	18	156	74	21	59	–7
31	Other Asia[2]	–35	–165	7	5	–15	3	8	43	1	–8
32	Africa	5	–25	*	*	–19	–2	–2	14	*	*
33	Other countries	1	–21	*	*	*	*	*	–2	*	*
34	**Nonmonetary international and regional organizations**	**–1,030**	**–41**	**5**	*****	**–4**	**64**	**–119**	**3**	**4**	**–9**
		Foreign securities									
35	**Stocks, net purchases, or sales (–)**	**–189**	**322**	**–127**	**–11**	**–27**	**–1**	**1**	**4**	**–18**	**109**
36	Foreign purchases	1,541	1,937	311	123	126	132	167	217	181	130
37	Foreign sales	1,730	2,259	438	134	153	133	168	213	199	239
38	**Bonds, net purchases, or sales (–)**	**–6,324**	**–8,547**	**–389**	**–478**	**–427**	**–367**	**–400**	**–1,298**	**–30**	**–359**
39	Foreign purchases	2,383	4,932	1,406	333	363	452	455	670	818	588
40	Foreign sales	8,707	13,479	1,795	811	790	819	855	1,968	848	947
41	**Net purchases, or sales (–) of stocks and bonds**	**–6,514**	**–8,870**	**–518**	**–489**	**–454**	**–369**	**–402**	**–1,294**	**–49**	**469**
42	**Foreign countries**	**4,323**	**–6,972**	**–812**	**–423**	**–471**	**282**	**–270**	**765**	**338**	**–474**
43	Europe	–53	–836	–213	60	–145	37	–10	–140	21	–192
44	Canada	–3,202	–5,129	–563	–98	–331	–301	26	–643	–298	265
45	Latin America	–306	1	67	47	20	13	–28	37	25	42
46	Asia	–622	640	–114	–317	–16	34	–10	–24	53	–61
47	Africa	15	48	....	1	*	1	*	2	–1	1
48	Other countries	155	–416	10	3	2	9	–197	3	9	1
49	**Nonmonetary international and regional organizations**	**–2,192**	**–1,898**	**295**	**–66**	**17**	**–87**	**–132**	**–529**	**290**	**5**

1 Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Includes Middle East oil-exporting countries until 1975.

3 Includes State and local government securities, and securities of U.S. Govt. agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investment abroad.

