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FEDERAL RESERVE BULLETIN

The Community Reinvestment Act: A Progress Report
The Redefined Monetary Aggregates
Domestic Financial Developments in the Fourth Quarter of 1979
Production of Motor Vehicles in 1979

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The Community Reinvestment Act: A Progress Report

Glenn Canner and Joe M. Cleaver of the Board's Division of Research and Statistics prepared this article.

The Community Reinvestment Act of 1977 is intended to encourage federally insured commercial banks, mutual savings banks, and savings and loan associations to help meet the credit needs of the local communities in which they are chartered. The CRA directs the four federal supervisory agencies—the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board—to consider an institution's CRA record in evaluating any application for a charter, deposit insurance, branch or other deposit facility, office relocation, merger, or acquisition. The act also requires that, in connection with the examination of a financial institution, the appropriate supervisory agency shall "assess the institution's record and encourage it to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of such institution."

In accordance with the CRA, the Federal Reserve Board issued Regulation BB. That regulation, effective November 8, 1978, lists the criteria that the Board considers in evaluating the CRA record of a covered institution. Neither the CRA nor the implementing regulation was designed to inject hard and fast rules into the examination or application process. Rather, the CRA examination is intended to be a judgmental evaluation of the performance of a lender in meeting the credit needs of its entire community. The regulatory agencies are expected to take into account differences in absolute size of the institution, legal impediments, local economic conditions, and community needs. Given these circumstances, the appropriate agencies must determine the extent to which the institution has attempted to ascertain and meet the credit needs of the communities it serves.

LEGISLATIVE INTENT

The legislative history of the CRA provides a background for understanding the direction and scope of Regulation BB. The congressional debate over the CRA indicates that the Congress was concerned primarily with inner-city neighborhoods in general, and with blighted and economically depressed areas in particular. The proponents of the CRA believed that the failure of financial institutions to take advantage of sound lending opportunities in these neighborhoods accelerated the process of economic decay and inhibited private revitalization efforts. Congressional supporters of the legislation expressed concern about the adequacy of a variety of neighborhood-oriented loan programs, such as those for small businesses, community development, and housing. Support of the residential mortgage market and provision for home improvement and rehabilitation credit by institutional lenders were viewed as necessary to neighborhood revitalization and stability.

While congressional supporters of the CRA appeared to focus primarily on housing-related loans, they expressed a general concern for the importance of community-oriented lending. Loans to industrial and commercial establishments, the purchase of municipal debt, and participation in student loan programs are examples of other types of credit extensions that may be important to a lender's CRA evaluation.

The Congress was rather clear about the types of credit extensions it considered relevant to a CRA evaluation but was not explicit about the way to measure credit "needs." The legislative debate over the CRA indicates that the Congress did not support nonmarket methods of credit allocation, such as quotas, to meet the credit needs of the local community. It might be inferred from this position that the Congress intended credit needs to be measured by the effective demand at the going market price, with due consideration of risk. However, the Congress failed to provide the regulatory agencies with any guidance in assessing a community's credit needs or in determining how well a particular institution is meeting those needs. Therefore, the agencies have begun to evolve their own standards on a case-by-case basis and have examined a variety of evidence in the evaluation of a lender's CRA performance. In addition to the procedural requirements of Regulation BB, the specific assessment factors the Board considers in a CRA evaluation are listed in section 228.7 of that regulation.

Evaluating the Record

Regulation BB outlines procedural requirements from the act that all institutions regulated by the Federal Reserve must meet; it also specifies factors that will be considered in connection with an institution's CRA record. The procedures call for public disclosure of the credit services available at the institution, ask the institution to define the local community that it expects to serve, and direct the institution to maintain a file of public comments relating to CRA matters. Compliance with procedural requirements is not sufficient to establish that a lender has been satisfactorily serving local credit needs. Equally important, noncompliance does not imply failure by the lender to meet those needs.

Several factors are particularly important in the assessment of CRA records. The first is the reasonableness of the community delineations. Regulation BB gives banking organizations flexibility in defining their local communities. Depending on the circumstances, an institution may use a recognized geographic entity such as a standard metropolitan statistical area (SMSA) or a county to define its local community; it may also rely on its local banking market or any other reasonable concept. The Board recognizes that a small bank may not reasonably be expected to extend its marketing and credit activities beyond the practical geographic limitations of its basic product lines, which may be smaller than the geographic scope of the market in which it operates. For example, a portion of a SMSA or county may reasonably define the area a small bank is expected to serve. Staff analysis of a banking organization's community delineation tends to focus on office locations and the geographic distribution of the organization's credit extensions. The staff considers the geographic location of a bank's housing-related loans, if any, but other types of credit extensions are relevant to the review of the community delineation.

The overriding concern in the regulation is that whatever reasonable criterion the institution chooses, it may not arbitrarily exclude low- and moderate-income neighborhoods. Because the CRA does not explicitly define such areas, the four supervisory agencies have adopted the definition that the Department of Housing and Urban Development used in its community development block grant program. In this program, low- and moderate-income areas are defined as those census tracts with median family income of less than 80 percent of the median family income for the entire SMSA. Gerrymandering the community delineation to exclude low- and moderate-income neighborhoods could constitute a prima facie case of noncompliance with the CRA.

A second prominent factor to be considered in assessing an institution's CRA record is the distribution of the lender's credit extensions. Under Regulation BB, consumer compliance examiners are directed to consider the amount of CRA-type credit an institution extends to its local community and the geographic pattern of that lending within the community. No restrictions are placed on an institution's level of lending outside the local area. If a substantial portion of the lender's CRA-type credit is extended outside the local community, however, the institution will likely draw closer scrutiny. CRA examiners also focus on gaps (geographic, racial, or ethnic) in the lender's credit extensions within the local community. A distribution of loans skewed toward specific areas or groups does not give an institution a poor CRA record if that distribution results from apparent variations in demand across neighborhoods and groups. But it will alert the regulators to the need for closer scrutiny of the loan pattern.

Local credit demand is the third factor that must be considered in an institution's CRA evaluation, and is the most difficult to assess. As noted, an uneven loan pattern based on geographic, racial, or ethnic criteria may not indicate a poor CRA record if differences in effective demand explain it. Although precise measurement of neighborhood credit demand is extremely difficult, a variety of proxies may be used to make inferences about demand—for example, proxies for residential loan demand might include the number of residential loan applications in a neighborhood, the composition of the housing stock in a neighborhood, and data on residential property transfers, that is, deed transfers recorded. Because the level of demand is so difficult to assess, Regulation BB directs examiners to consider those activities on the part of the institution that are designed to promote lending in the local community. If a bank has a good record of advertising and promoting its credit services in all areas of its community, there will be less concern that the needs of creditworthy borrowers are unrecognized. This is particularly true if special efforts are made by the bank to communicate with individuals and small businesses that are located in low- and moderate-income neighborhoods.

In addition to communication and promotion of its CRA-type activities, lending institutions are encouraged to ascertain the credit needs of their local communities. Market research studies, regular meetings with community groups, and communication with realtors provide additional evidence of efforts to meet various types of local credit needs. Finally, participation in special credit programs and investment in local municipal or state securities, particularly those related to housing needs, indicate a willingness to help meet the credit requirements of the local communities.

Taking the Record into Account

Section 802 of the Community Reinvestment Act reasserts the intention of Congress, embodied in previous law, that "regulated financial institutions demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business . . . including the need for credit services as well as deposit services. . . ." The institution's CRA record is incorporated as part of the convenience-and-needs factors in assessing the likely impact of an application. When considering a proposed bank acquisition or merger, the Board must weigh both the likely competitive effects of the application and the convenience-and-needs factors (section 3A of the Bank Holding Company Act, 12 USC §1842(a), and the Bank Merger Act, 12 USC 1828). If a transaction is likely to have a seriously anticompetitive impact, the Board may approve the application only if the convenience-and-needs factors dominate in the weighing of the public interest effects of the transaction.

As a factor in convenience and needs, the CRA record may influence the Board's decisions in various ways. When an application involves no significant competitive, managerial, or financial issues, the determining factor in a decision is the balance among the applicant's CRA record, commitments for future actions, and other convenience-and-needs aspects of the application. The Board may approve the transaction even when the CRA record is unsatisfactory, if commitments or other convenience-and-needs considerations outweigh the negative aspects of the application. (See the information statement on the CRA in the FEDERAL RESERVE BULLETIN, volume 66, January 1980, pages 30-32.) If an application has anticompetitive effects, a favorable convenience-and-needs assessment is required for approval of the application. In such a case, a positive or at least neutral CRA record would generally be necessary to obtain Board approval. Finally, the Board may consider an institution's CRA record so deficient that it outweighs any favorable aspects of the record and deny the application solely on that basis.

Analysis of CRA Protests by the Federal Reserve System Staff

When the Board receives a CRA protest, a copy is automatically forwarded to the applicant. The Legal Division of the Board, in consultation with the Division of Research and Statistics and the appropriate district Reserve Bank, then determines whether the allegations raised in the protest are substantive. If they are, the appropriate

Federal Reserve Bank attempts to arrange a meeting between the applicant and the protestant. The hope is that direct exchanges will help define the issues in the protest and narrow the differences. The Board believes that it is in the best interest of all parties if meetings and negotiations can resolve differences and permit a withdrawal of the protest. The withdrawal of a CRA protest, or the withdrawal of an institution's application after a CRA protest is lodged, does not, however, relieve the Board of its responsibility to evaluate the institution's CRA performance.

Of the protested CRA cases handled by the Board, a few have been resolved by direct exchanges between applicant and protestant. Moreover, experience indicates that direct exchanges do serve to narrow differences and clarify positions, even when they do not resolve the issues.

Whether or not exchanges between the applicant and the protestant resolve differences, the System research staff begins an analysis of the issues raised in the protest. The staff analysis relies on a variety of data sources. The most valuable sources of information have been Home Mortgage Disclosure Act (HMDA) data, bank consumer compliance examinations, U.S. Census information, protestant and applicant submissions, real estate transfer records, data from the Department of Housing and Urban Development on Federal Housing Administration mortgage insurance activity, and information from city planning departments.

The analytical methods used by the System research staff to address the specific issues raised by protestants vary with the quantity and quality of data. The primary source of information on housing-related loan activity by an applicant and other institutional lenders in a geographic area is HMDA statements. The Home Mortgage Disclosure Act requires that institutional lenders covered by the act disclose their annual residential mortgage and home improvement loan extensions by census tract or zip code. The data allow users to identify the number and dollar volume of housing-related loans in various areas of an applicant's delineated community and beyond. Those protestants that have alleged failure by an applicant to serve the residential credit needs of the entire community have based their arguments largely on statistical analysis of the applicant's HMDA statements.

The essential problem with HMDA statements is that they provide no information about the level of, or variations in, housing loan demand across neighborhoods. This shortcoming is not surprising because the data were not designed for that purpose. Many of the protestants have recognized this critical shortcoming and have attempted to control for variations in demand by presenting the HMDA loan patterns on a per capita or per housing unit basis.

System research staff recognizes the difficulties that arise in attempting to control for variations in housing credit demand across neighborhoods. The staff analysis makes use of bank loan applications and available records of real estate deed transfers. Variation in loan application levels across neighborhoods is one indicator of geographic differences in demand for an institution's credit. The reliability of application data as a measure of credit demand rests critically on the absence of prescreening, the perceptions of the bank by the residents of the community, the extent of promotional activity by the institution, and the actions of competitors in various neighborhoods.

The number of real estate transfers in a neighborhood during a given period of time closely approximates the potential number of real estate exchanges that lending institutions could have financed in an area. As such, that number provides a rough measure of the effective demand for mortgage credit in a neighborhood. Although the number of deed transfers may be a proxy for mortgage credit demand, it is an imperfect one. Some property sales involve installment contracts and do not show up in deed transfer records at the time of the sale. In addition, deed transfers reflect only those transactions that actually occur. If the market for first mortgages is not highly competitive or if regulatory constraints such as usury laws exist, some potential property exchanges at competitive market prices might not take place. In that case, deed transfer records may understate potential demand. The research staff has used ratios of mortgage loans to transfers for cross-sections of neighborhoods as an indicator of an applicant's efforts to meet the housing credit needs of the local community.

The research staff also focuses on other loan extensions that relate to the CRA—for example, loans to small businesses and for consumer installment purchases, community development, and farm purposes. The CRA review by the research staff goes beyond an analysis of the applicant's lending activity and addresses each of the other assessment factors listed in Regulation BB. Emphasis in the assessment process is placed on the applicant's promotional and marketing efforts in the low- and moderate-income sections of its community. In addition, the applicant's systematic efforts to survey the credit needs of its entire community are important to the CRA review. After assessing an applicant's entire CRA performance, including the findings of completed CRA examinations, the research staff makes a recommendation to the Board on the CRA section of the application.

Board Experience to Date: CRA Protests

Community organizations and citizens groups have actively voiced their concerns when they have perceived a lending problem that appeared to be covered by the CRA. These perceptions have been manifested in several protests lodged against banking organizations filing applications with the Board. The Board's experience with such protests has, however, been limited. As of January 15, 1980, the Board had acted on three cases involving CRA protests that could not be resolved by meetings and negotiations; they involved Ohio Citizens Trust Company, Toledo, Commerce Bancshares, Kansas City, Mo., and Michigan National Corporation, Bloomfield Hills, Michigan. CRA protests involving Mid-Continent Bancshares and Landmark Bancshares were withdrawn in October and November 1979, respectively, following successful negotiations between the applicants and the protestants. In July 1979 a third protest based on CRA issues, involving the Trust Company of Georgia in a proposed nonbank acquisition under section 4(c)(8) of the Bank Holding Company (BHC) Act, was resolved through negotiation. Currently, the Federal Reserve System has five unresolved CRA protests. They involve Ameri-Trust Corporation, First National Boston Corporation, Manufacturers Hanover Trust Company, Ohio Citizens Trust Corporation (for the second time), and Society Corporation of Cleveland. Ten of the eleven CRA protests have been lodged by community groups. The protest involving First National Boston Corporation was brought by a competitor of its proposed acquisition in New Bedford, Massachusetts. The discussion that follows is based on a review of the six CRA protests that have been resolved by negotiated settlement or decided by the Board.

CRA Protests Resolved by Board Orders

As of January 15, Board orders had been issued on three applications that had spurred CRA protests that had not been withdrawn. The first protested application to come before the Board involving CRA issues was lodged by the Manchester-Tower Grove Community Organization of St. Louis, an affiliate of the Missouri Association of Community Organizations for Reform Now (ACORN), against Manchester Financial Corporation, also of St. Louis. The ACORN protest alleged primarily that the corporation's lead bank, Manchester Bank, and two subsidiary banks located within St. Louis had not adequately served the convenience and needs of their entire community. The protestant's submission focused on the Manchester Bank's limited extension of mortgage, home improvement, and small business loans in the Manchester-Tower Grove area of St. Louis.

An interesting aspect of the Manchester case is that the receipt of the application in August 1977 predated the passage of the CRA. Moreover, the protest itself was lodged well before the CRA became effective in November 1978. During the hearings on the CRA bill, the Board expressed the view that the existing convenience-and-needs standard in section 3(a) of the Bank Holding Company Act required the Board to consider whether applicants were helping to meet the credit needs of their communities. The Board granted the interested parties an informal public hearing, which took place in St. Louis in March 1978.

ACORN requested that the Board either deny the application or condition an approval upon detailed written commitments by the applicant promising to improve its record of meeting the credit needs of the Manchester-Tower Grove neighborhoods. ACORN proposed that the applicant's commitments include the establishment of a community advisory committee at the bank, the appointment of a community reinvestment officer, the adoption of an affirmative marketing program of housing-related credit in the Manchester-Tower Grove neighborhood, and a listing of the criteria and specific terms of housing and small business loans.

Board analysis revealed that, despite the Manchester Bank's emphasis on commercial and industrial loans and the exodus in recent years of business and industry from the bank's local service area, the applicant had not ignored the retail credit needs of the individuals in its local community. In addition, the Board found that the Manchester Bank had been active in extending residential credit in low- and moderate-income areas, including the protestant's section of the community. Staff analysis revealed that, as of March 31, 1978, the Manchester Bank had extended a greater number of residential real estate loans in the zip code area that contained the Manchester-Tower Grove neighborhoods than in any other zip code area in its entire market. These 52 loans represented 17.3 percent of the bank's total residential loans by number and 11.4 percent by dollar volume. Taking account of the applicant's overall loan record and other supportive evidence, such as the bank's participation in a nonprofit housing corporation and its efforts to maintain and promote a redevelopment corporation in the city, the Board approved the Manchester applications.

The Board order in the Manchester case explicitly stated the Board's position with respect to its responsibilities under both the CRA and the convenience and needs section of the Bank Holding Company Act as shown in the following quotation from the FEDERAL RESERVE BULLETIN, volume 64, July 1978, p. 579:

> The Board finds nothing in the BHC Act that requires or authorizes the Board to dictate a bank's product mix (which credit or deposit services a bank should emphasize) or to dictate what proportion or amount of an institution's funds must, or even should, be allocated to any particular credit need, borrower or neighborhood, or on what specific terms credit should be extended. The law permits each bank to choose how it should fulfill its responsibility to help meet the convenience and needs (including the credit needs) of its community. The Board's responsibility under the BHC Act as well as the CRA is to evaluate the record(s) of applicant and bank(s) involved and to determine whether the convenience and needs of the community have been and are likely to be served.

The second CRA protest resolved by the Board involved a protest filed by the Greater Toledo Housing Coalition against the Ohio Citizens Trust Company. The principal allegation by the protestant was that the applicant's policies for mortgage and home improvement lending had the effect of discriminating against minorities and older neighborhoods. The protestant's contentions were based on an analysis of the applicant's HMDA records. Analysis by the Federal Reserve Bank of Cleveland disclosed the fact that the applicant had extended comparatively few housing loans in the low- and moderate-income sections of the community.

The staff analysis noted that several factors, including the percentage of owner-occupied residences, low average household income, and extensive demolition owing to urban renewal projects, had contributed to the applicant's low level of activity in these neighborhoods. In addition, the higher rejection rate for mortgage loans in low- and moderate-income areas, compared with the rate in other neighborhoods, did not appear to stem from discriminatory or unreasonable lending standards. The Board order noted that the applicant's marketing practices revealed no intent or effort to discourage loan applications from low- and moderate-income neighborhoods. Nonetheless, the Board concluded that the applicant had not appeared to make a sufficient effort to lend in the low- and moderate-income sections of its community and that its lending activity there was low in certain respects. Acting on these findings, the Board obtained a commitment from the applicant to increase its efforts to communicate with members of its community, thereby enabling the applicant to better serve the credit needs of its low- and moderate-income neighborhoods. Given the applicant's commitments and other positive aspects of the record, the Board approved the Ohio Citizens application.

A recent CRA protest resolved by the Board involved a protest lodged by the Michigan Committee on Law and Housing against Michigan National Corporation. The five applications raised no significant competitive problems. The only issue was whether the applicant's record was acceptable in light of the Community Reinvestment Act.

The protestant set out four allegations. The first charged that longstanding violations of procedural requirements of HMDA and CRA regulations indicated a negative management attitude toward the CRA. The second allegation challenged the community delineation by the applicant's Oakland subsidiary, which it argued, arbitrarily excluded some low- and moderate-income areas located in Pontiac from its community delineation. The third allegation charged that the applicant's nine Detroit-area banking subsidiaries had failed to provide adequate housing-related credit to low- and moderate-income neighborhoods throughout the greater Detroit area. The protestant's submissions used data derived from the 1970 Census and the applicant's HMDA statements to support this contention. For example, the protestants used the ratio of mortgage loans to housing units to demonstrate that the applicant's largest Detroit subsidiary granted about 14 times as many loans in census tracts with above moderate income as it did in low- and moderate-income tracts. The protestant's final charge was that the applicant had engaged in racial discrimination in its housing-related lending in the Detroit tri-county region.

Prior to the Board's action last November, the Federal Reserve Bank of Chicago arranged a series of meetings between the protestant and the applicant in the hope of resolving the protest. Although agreement was reached on five commitments, Michigan National Corporation refused to alter the Oakland community delineation or to accept the protestant's demand that the applicant equal or better the lending record of every other bank in Detroit for every type of housing-related credit it offered.

An important aspect of the Board's decision was the reaffirmation of the position that the Board had taken in the Commerce Bancshares CRA protest. The Michigan National Corporation submission asserted that its lending performance before November 6, 1978, the effective date of the CRA, should not be considered by the Board. The Board found no merit in this assertion, noting that it believed the convenience-and-needs standard contained in section 3 of the Bank Holding Company Act of 1956 required consideration of an applicant's record in meeting the credit needs of its community.

In considering the CRA record of the Michigan National Corporation the Board examined the submissions of both the protestant and the applicant, and reviewed the results of a consumer compliance examination of each of the applicant's banking subsidiaries by the Office of the Comptroller of the Currency. From the entire record the Board found that some of the applicant's banking subsidiaries had failed to comply with all of the procedural requirements of the CRA and HMDA. The Board viewed this noncompliance as a serious matter and indicated that the applicant should be in full compliance before consummation of the applications. The Board further found that the community delineation by the Oakland subsidiary was reasonably based on the bank's total lending pattern. In addition, the Board noted that the low- and moderate-income neighborhoods that were alleged to have been excluded were incorporated into the lending area of another of the applicant's subsidiary banks, Michigan National Bank-North Metro.

The Board analysis also focused on the two allegations about mortgage lending patterns. The Board found that the applicant's record of extending mortgage credit in different areas grouped by median family income partially reflected variations in mortgage demand across these neighborhoods, and the applicant's mortgage lending pattern appeared to reflect the pattern of applications it received. Further, the Board noted that the applicant's mortgage lending in low- and moderate-income areas was somewhat better than the average for other large Detroit lending institutions. Yet Board analysis revealed several weaknesses in the applicant's record that may have contributed to the disparate lending levels across neighborhoods. These included the applicant's failure systematically to determine the residental credit needs of the Detroit area and the deposit orientation of its advertising. The Board order stated that the applicant should broaden its efforts to make creditworthy loans in the low- and moderate-income areas of its community. The Board found that, in light of other information, the statistics submitted by the protestant did not permit a conclusion that racial discrimination had occurred and that there was no evidence of such discrimination against particular applicants.

An important aspect of the Board action was its view regarding the protestant's demand that the applicant achieve specified levels of housing-related lending. The Board did not regard the imposition of such requirements as appropriate and did not believe that the CRA required such commitments.

Michigan National Corporation made several commitments to the Board designed to remedy deficiencies in its CRA performance. These commitments involved an increase in its credit-oriented marketing efforts in low- and moderate-income areas, participation in additional special lending programs, and designation of CRA officers to meet with the public regarding the applicant's CRA performance. Upon consideration of these commitments and other positive aspects of the applicant's overall record in serving its community, the Board approved the Michigan National Corporation applications.

Board Experience in Negotiated CRA Settlements

Three of the eleven CRA protests have been resolved by direct negotiation between the protestants and applicants. The first CRA protest to be withdrawn following negotiations involved the Trust Company of Georgia. The applicant's proposed section 4(c)(8) acquisition of Fickling and Walker Incorporated, a mortgage company, was protested by a community organization, the Citywide League of Neighborhoods, of Atlanta, Georgia. The protestant alleged that the applicant's lead banks and wholly owned mortgage banking subsidiary, Adair Mortgage Company, had failed to meet the credit needs of low- and moderate-income neighborhoods in Atlanta. As the result of direct negotiations between the applicant and protestant, "applicant agreed to initiate and promote a mortgage lending program in low- and moderate-income neighborhoods in Atlanta and to consult with the protestant in the future with respect to providing credit and other services in such areas." After the satisfactory outcome of the negotiations, the community group withdrew its protest. (See Federal Reserve press release dated July 16, 1979.)

Prior to the application by the Trust Company of Georgia, the Board had determined in a Citicorp application protested by Connecticut Bankers Association that section 4(c)(8) applications are not covered by the CRA. However, because the protest was withdrawn, the Board did not consider whether this protest needed to be given any weight under the statutory considerations governing section 4(c)(8) cases. (See *Federal Reserve Bulletin*, volume 65, June 1979, page 511.)