3.26 SHORT-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type, and area or country	Liabilities to foreigners 1974 Dec.	1975 Dec.	1976 Mar.	1976 June	1976 Sept.p	Claims on foreigners 1974 Dec.	1975 Dec.	1976 Mar.	1976 June	1976 Sept.p
1	**Total**	**5,927**	**6,010**	**6,326**	**6,301**	**6,335**	**11,266**	**12,172**	**12,733**	**13,889**	**13,220**
	By type:										
2	*Payable in dollars*	*5,017*	*5,393*	*5,659*	*5,663*	*5,696*	*10,241*	*11,025*	*11,688*	*12,895*	*12,173*
3	*Payable in foreign currencies*	*910*	*617*	*667*	*638*	*639*	*1,024*	*1,146*	*1,045*	*994*	*1,048*
4	Deposits with banks abroad in reporter's name						473	565	483	501	505
5	Other						551	581	562	493	543
	By area or country:										
6	**Foreign countries**	**5,769**	**5,734**	**6,108**	**6,056**	**6,149**	**11,265**	**12,171**	**12,732**	**13,888**	**13,220**
7	*Europe*	*3,016*	*2,338*	*2,342*	*2,284*	*2,282*	*4,450*	*4,504*	*4,946*	*5,344*	*5,162*
8	Austria	20	14	6	13	16	26	16	17	17	21
9	Belgium-Luxembourg	524	299	296	233	181	128	133	116	193	195
10	Denmark	24	9	12	12	13	42	39	35	30	26
11	Finland	16	14	10	7	21	120	91	36	138	139
12	France	202	149	205	159	185	428	293	358	365	418
13	Germany	313	149	152	228	256	335	355	305	360	489
14	Greece	39	19	25	29	28	65	33	41	47	56
15	Italy	124	172	124	115	126	395	380	406	335	357
16	Netherlands	117	114	162	170	141	143	167	176	147	141
17	Norway	9	20	22	22	24	36	41	58	52	43
18	Portugal	19	4	3	3	5	81	44	45	22	28
19	Spain	56	81	68	51	36	367	407	516	432	335
20	Sweden	41	29	25	24	35	89	62	80	84	62
21	Switzerland	138	130	159	213	239	136	242	207	270	254
22	Turkey	8	25	14	20	16	26	27	26	31	23
23	United Kingdom	1,256	996	928	845	806	1,847	1,905	2,289	2,609	2,370
24	Yugoslavia	40	76	91	108	113	22	36	30	28	30
25	Other Western Europe	5	8	6	7	8	21	14	18	14	17
26	U.S.S.R.	48	20	23	10	19	91	150	106	96	81
27	Other Eastern Europe	16	11	10	16	14	50	70	80	75	79
28	*Canada*	*307*	*295*	*316*	*373*	*332*	*1,613*	*2,109*	*2,244*	*2,211*	*2,224*
29	*Latin America*	*929*	*914*	*1,177*	*1,073*	*1,007*	*2,336*	*2,369*	*2,564*	*3,055*	*2,814*
30	Argentina	38	36	41	42	41	67	58	48	43	39
31	Bahamas	374	277	376	330	251	594	667	883	1,150	924
32	Brazil	118	96	91	90	53	468	409	475	462	417
33	Chile	22	14	11	15	16	106	36	27	46	26
34	Colombia	14	17	16	19	11	54	49	47	57	66
35	Cuba	*	*	*	*	*	1	1	1	1	1
36	Mexico	60	82	92	72	74	308	362	331	332	352
37	Panama	28	24	17	14	11	132	92	86	103	84
38	Peru	14	23	24	26	28	44	41	37	39	35
39	Uruguay	2	3	2	3	3	5	4	4	4	22
40	Venezuela	49	100	163	184	222	193	178	156	186	215
41	Other Latin American republics	83	71	71	95	100	199	160	171	185	180
42	Netherlands Antilles [1]	26	35	58	54	68	20	12	7	10	9
43	Other Latin America	101	138	214	130	129	147	301	292	437	445
44	*Asia*	*1,237*	*1,719*	*1,699*	*1,749*	*2,024*	*2,326*	*2,634*	*2,493*	*2,729*	*2,418*
45	China, People's Republic of (Mainland)	17	6	5	8	7	17	65	35	23	11
46	China, Republic of (Taiwan)	92	97	110	124	129	138	164	100	215	136
47	Hong Kong	19	17	23	28	33	62	110	66	104	83
48	India	7	7	9	10	11	37	39	60	51	53
49	Indonesia	60	137	137	133	146	92	143	158	166	196
50	Israel	50	29	23	28	26	44	54	42	53	48
51	Japan	348	295	307	290	275	1,230	1,130	1,161	1,169	1,008
52	Korea	75	69	53	62	83	201	263	105	127	143
53	Philippines	25	14	18	18	28	97	96	106	114	93
54	Thailand	10	18	18	11	23	24	22	20	19	22
55	Other Asia	536	1,031	995	1,038	1,263	384	549	640	691	625
56	*Africa*	*193*	*395*	*508*	*532*	*437*	*374*	*414*	*351*	*391*	*422*
57	Egypt	3	37	30	22	25	15	22	22	28	36
58	Morocco	14	8	7	32	42	7	10	10	12	9
59	South Africa	43	100	113	88	65	101	93	78	86	79
60	Zaire	18	6	7	12	24	24	28	28	30	33
61	Other Africa	115	245	351	377	281	227	261	213	235	267
62	*Other countries*	*86*	*73*	*65*	*43*	*67*	*165*	*141*	*133*	*157*	*180*
63	Australia	56	55	47	32	50	116	102	97	101	113
64	All other	30	17	18	12	18	49	39	36	56	67
65	**Nonmonetary international and regional organizations**	**158**	**276**	**219**	**246**	**186**	*	1	1	1	1

[1] Includes Surinam until 1976.

NOTE.—Reported by exporters, importers, and industrial and commercial concerns and other nonbanking institutions in the United States. Data exclude claims held through U.S. banks and intercompany accounts between U.S. companies and their affiliates.