The second CRA protest to be withdrawn following direct negotiations was lodged by the East St. Louis Neighborhood Development Corporation against Mid-Continent Bancshares, Inc. The community group had two principal concerns: first, that the applicant's Belleville Subsidiary, Belleville National Savings Bank (BSNB), had failed to include St. Clair County in its community delineation; and second, that BSNB had failed to serve adequately the residential credit needs of the residents of East St. Louis.

As the result of a series of direct exchanges between the East St. Louis Community Group and BSNB, a negotiated settlement of the CRA protest was reached in October 1979 and the protest was withdrawn. In the settlement, BSNB agreed to expand its local community delineation to include St. Clair County and to undertake an affirmative action program applicable to residents of East St. Louis. As a cornerstone to the agreement, BSNB committed itself to cooperate to improve the availability of residential real estate loans and small business loans to St. Clair County residents. The agreement included specific steps that BSNB was to undertake in its affirmative action program. Specific commitments included expanding the bank's credit-oriented advertising program, sending letters to realtors advising them of BSNB's willingness to extend residential loans to creditworthy applicants, conducting up to 10 credit-oriented educational workshops in East St. Louis in 1980, and participating on a voluntary basis with other lenders in St. Clair County in workshops or meetings originated by the protestant to discuss credit and banking needs of residents of East St. Louis.

The most recent CRA protest to be withdrawn as a result of a negotiated settlement was lodged by the Missouri Association of Community Organizations for Reform Now against Landmark Bancshares Corporation of Clayton, Missouri. The protest focused on the protestant's belief that the applicant would use the purchase of the suburban Ladue Bank and Trust Company as a means to remove the assets of the applicant's Wellston subsidiary. In addition, the protestant alleged that the applicant had a "poor lending record" in Wellston. After a series of meetings, a wide-ranging agreement was reached between the applicant and the protestant. The applicant's Wellston subsidiary promised to reserve approximately $1 million in 1980 for home improvement and mortgage loans to qualified borrowers and to offer FHA title I and FHA title II home improvement loans with a 1/2 percent discount in the protestant's community. The institution promised to hire a full-time community investment coordinator whose responsibilities include counseling for depositors and borrowers, handling complaints, and writing a quarterly report to the protestants on the bank's progress in meeting its commitments. The applicant also agreed to pay all the expenses related to locating and hiring a city planning group for the Wellston community, to provide the start-up funds and other support to establish a Wellston chamber of commerce, to adopt more flexible loan standards, to extend its Saturday office hours in the local community, and to continue its efforts to establish a job training program in the local area.

Problems and Prospects

Much uncertainty has been associated with the implementation of Regulation BB. Many of these questions have not yet been resolved, and given the Board's limited experience with CRA protests, it is difficult to draw conclusions about how specific issues raised in a protest will be treated.

One area of uncertainty is Board reaction to voluntary commitments between applicants and protestants. In general, the Board desires to see the issues raised in a CRA protest settled through meetings and negotiations. Experience indicates that negotiations between the parties in such cases can be successful. In July, October, and November 1979, CRA protests were successfully resolved through negotiation. In these cases, the applicants made a series of commitments to the protestants that became a part of the record and are thus subject to review by the appropriate supervisory agency. The Board may determine that specific commitments by a member institution are inconsistent with basic safety-and-soundness considerations or with the intent of the CRA.

The legislative history of the CRA clearly indicates that the Congress did not intend the act to become a vehicle for credit allocation. Three of the commitments reached in the Landmark negotiations raise the specter of credit allocation. First, the applicant's Wellston subsidiary agreed to earmark $1 million for conventional housing-related loans and to offer these funds at a discount set 1/2 percent below the prevailing competitive rates to borrowers who reside in Wellston. Second, the applicant agreed to offer similar below-market interest rates on FHA title I and FHA title II home improvement loans in the Wellston section of the applicant's lending area. Finally, the applicant promised not to take any direct or indirect action to remove deposits from the applicant's Wellston subsidiary. The order in the Landmark case clearly reflected the Federal Reserve System's view with respect to credit allocation (Federal Reserve Bank of St. Louis, news release, November 30, 1979):

> In assessing applicant's record of serving the convenience and needs of its communities, the Reserve Bank has taken note of applicant's disposition to consult and cooperate with community representatives. However, since the Board of Governors has stated that neither the Bank Holding Company Act nor the Community Reinvestment Act, 12 U.S.C. §§ 2901 et seq., requires that the Board impose commitments to allocate credit, the Reserve Bank does not endorse any term of the agreement between applicant and protestant which may have such a result.

(See also the CRA information statement in the January 1980 BULLETIN; the Board's press release on Michigan National Corporation, November 30, 1979; and "Commerce Bancshares, Inc.," FEDERAL RESERVE BULLETIN, volume 63, July 1978, pages 576–83.)

Aside from the area of commitments, a number of significant issues related to the evaluation of an applicant's CRA record need to be resolved in Board actions. The Board has yet to decide how much weight to give particular factors in the CRA assessment process. For example, how might an institution's strong performance in home improvement lending in low- and moderate-income neighborhoods be weighed against a poor record of first mortgage lending in the same communities? How might the Board view two similar institutions—one with a poor mortgage lending record in low- and moderate-income areas and the other with no lending record at all because the institution chose not to offer mortgage credit as one of its services? If the latter institution is viewed more favorably in terms of the CRA, will that action induce the former institution to drop out of the mortgage business? Even more fundamentally, what constitutes a satisfactory residential lending record? Does a favorable comparison with the experience of lending by other local lenders constitute a satisfactory record, or is some absolute level of lending the measure of a bank's performance? Finally, should an institution that closes unprofitable branches in low- and moderate-income neighborhoods get a negative rating on this CRA assessment factor?

It is expected that Board decisions will begin to provide some guidance about the types and amount of information that will be required before an adequate analysis of the record has been developed. From the perspective of the public interest, it is necessary to determine at what point the costs of additional expenditures on a CRA evaluation are likely to exceed the benefits in terms of formulating a more extensive record upon which to decide a case. An important dimension of the cost of deciding a protested application is the six- to ten-month lag between the time the application is submitted and a Board order is issued.

Another area of concern is the potential for abuse of the CRA protest process by competitors of applicants. A CRA protest by a competing banking organization could be an attempt to delay Board action on an applicant's proposal. To date, one of the eleven CRA protests received by the Board has been submitted by a banking organization. The Congress did not intend the CRA to be used by competing organizations as a device to delay action on applications. Thus a proliferation of such protests would raise important questions regarding an abuse of the act.

A final area of concern, closely related to the CRA, is the future of the Home Mortgage Disclosure Act. That act was given a four-year trial period and is scheduled to expire in June 1980. To date, the act has not been renewed, nor have reports on a cost-benefit analysis been completed. □

The Redefined Monetary Aggregates

Thomas D. Simpson of the Board's Division of Research and Statistics prepared this article.

The Federal Reserve has redefined the monetary aggregates. This action was prompted by the many financial developments that have altered the meaning and reduced the significance of the old measures. Some of these developments have been associated with the emergence in recent years of new monetary assets—for example, negotiable order of withdrawal (NOW) accounts and money market mutual fund shares; others have altered the basic character of standard monetary assets—for example, the growing similarity of and the growing substitution between the deposits of thrift institutions and those of commercial banks.[1] In the process of redefinition, a set of proposals by the staff of the Board of Governors was published in January 1979.[2] Comments on these proposals received from the public and from invited experts, together with deliberations within the Federal Reserve System and further research by Federal Reserve staff, contributed to the Board's selection of the newly defined measures.

Given the changes in financial practices in recent years, the new measures should aid both the Federal Reserve and the public in interpreting monetary developments. However, many of the changes in the payments mechanism and in the character of financial assets that necessitated such a redefinition—some of which are ongoing—have also added significantly to the complexity of the monetary system. As a consequence, it is recognized that no one set of monetary aggregates can satisfy every purpose or every user. For this reason, the principal components of the new measures, along with several related series, will be published regularly with the new aggregates. In this way, users will be able to analyze separately the components and to construct alternative measures.

The first section presents the new aggregates and compares them with the old measures. There follows a discussion of the rationale underlying the redefinition and then an examination of the historical behavior of the new aggregates. A final section discusses some technical issues associated with the redefined measures: consolidation and seasonal adjustment procedures used in constructing the redefined aggregates and new data sources used in the redefinition. Three appendix tables contain annual and quarterly rates of growth of the new measures and their old counterparts.

The New Monetary Aggregates

Four newly defined monetary aggregates replace the old M-1 through M-5 measures, and in addition, a broad measure of liquid assets has been adopted. The new aggregates are presented in table 1. Two narrow transaction measures, M-1A and M-1B, have been adopted. M-1A is basically the same as the old M-1 aggregate, except that it excludes demand deposits held by foreign commercial banks and official institutions.[3] The other narrow measure—M-1B—adds to M-1A interest-earning checkable deposits at all depositary institutions—namely, NOW accounts, automatic transfer from savings (ATS)

1. A discussion of many of these developments can be found in "A Proposal for Redefining the Monetary Aggregates," Federal Reserve Bulletin, vol. 65 (January 1979), pp. 14–17.

2. See "A Proposal," pp. 13–42. The potential need for redefinition, in light of numerous financial innovations, was recognized by the Advisory Committee on Monetary Statistics. See *Improving the Monetary Aggregates: Report of the Advisory Committee on Monetary Statistics* (Board of Governors of the Federal Reserve System, June 1976), pp. 5–6, 9–12.

3. The removal of demand deposits due to foreign commercial banks and official institutions follows a recommendation of the Advisory Committee on Monetary Statistics. See *Improving the Monetary Aggregates: Report*, pp. 15–19.

accounts, and credit union share draft balances—as well as a small amount of demand deposits at thrift institutions that cannot, with present data sources, be separated from interest-earning checkable deposits.[4] The new M-2 measure adds to M-1B overnight repurchase agreements (RPs) issued by commercial banks and certain overnight Eurodollars held by U.S. nonbank residents,[5] money market mutual fund shares, and savings and small-denomination time deposits at *all* depositary institutions.[6] Also, in order to avoid double counting of some deposits in this aggregate, the construction of the new M-2 involves subtracting a consolidation component—an estimate of those demand deposits used by thrift institutions in servicing their savings and time deposit liabilities included in this aggregate.[7] Redefined M-3 is equal to new M-2 plus large-denomination time deposits at all depositary institutions (including negotiable CDs) plus term RPs issued by commercial banks and savings and loan associations.[8] Finally, the very broad measure of liquid assets, L, equals new M-3 plus other liquid assets consisting of other Eurodollar holdings of U.S. residents other than banks,[9] bankers acceptances, commercial paper, savings bonds, and marketable liquid Treasury obligations.[10]

4. M-1B is the same as the M-1 measure that was proposed by the Board staff in January 1979. See "A Proposal," pp. 17-20.

5. Overnight Eurodollars in M-2 are those issued by Caribbean branches of member banks. Other overnight Eurodollars and longer-term Eurodollars of U.S. residents are included in the broad measure of liquid assets, L. Data on overnight Eurodollars included in M-2 are available on a timely basis, but data on other Eurodollars—at both U.S. and non-U.S. banks abroad—are available only with a lengthy lag and do not permit a separation of overnight from term Eurodollars. As improved data sources become available, adjustments may be made to the new measures. For example, the possible inclusion of Eurodollars held by nonresidents other than banks and official institutions could be reviewed. Moreover, with Eurodollar data on a more timely basis, consideration could be given to including Eurodollars of maturities longer than overnight in a broader monetary aggregate, rather than only in L.

6. Small-denomination time deposits are those issued in denominations of less than $100,000. Depositary institutions are commercial banks (including U.S. agencies and branches of foreign banks, Edge Act corporations, and foreign investment companies), mutual savings banks, savings and loan associations, and credit unions.

7. At present, because of the small amount of checkable deposits at thrift institutions, this M-2 consolidation adjustment removes all demand deposit holdings of mutual savings banks and savings and loan associations. See the section on technical issues for a further discussion of consolidation procedures.

8. Large-denomination time deposits are those issued in denominations of $100,000 or more.

9. Consists of Eurodollar deposits held by U.S. nonbank residents (other than those included in M-2) at all banking offices in the United Kingdom and Canada and at branches of U.S. banks in other countries, which account for nearly all holdings of U.S. residents other than banks. See note 5.

10. In general, the components of M-2, M-3, and L exclude amounts held by depositary institutions, money market mutual funds, the federal government (including the Federal Reserve), and foreign commercial banks and official institutions. Marketable liquid Treasury obligations are those with less than 18 months remaining to maturity.

1. New measures of money and liquid assets[1]

Billions of dollars, not seasonally adjusted, November 1979

Aggregate and component	Amount
M-1A	372.2
Currency	106.6
Demand deposits[2]	265.6
M-1B	387.9
M-1A	372.2
Other checkable deposits[3]	15.7
M-2	1,510.0
M-1B	387.9
Overnight RPs issued by commercial banks	20.3
Overnight Eurodollar deposits held by U.S. nonbank residents at Caribbean branches of U.S. banks	3.2
Money market mutual fund shares	40.4
Savings deposits at all depositary institutions	420.0
Small time deposits at all depositary institutions[4]	640.8
M-2 consolidation component[5]	−2.7
M-3	1,759.1
M-2	1,510.0
Large time deposits at all depositary institutions[6]	219.5
Term RPs issued by commercial banks	21.5
Term RPs issued by savings and loan associations	8.2
L	2,123.8
M-3	1,759.1
Other Eurodollar deposits of U.S. residents other than banks	34.5
Bankers acceptances	27.6
Commercial paper	97.1
Savings bonds	80.0
Liquid Treasury obligations	125.4

1. Components of M-2, M-3, and L measures generally exclude amounts held by domestic depositary institutions, foreign commercial banks and official institutions, the U.S. government (including the Federal Reserve), and money market mutual funds. Exceptions are bankers acceptances and commercial paper for which data sources permit the removal only of amounts held by money market mutual funds and, in the case of bankers acceptances, amounts held by accepting banks, the Federal Reserve, and the Federal Home Loan Bank System.

2. Net of demand deposits due to foreign commercial banks and official institutions.

3. Includes NOW, ATS, and credit union share draft balances and demand deposits at thrift institutions.

4. Time deposits issued in denominations of less than $100,000.

5. In order to avoid double counting of some deposits in M-2, those demand deposits owned by thrift institutions (a component of M-1B), which are estimated to be used for servicing their savings and small time deposit liabilities in M-2, are removed.

6. Time deposits issued in denominations of $100,000 or more.

2. Relation between new and old monetary aggregates

Billions of dollars, not seasonally adjusted, November 1979

Aggregate and component	Amount
Old M-1	382.6
Less demand deposits of foreign commercial banks and official institutions	10.4
EQUALS: New M-1A[1]	372.2
Plus other checkable deposits	15.7
EQUALS: New M-1B	387.9
Old M-2	945.3
Plus savings and time deposits at thrift institutions	664.2
EQUALS: Old M-3	1,609.5
Plus overnight RPs and Eurodollars	23.4
Plus money market mutual fund shares	40.4
Plus demand deposits at mutual savings banks[2]	1.0
Less large time deposits at all depositary institutions in current M-3	151.2
Less demand deposits of foreign commercial banks and official institutions	10.4
Less consolidation component[3]	2.7
EQUALS: New M-2	1,510.0
Plus large time deposits at all depositary institutions	219.5
Plus term RPs at commercial banks and savings and loan institutions	29.8
EQUALS: New M-3	1,759.1
MEMO	
Old M-2	945.3
Plus negotiable CDs at large commercial banks	95.9
EQUALS: Old M-4	1,041.2
Old M-3	1,609.5
Plus negotiable CDs at large commercial banks	95.9
EQUALS: Old M-5	1,705.4

1. Also includes a very small amount of M-1-type balances at certain U.S. banking offices of foreign banks outside New York City which were not in the old M-1 measure.
2. Demand deposits at mutual savings banks were not included in any of the old monetary aggregates.
3. Consists of an estimate of demand deposits included in M-1B that are held by thrift institutions for use in servicing their savings and small time deposit liabilities included in the new M-2.

The relation between the redefined and the old monetary aggregates is shown in table 2. As already noted, the new M-1A measure is very similar to the old M-1 and differs in excluding demand deposits owned by foreign commercial banks and official institutions.[11] M-1B thus differs from the old M-1, on the one hand, by excluding these deposits, and on the other, by including other checkable deposits at both commercial banks and thrift institutions. New M-2 is closer in concept to old M-3, which included savings and time deposit liabilities of all depositary institutions (other than negotiable CDs at large commercial banks), than it is to old M-2, which excluded the public's holdings of these liabilities of thrift institutions. The major differences between the new M-2 and old M-3 measures are that new M-2 includes money market mutual fund shares, overnight RPs, and overnight Eurodollars—none of which appeared in any of the old monetary aggregates—and that it excludes *all* large-denomination time deposits. The only class of large-denomination time deposits not included in the old M-3 (and the old M-2) measure was negotiable CDs at large commercial banks, which amounted to $95.9 billion in November 1979; as table 2 shows, that measure contained $151.2 billion of other large-denomination time deposits at both commercial banks and thrift institutions. By including all large-denomination time deposits at all depositary institutions, the new M-3 is closer in concept to the old M-5 measure than to the old M-4 (both shown as memo items in table 2). Of course, the new M-3 aggregate is more inclusive than the old M-5 since it contains RPs, certain overnight Eurodollar deposits, and money market mutual fund shares.

Some of the new aggregates and their components will continue to be published on a weekly basis while others will be available only monthly. The publication schedule calls for publication of weekly and monthly data on the new M-1A and M-1B measures.[12] Data on redefined M-2 and M-3 will be available only on a monthly basis, on a schedule similar to that for old M-3.[13] In addition, data on the domestic commercial bank components of the new measures, and on currency, money market mutual fund shares, and overnight Eurodollars, will be published on a weekly basis, while the other components will be available only on a monthly basis.

Underlying Rationale

The organizing principle underlying the redefined monetary aggregates is that of combining

11. The new M-1A also includes a very small amount of M-1-type balances at certain U.S. banking offices of foreign banks outside New York City, which are not in the old M-1.

12. The Federal Reserve intends to publish M-1A and M-1B on Fridays (except occasionally when holiday periods are involved), for the statement week ending nine days earlier.

13. Monthly data on the new M-2 and M-3 measures normally will be published about 10 to 15 days after the end of the month. Because of lengthier delays associated with some of the other components of L, this aggregate will be published about 6 to 8 weeks after the end of each month.

similar kinds of monetary assets at each level of aggregation. This principle has the largest impact on the new M-1B, M-2, and M-3 measures. Thus M-1B combines checkable deposits at thrift institutions—NOW deposits, credit union share draft balances, and demand deposits at mutual savings banks—with demand, NOW, and ATS balances at commercial banks.[14] Ordinary savings and small-denomination time deposits at commercial banks *and* thrift institutions are included in the new M-2. Moreover, money market mutual fund shares, whose liquidity characteristics are most like those of savings accounts, are also included in this measure, as are overnight RPs and Eurodollars. M-3 includes large-denomination time deposits at both commercial banks and thrift institutions, as well as term RPs.[15]

Two M-1 measures were adopted primarily because of uncertainties that would arise during a transition period should NOW accounts be permitted nationwide. NOW accounts have properties of both a transaction account and a savings account, and thus newly opened NOW accounts would attract funds both from household demand deposits and from savings accounts and other liquid assets.[16] Experience with NOW accounts in New England and New York State clearly indicates that during the transition period, when the bulk of NOW accounts was opened, growth in total NOW balances was indeed buoyed by shifts from savings balances and other liquid assets. This evidence suggests that during a conversion period associated with nationwide NOW accounts, growth in M-1B could significantly overstate underlying growth in the public's transaction balances.[17] M-1A, in contrast, would tend to understate such growth, as households converted demand deposit balances into NOW accounts. In practice, because the extent of the shift from demand deposits and other accounts to NOW accounts is uncertain, the availability of both M-1 measures is expected to help in the interpretation of growth in the narrow money stock during the transition period, should NOW accounts be offered nationwide.

Other financial assets have been recommended for inclusion at the M-1 level, but for several reasons were excluded from the new M-1A and M-1B. The most common recommendations have involved shares in money market mutual funds, RPs, and certain Eurodollars owned by U.S. residents. Each of these assets has transaction-related characteristics. Many money market mutual funds offer their customers check-writing privileges, subject to a minimum amount per check, which has typically been $500; and balances placed in overnight RPs and in certain overnight Eurodollars are available for spending the next business day.[18]

However, these instruments also have attractive characteristics as liquid investments, and their behavior in many portfolios appears to be influenced by such considerations. Evidence on turnover rates indicates that balances in money market funds turn over much like balances in ordinary savings accounts—about three times per year—and thus on the average are not being actively used for transaction purposes.[19] Profes-

14. The Federal Reserve intends to include the volume of travelers checks of nonbank issuers at the M-1 level, once all major issuers begin submitting such data regularly to the Federal Reserve and once these data have been thoroughly reviewed. Travelers checks likely will be added to the new aggregates in conjunction with a benchmark or annual revision.

15. Available evidence indicates that savings and loan associations are the only thrift institutions with a significant amount of RP liabilities outstanding. Moreover, nearly all of the savings and loan RPs are believed to be of the term variety.

16. Turnover data on NOW accounts corroborate this point. The turnover rate of NOW accounts at both commercial banks and thrift institutions is approximately 10 per year; for comparison, the turnover rate for ordinary savings accounts is about 3 per year and that of consumer demand deposit accounts is estimated to be about 35 per year.

17. The problem of seasonal adjustment would also be magnified by nationwide NOW accounts; the currency and demand deposit components of M-1A can be seasonally adjusted by using historical data, but historical data on NOW accounts and the other checkable balances appearing in M-1B are not yet sufficient for reliable seasonal adjustment. Conversions from demand deposit accounts to NOW accounts could also influence the seasonal behavior of the demand deposit component of M-1A, should the funds shifted from demand accounts and those funds remaining in these accounts have different characteristics.

18. Only Eurodollars settled in same-day or immediately available funds meet this condition. By contrast, an overnight Eurodollar deposit arranged in clearinghouse funds is not available for spending for two business days. Because of time-zone considerations and other conveniences, the bulk of overnight Eurodollars arranged in immediately available funds is believed to be at Caribbean branches.

19. Furthermore, empirical research by the staff indicates that the addition of money market mutual fund shares to M-1B has not on balance enhanced the performance of this aggregate since mid-1974.

sional opinion currently is divided over whether RPs are mainly liquid investments or transaction balances. Some observers hold that RPs are very similar to demand deposits and that the unexpected weakness in the public's demand for M-1-type measures at times since the mid-1970s can be traced largely to the behavior of RPs. Others stress that in practice RPs are qualitatively different from demand deposits—that they are more like other short-term investments—and that recent weakness in the public's demand for the narrow money stock was not mirrored in any single liquid asset, including RPs.[20]

Nevertheless, in recognition of the increasingly prominent role played by these assets and their potential transaction-related features, data on money market mutual fund shares, overnight RPs, and overnight Eurodollars will be conveniently shown along with figures for M-1A and M-1B, on the first page of the weekly release containing the money stock measures. Also, these items will be included in the new M-2 measure, as noted above.

In addition to money market mutual fund shares, overnight RPs, and overnight Eurodollars, savings and small-denomination time deposits are included at the M-2 level. Savings deposits and small-denomination time deposits have different liquidity characteristics.[21] Nevertheless, recent innovations—most importantly the six-month money market certificate and more recently the 2½-year, variable-ceiling certificate—constitute new, attractive alternatives to holding savings balances and have drawn savings into these new time deposits at all depositary institutions. In addition, the six-month money market certificate has tended to reverse a trend toward longer maturities of small-denomination time deposits and thus to increase the overall liquidity of such deposits.

The share of small-denomination time deposits at commercial banks has been affected by regulatory changes applying to the ceiling rates that commercial banks have been able to offer on certain time accounts relative to ceilings applicable to thrift institutions.[22] As a consequence, the historical relationship between the public's demands for small-denomination time deposits at commercial banks and at thrift institutions has been altered in ways that cannot be fully determined at this time. Because the small-denomination time deposits at both kinds of institutions are combined in the M-2 aggregate, along with the savings deposit liabilities of both, shifts of these kinds affect only the composition of M-2 and not its size or rate of growth. Similarly, the growing availability of money market mutual fund shares has tended to reduce the public's demand for savings and small-denomination time deposits at commercial banks and thrift institutions, but such shifts are captured within the new M-2 aggregate inasmuch as it includes money market

20. For those studies emphasizing the transaction properties of RPs, see Peter A. Tinsley, Bonnie Garrett, and Monica Friar, "The Measurement of Money Demand" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, November 1978; processed); Gillian Garcia and Simon Pak, "Some Clues in the Case of the Missing Money," *American Economic Review*, vol. 69 (May 1979), pp. 330-34; and John Wenninger and Charles Sivesind, "Changing the M-1 Definition: An Empirical Investigation" (Federal Reserve Bank of New York, April 1979; processed). An alternative interpretation can be found in Richard D. Porter, Thomas D. Simpson, and Eileen Mauskopf, "Financial Innovation and the Monetary Aggregates," *Brookings Papers on Economic Activity, 1:1979*, pp. 213-29; Richard D. Porter and Eileen Mauskopf, "Cash Management and the Recent Shift in the Demand for Demand Deposits" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Econometric and Computer Applications Section, November 1978; processed); and Thomas D. Simpson, "The Market for Federal Funds and Repurchase Agreements," Staff Studies 106 (Board of Governors of the Federal Reserve System, July 1979), pp. 43-58. A summary and evaluation of some research on this subject can be found in John H. Kalchbrenner, "Recent Innovations in Financial Markets and Their Relationship to Money Demand," paper presented at the XI Meeting of Technicians of Central Banks of the American Continent, Port-of-Spain, Trinidad, November 19-24, 1978 (Board of Governors of the Federal Reserve System, November 1978; processed).

21. Customers can normally withdraw funds from ordinary savings accounts when they wish, often by telephone, although depositary institutions have the right to require a 30-day notification before withdrawal. Time deposits, in contrast, are subject to a substantial penalty for withdrawal before maturity.

22. The shares of thrift institutions in small-denomination time deposits were augmented following the introduction of the six-month certificate by a regulatory ceiling that permitted them to offer the auction rate on six-month Treasury bills; by comparison, the ceiling rate on these deposits at commercial banks was 25 basis points below the auction rate. However, in March 1979 the differential on ceiling rates on money market certificates was removed—for auction rates on six-month bills in excess of 9 percent—and the commercial bank share of these deposits subsequently tended to expand.

mutual fund shares.[23] Furthermore, growth in new M-2 likely would not be affected much by conversions to NOW accounts, should they become available nationwide, because funds absorbed by these accounts would be drawn mainly from other kinds of accounts included in this aggregate.

Because it includes large-denomination time deposits, the new M-3 aggregate is most comparable to the old M-5 measure. The new M-3 also includes term RPs, which have some similarities to large time deposits. The new M-3 definition is based on the view that large-denomination time deposits and term RPs substitute for each other in many portfolios and that these items, especially negotiable CDs, are relatively liquid.

The liquid assets, or L, measure adds to M-3 other liquid assets held by the public.[24] Some of these are liabilities of depositary institutions—term Eurodollars held by U.S. residents other than banks and bankers acceptances—while others are obligations of the U.S. Treasury—savings bonds and liquid marketable debt.[25] The commercial paper component consists of obligations of a variety of issuers, both financial institutions and nonfinancial corporations. Some observers note that such a broad measure of liquid assets is especially meaningful because many financial innovations in recent years have altered the public's demands for narrower measures. They argue that these kinds of shifts are absorbed in a very broad aggregate, such as L, because reductions in demands for narrower measures of money are mirrored in increases in the demands for other components of the broadest measure, leaving demand for the total unaffected. Others, who focus on the volume of credit, view such an aggregate as a better reflection of the amount of credit extended to the economy, both through the commercial banking system and through other channels.

HISTORICAL BEHAVIOR OF THE NEW AGGREGATES

An examination of the growth rates and velocities of the new measures affords a better understanding of their behavior and their relationship to the old measures.[26] Chart 1 shows the growth rates of M-1A and M-1B and old M-1.[27] All three narrow measures have generally moved closely together. In recent years, M-1B has tended to increase more rapidly than either M-1A or old M-1 because of growth of NOW and ATS accounts. During 1979, for example, with shifts in holdings of monetary assets in response to the availability of new deposit services, M-1B expanded at a rate that was 2½ percentage points faster than M-1A and old M-1; this difference reflected conversions to NOW accounts in New York State and to ATS accounts nationwide.[28] Average rates of growth of these measures over two long periods and several cycles are shown in table 3. The three growth rates have been very similar to one another, both on a trend and on a cyclical basis, except in the most recent expansion; at that time, as the public adjusted to new deposit

23. Empirical analyses by the staff indicate that the behavior of new M-2 in recent years, unlike that of old M-2 and some other measures of money, has generally not departed far from expectations based on longer-term historical relationships. See David J. Bennett, Flint Brayton, Eileen Mauskopf, Edward K. Offenbacher, and Richard D. Porter, "Econometric Properties of the Redefined Monetary Aggregates" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Econometric and Computer Applications Section, February 1980; processed).

24. In addition, the staff is experimenting with indexes of liquid assets. In such indexes, a dollar's worth of a highly liquid asset is given a greater weight than a dollar's worth of a less liquid one. See William A. Barnett and Paul A. Spindt, "The Velocity Behavior and Information Content of Divisia Monetary Aggregates" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Econometric and Computer Applications and Special Studies Sections, January 1980; processed).

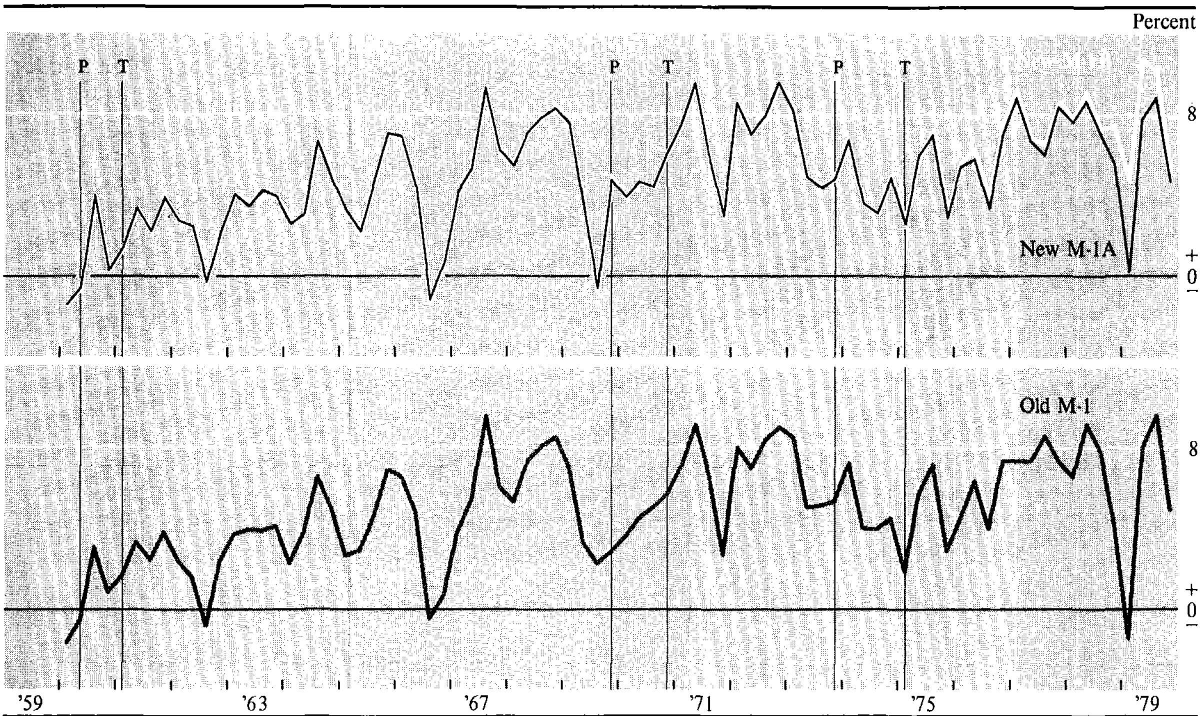
25. Eurodollar deposits of U.S. residents other than banks, except those overnight Eurodollars that are already incorporated at the M-2 level, might appropriately be included in the new M-3 measure, since they share many characteristics with domestically issued, large-denomination time deposits. However, lags on obtaining data on such Eurodollars are much longer than for the other components of this aggregate, and staff work suggests that estimations of this component based on information that might be available on an earlier schedule would be subject to large revisions.

26. For econometric evidence on the new aggregates, see Bennett and others, "Econometric Properties."

27. Appendix table 1 contains growth rates for these aggregates annually over the years 1960-79 and quarterly over the years 1973-79.

28. A portion of this differential in growth rates can be attributed to conversions from demand deposit accounts to ATS and NOW accounts, and the remainder represents shifts from ordinary savings accounts and other liquid assets.

1. Rates of growth of new and old M-1



P Peak.
T Trough.

Data are seasonally adjusted at annual rates.

services, average annual growth in M-1B exceeded growth in M-1A and old M-1 by slightly more than 3/4 percentage point. Should NOW account powers be permitted nationwide, a wider differential in rates of growth between M-1A and M-1B could persist for some time.

The public's demands for these M-1 measures relative to the gross national product vary inversely with their velocities, which are shown in chart 2. Shown also is the Treasury bill rate, representing the return on a money market alternative to holding M-1 balances. Since growth in

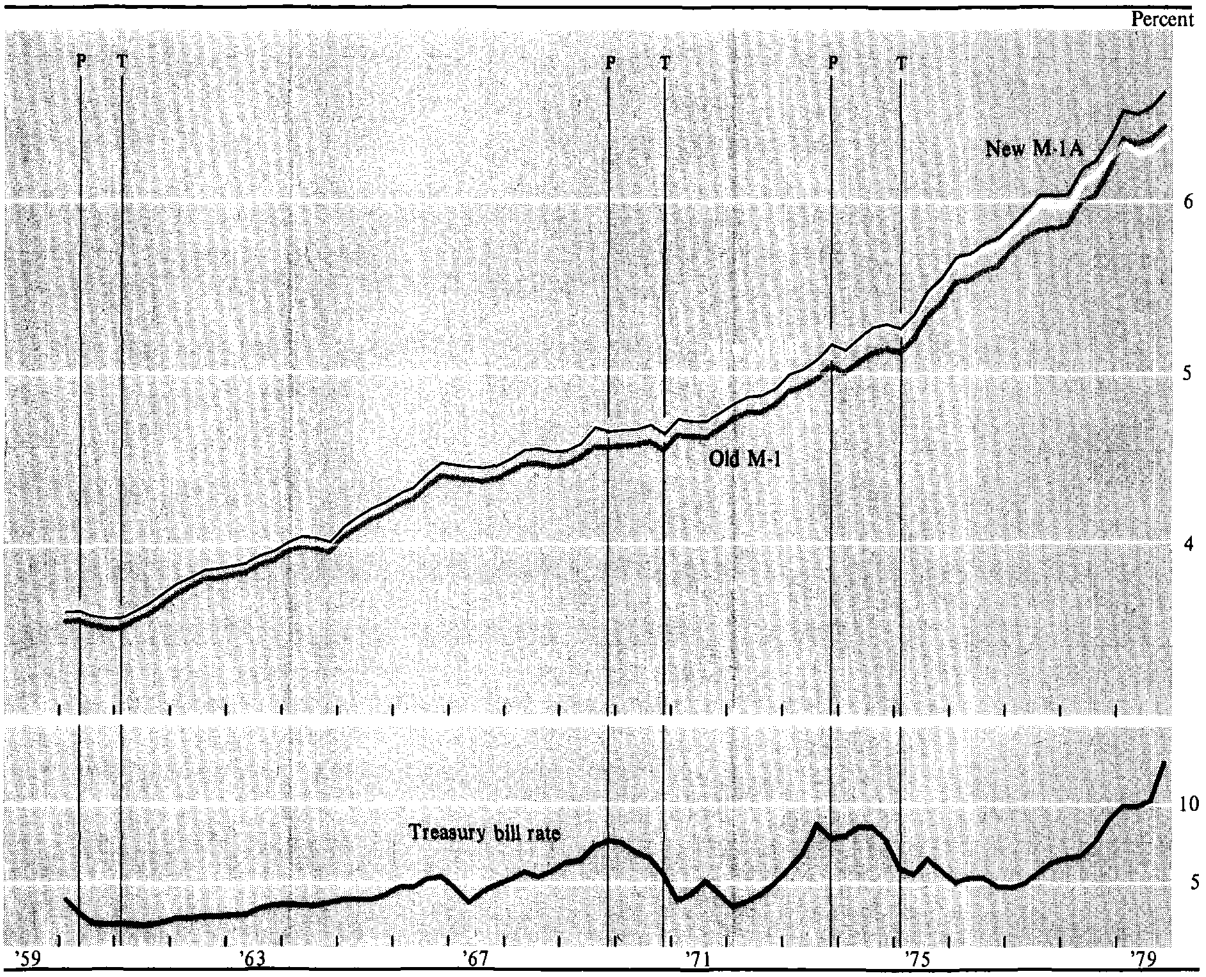
3. Trend and cyclical behavior of growth rates of new and old measures of money

Average annual rates of growth in percent

Period	New M-1A	New M-1B	Old M-1	New M-2	Old M-2	Old M-3	New M-3	Old M-4	Old M-5
1960-79	4.9	5.1	4.9	8.3	7.6	8.5	9.0	8.1	8.8
1960-69	3.7	3.8	3.8	6.9	6.2	7.0	7.2	6.5	7.2
1970-79	6.0	6.4	6.1	9.6	8.9	9.9	10.8	9.6	10.3
Peak to trough[1]									
1960 Q2-1961 Q1	1.9	1.9	1.9	6.5	5.6	7.1	7.0	5.7	7.2
1969 Q4-1970 Q4	4.8	4.8	4.8	5.7	7.1	7.2	8.7	9.8	8.9
1973 Q4-1975 Q1	4.2	4.3	4.4	6.2	7.3	7.3	8.2	9.7	8.8
Trough to peak[2]									
1961 Q1-1969 Q4	4.2	4.2	4.2	7.2	6.7	7.3	7.5	7.0	7.5
1970 Q4-1973 Q4	6.8	6.8	6.9	10.8	10.1	11.4	12.9	11.8	12.5
1975 Q1-1979 Q4[3]	6.2	7.1	6.3	10.6	9.1	10.3	10.6	8.1	9.7

1. Averages of annualized quarter-to-quarter rates of growth. The base quarter for each calculation is the quarter following the peak (peak is first quarter shown).
2. Averages of annualized quarter-to-quarter rates of growth. The base quarter for each calculation is the quarter following the trough (trough is first quarter shown).
3. Data for 1979 Q4 are most recent quarterly data available, and this quarter may not be a cyclical peak.

2. Velocities of new and old M-1



P Peak.
T Trough.

Data are seasonally adjusted at annual rates.

these aggregates has been quite similar, movements in their velocities have been very close, although the velocity of M-1B has risen less rapidly in recent years than have the velocities of M-1A and old M-1, reflecting shifts to NOW and ATS accounts of funds held in demand deposit accounts and in relatively inactive savings accounts. Average rates of increase in these velocities over longer intervals and over cycles are presented in table 4. During economic expansions the velocities of all three measures have tended to rise at annual rates in excess of 3 percentage points, while in economic contractions all three velocities have tended to decline or at least their growth slackens. Further, in more recent cycles all three velocities have expanded at successively more rapid rates.

Growth in the new M-2 measure is shown in chart 3, along with growth in the old M-2 and M-3 aggregates.[29] The chart also displays the differential between the yield on Treasury bills and the ceiling rate on passbook savings accounts at commercial banks, which can be viewed as an indicator of the attractiveness of money market instruments relative to the interest-earning deposit components of these aggregates. Chart 3 illustrates that growth in new M-2 has tended to vary closely with that of old M-3 and, to a lesser extent, that of old M-2. In addition, growth in new M-2, along with growth of the two other

29. Appendix table 2 contains annual and recent quarterly growth rates for these measures.

4. Trend and cyclical behavior of velocities of new and old measures of money

Average annual rates of growth in percent

Period	New M-1A	New M-1B	Old M-1	New M-2	Old M-2	Old M-3	New M-3	Old M-4	Old M-5
1960-79	3.2	3.0	3.2	-.1	.5	-.3	-.8	.1	-.6
1960-69	2.9	2.9	2.9	-.2	.4	-.3	-.6	.1	-.5
1970-79	3.6	3.1	3.5	0	.6	-.3	-1.1	0	-.7
Peak to trough[1]									
1960 Q2-1961 Q1	-1.7	-1.7	-1.7	-6.3	-5.3	-6.8	-6.7	-5.5	-6.9
1969 Q4-1970 Q4	-.3	-.3	-.3	-1.2	-2.6	-2.5	-4.1	-5.2	-4.3
1973 Q4-1975 Q1	1.5	1.4	1.3	-.5	-1.5	-1.4	-2.4	-3.9	-3.0
Trough to peak[2]									
1961 Q1-1969 Q4	3.1	3.1	3.1	.1	.6	0	-.2	.3	-.2
1970 Q4-1973 Q4	3.6	3.5	3.5	-.4	.3	-1.0	-2.4	-1.4	-2.0
1975 Q1-1979 Q4[3]	4.9	4.1	4.9	.6	2.1	.9	.6	3.0	1.5

1. Averages of annualized quarter-to-quarter rates of growth. The base quarter for each calculation is the quarter following the peak (peak is first quarter shown).
2. Averages of annualized quarter-to-quarter rates of growth. The base quarter for each calculation is the quarter following the trough (trough is first quarter shown).
3. Data for 1979 Q4 are most recent quarterly data available, and this quarter may not be a cyclical peak.

measures shown, has been sensitive to the yield spread, tending to slow as market rates have advanced above deposit ceiling rates. The new M-2 should, however, become less interest-sensitive if the proportion of this aggregate comprising components with yields tied to the money market continues to expand. As shown in chart 4, the share of new M-2 in money market certificates has risen sharply since these accounts were introduced in mid-1978, and the shares in money market mutual funds, overnight RPs, and overnight Eurodollars have also increased in recent years. By contrast, the shares of M-1A and ordinary savings accounts have generally declined.

Trend and cyclical growth rates of new M-2 and old M-2 and M-3 are shown in table 3. Over longer periods, especially during economic expansions, new M-2 has grown faster than old M-2. Compared with old M-3, new M-2 has expanded more slowly, except during the most recent economic expansion when sharp increases in money market mutual fund shares and expansion in overnight RPs and overnight Eurodollars contributed to somewhat more rapid growth in new M-2.[30]

The velocity of new M-2, along with the velocities of old M-2 and M-3, is shown in chart 5. New M-2 velocity has shown very little trend over the past two decades, although it has displayed a tendency to vary directly with the spread between market rates of interest and regulatory ceilings. By contrast, the velocity of old M-2 tended to increase, especially in recent years, while the velocity of old M-3 has shown a very slight tendency to decline over the 1960s and 1970s.[31]

The rate of growth of new M-3 is shown in chart 6, along with rates of growth of the old M-4 and M-5 measures. Also shown in chart 6 is the rate of growth of L, the broad measure of liquid assets.[32] Chart 6 illustrates the closely parallel rates of growth in new M-3 and old M-5, which are similar in content, although expansion in new M-3 has generally exceeded that of both of its old counterparts. The disparity between growth in new M-3 and in old M-4 and M-5 widened in the late 1970s with sizable increases in RPs, money market mutual fund shares, and overnight Eurodollars; these items are components of the new M-3 aggregate but not of the old M-4 and M-5 aggregates.

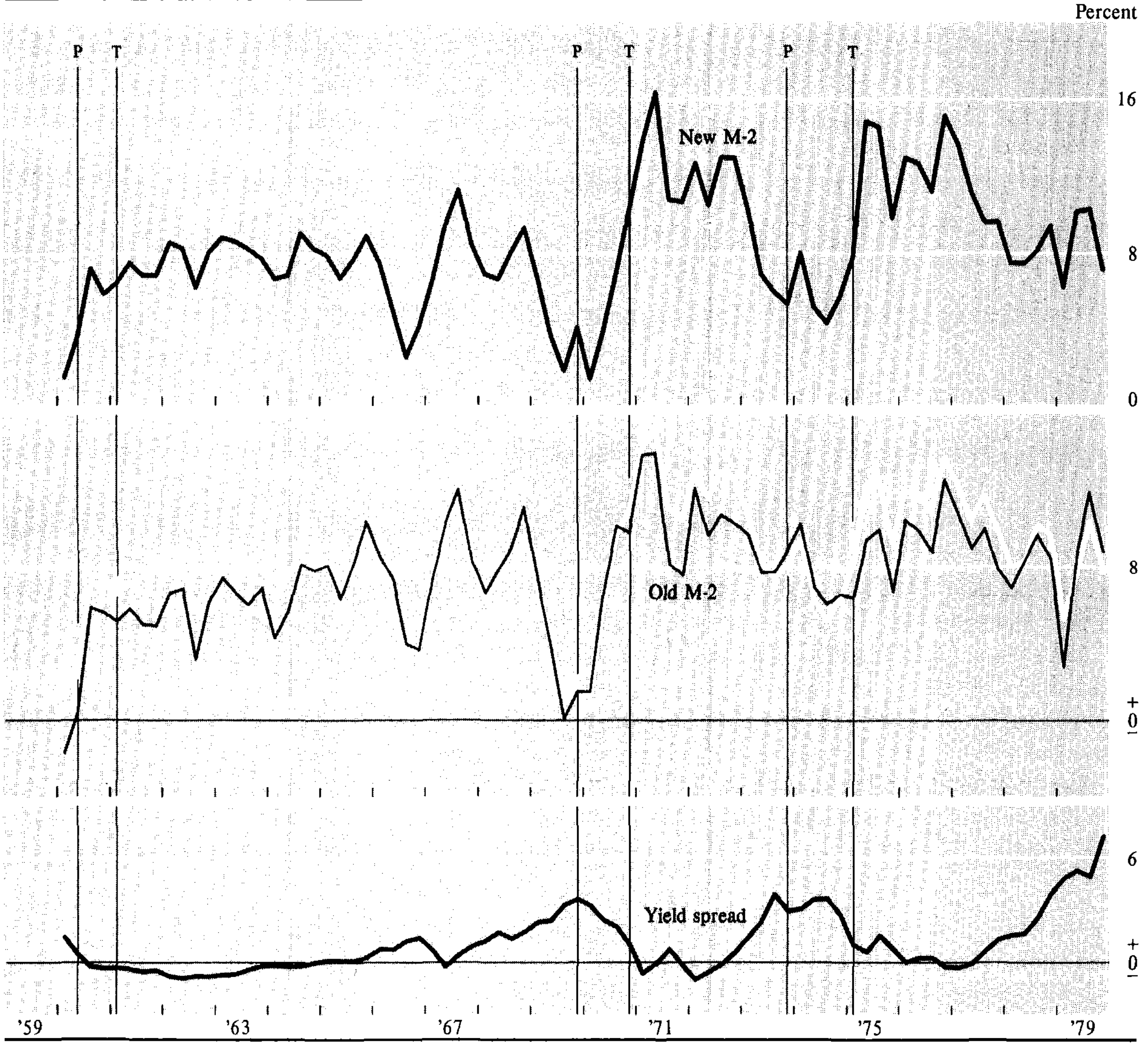
Growth in total liquid assets, L, has been similar to—although somewhat steadier than—that of new M-3. In recent years, L has tended to grow more rapidly than M-3 and other broad monetary aggregates, reflecting a growing proportion of liq-

30. During economic contractions, new M-2 has tended to weaken relative to old M-2 and M-3, mainly because growth in those two aggregates was buoyed by their large-denomination time deposit components.

31. Trend and cyclical rates of growth of the velocities of these three measures are shown in the middle three columns of table 4.

32. Annual and quarterly rates of growth of the new M-3 and L measures and the old M-4 and M-5 measures are presented in appendix table 3, along with rates of growth of their velocities.

3. Rates of growth of new M-2 and old M-2 and M-3



P Peak.
T Trough.