3.27 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

Type and country	1973	1974	1975	1976 July	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.p
1 **Total**	**3,164**	**3,357**	**3,791**	**5,185**	**5,142**	**4,750**	**4,869**	**5,133**	**5,402**	**5,358**
By type:										
2 *Payable in dollars*	*2,625*	*2,660*	*3,035*	*4,552*	*4,538*	*4,075*	*4,284*	*4,597*	*4,774*	*4,742*
3 Deposits	2,588	2,591	2,703	4,192	4,119	3,705	3,893	4,210	4,401	4,375
4 Short-term investments [1]	37	69	332	360	419	370	391	387	373	367
5 *Payable in foreign currencies*	*540*	*697*	*756*	*634*	*604*	*675*	*586*	*535*	*628*	*616*
6 Deposits	435	429	510	431	377	447	344	308	328	308
7 Short-term investments [1]	105	268	246	203	227	228	242	227	300	308
By country:										
8 United Kingdom	1,118	1,350	1,304	2,068	2,082	1,712	1,641	1,691	1,891	1,762
9 Canada	765	967	1,153	1,415	1,397	1,356	1,400	1,563	1,551	1,290
10 Bahamas	589	390	546	918	823	810	1,059	1,059	1,228	1,312
11 Japan	306	398	343	139	137	146	116	135	128	127
12 All other	386	252	445	645	703	726	653	685	676	867

[1] Negotiable and other readily transferable foreign obligations payable on demand or having a contractural maturity of not more than 1 year from the date on which the obligation was incurred by the foreigner.

NOTE.—Data represent the assets abroad of large nonbanking concerns in the United States. They are a portion of the total claims on foreigners reported by nonbanking concerns in the United States and are included in the figures shown in Table 3.26.

3.28 LONG-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

Area and country	Liabilities to foreigners 1974 Dec.	1975 Dec.	1976 Mar.	1976 June p	1976 Sept. p	Claims on foreigners 1974 Dec.	1975 Dec.	1976 Mar.	1976 June p	1976 Sept. p
1 **Total**	**3,889**	**4,277**	**4,092**	**3,960**	**3,705**	**4,544**	**4,959**	**5,152**	**5,008**	**4,958**
2 Europe	3,033	3,280	3,128	3,007	2,790	1,007	1,002	949	959	925
3 Germany	474	506	446	425	406	23	41	38	39	77
4 Netherlands	218	202	214	214	270	280	217	219	211	211
5 Switzerland	572	505	466	448	308	44	55	52	52	50
6 United Kingdom	1,256	1,629	1,601	1,520	1,441	364	396	349	365	290
7 Canada	110	164	153	175	121	1,290	1,426	1,473	1,516	1,510
8 Latin America	216	269	248	222	230	1,384	1,633	1,770	1,602	1,547
9 Bahamas	177	210	184	157	132	19	8	7	37	37
10 Brazil	3	4	5	5	5	187	171	182	164	171
11 Chile	1	1	1	1	1	435	315	312	306	244
12 Mexico	3	3	6	6	7	153	216	209	187	219
13 Asia	460	496	496	489	498	681	669	685	709	736
14 Japan	367	397	394	388	402	112	90	91	85	80
15 Africa	6	2	2	2	2	127	168	214	163	181
16 All other [1]	65	66	65	64	64	54	60	62	59	58

[1] Includes nonmonetary international and regional organizations.

3.29 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Per cent per annum

Country	Rate on Mar. 31, 1977: Per cent	Rate on Mar. 31, 1977: Month effective	Country	Rate on Mar. 31, 1977: Per cent	Rate on Mar. 31, 1977: Month effective	Country	Rate on Mar. 31, 1977: Per cent	Rate on Mar. 31, 1977: Month effective
Argentina	18.0	Feb. 1972	France	10.5	Sept. 1976	Norway	6.0	Sept. 1976
Austria	4.0	June 1976	Germany, Fed. Rep. of	3.5	Sept. 1975	Sweden	8.0	Oct. 1976
Belgium	7.0	Feb. 1977	Italy	15.0	Oct. 1976	Switzerland	2.0	June 1976
Brazil	28.0	May 1976	Japan	6.0	Mar. 1977	United Kingdom	9.5	Mar. 1977
Canada	8.0	Feb. 1977	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	9.0	Mar. 1977	Netherlands	5.0	Jan. 1977			

NOTE.—Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for 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.