Data are seasonally adjusted at annual rates. Yield spread is Treasury bill rate less passbook ceiling rate.

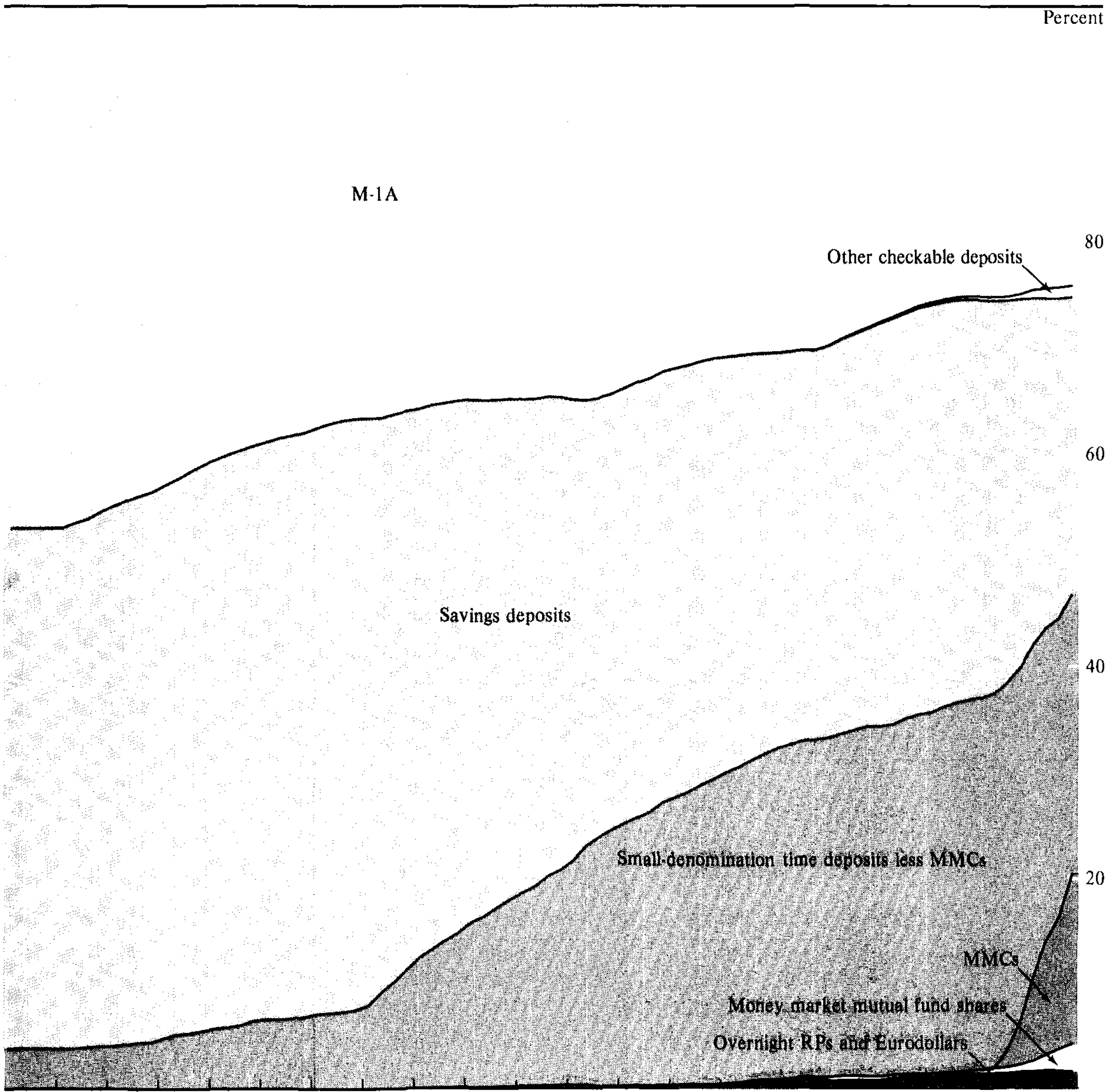
uid assets that is being issued outside domestic depositary institutions.

Chart 7 depicts the velocity of the new M-3, together with the velocities of L and of old M-4 and M-5. While the velocity of new M-3 has generally declined over the period shown, in recent years it has displayed some tendency to level off. The responsiveness of new M-3, and the old M-4 and M-5 measures, to changes in the interest rate spread was dampened by the removal of regulatory ceilings on some large-denomination time deposits in 1970 and on removal of those on the remainder in 1973. The velocity of L has also declined over the period.

Some Technical Issues

The new aggregates incorporate consolidation and seasonal adjustments. In addition, their construction relies on new data sources.

4. Principal components of new M-2



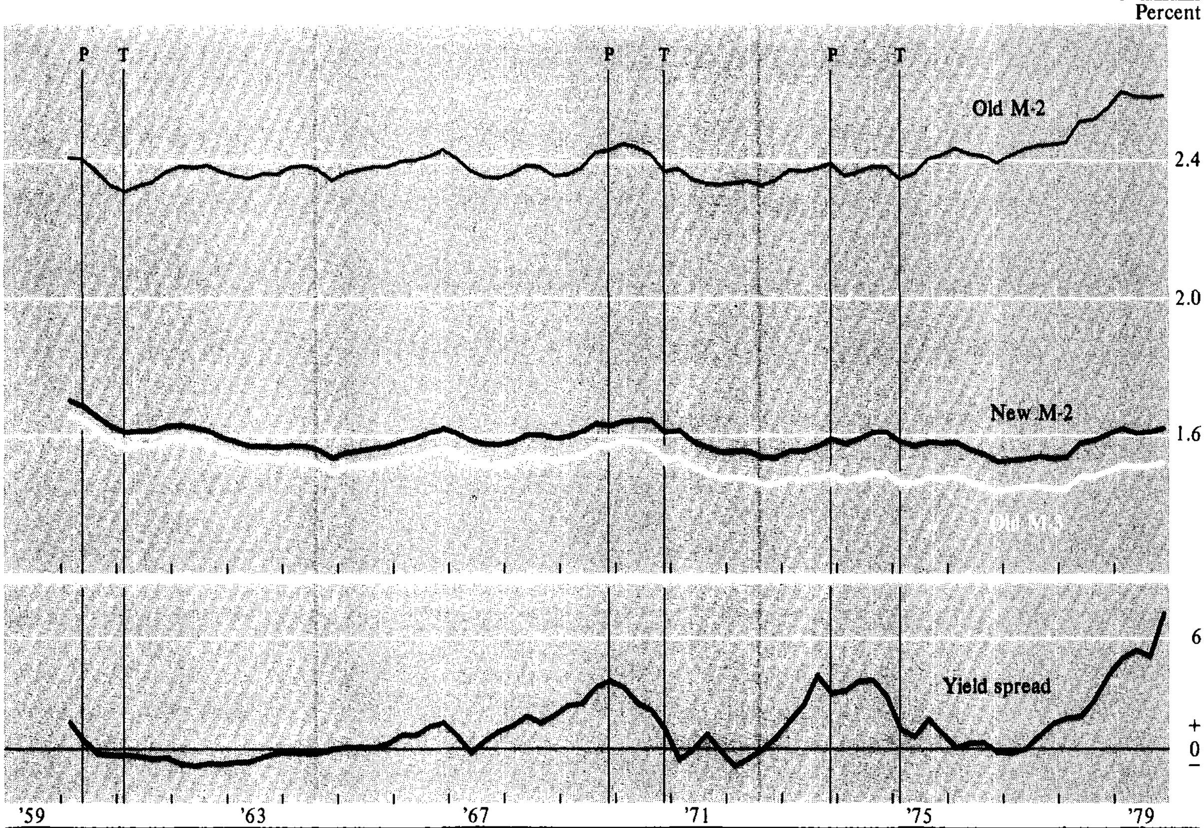
M-1A, savings deposits, and small-denomination time deposits are seasonally adjusted.

Consolidation

Consolidation adjustments have been made in the construction of each of the new measures, in order to avoid double counting of the public's monetary assets.[33] One major consolidation adjustment involves the netting of deposits held by depositary institutions with other depositary institutions. In constructing M-1A, demand deposits held by commercial banks with other commercial banks have been removed. The procedure also calls for the removal from M-1B of those demand deposit holdings of thrift institutions that are estimated to be used in servicing their checkable deposits; at present the amount is negligible. Similarly, at the M-2 level all other

33. A discussion of consolidation issues can be found in *Improving the Monetary Aggregates: Report*, pp. 12–14, 31–37, and in "A Proposal," pp. 32, 40–41.

5. Velocities of new M-2 and old M-2 and M-3



P Peak.
T Trough.

Data are seasonally adjusted at annual rates. Yield spread is Treasury bill rate less passbook ceiling rate.

demand deposit holdings of thrift institutions are deducted; currently that means all such demand deposits are netted from M-2.[34] Savings and time deposits held by depositary institutions are also appropriately netted at the M-2 and M-3 levels.

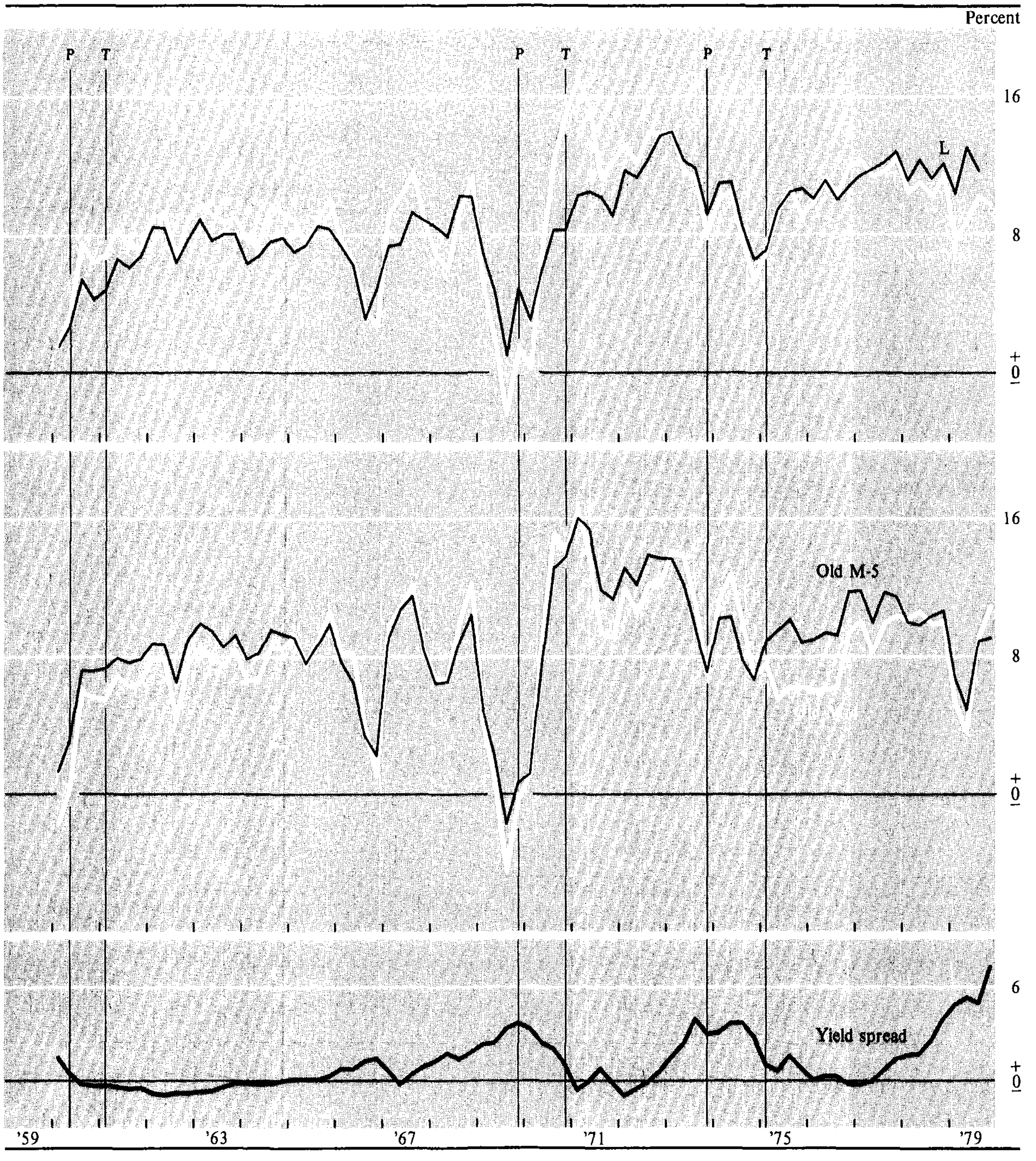
The other major consolidation adjustment involves removing the assets held by money market mutual funds from several components of the M-2, M-3, and L measures.[35] These institutions issue shares to the public and use the proceeds to acquire a variety of liquid assets that are components of the new M-2, M-3, and L measures. To avoid counting these amounts first as money market mutual fund shares and then again as money market fund holdings of RPs, CDs, commercial paper, and so forth, holdings of each of these assets by money market funds are subtracted from the relevant components. Thus holdings by money market funds of RPs are deducted in constructing the public's overnight RPs for M-2, holdings of domestic CDs are deducted from the large-denomination time deposits for M-3, and holdings of each of the other assets appearing in L are appropriately netted.

Each of the principal components of the new aggregates will be published in the money stock release on a consolidated, not a gross, basis, as it appears in the new aggregates. Thus differences between the published M-1B and M-2 aggregates

34. It has been assumed that all demand deposits owned by thrift institutions are held to service their checkable deposits and their ordinary savings deposits. The portion of thrift institution holdings of demand deposits to be removed at the M-1B level is determined by the ratio of checkable deposits at thrift institutions to the sum of their checkable and savings deposit liabilities.

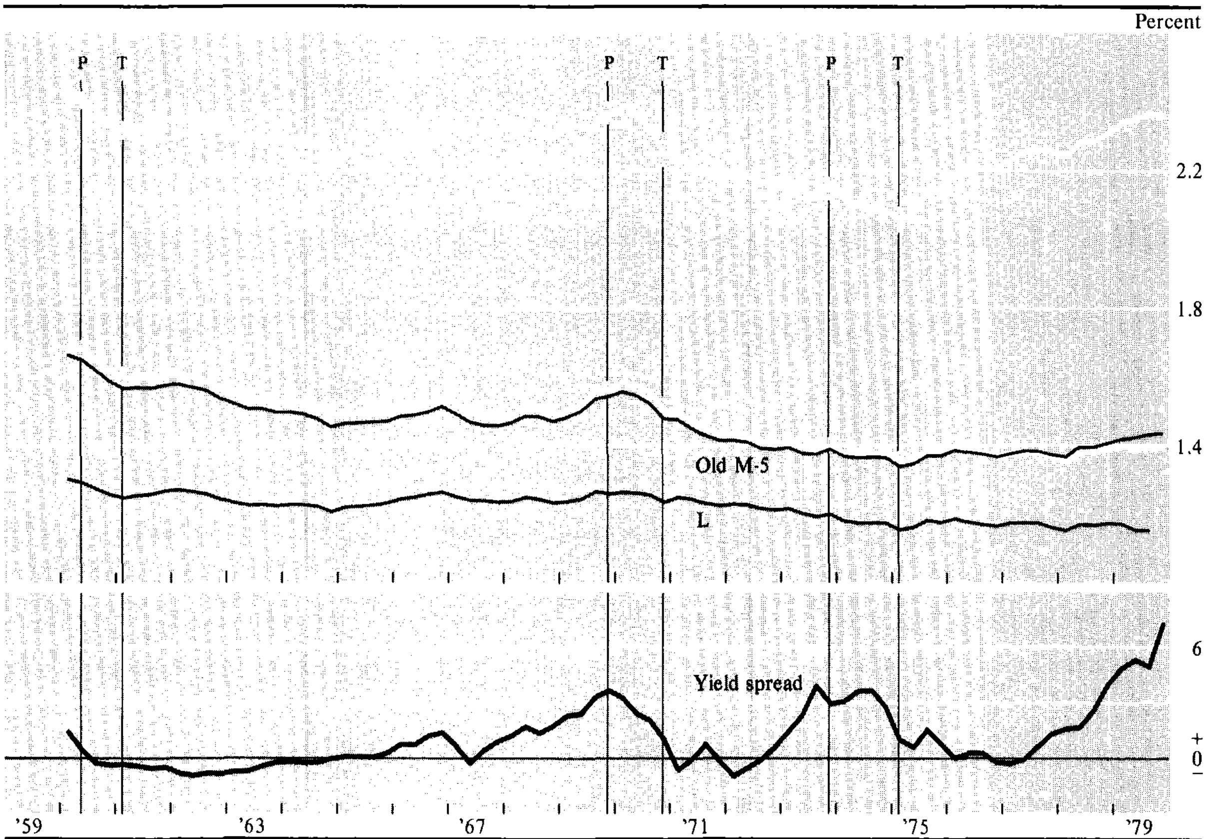
35. In general, the components against which a money market mutual fund adjustment is made exclude holdings by depositary institutions, the U.S. government (including the Federal Reserve), and foreign commercial banks and official institutions.

6. Rates of growth of new M-3 and L and old M-4 and M-5



P Peak.
T Trough.
Data are seasonally adjusted at annual rates. Yield spread is Treasury bill rate less passbook ceiling rate.

7. Velocities of new M-3 and L and old M-4 and M-5



P Peak.
T Trough.

Data are seasonally adjusted at annual rates. Yield spread is Treasury bill rate less passbook ceiling rate.

and the sum of their published components will equal the consolidation components associated with thrift institution demand deposits.

Seasonal Adjustment

The procedure for seasonal adjustment of the new aggregates involves seasonal adjustment of each component, whenever possible, and then a summation of the components to derive the appropriate total. Some components cannot be seasonally adjusted until sufficient historical data are available.[36] The most important of the components that have not yet been seasonally adjusted (and the aggregate in which they first appear) are as follows:

1. Other checkable deposits (M-1B).
2. Overnight RPs and Eurodollars (M-2).
3. Money market mutual fund shares (M-2).
4. Term RPs at both commercial banks and savings and loan associations (M-3).
5. Other Eurodollars held by U.S. residents (L).

A standard option of the Census X-11 program was used in the seasonal adjustment of the separate components of the new aggregates, following an examination of several alternative options. However, it should be noted that the overall issue of seasonal adjustment of the monetary aggregates has been under review by a panel of outside experts, the Committee of Experts on Seasonal Adjustment Techniques, under the

36. In some cases, even though enough historical data are available for a seasonal adjustment, the series are dominated by a strong trend, so that it is unlikely that actual seasonal patterns can be measured accurately.

5. New data sources for constructing the redefined monetary aggregates

Component and aggregate in which it first appears	Coverage	Frequency	Lag (weeks)
Demand deposits (M-1A)			
Nonmember banks[1]	sample	weekly (daily average)	2-3
Other checkable deposits (M-1B)			
Member banks (ATS and NOW)	universe	weekly (daily average)	1
Nonmember banks (ATS and NOW)	sample	weekly (daily average)	2-3
Mutual savings banks (NOW and demand deposits)	sample	weekly (Wednesday)	2-3
Savings and loans (NOW)	sample	thrice-monthly	1
Credit unions (share drafts)[2]	sample	weekly (Wednesday)	2-3
Savings and small-denomination time deposits (M-2)			
Nonmember banks	sample	weekly (daily average)	2-3
Mutual savings banks	sample	weekly (Wednesday)	2-3
Savings and loans	sample	thrice-monthly	1
Credit unions[2]	sample	weekly (Wednesday)	2-3
Overnight repurchase agreements (M-2)			
Member banks	125 large member banks	weekly (daily average)	1
Overnight Eurodollars at Caribbean branches (M-2)			
Member banks	approximate universe	weekly (daily average)	1
Money market mutual fund shares (M-2)	universe	weekly (Wednesday)	1
Large-denomination time deposits (M-3)			
Nonmember banks	sample	weekly (daily average)	2-3
Mutual savings banks	sample	weekly (Wednesday)	2-3
Savings and loans	sample	thrice-monthly	1
Term repurchase agreements (M-3)			
Member banks	125 large member banks	weekly (daily average)	1

1. In addition, data on demand deposits of U.S. branches and agencies of foreign banks would be collected on a regulatory report of deposits with an application of reserve requirements of these institutions under the International Banking Act. At present, all U.S. branches and agencies of foreign banks report their deposits once each month and large institutions in New York City report deposits on a daily basis.
2. Scheduled to begin in March 1980. Weekly sample consists of approximately 70 of the largest credit unions. In addition, a sample of smaller credit unions will be collected once each month, as of the last Wednesday of the month.

chairmanship of Geoffrey H. Moore, which is scheduled to report to the Board in a few months.[37]

New Data Sources

Several new data sources are being used in connection with the redefined aggregates. Most of these new sources are associated with components that either are new or appear separately for the first time, and they have been obtained in order to improve the accuracy and the timeliness of the redefined measures. The staff believes that their use will make the quality of monetary statistics for the new measures at least comparable to that of the old measures.

A number of new data series began around year-end 1979 and some others are scheduled to begin in early 1980.[38] The most important new series are shown in table 5. Most of these series are collected on a sample basis and are then benchmarked to less frequent reports of condition in order to obtain timely estimates of the total volume of each item. A sample of nonmember banks serves to estimate demand deposits, other checkable deposits, and small- and large-denomination time deposits on a weekly basis. Similarly, a sample of mutual savings banks, which began to be surveyed in early 1980, is being used to construct the components of deposits at these institutions. In 1979 the Federal Home Loan Bank Board started collecting sample data three times a month from savings and loan associations on the various components of the new aggregates. A new sample of credit unions is scheduled for implementation in the spring of 1980 and should provide timely data on several components for these institutions. Data on money market mutual

37. Other members of this committee are George Box, Hyman Kaitz, James Stephenson, and Arnold Zellner.

38. Other data sources are discussed in "A Proposal," pp. 33-40.

fund shares are being collected in a new weekly survey by the Investment Company Institute. In addition, this institute collects monthly data on the industry's holdings of various assets, for use in the consolidation process. Data on overnight Eurodollars at offices in the Caribbean are now being collected on a daily basis from all member banks with significant amounts of these deposits. Finally, a new daily report on selected federal funds and RP borrowings of 125 large member banks is used in constructing the overnight and term RP series.