3.30 FOREIGN SHORT-TERM INTEREST RATES

Per cent per annum; averages of daily figures

Country, or type	1974	1975	1976	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
1 Euro-dollars	11.01	7.02	5.58	5.46	5.29	5.01	5.14	5.08	5.13
2 United Kingdom	13.34	10.63	11.35	14.57	14.75	14.27	13.53	11.56	10.31
3 Canada	10.47	8.00	9.39	9.34	9.08	8.51	8.24	7.78	7.63
4 Germany	9.80	4.87	4.19	4.76	4.61	4.82	4.70	4.64	4.70
5 Switzerland		3.01	1.45	1.80	2.12	1.98	1.24	1.68	2.88
6 Netherlands		5.17	7.02	10.23	8.22	6.51	6.18	6.04	5.73
7 France		7.91	8.65	10.39	10.41	10.55	10.02	9.81	9.87
8 Italy		10.37	16.32	18.61	17.76	17.13	15.68	15.86	16.57
9 Belgium		6.63	10.25	13.94	12.48	10.73	8.49	7.59	7.07
10 Japan		11.64	7.70	7.50	8.00	8.00	7.50	7.50	7.20

NOTE.—Rates are for 3-month interbank loans except for—Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.31 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1974	1975	1976	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb.	1977 Mar.
1 Australia/dollar	143.89	130.77	122.15	123.40	120.66	105.29	108.53	109.04	109.94
2 Austria/shilling	5.3564	5.7467	5.5744	5.7960	5.8332	5.9061	5.8852	5.8453	5.8822
3 Belgium/franc	2.5713	2.7253	2.5921	2.6822	2.7047	2.7483	2.7249	2.7114	2.7258
4 Canada/dollar	102.26	98.30	101.41	102.81	101.46	98.204	98.985	97.295	95.125
5 Denmark/krone	16.442	17.437	16.546	16.968	16.934	17.145	16.967	16.891	17.038
6 Finland/markka	26.565	27.285	25.938	25.938	26.073	26.315	26.313	26.169	26.296
7 France/franc	20.805	23.354	20.942	20.072	20.042	20.055	20.108	20.083	20.075
8 Germany/deutsche mark	38.723	40.729	39.737	41.165	41.443	41.965	41.792	41.582	41.812
9 India/rupee	12.460	11.926	11.148	11.243	11.155	11.296	11.231	11.285	11.313
10 Ireland/pound	234.03	222.16	180.48	163.77	163.81	167.84	171.24	171.03	171.74
11 Italy/lira	.15372	.15328	.12044	.11684	.11554	.11521	.11372	.11327	.11276
12 Japan/yen	.34302	.33705	.33741	.34344	.33879	.33933	.34359	.35087	.35687
13 Malaysia/ringgit	41.682	41.753	39.340	39.575	39.513	39.550	39.718	40.011	40.152
14 Mexico/peso	8.0000	8.0000	6.9161	4.8535	4.0200	4.8626	4.8114	4.4084	4.3978
15 Netherlands/guilder	37.267	39.632	37.846	39.265	39.678	40.240	39.953	39.813	40.079
16 New Zealand/dollar	140.02	121.16	99.115	98.484	95.392	92.179	94.839	95.192	95.689
17 Norway/krone	18.119	19.180	18.327	18.812	18.954	19.193	18.946	18.904	19.035
18 Portugal/escudo	3.9506	3.9286	3.3159	3.1920	3.1742	3.1674	3.1276	3.0717	2.5778
19 South Africa/rand	146.98	136.47	114.85	114.85	114.88	114.95	114.94	115.00	115.00
20 Spain/peseta	1.7337	1.7424	1.4958	1.4675	1.4626	1.4634	1.4577	1.4475	1.4530
21 Sri Lanka/rupee	14.978	14.385	11.908	11.453	11.479	11.246	11.421	11.442	12.820
22 Sweden/krona	22.563	24.141	22.957	23.511	23.699	24.051	23.734	23.543	23.726
23 Switzerland/franc	33.688	38.743	40.013	40.876	40.958	40.823	40.127	39.669	39.209
24 United Kingdom/pound	234.03	222.16	180.48	163.77	163.81	167.84	171.24	171.03	171.74
MEMO:									
25 United States/dollar [1]	84.11	82.20	89.68	90.88	91.06	90.55	90.35	90.55	90.45

1 Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. May 1970 parities = 100. Weights are 1972 global trade of each of the 10 countries.