A1. Rates of monetary and velocity growth for new and old M-1

Percent

Period	Monetary growth			Velocity growth		
	New M-1A	New M-1B	Old M-1	New M-1A	New M-1B	Old M-1
Year[1]						
1960	.6	.6	.4	1.7	1.7	1.8
1961	2.8	2.8	2.8	4.3	4.3	4.2
1962	1.8	1.8	1.4	4.0	4.0	4.4
1963	4.0	4.0	4.0	2.6	2.6	2.6
1964	4.3	4.4	4.5	1.4	1.4	1.3
1965	4.4	4.4	4.3	5.8	5.8	5.8
1966	2.7	2.7	2.9	5.3	5.3	5.1
1967	6.4	6.3	6.4	−.3	−.2	−.3
1968	7.4	7.4	7.6	1.8	1.7	1.6
1969	3.8	3.8	3.9	2.6	2.6	2.5
1970	4.8	4.8	4.8	−.3	−.3	−.3
1971	6.6	6.6	6.6	2.7	2.7	2.8
1972	8.5	8.5	8.4	3.0	3.0	3.1
1973	5.7	5.8	6.2	5.2	5.1	4.6
1974	4.7	4.7	5.1	2.4	2.4	2.0
1975	4.7	4.9	4.6	5.1	4.9	5.2
1976	5.5	6.0	5.8	4.2	3.7	3.9
1977	7.7	8.1	7.9	4.2	3.9	4.0
1978	7.4	8.2	7.2	5.6	4.8	5.8
1979	5.5	8.0	5.5	4.2	1.8	4.2
Quarter[2]						
1973—1	8.2	8.4	8.5	6.7	6.5	6.4
2	4.9	4.9	5.1	2.4	2.4	2.2
3	4.4	4.5	5.2	4.6	4.5	3.8
4	4.8	4.8	5.4	6.5	6.6	5.9
1974—1	6.7	6.7	7.3	−2.6	−2.6	−3.1
2	3.6	3.6	4.1	5.4	5.4	4.9
3	3.1	3.1	4.1	5.4	5.4	4.5
4	4.9	5.0	4.6	1.4	1.2	1.6
1975—1	2.6	2.9	2.0	−2.0	−2.3	−1.3
2	5.9	5.9	5.8	6.0	6.1	6.2
3	7.0	7.3	7.2	10.3	10.0	10.0
4	2.9	3.2	3.0	5.7	5.4	5.6
1976—1	5.4	5.7	4.6	8.4	8.1	9.2
2	5.8	6.3	6.4	1.3	.8	.7
3	3.4	3.9	4.1	4.3	3.8	3.6
4	7.0	7.6	7.4	2.4	1.8	1.9
1977—1	8.8	9.3	7.4	5.6	5.2	7.0
2	6.7	6.9	7.4	5.5	5.3	4.8
3	6.0	6.5	8.6	5.6	5.0	2.9
4	8.4	8.7	7.4	.1	−.2	1.1
1978—1	7.6	7.9	6.6	.5	.2	1.4
2	8.7	9.1	9.2	9.6	9.1	9.0
3	7.1	7.3	7.9	3.4	3.2	2.6
4	5.6	7.4	4.3	8.3	6.5	9.6
1979—1	.2	4.8	−1.3	9.9	5.3	11.6
2	7.8	10.7	8.1	−1.2	−4.0	−1.5
3	8.8	10.1	9.7	2.6	1.3	1.7
4	4.7	5.3	5.0	5.1	4.6	4.8

1. Fourth-quarter over fourth-quarter growth rates.
2. Annualized growth rates based on seasonally adjusted data.

A2. Rates of monetary and velocity growth for new M-2 and old M-2 and M-3
Percent

Period	Monetary growth			Velocity growth		
	New-M-2	Old M-2	Old M-3	New M-2	Old M-2	Old M-3
Year[1]						
1960	4.6	2.6	4.8	−2.3	−.3	−2.4
1961	7.1	5.4	7.1	0	1.7	0
1962	8.0	5.9	7.7	−2.0	0	−1.7
1963	8.6	7.0	8.7	−1.8	−.3	−1.9
1964	7.9	6.7	8.3	−2.0	−.8	−2.2
1965	8.0	8.6	8.6	2.2	1.7	1.7
1966	4.9	6.0	5.4	3.1	2.0	2.7
1967	9.3	9.9	9.7	−2.9	−3.4	−3.3
1968	8.0	9.0	8.1	1.2	.3	1.1
1969	4.2	3.2	3.6	2.3	3.2	2.8
1970	5.8	7.2	7.2	−1.2	−2.6	−2.5
1971	13.5	11.3	13.5	−3.5	−1.6	−3.5
1972	12.9	11.2	13.3	−1.0	.5	−1.3
1973	7.3	8.8	9.0	3.5	2.1	1.9
1974	6.0	7.7	7.1	1.1	−.5	.1
1975	12.3	8.4	11.1	−2.0	1.5	−1.0
1976	13.7	10.9	12.7	−3.3	−.9	−2.5
1977	11.5	9.8	11.7	.7	2.2	.5
1978	8.4	8.7	9.5	4.6	4.3	3.6
1979	8.8	8.3	8.1	1.0	1.4	1.6
Quarter[2]						
1973—1	10.3	9.8	10.9	4.7	5.2	4.1
2	6.9	7.7	8.3	.4	−.4	−1.0
3	6.0	7.7	7.4	3.0	1.3	1.6
4	5.4	9.0	8.2	6.0	2.4	3.1
1974—1	8.0	10.3	9.6	−3.9	−6.1	−5.3
2	5.2	7.0	6.4	3.8	2.1	2.6
3	4.4	6.1	5.2	4.2	2.4	3.3
4	5.8	6.6	6.4	.5	−.4	−.2
1975—1	7.8	6.4	8.2	−7.1	−5.7	−7.5
2	14.9	9.5	12.4	−2.7	2.5	−.3
3	14.6	10.0	12.8	2.8	7.2	4.5
4	9.9	6.8	9.4	−1.1	1.9	−.7
1976—1	13.0	10.5	12.0	.9	3.3	1.9
2	12.7	10.0	11.9	−5.4	−2.8	−4.7
3	11.3	8.9	11.0	−3.4	−1.1	−3.1
4	15.2	12.6	13.8	−5.6	−3.1	−4.3
1977—1	13.7	10.9	12.4	.9	3.6	2.1
2	11.2	9.0	10.5	1.0	3.2	1.7
3	9.6	10.1	11.8	1.9	1.5	−.2
4	9.7	7.9	10.1	−1.2	.5	−1.6
1978—1	7.5	7.0	8.1	.6	1.1	0
2	7.5	8.4	8.4	10.8	9.9	9.8
3	8.2	9.8	10.3	2.3	.8	.3
4	9.5	8.5	9.8	4.4	5.4	4.1
1979—1	6.3	2.8	5.3	3.9	7.3	4.8
2	10.2	8.8	7.9	−3.5	−2.1	−1.3
3	10.3	11.9	10.5	1.1	−.5	.9
4	7.2	8.9	7.8	2.7	1.0	2.1

1. Fourth-quarter over fourth-quarter growth rate.
2. Annualized growth rates based on seasonally adjusted data.

A3. Rates of monetary and velocity growth for new M-3 and L and old M-4 and M-5
Percent

Period	Monetary growth				Velocity growth			
	New M-3	New L	Old M-4	Old M-5	New M-3	New L	Old M-4	Old M-5
Year[1]								
1960	4.8	3.5	2.6	4.8	-2.5	-1.2	-.3	-2.4
1961	7.7	6.2	6.5	7.9	-.5	.9	.6	-.7
1962	8.8	8.0	7.1	8.5	-2.7	-2.0	-1.2	-2.4
1963	9.5	8.4	8.3	9.6	-2.6	-1.6	-1.6	-2.7
1964	8.9	7.3	7.8	9.0	-2.8	-1.4	-1.8	-2.9
1965	9.2	8.1	9.5	9.1	1.1	2.2	.9	1.2
1966	5.2	5.5	5.5	5.0	2.8	2.5	2.6	3.0
1967	10.4	8.5	10.7	10.3	-3.9	-2.2	-4.2	-3.8
1968	8.7	9.5	9.3	8.3	.6	-.2	.0	.9
1969	1.5	4.4	.1	1.5	5.0	2.0	6.4	4.9
1970	8.9	6.5	10.2	9.2	-4.1	-1.9	-5.1	-4.3
1971	14.8	10.4	12.8	14.3	-4.6	-.8	-2.9	-4.2
1972	14.0	12.9	12.3	13.9	-2.0	-1.0	-.5	-1.9
1973	11.7	12.3	12.0	11.0	-.5	-1.1	-.8	.1
1974	8.7	9.6	10.7	9.0	-1.4	-2.2	-3.1	-1.7
1975	9.4	9.8	6.6	9.7	.6	.2	3.3	.3
1976	11.4	11.0	7.1	10.2	-1.3	-1.0	2.6	-.3
1977	12.6	12.6	10.1	11.7	-.3	-.3	2.0	.5
1978	11.3	12.3	10.6	10.6	1.9	1.0	2.5	2.5
1979	9.5	n.a.	7.5	7.6	.3	n.a.	2.2	2.1
Quarter[2]								
1973—1	14.0	14.0	14.2	13.7	1.0	1.1	.9	1.3
2	11.7	12.3	13.8	12.2	-4.3	-4.8	-6.3	-4.7
3	11.2	11.8	11.0	9.6	-2.2	-2.7	-1.9	-.6
4	8.0	9.1	7.0	7.1	3.3	2.2	4.4	4.3
1974—1	10.1	11.0	11.4	10.2	-5.9	-6.7	-7.1	-6.0
2	10.6	11.1	12.8	10.3	-1.5	-1.9	-3.6	-1.2
3	7.7	8.4	9.9	7.8	.9	.1	-1.3	.8
4	5.4	6.6	6.9	6.7	.8	-.3	-.7	-.4
1975—1	7.2	7.1	7.6	8.9	-6.4	-6.4	-6.9	-8.1
2	9.4	9.5	5.5	9.5	2.6	2.5	6.5	2.5
3	10.7	10.5	6.2	10.1	6.5	6.8	11.1	7.1
4	9.1	10.7	6.2	8.8	-.4	-1.9	2.4	-.1
1976—1	9.9	10.1	6.0	9.0	4.0	3.7	7.8	4.8
2	11.3	11.1	6.0	9.4	-4.1	-3.9	1.0	-2.2
3	10.3	10.0	6.3	9.2	-2.5	-2.2	1.5	-1.4
4	12.1	10.8	9.5	11.8	-2.6	-1.4	-.1	-2.3
1977—1	12.4	11.5	10.1	11.8	2.2	3.0	4.4	2.7
2	11.4	11.8	8.3	10.0	.8	.4	3.9	2.2
3	11.7	12.2	10.0	11.7	-.1	-.6	1.6	-.1
4	12.5	12.8	10.4	11.5	-3.9	-4.2	-1.9	-2.9
1978—1	10.5	11.2	10.2	10.0	-2.3	-.3	-2.1	-1.8
2	11.1	12.4	10.6	9.8	7.2	5.9	7.6	8.4
3	10.3	11.3	9.9	10.4	.2	-.7	.6	.2
4	11.5	12.2	10.1	10.7	2.4	1.8	3.8	3.3
1979—1	7.9	10.4	5.4	6.8	2.3	-.2	4.7	3.4
2	8.8	13.1	3.7	4.9	-2.2	-6.3	2.9	1.7
3	10.3	11.7	9.2	8.9	1.1	-.3	2.2	2.5
4	9.8	n.a.	11.0	9.1	.1	n.a.	-1.0	.8

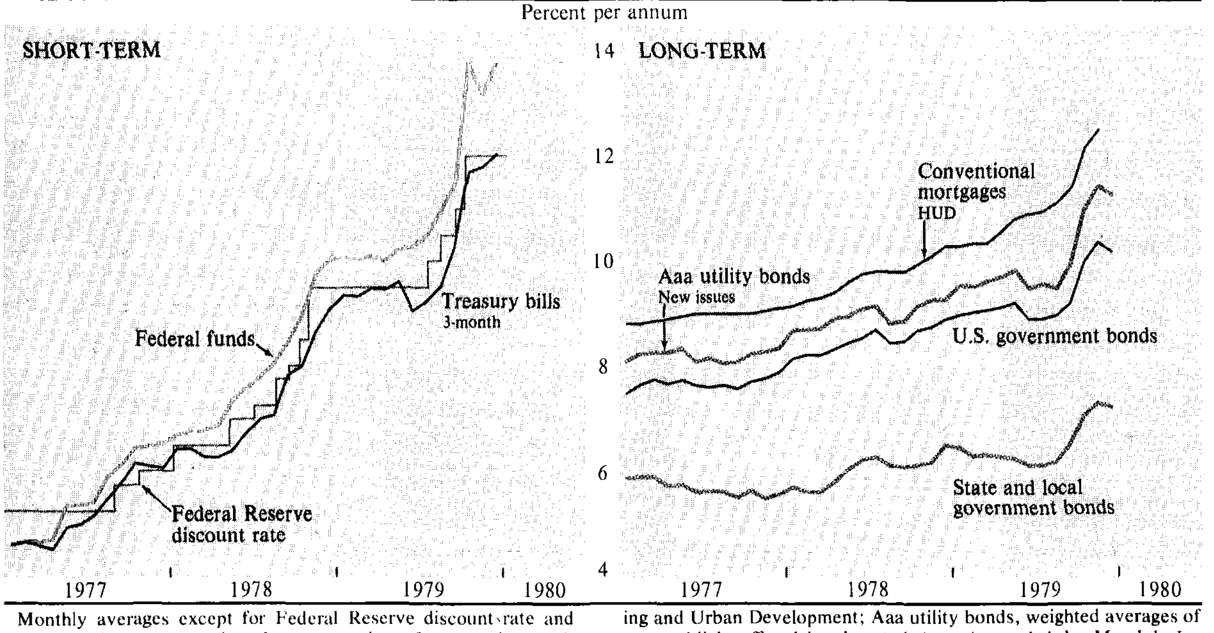
1. Fourth-quarter over fourth-quarter growth rates.
2. Annualized growth rates based on seasonally adjusted data.
n.a. Not available as data for December 1979 are incomplete.

Domestic Financial Developments in the Fourth Quarter of 1979

This report, which was sent to the Joint Economic Committee of the U.S. Congress on February 6, 1980, highlights the important developments in domestic financial markets during the fall and early winter.

As the fourth quarter opened, the monetary aggregates were expanding rapidly in an environment of double-digit inflation, a depreciating dollar in foreign exchange markets, and increasing speculative activity in metals and other basic commodities markets. On October 6, the Federal Reserve announced a policy package designed to address this situation by slowing the growth of money and bank credit with the intent of achieving rates of increase announced earlier for the year as whole. The discount rate was increased a full percentage point, to 12 percent. In addition, a marginal reserve requirement of 8 percent was made applicable to any increase over base-period levels in managed liabilities issued by large member banks and by branches and agencies of certain foreign banks. Such managed liabilities include time deposits issued in denominations of $100,000 or more maturing within one year, as well as net borrowings from own foreign branches and certain other Eurodollar transactions; also included are federal funds purchased and securities sold under repurchase agreements, net of a trading-account exemption,

Interest rates



Monthly averages except for Federal Reserve discount rate and conventional mortgages (based on quotations for one day each month). Yields: U.S. Treasury bills, market yields on three-month issues; prime commercial paper, dealer offering rates; conventional mortages, rates on first mortgages in primary markets, unweighted and rounded to nearest 5 basis points, from U.S. Department of Housing and Urban Development; Aaa utility bonds, weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to Aaa basis; U.S. government bonds, market yields adjusted to 20-year constant maturity by U.S. Treasury; state and local government bonds (20 issues, mixed quality), *Bond Buyer*.

Changes in selected monetary aggregates[1]
Seasonally adjusted annual rates of change, in percent

Item	1977	1978	1979	1978	1979			
				Q4	Q1	Q2	Q3	Q4
Member bank reserves[2]								
Total	5.3	6.7	2.8	2.4	−3.0	−5.0	6.3	13.1
Nonborrowed	3.1	6.8	.8	4.7	−3.4	−8.8	8.2	7.5
Monetary base[3]	8.3	9.1	7.6	8.5	5.6	3.9	9.8	10.1
Concepts of money[4]								
M-1	7.9	7.2	5.5	4.3	−1.3	8.1	9.7	5.1
M-2	9.8	8.7	8.3	8.5	2.8	8.8	11.9	8.9
M-3	11.7	9.5	8.1	9.8	5.3	8.0	10.5	7.8
Time and savings deposits in M-2	11.2	9.7	10.4	11.5	5.8	9.3	13.3	11.5
Small time plus total savings[5]	10.5	6.1	10.8	7.6	2.7	15.0	15.7	8.3
Savings	11.1	1.8	−5.8	−1.2	−11.8	−3.5	5.8	−13.8
Small time	9.7	11.9	31.0	19.2	20.3	35.9	25.7	30.0
Time and savings in M-2 excluding MMCs	.....	.....	−5.2	2.5	−8.2	−5.0	1.7	−9.6
Thrift deposits in M-3	14.5	10.6	7.8	11.6	8.8	6.8	8.4	6.3
Excluding MMCs	.....	.....	−10.1	−5.7	−3.8	−21.3	−1.0	−15.5
MEMO (change in billions of dollars, seasonally adjusted)								
Managed liabilities	27.5	68.3	49.6	19.7	20.8	4.0	12.8	12.8
Large negotiable CDs at large banks	8.0	23.1	0.0	5.5	7.0	−10.3	−4.0	7.3
All other large time deposits	10.8	22.1	9.2	6.7	4.7	−3.3	1.1	6.7
Nondeposit funds	8.7	23.1	40.7	7.5	9.1	17.6	15.7	−1.2
Net due to related foreign institutions	−3.8	6.6	26.0	3.9	4.3	11.9	9.1	.7
Other[6]	12.4	16.5	14.7	3.7	4.8	5.7	6.6	−1.9

1. Changes are calculated from the average amounts outstanding in each quarter.
2. Annual rates of change in reserve measures have been adjusted for changes in reserve requirements.
3. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier), currency in circulation (currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks), and vault cash of nonmember banks.
4. M-1 is currency plus private demand deposits adjusted. M-2 is M-1 plus bank time and savings deposits other than negotiable CDs in denominations of $100,000 or more. M-3 is M-2 plus deposits at mutual savings banks and savings and loan associations plus shares in credit unions.
5. Interest-bearing deposits subject to Regulation Q.
6. Includes borrowings from other than commercial banks through federal funds purchased and securities sold under repurchase agreements, plus loans sold to affiliates, loan RPs, and other borrowings.

from sources other than member banks, U.S. branches and agencies of foreign banks, and Edge Act corporations.

The policy package also included a change in the System's daily operating procedures to emphasize control of the volume of member bank reserves as the means of achieving desired monetary growth rates. Previously, open market operations had focused attention primarily on maintaining the federal funds rate at a level thought consistent with monetary growth objectives. This procedure had become less satisfactory as institutional innovations and changing inflationary expectations made it more difficult to ascertain the short-run relationship between interest rates and the monetary aggregates.

Interest rates increased sharply during the three weeks following the October 6 action, and short-term rates exhibited unusual day-to-day volatility. The federal funds rate, which had averaged just under 12 percent the week preceding the announcement, peaked above $15^1/_2$ percent two weeks later; other short-term rates also rose abruptly though by less. At banks, the prime lending rate reached $15^3/_4$ percent in mid-November compared with $13^1/_2$ percent on October 6. Medium- and long-term rates rose between 1 and $1^1/_2$ percentage points, and stock prices dropped markedly—by 10 percent or so on average. By the middle of November, however, upward pressures on interest rates dissipated as markets adjusted to the System's new operating procedure and as growth in credit flows and in the monetary aggregates slowed. By mid-December, interest rates were down from their mid-November peaks, the bank prime rate had been reduced to $15^1/_4$ percent, and stock price averages had recovered to about September month-end levels.

As a result of the new policy procedures, the accompanying sharp increase in interest rates, and further slowing in the expansion of real and nominal GNP, growth in money and credit slowed sharply in the fourth quarter. Narrowly defined money, M-1, grew at an annual rate of 5 percent, on a quarterly average basis, little more than half the pace of the preceding three months. Inflows of time and savings deposits included in the broader aggregates (M-2 and M-3) also weakened, and excluding 6-month money market certificates (MMCs), those deposits declined. M-1 and M-3 were within, and M-2 was only slightly above, the growth ranges established by the Federal Open Market Committee (FOMC) for the year ending with the fourth quarter of 1979.

Bank credit expansion also slowed sharply in the quarter, with business loans increasing at only a 6 percent annual rate, compared with more than 20 percent during the spring and summer. Indeed, credit flows to the private sector in general diminished in the fourth quarter. Substantially increased credit costs discouraged some borrowing, and the supply of funds was constrained as usury ceilings became binding in certain states and as lenders instituted new restrictions on nonprice terms. Households reduced their borrowing in the consumer installment credit and residential mortgage markets. In the public sector, Treasury borrowing was relatively sizable, reflecting the large fourth-quarter deficit, and state and local financing also remained quite high.

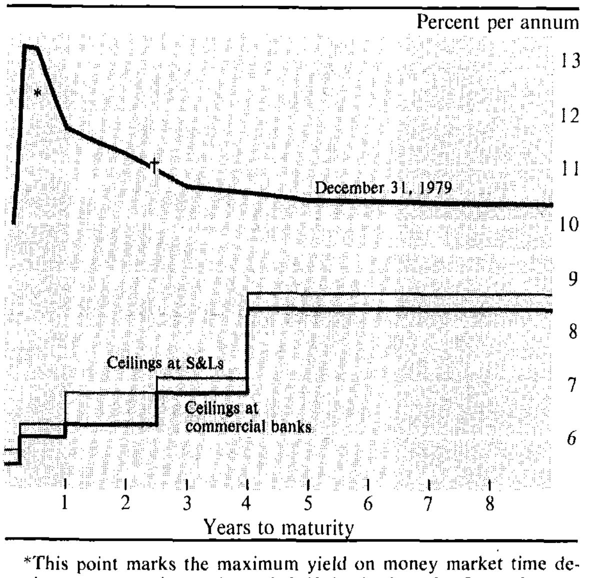
MONETARY AGGREGATES AND BANK CREDIT

The reduced pace of M-1 growth in the fourth quarter brought its growth rate for the year to $5^1/_2$ percent, within the 3 to 6 percent range established by the FOMC.[1] Growth over the course of the year is estimated to have been reduced slightly less than $1^1/_2$ percentage points by a diversion of funds from demand deposits into interest-bearing savings accounts subject to automatic transfer service (ATS) or negotiable order of withdrawal (NOW). Such transfers declined in volume as the year progressed, however; in the fourth quarter they had a negligible impact on M-1 growth.

The sharp changes in market yields in the fourth quarter had a marked effect on the structure of the interest-bearing component of M-2. Savings accounts contracted at a record annual rate of $13^3/_4$ percent, as yields on MMCs and on market instruments rose to almost twice the ceiling rates on savings accounts. Reflecting entirely the robust gains in MMCs, particularly during November, small-denomination time deposits at commercial banks grew at a near-record annual rate of 30 percent. Large-denomination time deposits included in M-2 also expanded at a substantial 25 percent annual rate over the quarter. Overall, the time and savings deposit component of M-2 increased at a rate only slightly below that of the third quarter. Thus, the slowing in M-2 growth was less pronounced than that for M-1.

MMCs also were the primary source of funds to thrift institutions during the fourth quarter. As

Treasury yield curves and deposit rate ceilings



*This point marks the maximum yield on money market time deposits at commercial banks and thrift institutions for December 31, 1979.

†This point marks the maximum yield on 2 1/2-year floating ceiling accounts authorized January 1, 1980 (thrift institutions, 11.12 percent; commercial banks, 10.84 percent).

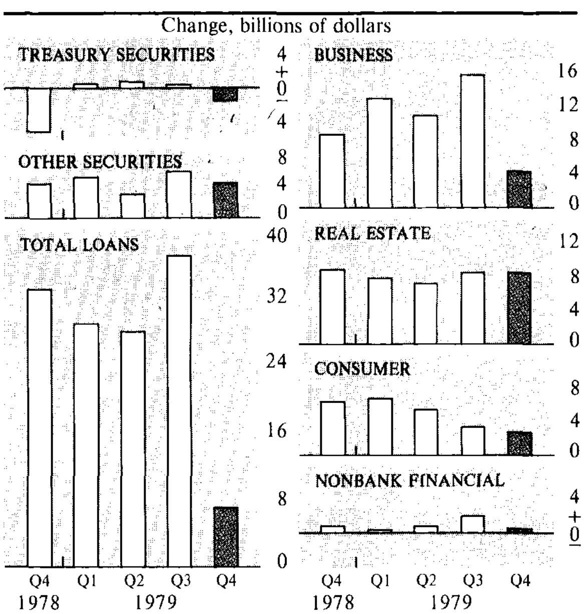
Data reflect annual effective yields. Ceiling rates are yields derived from continuous compounding of the nominal ceiling rates. Market-yield data are on an investment-yield basis.

1. The Committee had originally adopted a range of $1^1/_2$ to $4^1/_2$ percent, on the assumption that shifting to newly authorized ATS and NOW accounts would depress growth of M-1 by 3 percentage points. When such shifting appeared likely to be no more than half that amount, the range was adjusted to 3 to 6 percent.

at banks, depositors at thrift institutions withdrew funds from low-ceiling passbook accounts and placed them in MMCs; such shifts during the past year and a half have substantially altered the institution's liability mix toward high-cost short-term instruments. During the fourth quarter, savings and loan associations—particularly the bigger institutions—issued large-denomination time deposits to supplement reduced deposit flows from the household sector. In total, however, growth in deposits at thrift institutions slowed considerably toward year-end. Consequently, the pace of expansion in M-3 abated to a $7^{3}/_{4}$ percent rate in the fourth quarter—from a $10^{1}/_{2}$ percent rate in the preceding three months.

Households also acquired a substantial volume of nondeposit assets as they sought to benefit from higher market yields available during the quarter. Money market mutual funds continued to attract investors' funds; their assets increased an average $\$3^{1}/_{2}$ billion per month. Direct acquisitions of short-term U.S. Treasury securities also appealed to more savers than earlier in the year, and noncompetitive tenders at Treasury auctions swelled during November to a high for the year.

Components of bank credit | Major categories of bank loans



Seasonally adjusted. Total loans and business loans are adjusted for transfers between banks and their holding companies, affiliates, subsidiaries, or foreign branches.

At year-end, the federal regulatory agencies further increased the opportunity for savers with limited financial resources to earn near-market rates of return on their deposits. Specifically, effective January 1, 1980, banks and thrift institutions are permitted to offer an account with a minimum maturity of two and one-half years in any size they choose and with an offering yield tied to the market yield on 30-month U.S. Treasury securities; the return, once established, remains fixed throughout the life of the deposit. The ceiling rate is 75 and 50 basis points below the Treasury yield for banks and thrift institutions respectively; with continuous compounding, the effective ceiling yield at thrift institutions is nearly equal to the yield of the Treasury security. In January, the effective yields on the $2^{1}/_{2}$-year certificates were 11.12 percent at thrift institutions and 10.84 percent at commercial banks. Regulators also authorized an increase of $^{1}/_{4}$ percentage point in the ceiling on 90-day to 1-year time accounts applicable to both banks and thrift institutions.

Total member bank reserves grew at a 13 percent annual rate during the fourth quarter—exceeding growth of required reserves by 1 percentage point—as banks, as a group, evidenced a desire for larger excess reserves in the aftermath of the System's October 6 actions. Nonborrowed reserves grew a great deal more slowly than total reserves with member banks meeting a larger proportion of their reserve needs at the discount window.

The managed liabilities of commercial banks increased $\$12^{3}/_{4}$ billion during the fourth quarter, the same as during the third. For the first time in six months, domestic offices issued substantial amounts of large-denomination time deposits, but this growth was partially offset by runoffs in nondeposit funds. Large banks relied much less on increased borrowing from their overseas offices; and other nondeposit borrowings, a composite that includes federal funds and repurchase agreements (RPs), actually declined. With credit demands apparently weakening and with the 8 percent marginal reserve requirement adding to the already high costs for managed liabilities, many banks sought to keep their balances below base-period levels. By year-end, a number of large member banks and most U.S. agencies and branches of foreign banks had accomplished this objective, despite growth in their loan portfolios. In total, managed liabilities subject to the marginal reserve requirement averaged about $5½ billion in the second half of October but dropped to about $3¼ billion in December.

With slackening economic expansion and with firmer credit market conditions, total loans and investments at commercial banks grew at a pace of only 3¼ percent during the fourth quarter, down sharply from 15¾ percent in the previous quarter. Investments grew only marginally. Treasury securities were liquidated for the first time since a year earlier, but the decline was more than offset by acquisitions of other securities, primarily state and local obligations. Growth in total loans outstanding at banks dropped from an annual rate of 18¼ percent in the third quarter to 3¼ percent in the fourth, largely reflecting a reduction in business loan growth and slower growth in consumer loans.

Business loans and short- and intermediate-term business credit

Seasonally adjusted annual rates of change, in percent[1]

Period	Business loans at banks[2]	Short- and intermediate-term business credit[3]
1973	21.8	21.5
1974	19.3	23.5
1975	−3.8	−4.0
1976	1.3	4.4
1977	10.5	13.6
1978	16.3	18.3
1979	17.4	20.0
1979–Q1	20.5	20.8
Q2	16.6	20.1
Q3	22.7	27.4
Q4[e]	5.8	6.3

1. Growth rates calculated between last months of period.
2. Based on monthly averages of Wednesday data for domestically chartered banks and an average of current and previous month-end data for foreign-related institutions. Adjusted for outstanding amounts of loans sold to affiliates.
3. Short- and intermediate-term business credit is business loans at commercial banks plus nonfinancial commercial paper plus finance company loans to businesses and bankers acceptances outstanding outside banks. Commercial paper reflects prorated averages of Wednesday data. Finance company loans and bankers acceptances outstanding reflect averages of current and previous month-end data.
e Estimated.

BUSINESS FINANCE

Total funds raised by businesses in financial markets decreased substantially in the fourth quarter. Among nonfinancial corporations, external financing needs fell to their lowest level since 1977, as a further slowing in inventory accumulation reduced capital expenditures while internally generated funds continued to rise moderately. Reduced short- and intermediate-term borrowing accounted for much of the resultant decline in financing activity. In long-term markets, nonfinancial businesses continued to make substantial use of commercial mortgages, but net issuance of bonds and stocks remained well below the first-half pace.

Business loan growth at commercial banks fell off quite sharply in the fourth quarter. In part, this reduction was a reaction of firms to a sizable increase in the cost of bank loans; the prime rate increased 2 percentage points during the October–December period, reaching a high of 15¾ percent in late November. In addition, data available for large banks indicate that nonprice lending terms and standards of creditworthiness tightened, with banks becoming more reluctant to lend to new customers and more strict about compensating balance requirements.

The outstanding commercial paper of nonfinancial firms fell, and growth in bankers acceptances slowed early in the fourth quarter. In December, however, business borrowing in these markets strengthened again.

Gross offerings of bonds and stocks by both nonfinancial and financial corporations fell to a seasonally adjusted annual rate of $44 billion, the lowest level recorded in 1979 and down from $58 billion in the third quarter. Public offerings of bonds by nonfinancial corporations are estimated to have declined somewhat in the fourth quarter, largely because of a relatively low level of bond issuance by industrial firms following the sharp rise in rates after October 6. The volume of public offerings by utilities picked up in the quarter, however, with most of that increase in October and November. Financial businesses markedly reduced their issuance of bonds during the quarter; this drop partly reflected a slowdown in offerings of mortgage-backed bonds by savings and loan associations. Intermediate- and long-term bond offerings by financial companies accounted for about 40 percent of total public offerings in the first half of 1979, but only about 20 percent of the second-half total.

Takedowns of private bond placements in the fourth quarter are estimated to have remained near the pace of the third quarter, well below the levels recorded in the first half of 1979. Life insurance companies (the principal lenders in the private placement market) appear to be channeling a large volume of their funds into mortgages—especially commercial mortgages. In addition, investable funds of these institutions were reduced by a sharp rise in loans on insurance policies after October 6.

Yields on corporate bonds increased appreciably during the fourth quarter. Bond yields jumped 75 to 125 basis points between the Federal Reserve's October 6 policy announcement and the month-end, and reached new highs in early November; over the remainder of the quarter, they changed little on balance. The upward movement in corporate bond yields and the uncertainty about economic and financial prospects accompanying the System's policy actions gave rise to an increased sensitivity by investors to differences in risk. By the end of the fourth quarter, the spreads between rates on higher and lower quality bonds had diminished considerably from their mid-October levels but were still generally about twice as large as before October 6.

Stock prices declined sharply after October 6, reflecting investor concern that higher interest rates and reduced credit availability would detract significantly from economic activity and corporate profits in the future. The fall in stock values prompted several corporations to postpone or to cancel scheduled equity offerings, which contributed to the reduction in total stock offerings during the fourth quarter. The stock offerings that came to market during the quarter were concentrated in public utility issues. By year-end, stock prices generally had retraced their fourth-quarter declines. The American Stock Exchange composite index was at a new high at the end of the quarter; the National Association of Securities Dealers index posted sufficient gains late in the quarter to end the year just below a record level set on October 5; and the New York Stock Exchange composite index ended the quarter near its high for the year.

Gross offerings of new security issues

Seasonally adjusted annual rates, in billions of dollars

Type of security	1978	1979			
	Q4	Q1	Q2	Q3^r	Q4^e
Corporate	42	47	58	58	44
Bonds	30	39	51	40	35
Publicly offered	18	17	35	29	23
Privately placed	12	22	16	11	12
Stocks	12	8	7	18	9
Foreign	5	3^r	7^r	9	5
State and local government	48	39	42^r	43	50

r Revised.
e Estimated.

GOVERNMENT FINANCE

Gross bond offerings by state and local governments increased substantially in the fourth quarter, on a seasonally adjusted basis, despite the postponement or cancellation of a large volume of issues as interest rates rose in October. The volume of offerings continued to be bolstered by borrowing to finance housing, which, as in the third quarter, was dominated by single-family housing issues. These bonds were sold on the basis of indications from the Congress that they would be exempt from any new restrictions that federal legislation, if passed, would impose on home mortgage financing by state and local authorities.

Like yields in other markets, interest rates on state and local obligations rose appreciably in the fourth quarter. The *Bond Buyer* index of yields on general obligations rose 60 basis points to end the quarter at 7.2 percent. Yields on taxable issues increased much more, however, and the ratio of tax-exempt to corporate bond yields declined to a new low in the fourth quarter. Continued strong demands for tax-exempt bonds by commercial banks and property-casualty insurance companies apparently tempered the rise in municipal rates.

Treasury net cash borrowing from the public increased in the fourth quarter to $18.9 billion, not seasonally adjusted. The combined federal deficit—including off-budget items—rose to about $26 billion and was financed in part by drawing down the Treasury's operating cash balance.

In contrast to the wide range of movements over the preceding two quarters, there was little net change during the fourth quarter in the outstanding volume of nonmarketable Treasury ob-

Federal government borrowing and cash balance
Not seasonally adjusted, in billions of dollars

Item	1977	1978				1979			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Treasury financing									
Budget surplus, or deficit (−)	−28.8	−25.8	14.0	−8.1	−23.8	−20.4	21.4	−4.4	−24.6
Off-budget deficit[1]	−1.3	−3.7	−2.2	−3.1	−.1	−3.0	−5.2	−4.2	−.9
New cash borrowings, or repayments (−)	20.7	20.8	2.5	15.1	15.3	10.6[2]	−4.6	12.4	18.9
Other means of financing[3]	2.6	2.8	−3.2	1.0	2.6	4.2	−1.9	2.9	−1.7
Change in cash balance	−6.8	−5.9	11.1	4.9	−6.1	−8.6	9.8	6.7	−8.3
Federally sponsored credit agencies, net cash borrowings[4]	2.0	4.5	6.5	6.1	5.2	6.3	5.5	4.7	7.3[e]

1. Includes outlays of the Pension Guaranty Corporation, Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, Housing for the Elderly or Handicapped Fund, and Federal Financing Bank. All data have been adjusted to reflect the return of the Export-Import Bank to the unified budget.
2. Includes $2.6 billion of borrowing from the Federal Reserve on March 31, which was repaid April 4 following enactment of a new debt-ceiling bill.
3. Checks issued less checks paid, accrued items, and other transactions.
4. Includes debt of the Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, and Federal National Mortgage Association (including discount notes and securities guaranteed by the Government National Mortgage Association).
e Estimated.

ligations. Most of the Treasury's borrowing was accomplished through domestic sales of marketable securities to the public, both coupon issues and bills. Given the need for large amounts of new money at a time when a sizable volume of coupon issues was maturing, the Treasury made significant net additions to the weekly bill auctions for the first time since 1976. New funds raised in this manner totaled about $3.5 billion for the quarter. The Treasury also issued about $7.5 billion of cash management bills dated to mature in the spring, substantially more than the volume of such bills issued in the fourth quarters of other years.

Net borrowing by federally sponsored agencies totaled a record $7.3 billion in the fourth quarter, not seasonally adjusted. The increased borrowing reflected efforts by the Federal Home Loan Bank System and the Federal National Mortgage Association (FNMA) to buttress residential mortgage credit flows and by the Farm Credit System to meet demands for agricultural credit usually provided by banks and life insurance companies.

Interest rates on Treasury securities increased appreciably during the fourth quarter, along with rates on private debt securities. Yields on shorter dated bills rose slightly more than those on comparable private issues, however, largely because of the sizable net issuance of bills in the fourth quarter and the substantial sales of bills anticipated in the first quarter of 1980. Interest rates on long-term government bonds increased about 1 percentage point for the quarter, somewhat below the increases in yields on long-term corporate bonds, in line with the greater risk aversion noted earlier.

MORTGAGE AND CONSUMER CREDIT

Mortgage credit conditions tightened markedly after October 6. The average interest rate at savings and loan associations on new commitments for conventional home mortgages with 80 percent loan-to-value ratios rose more than $1\frac{1}{2}$ percentage points in the fourth quarter and in general nonprice lending terms firmed. Many savings and loan associations drastically reduced or completely halted their commitment activity in October, and although there was some indication of a liberalization of lending policies in late November and December, on the whole conditions remained much more stringent than in the previous quarter.

The curtailment of credit availability was especially marked in states where usury ceilings prevented home mortgage rates from adjusting upward. During December, 16 states had fixed ceilings below the national average for conventional mortgage rates, and in several other states floating-rate ceilings tied to Treasury yields were

Net change in mortgage debt outstanding
Seasonally adjusted annual rates, in billions of dollars

Mortgage debt	1978	1979			
	Q4	Q1	Q2	Q3	Q4[e]
By type of debt					
Total	160	158	164	160	157
Residential	124	119	118	114	109
Other[1]	36	39	46	46	48
By type of holder					
Commercial banks	35	33	34	34	33
Savings and loans	52	45	51	43	33
Mutual savings banks	6	6	4	4	3
Life insurance companies	13	11	11	13	17
FNMA and GNMA	9	12	8	2	10
Other[2]	45	51	56	64	61

1. Includes commercial and other nonresidential as well as farm properties.
2. Includes mortgage pools backing securities guaranteed by the Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or Farmers Home Administration, some of which may have been purchased by the institutions shown separately.
e Partially estimated.

below market mortgage yields. It was against this backdrop that the Congress passed and the President signed into law on December 28 a bill that temporarily exempts from state usury limits the conventional first mortgages made by most types of lenders for the purchase of residential property. Unless revoked by state action, the exemption will apply until March 31, 1980, and covers new mortgage commitments made, as well as loans closed, during the suspension period.

Net mortgage lending, which largely reflected earlier commitment activity, moderated slightly in the fourth quarter. The decline was concentrated in the residential sector and represented a marked reduction in mortgage acquisitions by savings and loan associations. Purchases of residential mortgages by FNMA increased sharply in the fourth quarter, and issues of mortgage-backed securities guaranteed by the Government National Mortgage Association (GNMA) reached a record level. An increase in net mortgage lending by life insurance companies contributed to a rise in commercial mortgage loans.

The relatively large decline in mortgage commitment and lending activity at savings and loan associations was largely a response to the uncertainty about future deposit flows in view of the firming in credit markets. With a slowing in deposit growth in the fourth quarter and a jump in the cost of borrowing from Federal Home Loan Banks (FHLBs) and other sources, savings and loans drew down holdings of liquid assets, causing the average liquidity ratio—cash and liquid assets divided by the sum of short-term borrowings and deposits—to fall. To encourage savings and loans to free more funds for mortgages, the Federal Home Loan Bank Board reduced minimum liquidity ratios near the end of the quarter and proposed a liberalization of limits on borrowing from sources other than FHLBs. Net borrowing from FHLBs by savings and loan associations declined somewhat in the fourth quarter.

Growth in consumer installment credit outstanding slowed substantially during the fourth quarter. The slackening was most pronounced for auto credit, presumably related to the substantial drop in auto sales. The moderation also may have reflected some retrenchment on the part of households, whose debt burdens have mounted over the course of the economic expansion. The amount of installment loans outstanding at credit unions contracted during the October-December period, the first quarterly decline in more than seven years. Primary reasons for the falloff in new loan extensions by credit unions were the net redemption of shares in the fourth quarter and the 12 percent ceiling imposed on consumer loan finance rates at federally chartered and most state-chartered credit unions. Rate ceilings were also a factor limiting consumer installment loans at some commercial banks; in 16 states, for instance, the statutory ceilings on new auto loans extended by commercial banks were 13 percent or lower (annual percentage rate), which was about the same as the marginal cost of lendable funds for banks during the fourth quarter. □

Production of Motor Vehicles in 1979

This article was prepared by Drucilla R. Hopper, Joan D. Hosley, and Dixon A. Tranum of the Board's Division of Research and Statistics.

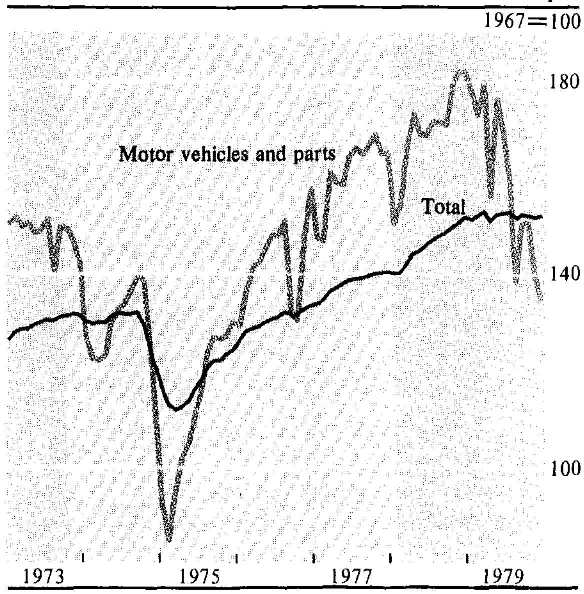
Production of motor vehicles and parts was cut back substantially during 1979, and by December was one-fourth below its level a year earlier. This reduction was related to a contraction in demand for large and less fuel-efficient models because of several factors: reduced availability of gasoline in the spring, concerns about future fuel shortages, extraordinary price increases in petroleum products, and the overall slowing of economic activity. Stocks of most new domestic cars and light-duty trucks reached excessive levels in the spring, and inventories remained high for many models throughout the year. Reflecting this situation, auto production was curtailed by temporary plant shutdowns and, later, by termination of second shifts at some plants. By year-end, more than 140,000 auto workers were on indefinite layoff status; some permanent closings of plants were also planned for early 1980.

The decline in motor vehicle production was a major factor retarding the growth of industrial output in 1979. At year-end, total industrial production was only fractionally above its December 1978 level (chart 1), but excluding motor vehicles and parts, output was about 2 percent higher than a year earlier. Last year's decline in auto output was about half as great as that from the first quarter of 1973 to the first quarter of 1975.

The energy problems encountered throughout 1979 led to marked shifts in the demand for motor vehicles toward smaller, more fuel-efficient cars—including subcompacts, some compacts, diesels, and imported vehicles. With sales of small cars increasing as a proportion of the total, U.S. producers generally did not fare well because their output was still weighted heavily toward the larger units for which demand was lower (table 1).

The shift in demand in 1979 was more pro-

1. Motor vehicle production and total industrial output



nounced than had been expected and could not be fully met by expansion in domestic production of small fuel-efficient cars and trucks. The accommodation to unexpected large-scale production shifts is limited by long and rigid lead times. However, a shift to more fuel-efficient cars already had been started by the industry in the planning, redesigning, and retooling for production of motor vehicles in order to meet the government-mandated fuel efficiency requirements.[1]

During most of the 1979 model year, despite declining sales, production schedules for larger cars were not pared fast enough to avoid a large buildup in inventories of such vehicles. Auto makers continued to assemble large cars at a relatively high rate for several reasons: (1) car manufacturers had anticipated another near-record year of auto sales for 1979; (2) with the possi-

1. The Energy Policy and Conservation Act of 1975 set the average fuel efficiency goals for autos at 19 miles per gallon for 1979, 20 for 1980, and 27.5 for 1985.

1. Automobile production and sales
Millions of units

Year, or quarter	Production U.S.	Sales						
		Total U.S. and foreign	Small cars				Standard cars	Intermediate cars
			Total	Foreign models[1]	Domestic			
					Compact	Subcompact		
1973	9.7	11.4	4.5	1.7	1.7	1.1	4.7	2.2
1974	7.3	8.8	4.0	1.4	1.8	.8	3.1	1.8
1975	6.7	8.7	4.7	1.6	2.4	.7	1.9	2.1
1976	8.5	10.1	4.9	1.5	2.8	.6	2.4	2.8
1977	9.2	11.2	5.4	2.1	2.3	1.0	2.8	3.0
1978	9.2	11.3	5.6	2.0	2.4	1.2	2.7	3.1
1979	8.4	10.7	6.1	2.3	2.1	1.7	2.1	2.4
1978[2]								
Q3	9.2	11.2	5.5	2.0	2.4	1.1	2.5	3.2
Q4	9.5	11.1	5.4	1.9	2.2	1.3	2.7	2.9
1979[2]								
Q1	9.0	11.6	6.6	2.3	2.0	1.9	2.7	2.7
Q2	8.8	10.7	5.9	2.5	2.2	1.8	1.9	2.2
Q3	8.1	10.8	5.8	2.2	2.3	1.5	2.2	2.7
Q4	7.3	9.8	5.9	2.4	2.0	1.5	1.9	2.1

1. Includes standard foreign cars.
2. Quarterly data are seasonally adjusted at annual rates.

bility of production being interrupted by a strike in September, producers were willing to have stocks of cars on hand somewhat larger than normal; (3) contracts for parts and components had already been made by the industry for the remainder of the 1979 model year; and (4) the industry apparently anticipated a swing in demand back to large cars such as the one that occurred after the 1973 energy crisis.

The drop in auto and truck production in 1979 also affected output in related industries, as could be expected. The amount of steel used by the motor vehicle industry declined significantly; original equipment tire production was cut sharply (a midyear strike occurred as well); and production of other auto-related goods, such as metal stampings, auto glass, and radios, was curtailed during the year. However, these related declines were not nearly so important for total industrial production as the decrease in the output of motor vehicles and parts.

Auto Production

Domestic production of autos totaled 8.4 million units in 1979, about 740,000 units less than in the preceding year; assemblies declined by about 30 percent between November 1978 and December 1979. Such overall comparisons, however, obscure the divergent movements in the output of large (standard and intermediate) and small (compact and subcompact) autos (table 2). Total small-car production rose somewhat from 1978, reflecting strong demand for smaller models and expanded capacity for their production. In particular, assemblies of subcompacts rose sharply, increasing more than a fourth from 1978 to 1.5 million units, more than two and one-half times the 1977 total. Output of large cars, on the other hand, declined nearly a million units from 1978.

The change in the composition of output was especially marked in the second half of last year. Production of many 1980 models was delayed to permit reduction of inventories, and in August the output of small cars exceeded, for the first time, that of larger cars in terms of contribution to total industrial production. Large-car production was again reduced in November and December in response to renewed weakness in sales. In comparison, small-car output peaked during the third quarter but then declined in the last quarter, as demand for these cars also weakened. The shift in demand from large to small cars was similar to the changes experienced during the 1973–74 oil embargo, but in 1979 small cars accounted for a much larger share of total auto output than

2. Domestic auto and truck production

Percent change from preceding year

Type	1973	1974	1975	1976	1977	1978	1979	Dec. 1979/ Dec. 1978
Autos	7.5	-22.0	-6.3	30.7	12.3	.1	-8.0	-27.5
Large	5.2	-33.2	-14.5	35.8	22.5	-8.4	-16.8	-44.1
Small	16.8	19.8	10.7	22.4	-5.4	19.5	7.7	4.4
Trucks	17.7	-5.0	-18.4	31.7	22.9	9.0	-14.4	-45.4
Personal use	24.0	-1.1	-4.9	37.4	15.8	10.2	-20.6	-46.1
Business	13.3	-8.0	-29.5	25.2	31.4	7.7	-7.7	-44.7

in the earlier period. Moreover, by early 1980 there was no indication of a shift back to larger models.

Auto Sales and Stocks

The shift in demand toward small, fuel-efficient vehicles began early in 1979, as concern began to mount about a possible gasoline shortage after the cutoff of oil supplies from Iran. Consumers increased their purchases of subcompacts and foreign cars and reduced their purchases of larger cars and trucks. In the second quarter, with severe gasoline shortages occurring in many parts of the country, sales of large cars dropped by a fourth (chart 2), and stocks of large cars at dealers increased substantially further.