NOTE.—Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

p	Preliminary
r	Revised
rp	Revised preliminary
e	Estimated
c	Corrected
n.e.c.	Not elsewhere classified
Rp's	Repurchase agreements
IPC's	Individuals, partnerships, and corporations
SMSA's	Standard metropolitan statistical areas
REIT's	Real estate investment trusts
*	Amounts insignificant in terms of the particular unit (e.g., less than 500,000 when the unit is millions)
......	(1) Zero, (2) no figure to be expected, or (3) figure delayed or, (4) no change (when figures are expected in percentages).

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. Govt. securities" may include guaranteed issues of U.S. Govt. agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local govt." also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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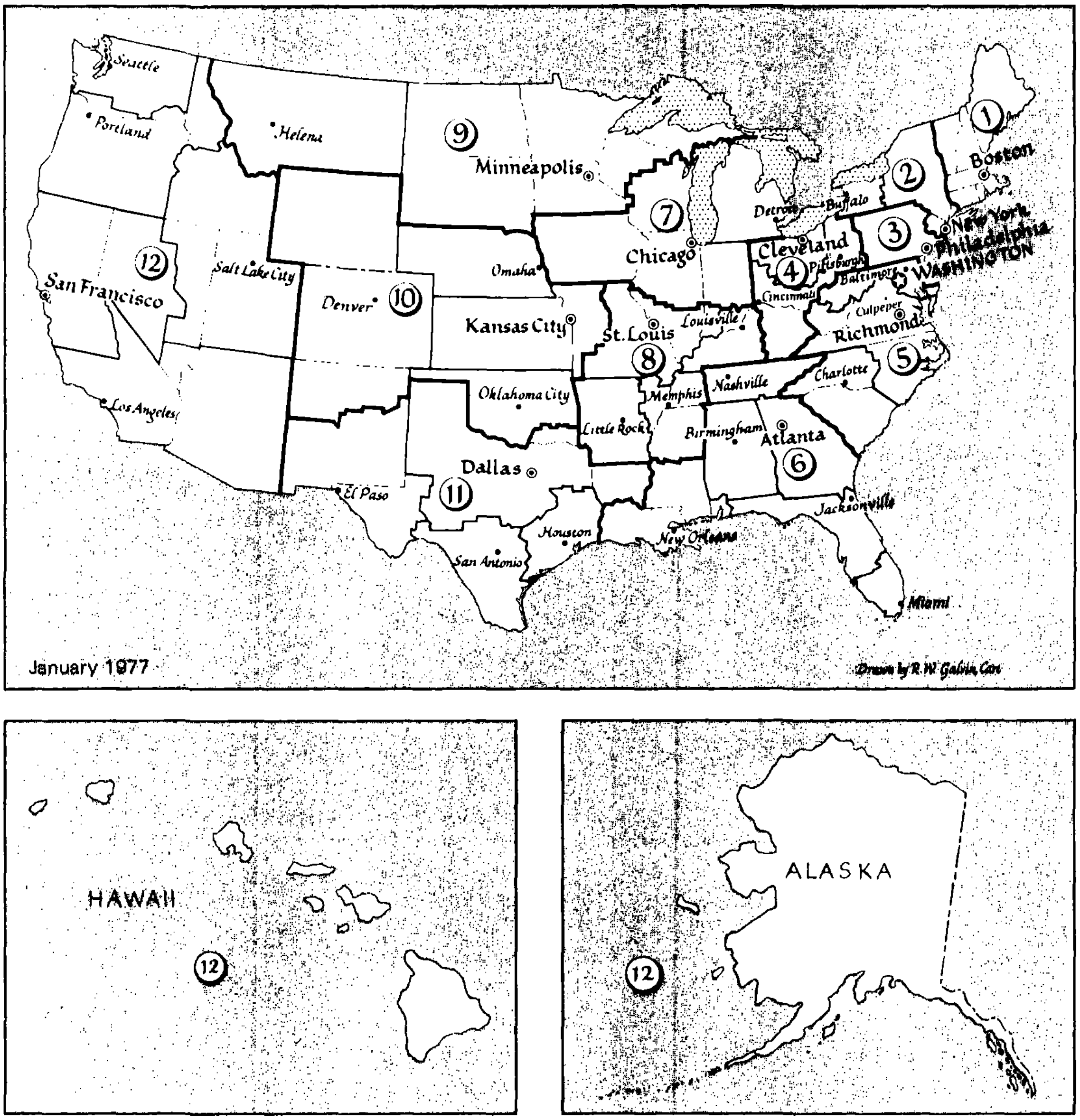

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