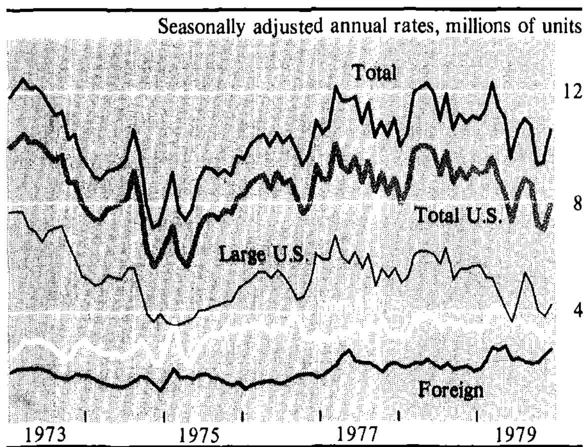
Consequently, the "days supply" (inventories related to the daily average of sales) of large cars reached a new high in June; the previous high had occurred in November 1974. Meanwhile, during the first six months of 1979, overall inventories of small cars were reduced sharply, mostly in the subcompact group. Stocks of several of the newer downsized compact cars, with fuel economy comparable to some of the subcompacts, remained at low levels throughout most of the year.

During the third quarter, in an effort to reduce large-car inventories, auto makers offered price discounts and rebates to buyers of most 1979 models to stimulate sales. And as mentioned earlier, producers delayed the introduction of the large 1980 models. But after the rebates were discontinued and the 1980 models were introduced at higher prices, large-car sales again fell sharply. Late in the year, new sales incentives were offered for certain 1979 and 1980 models; large-car sales again picked up somewhat but ended the year below the rate at the beginning. As buyers took advantage of the discounts to purchase large cars, sales of small cars declined a little in the third quarter, but ended the year at a rate higher than that at the beginning.

The sales incentives and curtailed production for the larger cars reduced inventories of these models by the end of the third quarter, but inventories rose again in the fourth quarter. Stocks of small cars rose to normal levels during the third quarter, but rising sales at the end of the year reduced them to the lowest level since May.

For 1979 as a whole, of a total 10.7 million sold, a record 22 percent were imported models (table 1). This shift in sales was stimulated by the decline in the value of the Japanese yen relative to the dollar during 1979, which allowed relatively stable prices on Japanese imports while prices of U.S. makes were being increased. In 1978, by comparison, prices of both Japanese and German cars had been increased frequently because of the declining foreign exchange value of the dollar, and these cars had lost their

2. Sales of new U.S. and foreign autos



3. Dealer stocks of new domestic cars, 1979[1]

Month	Stocks (millions of units)			Days supply[2]		
	Total	Large cars	Small cars	Total	Large cars	Small cars
January	1.84	1.05	.79	62.2	57.0	70.0
February	1.86	1.10	.77	62.3	64.4	59.9
March	1.87	1.16	.71	59.5	68.4	49.3
April	1.80	1.16	.64	62.7	78.0	46.1
May	1.91	1.31	.60	70.3	98.2	43.7
June	2.00	1.34	.66	83.9	114.9	54.9
July	2.09	1.38	.71	77.1	96.1	55.3
August	1.94	1.23	.72	67.0	69.6	61.7
September	1.86	1.09	.77	65.8	67.6	64.3
October	1.91	1.22	.70	81.7	93.1	64.6
November	1.88	1.20	.68	81.9	97.2	63.7
December	1.79	1.16	.64	68.7	84.5	51.6

1. Data are seasonally adjusted.
2. The days supply is the ratio of car inventories in units to the daily average of car sales. A 60-day supply of cars is considered adequate.

earlier relative competitive price advantage over American-made subcompacts.

Sales of foreign cars, generally more fuel-efficient than American cars, increased 16 percent in 1979. These sales increased sharply in the first quarter of the year from the fairly stable pace that had prevailed throughout 1978 and continued to rise in the second quarter, as the gasoline situation worsened (chart 2). Third-quarter sales slowed, probably reflecting tight supplies of imported cars as well as the price reductions and better delivery schedules for the large American cars. During the fourth quarter, sales returned to the record rate in the second quarter.

TRUCKS

During 1979, production of utility (personal-use) vehicles was also severely curtailed.[2] In recent years, consumers had increased their purchases of personal-use vehicles, and by the end of 1978, production was almost double the level of late 1974. With the growing popularity of these multipurpose vehicles, manufacturers had installed more comfortable cabs and more accessories, with accompanying increases in size and weight. Since these changes had reduced the already low fuel efficiency of these vehicles, sales were particularly hard hit by concerns about fuel availability and cost.

2. The utility vehicles group includes about two-thirds of lightweight truck production—a key component of the group. The lightweight truck group also includes vans and recreation vehicles.

With the energy crisis in the spring of 1979, sales of light-duty trucks plunged and stocks accumulated rapidly. During the second quarter, output was reduced substantially, and production lost during the transportation strike in April was not made up. In the third quarter, sales of the lightweight trucks recovered somewhat, but inventory levels remained high relative to sales and production schedules were again cut. Between the December 1978 production high and the August 1979 low, output was reduced more than three-fifths. This reduction, coupled with incentives that boosted sales in the latter part of the year, resulted in some paring of inventories from earlier highs. In contrast to the sales decline in these light-duty trucks, sales of imported trucks (mainly Japanese), which are smaller and more fuel-efficient, increased 39 percent from 1978.

Production of trucks for business use also was curtailed substantially in 1979. During the first half of the year, output of these vehicles increased slightly despite the strike-related decline in April. However, their production peaked in May and then fell sharply for three successive months, reflecting continued market weakness in light-duty, business-use trucks and the first signs of weakening demand for medium- and heavy-duty trucks. Sales of these larger trucks—frequently purchased on special order—decreased very slightly during the first half of 1979. Output of all business vehicles fell almost 45 percent from May to August. After a partial recovery in production in September, output dropped again in the fourth quarter. In the last recession, the decline from the January 1973 peak to the March 1975 trough had been about 45 percent.

OUTLOOK FOR EARLY 1980

Sales of domestic cars improved somewhat in January 1980, reflecting in part special programs to sell the remaining supplies of 1979-model large cars. Sales exceeded output during the month, and stocks of these units were reduced to more acceptable levels. Nevertheless, inventories of many models of cars remained high, and relatively low overall production schedules for the first quarter have been announced by the producers. In addition, programs promoting sales have been extended to some slow-selling 1980-model cars. Output of subcompact cars is expected to increase somewhat, while a further cutback in production of large cars is planned. Total auto output in the first quarter of 1980 is now scheduled to be about 7 percent below the fourth quarter of 1979 and roughly 25 percent below the level of the first quarter of 1979.

The recent weakness in the medium- and heavy-duty truck market and the continuing substantial inventories of light trucks have resulted in a further small cutback in production schedules for both personal-use and business trucks in early 1980.

In contrast to sales of domestic-model cars generally, sales of imported cars in January rose sharply and accounted for a record 27 percent of the car market. Foreign car producers, particularly the Japanese, are being urged to begin production of motor vehicles in the United States, as one German maker did in 1978. This producer also began production of light-duty trucks in this country in December 1979. □

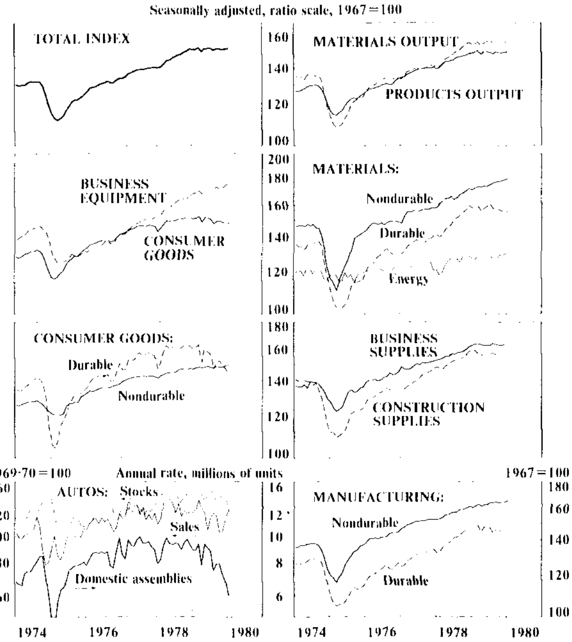
Industrial Production

Released for publication February 15

Industrial production increased in January by an estimated 0.3 percent; little change is now indicated for the three preceding months. In January, the output of business equipment rose strongly for the second month, and production of materials and consumer goods other than automotive products moved up further. Motor vehicles and parts output again declined sharply. The total index for January, at 152.7 percent of its 1967 average, was 0.8 percent above its level a year earlier but fractionally below the March 1979 high.

Output of consumer goods declined slightly in January as auto assemblies—at an annual rate of 6.0 million units—were about 11 percent below the rate of 6.8 million units in December. Production of other consumer durable goods rose 0.3 percent in January, and production of consumer nondurable goods, paced by advances in output of consumer fuels and chemical products, rose 0.4 percent. A further rise of 1.0 percent in output of business equipment reflected strength in commercial and manufacturing equipment and a large increase in the production of building and mining equipment. The latter represented both continued strength in oil and gas well drilling and a post-strike rebound in output of construction and mining machinery. Production of construction supplies again declined slightly.

Output of durable goods materials edged up in January as production of equipment parts advanced further; however, output of basic metals, particularly raw steel, and parts for consumer durables continued to decline. Production of nondurable goods materials increased for the seventh successive month with another large gain for chemicals. Output of energy materials rose 0.8 percent.



Federal Reserve indexes, seasonally adjusted. Latest figures: January. Auto sales and stocks include imports.

Type 12 Industrial production	1967 = 100		Percentage change from preceding month						Percentage change Jan. 1979 to Jan. 1980
	1979	1980	1979					1980	
	Dec.[p]	Jan.[e]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	
Total	**152.3**	**152.7**	**−.8**	**.5**	**−.1**	**−.1**	**.1**	**.3**	**.8**
Products, total	149.9	150.1	−.7	.8	−.2	−.1	.3	.1	.6
Final products	147.2	147.4	−1.0	1.1	−.3	−.1	.3	.1	.9
Consumer goods	148.9	148.4	−1.7	1.0	0	−.5	0	−.3	−1.5
Durable	147.6	144.4	−6.2	2.9	.5	−2.2	−1.1	−2.2	−10.0
Nondurable	149.4	150.0	.2	.3	−.2	.1	.5	.4	2.2
Business equipment	174.5	176.3	.1	1.2	−.9	.4	1.0	1.0	4.9
Intermediate products	159.8	160.1	.8	−.5	0	−.1	.1	.2	−.4
Construction supplies	156.3	156.2	.6	−.6	.3	−.1	−.3	−.1	−1.8
Materials	156.1	156.6	−1.0	.2	0	−.1	−.1	.3	1.0

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

Statements to Congress

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, January 24, 1980.

I appreciate the opportunity to appear before this committee today to discuss questions relating to money market mutual funds. The spectacular growth of these relatively new intermediaries certainly must be regarded as one of the major financial events of the past year. The assets of money market funds are rapidly approaching the $50 billion mark, an almost fivefold increase since the end of 1978. The number of shareholder accounts over the same span has risen from about 500,000 to close to 2 million.

The substantial growth in both total assets and the number of shareholders indicates that many households, businesses, and institutional investors have elected to allocate at least a portion of their investable funds and transaction balances to money market fund accounts. For investors with limited resources, the funds are a convenient substitute for investing directly in the money market. For a management fee, the funds pass through the earnings of a diversified portfolio of large-denomination, short-term investments. Diversification in such market instruments would otherwise be beyond the means or expertise of most households and many institutional investors.

The escalation of interest rates on money market obligations to levels well above the rate ceilings applicable to time and savings deposit accounts at banks and thrift institutions has greatly enhanced the competitive position of money market mutual funds. To be sure, there would have been a substantial increase in direct market investment in any event, given the rate differentials that have prevailed. But the money market mutual funds, by offering an alternative investment tailored to customer needs, have provided the market's most successful response to rate controls on deposits.

Thrift institutions and many commercial banks are constrained in their capacity to pay market rates of return on all deposit liabilities because a substantial share of their assets, being long-term in character, carry the lower interest rate returns of the past. Indeed, the increased attractiveness to depositors of market instruments, including the shares of money market mutual funds, has led banks and thrift institutions to promote aggressively the money market certificate—their one short-term deposit instrument whose ceiling rate rises in tandem with six-month Treasury bill rates. This has increased markedly the average cost of deposits, so that many depositary institutions—especially those with large mortgage portfolios—have been experiencing substantial downward pressure on their earnings margins.

Both commercial banks and thrift institutions have undoubtedly lost deposits to money market mutual funds. To be sure, large money center banks, as well as a few of the thrift institutions, have been able to recover some of these losses through reinvestments by the mutual funds in their large-denomination certificates of deposit (CDs) and other liabilities. On net, money market fund acquisitions more than accounted for the increase in large CD balances at banks in 1979. Money market funds, however, also invest in the deposits of overseas banks and branches (Eurodollars) and in commercial paper and other domestic money market instruments. It is impossible to assess with any precision the ultimate consequences for the distribution of credit of this rechanneling of funds flows, but one result clearly has been some net shifting of financial resources away from local credit users and away from the mortgage market.

The introduction this month of the two and one-half year "small-saver" certificate, permitting both banks and thrift institutions to pay rates of return indexed to changes in market rates, should enhance the competitive position of depositary institutions, especially if short-term market rates begin to decline and if expectations of further declines become widespread. The effective ceiling rate is about equal to yields on comparable market instruments, and both thrift institutions and banks have the advantage of a local presence. Other things being equal, I am convinced that most people prefer dealing with local institutions.

In recent years, the financial regulatory agencies have taken a number of such steps to provide the opportunity for savers to obtain something more nearly approaching a market-determined rate of return at depositary institutions. This is admittedly a slow process, because of the earnings constraints imposed by the heritage of low-rate, long-term assets at many of the institutions. But I believe that our actions are quite consistent with our commitment to the gradual deregulation of maximum rates payable on deposit instruments. The extension of Regulation Q-type ceilings to money market mutual funds, which some have proposed, would run counter to this thrust.

To limit the yields on money market funds not only would be anticonsumer—and inconsistent with the nation's need to encourage saving—but would also fail to recognize the inherent distinctions between deposits and money market fund shares. Deposits at federally insured institutions offer the saver assets that are absolutely free of risk of loss of principal, up to the $40,000 insurance limit per account, and that bear a fixed yield to maturity. Money market fund shares, on the other hand, are uninsured investments that offer no certainty with respect to the yield that will be earned over time. I do not want to leave the impression that there is a substantial degree of risk in money market funds—that does not appear to be the case. But they do entail some uncertainties not shared by deposits, and these should be understood by savers.

The statements of policy that money market funds must file with the Securities and Exchange Commission (SEC) generally restrict the investments to high-quality, short-term money market instruments. There is the possibility, however, that a fund's investment in a particular asset could represent a large enough share of the market so as to render the securities virtually illiquid in certain circumstances. Moreover, there is some exposure to a change in capital values in the event of dramatic changes in interest rates, although this risk is not appreciable so long as average asset maturities are kept short. Portfolio maturities currently average only about 40 days, but there is no assurance that they may not lengthen in the future. Also, there is always the possibility of loss on fund assets, through defaults by commercial paper issuers or other borrowers, though this is minimized by the high-quality commitment on paper held.

Money market mutual funds operate under the rules of the SEC, as stipulated by the Investment Company Act of 1940. Oversight by the SEC generally encompasses such considerations as the truthfulness of advertising, the fairness of valuation methods, and the use of legitimate investment and management practices. I presume that these and similar factors are being effectively monitored by the SEC, thus providing protection against risk of loss as a result of management impropriety.

Money market mutual funds generally allow shares to be transferred to third parties by wire and, often, by the use of check-like drafts. Shareholders thus are able to use these accounts for transaction purposes above specified minimum amounts. As substitutes in part for demand deposit checking accounts and for savings accounts, the rapid growth of the money market funds clearly has had an impact on the performance of the monetary aggregates.

Data regarding the transaction uses of balances in money market mutual funds are very limited, but reported average turnover rates are relatively low—much lower than those for demand deposits and about in line with those for savings deposits. This may indicate that high minimum check sizes or check charges limit considerably the use of money market funds for transaction purposes. It may also be that the major portion of the amounts held in such accounts is intended for investment purposes, with only a small portion being regarded by holders as balances available to support ordinary transaction needs. In recognition of the substitutability of money market mutual fund shares for transaction and savings balances at depositary institutions, however, the Board plans to include such shares in its redefinition of the monetary aggregates to be published next month.

This brings me logically to the question of whether reserve requirements need to be applied to money market funds in order to enhance monetary control. The Board's answer at this point is that it does not appear to be a critical problem. There are, after all, a wide variety of financial instruments, having varying degrees of liquidity, that may act as substitutes for deposits. But if money market fund shares over time begin to exhibit more clearly the characteristics of transaction accounts, we may have to reconsider our position. So long as balances may be accessed by checkwriting or other immediate transferability features, the possibility remains that they may develop into a substitute payments system. If so, and in the context of our pressing need for a system of universal reserves on transaction balances as a means to insure effective monetary control, extension of the concept to money market mutual fund shares would then come to be in the public interest. □

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, January 25, 1980.

Mr. Chairman, I welcome the opportunity to appear before your committee today to discuss the Federal Reserve System's budget performance for 1979 and budget outlook for 1980. This marks the fourth consecutive year I have testified before your distinguished committee, and as before, I am pleased to report continuing success in holding the line on expense growth while achieving unit cost reductions and productivity increases in the face of increased responsibilities, inflation, and volume expansion. This success is a tribute to the exceptional Reserve Bank management and Board senior and line management, to the planning and budget control processes, and to the painstaking efforts of all involved in preparing and adjusting to the budgets of the District Banks and of the Board.

1979 Budget Performance

Before commenting on the System's 1980 budget, I would like to review our budget experience in 1979. As indicated in my testimony last year, the 1979 Reserve Bank budgets were adjusted upward for implementation of the Community Reinvestment Act and improved civil rights examination procedures, bringing the approved 1979 budget to a level of $754.4 million—$39.9 million or 5.6 percent above 1978 actual expenses. Total expenses for 1979 are now estimated to be $762.1 million, $47.4 million or 6.6 percent above the year earlier. The biggest contributing factor to the budget overrun of 1 percent was the largely uncontrollable expense for the cost of Federal Reserve currency.

Despite mounting work pressures in 1979, the Reserve Banks were able to reduce staff by 1.3 percent from the 1978 level, as compared with a budgeted decline of 1.1 percent. Our estimates for 1979 further reveal that Reserve Bank unit costs continued to decline in 1979, and productivity gains continued to exceed those in the private sector.

Operating expenses for the Board of Governors for 1979 are estimated at $51,454,000 or about 3 percent over the initially authorized budget of $49,862,000, reflecting both new demands placed on the Board during the year and the additional costs for the semiannual cost-of-living allowance for retirees. Expenses for the renovation of the old building and completion of the podium enclosure of the new building were other added factors.

1980 Budget for the Federal Reserve Banks

The Board of Governors has approved 1980 Reserve Bank operating expense budgets totaling $832.1 million, an increase of $70.0 million or 9.2 percent over estimated 1979 expenses. This increase compares with an average annual expense growth of 13.6 percent from 1970 through 1974 and an average increase of 6.8 percent from 1974 through 1979.

Approved Reserve Bank capital schedules project 1980 outlays of $134.7 million, an increase of $66.1 million over estimated 1979 capital outlays.

The 1980 staffing level was established at 23,095, a decline of 73 or 0.3 percent from the 1979 estimated level. This staffing level would bring the net reduction in staff to 3,624 or 13.6 percent since 1974. From 1974 through 1979 the System's productivity improvements have been averaging 9 percent per annum. The budget-year estimate of productivity gain is 8 percent.

The budgeted expense increase for 1980 results from the upward pressure on costs due to exogenous factors such as inflation, volume levels, labor market conditions, and legislative mandates, as well as endogenous factors such as upgrading and improving System services, facilities, internal management systems and procedures, and our investment in the people who work for the System.

Of the $70.0 million increase, salaries and benefits account for $40.2 million or 57 percent of the increase. Officers' and employees' salary expenses are increasing 7.8 percent or $26.6 million. Expenses for retirement and other benefits are increasing $13.6 million, primarily due to increased benefits to current staff and retirees, the social security base increase, and hospital-medical insurance increases. The 1980 budget review process focused on assuring that the Reserve Banks' personnel compensation programs would remain within the wage guidelines of the Council on Wage and Price Stability.

Total equipment expense for 1980 is expected to increase $9.1 million, accounting for 13 percent of the total budget rise. Higher maintenance fees on equipment, particularly the new high-speed currency equipment, and higher depreciation costs for capital purchases in 1979 and those planned for 1980 are partially offset by a decline in rentals.

Shipping expenses are expected to advance $6.0 million and account for 9 percent of the total budget increase. The sharp rise in shipping costs is a result of courier-rate increases due to higher fuel and labor costs, and System-directed efforts to decrease float and improve service. In addition, the System's compliance with the Service Contract Act affects our contracts for the transportation of cash and checks by requiring vendors to pay "prevailing wages" set by the Department of Labor. Obtaining full compliance with the Service Contract Act adds $500,000 to our 1980 budget increase.

Six percent of the total budget increase reflects the $4.0 million rise in the cost of Federal Reserve currency after the 13.3 percent increase in 1979. A marked increase in the rate of currency payments in some Districts continues both because of the proliferation of automated teller machines, which require new or high-quality used currency in order to function reliably, and because of our attempts to improve the quality of currency in circulation. A System effort to establish an overall currency quality standard and new technological advances in automated teller machine technology, which allow equipment to improve handling of currency of mixed grade quality, should provide some cost relief in future years.

The five objects of expense—salaries, benefits, equipment, shipping, and Federal Reserve currency—account for 85 percent of the total budgeted increase for 1980. Other sizable increases are expected in costs for materials, forms and supplies, utilities, travel, and rent, which together account for 9 percent of the total budget advance.

On a service line basis, the largest percentage expense increase in 1980 is expected in supervision and regulation in which the 1980 budget totals $77.1 million, an increase of 12.3 percent, or $8.4 million. These activities are highly labor intensive, and the increase in fact reflects a net staff addition of 53 in 1980 primarily for: (1) full implementation of the Community Reinvestment and Electronic Fund Transfer Acts; (2) expanded compliance reviews related to consumer protection and civil rights laws; (3) full implementation of the Board's expanded bank holding company inspection program; (4) expansion in the scope of examinations for the Financial Institutions Regulatory and Interest Rate Control Act (FIRA), and interagency electronic data processing examination procedures; (5) intensified efforts to detect problem situations in bank holding companies and member banks; and (6) assistance as required by the states in the examination of uninsured state-chartered branches and agencies of foreign banks under the International Banking Act (IBA). The 1980 budget provides for an increase of $1.0 million for the impact of the IBA.

The System has experienced relatively high turnover in the examination staffs in several Districts in 1979 due to the competitive demand for qualified people for bank management and other industry jobs. This problem will continue to add to expenditures in order to maintain and recruit qualified staff and to enhance training and education programs.

Expenses for services to financial institutions and the public constitute the largest portion of the System's total 1980 budget and are expected to increase by 9.2 percent, or $52.6 million. Expenses for services to the U.S. Treasury and government agencies are projected to increase 6.9 percent, or $5.6 million partly as a result of a projected increase in volume of 7.9 percent. Even without adjusting for inflation, unit costs are expected to decline at an average annual rate of about 3.3 percent from 1977 through 1980. Staff reductions totaling 165 are budgeted for these service lines.

Major System initiatives are under way in the payments mechanism area, which affect the increase in expenses for services to financial institutions and the public. During 1979 and continuing into 1980, considerable energy has been expended on encouraging the use of automated clearinghouse (ACH) services in place of the current check-clearing system in order to serve better the needs of the financial and business communities and to reduce float from transportation delays. Two obstacles to ACH expansion have been overcome by linking regional ACHs into a nationwide network and by improving the ACH funds availability and deposit deadline schedules. The expanded ACH schedules went into effect in the latter half of 1979, along with efforts to improve the commercial sector's understanding and participation in ACH payments services. We estimate an incremental $1.2 million will be expended in 1980 to improve ACH services.

System efforts are also being mobilized to achieve a level of float that is acceptable and appropriate to maintaining an efficient check-collection system without incurring excessive costs and without exacerbating our membership problem. Because the level of float experienced over the last several years is of particular concern to me, and to you also, let me digress for a moment to inform you of our varied efforts to reduce the level of float without jeopardizing the achievement of other System goals.

A reduction in float can be accomplished in several ways. Actions taken during the past year and those actions endorsed for 1980 fall into the categories of managerial techniques to improve the efficiency of check clearing operations, resource expenditures to speed up Federal Reserve processing, and policy changes regarding operations. These actions include (1) discouraging the use of remote disbursement, (2) developing and improving systems to monitor System float to reduce direct shipment float, (3) establishing annual float targets for each Reserve Bank, (4) reducing holdover float by increasing staff and equipment, and (5) reducing interterritory float by improving the design, flexibility, and timeliness of our interoffice transportation. These efforts have reduced the level of float from a high of $9.6 billion in January, to $6.4 billion in June, and to $5.9 billion in December 1979. Attachment 1 shows actual System float levels by quarter since 1975.[1] Given historical experience, we could have expected a fourth-quarter level of float around $9 billion to $11 billion without System intervention in the form of the above actions. The effect of these programs on the 1980 budget increase is $1.8 million, exclusive of transportation improvements currently under study.

To achieve further substantial reductions in float requires a change in System policy, which may increase operating costs for member banks and could affect our membership problem. Nevertheless, the Board has endorsed changing the methods for handling large dollar value checks by requiring the sorting out of all checks of $250,000 and above and has asked staff for

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

prompt preparation of a plan for electronic check presentment. In addition, the Board has instructed staff to review other means of reducing float such as increasing the on-time performance requirements for direct-sending banks. Lengthening the availability schedules to reflect more closely actual collection experience was rejected as a regressive step in the improvement of the payments mechanism and as a reduction in Federal Reserve services.

The steps we are taking to reduce float may be perceived by the banks as increasing the burden of membership, which adds to the urgent need for the Congress to act on membership legislation. Just as float is seen as reducing Federal Reserve earnings returned to the Treasury, the withdrawal of more member banks from the System, because of efforts to reduce float, would also diminish System earnings returned to the Treasury. It should be noted that Federal Reserve payments to the Treasury rose $2.3 billion, or 32.4 percent, to $9,279 billion in 1979.

Returning to our 1980 budget, there are several automation efforts being undertaken that have a significant effect on the direct and support expense increases for services to financial institutions and the public and services to the U.S. Treasury and government agencies. The System has formulated a long-range automation plan designed to standardize operating environments to allow standardized application software. Implementation of the plan, which has as its goal to increase the commonality of data processing operations in the twelve Districts and the Board, is to begin in 1980. The 1980 budget increase includes $4.5 million in operating expenses for salaries, benefits, software, travel, education, and equipment expenses to support the standardization program. The benefits of such a plan focus on the increased responsiveness of the System to policy changes and technological innovations, faster response to changing service needs of the national market, and a lessened growth of data processing personnel.

During 1979 the network design and implementation planning phase for a new Federal Reserve Communications System were completed. In 1980 we will turn toward software development, equipment acquisition, and pilot operations. The project, referred to as FRCS-80, involves the implementation of a successor to the present data communications network. Such a successor would satisfy the internal communications requirements of the System, including contingency backup, standardization, resource sharing, and flexibility, and would provide a communications capability for services to the financial community, the Treasury, and other government agencies. The impact on the 1980 budget increase is $1.1 million.

Another key automation effort influencing the 1980 budget is the implementation of high-speed currency equipment to achieve improvements in operating efficiency and productivity. Installation of these machines began in 1978 and will continue through 1982. Several different vendors were involved in developing prototypes, for competitive purposes, but only two appear to offer a cost-effective potential. Although the machines require a heavy capital expenditure, the benefits are substantial in terms of increased efficiency, security, and long-run staff reductions.

The projected staff declines in 1980 for services to financial institutions and the public (a reduction of 135) and services to the U.S. Treasury and government agencies (a reduction of 30) are the result of completed automation programs and operational improvements. The new currency processing equipment is already yielding savings in the New York, Cleveland, Atlanta, Chicago, and Minneapolis Districts. Automation efforts in the areas of return items, cash functions, savings bond operations, and government securities have yielded staff reductions in several Districts. Boston, Cleveland, and Richmond have found staff savings through consolidating fiscal departments and centralizing the savings bond activity. The completion of revised custody control standards has allowed New York to reduce staff, and the Minneapolis program to reduce coin wrapping has allowed that District to cut staff. Chicago anticipates the reduction of 80 people in 1980 through the expansion of the regional check processing center clearing territory in late 1979.

The fourth service line is monetary and economic policy, which includes the Open Market function at New York and the research and statistical function in all the Reserve Banks. Expenses are expected to increase 8.7 percent, or $3.4 million, while employment is expected to increase by 13, or 2.2 percent. The increases in expenses and employment are primarily attributable to new and revised Board-mandated data reporting requirements for more effective monetary control.

Capital outlays for 1980 are significantly higher than estimates for 1979 and are primarily for automation requirements and construction and renovation programs for our facilities. Outlays for data processing-data communications equipment total $45.6 million and include computer systems at Richmond, St. Louis, Minneapolis, Kansas City, and Dallas; telecommunications equipment at New York; and acquisition of check processing equipment in the New York, Philadelphia, Chicago, Dallas, and San Francisco Districts. Outlays for other equipment total $16.8 million primarily for high-speed currency processing equipment. The budgeted outlays for building machinery and equipment ($8.3 million), furniture, furnishings, and fixtures ($7.4 million), and buildings ($49.6 million) are primarily for new buildings at Baltimore, Miami, and San Francisco, and renovation projects at New York, Omaha, Kansas City, and offices in the Dallas District.

The 1980 budget planning process began in early 1979 and culminated in the approval of a 1980 Reserve Bank budget objective setting an upper limit of 8.0 percent on expense growth for known factors and adding 1.0 percent to cover the uncertain impact of legislation and System-directed programs in the areas of communication, automation, and the payments mechanism. Exclusive of resources budgeted for these developments, the 1980 Reserve Bank budget increase is 7.9 percent—within the established budget target. Our success in meeting budget targets for the last several years is attributable to the detailed planning efforts that go into coordinating the adoption of System policies in line with resource objectives.

1980 Budget for the Board of Governors

The 1980 Board of Governors' budget is $56.1 million, an increase of 9 percent over 1979 estimated operating expenses and 6 percent over the total of operating and capital expenditures for 1979. This increase compares with our estimate of the federal government's fiscal year 1980 increase over 1979 of something like 13 percent and fiscal year 1981 increase over fiscal year 1980 of about 9.5 percent. There are no capital funds for 1980 for the Board.

The Board-authorized staffing level for 1980 is 1,561, which compares with 1,537 and 1,578 for 1979 and 1978 respectively. The increase from 1979 to 1980 is largely a result of new legislative requirements and the System's automation standardization plans. It should be pointed out that there was a 2.6 percent drop in authorized positions from 1978 to 1979. Actual employment is, of course, somewhat less than authorized, and we accommodate the difference by funding our staff at a level lower than full authorization.

The Board's budget continues the trend of increases in the regulatory areas consistent with new legislative responsibilities, particularly with respect to the Community Reinvestment Act, International Banking Act, and Financial Institutions Regulatory and Interest Rate Control Act, other new consumer legislation, and Equal Employment Opportunity requirements. Increased expenses also reflect support to the new Federal Financial Institutions Examination Council and a continuing effort to improve our regulations.

Since personal services account for 82 percent of the Board's budget, the federal government's pay policies, which we largely follow, have a significant effect and, indeed, the 11 percent increase in personal services costs had to be offset by a much lower increase in nonpersonal services to meet the final 9 percent budget. The lower nonpersonal services increase of 5 percent is a result of savings in space rentals, now that we are contained in our two owned buildings, and continued economy measures. In addition we have imposed a $400,000 savings target, which we expect to meet through managerial actions to be taken during the year. The multiyear construction projects to renovate the Board building and provide new space in our Annex building have been completed.

The Board's 1980 budget formulation process was built upon the extensive 1979 zero-base reviews. By concentrating on increments couched within the zero-base format, providing early budget guidance, and instituting additional automated budget presentation aids, the Board was able to reduce paperwork by 35 percent while increasing productivity of budget preparation and review. The Board's 1980 budget continues the constraints of the past few years with internal reallocations and minimal increases in staff to meet high-priority initiatives.

SUMMARY

We are proud of our record of keeping expense increases well below the inflation rate, of reducing cost per unit of output, and of improving output per manhour while maintaining the integrity, security, reliability, and quality of Federal Reserve services.

This year will be a year of challenge for the Federal Reserve System as changes in the financial industry and the economic and financial environment demand intensive regulatory, supervisory, and monetary analysis. The cost control and employment reductions of the past provide a streamlined organization to which in 1980 will be added emphasis on the quality and levels of System services, improvements in the operating work environments in the Districts, and a spirit of increased cooperative sharing of ideas, talents, and resources. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee of the U.S. Congress, February 1, 1980.

I am pleased to be here today to participate in these hearings on the President's *Economic Report,* to present to you my views on the state of the economy and to comment on what I consider to be the advisable course for economic policy. I believe there is now widespread recognition of the priority that must be given to controlling inflation. I welcome this opportunity to discuss the role of monetary policy in achieving the goal of price stability and to explore ways in which other policies also can contribute toward this end.

Shaping economic policy is not an easy task even at the best of times. But the task has been made considerably more difficult by the dramatic changes that have been occurring recently in the economic environment, both at home and abroad. Actions by the Organization of Petroleum Exporting Countries continue to place sharp upward pressures on the price of oil imported into the United States, while political disturbances in Iran and Afghanistan—among other things—have increased uncertainties about future petroleum supplies and defense spending. Here at home inflationary pressures have intensified, and these pressures have been accompanied by a heightening of inflationary expectations. While much of the acceleration in prices can be attributed to rising energy costs, our dismal performance in productivity has also contributed appreciably. In financial markets, high interest rates—themselves a by-product of rapid inflation—have induced further financial innovation and institutional changes, which in part have required changes in the way monetary policy is now conducted.

The uncertainties created by these developments are perhaps best highlighted by the almost universal failure of forecasts made at this time last year, and throughout most of the year, to predict accurately the continued expansion of economic activity in 1979. Despite the shocks from very large oil price hikes, fuel shortages, and major strikes, as well as the imposition of restraining macroeconomic policies, the economy proved to be remarkably resilient. Growth in real economic activity did slow in 1979 from the unsustainable 5 percent rate posted in the preceding year, but real gross national product still advanced 1 percent over the four quarters of 1979; the much-heralded recession never appeared.

The 1979 experience underscores how limited our ability is to project future developments. It reinforces the wisdom of holding firmly to monetary and other economic policies directed toward the evident continuing problems of the economy—of which inflation ranks first—rather than reacting to possibly transitory and misleading movements in the latest statistics or relying too heavily on uncertain economic and financial forecasts. In retrospect, recharting policy to respond to tentative signs of a faltering economy last year would have proven extremely costly to our anti-inflation effort.

One of the major reasons why the forecasts for 1979 went wrong was the unanticipated behavior of consumers. Despite the virtual cessation of growth in real disposable income over the year, consumption outlays continued to advance. The desire of households to accumulate goods was, no doubt, induced in part by the expectation of worsening inflation. Indeed, surveys of consumer attitudes showed inflationary expectations in the double-digit range virtually throughout the year. Consumers could see both their savings and income being eroded by inflation and were willing to incur more debt and to save less in order to sustain their standards of living or to buy tangible assets in anticipation of further price rises. As a result, debt burdens reached new highs in 1979 and the saving rate at the end of the year was down to its lowest level since the Korean War. One of the major uncertainties as we enter 1980 is how long consumers may be willing and able to maintain behavior without much earlier precedent.

It was encouraging that the nation's trade balance improved somewhat last year despite a dramatic increase in the value of our oil imports. Export volume—for both agricultural and nonagricultural products—increased by about 10 percent. Export markets thereby helped significantly in sustaining domestic production in 1979.

If the forecasts have proven to be wrong about a recession in 1979, they do, I believe, reflect elements of potential weakness in some key sectors and an increased overall vulnerability following five years of expansion accompanied by the distortions of inflation. One major area of weakness has already been evident—the auto sector. Auto demand was damped last year by a series of shocks—large gasoline price hikes, gas shortages, and concerns about future fuel availability. Car sales dropped sharply in the spring and car stocks backed up. Price cutting and company-sponsored incentive programs helped work off excessive inventories in the summer. On balance, however, demand appears to have weakened, with auto sales in the fourth quarter at the lowest level since 1975. Indeed, sales have dropped to the point that much of that adjustment may be completed.

Housing sector activity also slackened substantially. The rate of private housing starts moved down early in 1979 from the 2-million-unit pace that prevailed in 1978 and averaged $1^3/_4$ million units during the first three quarters of 1979. Late last year starts fell again, to an average of $1^1/_2$ million units in the final two months; permits for new construction declined even faster. The decline in residential construction last year reflected tighter conditions in mortgage markets as well as some reduction of demands owing to weaker financial positions of potential homebuyers.

In the business sector, there was a loss of momentum in capital outlays during 1979 as the fundamental determinants of spending became less favorable. Growth of final sales slowed considerably after the first quarter, the capacity utilization rate in manufacturing edged lower, nominal financing costs rose throughout the year, and business sector balance sheets came under increasing financial pressure. Reflecting these developments, advance indicators of capital spending—such as orders and contracts—showed no real growth during the year, and surveys of planned outlays for 1980 also suggest a further moderation in real capital outlays.

The slowing of economic activity during 1979 was accompanied by a less rapid increase in employment, but the moderation in employment growth did not keep pace with the deceleration in output growth. Although real output rose by 1 percent over the year, total employment increased 2 percent. At the same time, however, growth of the labor force slowed. As a result, the overall unemployment rate remained within a narrow range of $5^3/_4$ to 6 percent.

Despite the moderation of output growth last year, inflation worsened, and inflationary expectations became more deeply imbedded. The acceleration in overall inflation in 1979 was due in significant measure to the sharp rise in the price of imported crude oil that resulted from the series of price hikes instituted by OPEC. In addition, prices of domestic crude oil and many other energy items also rose dramatically. Inflation, however, was not confined to the energy sector as underlying cost pressures intensified throughout the economy, and prices, excluding energy and food, rose faster than in the year earlier.

By last fall it was evident that inflationary conditions had deteriorated further and threatened not only the stability of the U.S. economy but also our position in the world economy. In response to the measures taken in November 1978, the value of the dollar had risen, and this strength continued into the first five months of 1979. However, the failure of the U.S. inflation rate to moderate, an acceleration of money and credit, and the rapid rise in oil prices all contributed to downward pressure on the dollar in the summer. The dollar's weakness intensified in September despite heavy intervention purchases of dollars by U.S. and foreign authorities.

MONETARY POLICY IN 1979

Early in 1979, growth of the monetary aggregates was effectively under control. But during the spring and summer, money growth was much faster than the Federal Reserve's longer-run targets. The System took a series of actions, through its open market operations and through increases in the discount rate, designed to contain excessive growth of money and credit. But with continuing rapid growth of the aggregates and with foreign exchange developments contributing additional upward price pressure and exacerbating inflationary expectations, it became clear that firm action was needed to avoid even higher inflation. The risks were underscored by an apparent buildup of speculative pressures in commodity markets in September. The danger was that the bidding up of prices in these markets not only would in itself reinforce the inflationary trends but that it would also lead to an unsustainable surge of buying. This was the setting in which the Federal Reserve took its October 6 policy actions to deal with inflationary pressures and defuse expectational forces. It was a setting, too, that emphasized the fundamental point that defense of the dollar internationally depends first of all on actions at home to deal with our domestic economic problems.

As I have indicated on previous occasions, the new steps did not involve any change in our basic targets for the various monetary aggregates in 1979, but they did provide added assurance that those objectives could be achieved. Indeed, our immediate objective was to rein in money and credit growth.

Although explicit targets for monetary growth have been a central feature of monetary policy for several years, the operational guide for day-to-day open market operations before October had typically been the federal funds rate. However, the translation of money stock objectives into day-to-day management of this rate presupposes a stable and predictable relationship between the public's demand for cash balances and short-term market rates of interest. This relationship becomes particularly difficult to appraise in an environment of rapid price increases, changing inflationary expectations, and financial innovations. Consequently, the Federal Open Market Committee decided to emphasize controlling the volume of reserves available to support deposits in the banking system.[1] This change in procedure was supported by two other measures—an increase in the discount rate and a marginal reserve requirement on increases in the managed liabilities of larger banks. Our purpose in this program was to signal clearly and forcibly our unwillingness to finance an accelerating rate of inflation and our desire to "wind down" inflationary pressures.

Following these actions taken nearly four months ago, there was a period of turmoil and unsettlement as the markets appraised and adjusted to the new approach to implementing monetary policy. Initial reactions in some markets may have been exaggerated, but at least they reflected an appreciation of the seriousness with which we viewed the problem of containing inflation. Now the financial markets appear to be functioning in a more orderly fashion.

With regard to our immediate objectives of controlling monetary and credit developments, I can report that the overall results have been remarkably in line with our intentions. Specifically, there has been a clear and significant moderation in the growth of money and credit. Growth in M-1 over the September to December interval was well within the interim target of $4^1/_2$ percent or lower set by the Federal Open Market Com-

1. A technical description of the new procedures is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

mittee in early October, and growth rates for virtually all the aggregates have subsided markedly from the excessive pace of the spring and early summer of last year.

In terms of our ultimate goals, the picture is much less clear. Fears expressed by some of a precipitous drop in economic activity have not been borne out, as the economy has continued to grow at a modest pace in spite of the tighter policies. But the economy's strength reflects in part consumer buying on credit or out of savings in anticipation of continued inflation, and this does not bode well for the long run. Other developments since October have not been encouraging. Inflation remains about where it was, and gold and commodity markets are once again highly volatile—a development certainly related in large part to international political and economic developments. These same developments had an impact on exchange markets. The dollar retraced most of its rise after October 6 but has held steady in recent weeks.

We could not reasonably have expected to see any significant damping of inflation over such a short period of time. But, we must also recognize that clear progress on the price front has probably been set back by at least a further quarter or two as a direct result of the round of oil price changes since early December, and the international disturbances have seemed to reinforce concern about future inflation. This part of the picture is not a happy one. But, I would remind you that lags between action and reactions are well-known, so we should be neither surprised nor disheartened by the recent data. Monetary policy—restraint on growth of money and credit—is only effective over time; but experience shows that, with perseverance, it can and will be effective. Recent events seem to me only to reinforce the need for disciplined policy, and I remain hopeful that signs of progress will emerge over the next year.

LOOKING AHEAD

With this background in mind, let me now turn to a discussion of appropriate public policies over the near term. Monetary policy has a central role to play in combating inflation. But our recent experience underscores the complexity of the inflationary process—prices respond to a host of factors, including credit growth, demand management policies, external price shocks, productivity trends, expectations, and many others. In view of this, I believe that we must develop a coordinated set of policies designed to attack inflation from a number of directions rather than placing the entire burden on monetary policy. In theory, monetary policy could do the job alone; in practice, complementary policies are needed to smooth the path and build the base for sustained growth. Moreover, if we are to return to a noninflationary environment, it must be recognized that persistent application of anti-inflation policies over an extended period is essential. I am happy to note that the administration has emphasized these points in its discussion of policies for stability and growth.

As we develop such policies, I would note that our margins for error in some important respects are smaller today than they used to be. In particular, I would underscore the importance of avoiding errors on the side of excessive stimulus in an environment in which inflation is already deeply imbedded, a point also stressed in the President's *Economic Report*. When inflationary expectations are so volatile, we run the grave risk that stimulation will be dissipated to a large extent in higher prices rather than increased output. That is one price we pay for permitting inflation to make the headway it has for so long. The potential costs of acting on the basis of forecasts of slack that later prove to be incorrect are all the higher in view of potential strains or disruptions that could arise—for example, in the energy sector—that would further exacerbate inflationary pressures. In that connection, I am aware, as I am sure you are, that decisions on defense spending will need to be taken into account in appraising the outlook.

I know the committee does not expect me to deal in detail with our monetary objectives, pending testimony in relation to the Humphrey-Hawkins procedure. However, in terms of the broad posture of monetary policy, these considerations translate into a prescription for persistently working toward noninflationary growth of the money supply. There are questions on how fast money growth should be cut back and technical issues of how to implement monetary policy, but I see no satisfactory alternative to slowing the growth of money. Our policy, viewed in a long-term perspective, rests on a very simple premise—that the inflationary process is ultimately related to excessive growth in money and credit. This relationship is of course a complex one, and there are many facets of it that are sensitive to nonmonetary economic variables. But, in spite of all the nuances, it is clear that inflation cannot persist over the long run in the absence of excessive monetary growth.

In this context, let me make an important analytic point—maintenance of restraint on money and credit is consistent with movements in interest rates in response to market forces as they reflect credit demands, trends in economic activity, and, over time, inflation. Whether, when, and to what extent interest rates move higher or lower, these changes should not be misinterpreted or misconstrued as a departure from our intent to maintain disciplined growth in money and credit over time. In that connection, I would emphasize that the prospects for sustaining any declines in interest rates that might develop in any cyclical downturn will ultimately depend on success in the fight against inflation. In that context—but only in that context—lower interest rates would not only be appropriate in facilitating recovery, but they would also be evidence that the foundations were being laid for a healthier domestic economic situation and one consistent with a stronger dollar internationally.

Other Anti-Inflation Policies

I pointed out earlier the need for a coordination of policies in order to avoid unnecessary costs and disruptions as we work to restrain inflation. Fiscal policy potentially can play a key role. In the past, however, there has been far too much of a willingness to accept budget deficits, in good as well as bad years.

I believe it is imperative to keep the goal of budgetary balance in the forefront of our thinking about spending and revenue decisions, even though our progress may at times be interrupted by cyclical developments. It is particularly important, in my view, that tight control be exercised on total expenditures, and that we work away at the objective often stated by the President in the past that the share of government spending to total GNP be reduced. In the current international environment, that may not be feasible every year, but if and as defense priorities rise, the clear implication is that we cannot shrink away from even more intense scrutiny of nondefense spending. Moreover, budget revenues must be managed prudently, and I especially applaud the President's decision to refrain from recommending any new stimulative tax incentives at this time.

I am well aware that a strong case can be made for well-structured tax changes; as the chairman of this committee has often pointed out, we should act to remove "supply-side" disincentives in the tax system. But desirable as some types of tax cuts may be, particularly to help deal with the urgent underlying problems of productivity, costs, and incentives, such a program needs to respect the fiscal priorities. Otherwise the potential favorable effects would be swamped by a new spur to inflation, even more congested credit markets, and more economic instability. Put simply, net tax reduction can only be earned by restraint in expenditures over time, and that time has not yet come.

When the time does come for tax reduction, it should be designed with a sharp focus on achieving the nation's goals. A number of possible tax measures to reduce costs could be considered in this regard, including for example reexamination of the extent to which we rely on payroll taxes. But, it seems to me, tax restructuring should place major emphasis on stimulating business investment and enhancing productivity growth. To my mind, it would be a policy mistake of the first magnitude to dissipate opportunities for tax reduction, when and if they do arise, in measures that simply add to spending without helping to resolve the underlying problems.

Over the longer run, productivity growth is one of the keys to containing inflation, as well as being the prerequisite for raising living standards. Recent performance in that respect has been dismal. During the two decades following World War II, output per hour worked was rising on average about 3 percent per year; since the mid-sixties, the increase has trended lower, climaxed by an actual decline in 1979.

One of the reasons for the slowdown in productivity growth over the past decade has been a slackening in the rate of capital formation. Indeed, the nation's stock of capital grew at only a $2^1/_2$ percent rate over the last five years—about half the pace of the preceding decade. Capital accumulation per member of the labor force has slowed even more dramatically; the stock of capital per worker has actually declined on average since 1975, and more of our present capital stock appears less directly "productive" in the sense that it is motivated by environmental or other considerations. It is clear, then, that we must design our economic policies in a way that will encourage saving and investment, and improve the rate of capital formation, if we are to ensure the ability of the economy to provide sustained advances in living standards and to meet those other objectives not captured in the production statistics.

Another element in the long-range program to increase productivity and living standards, and reduce inflation, would be a new look at the federal government's regulatory activities—both social regulations and economic regulations. This year's *Economic Report* discusses the need for striking a proper balance in regulation, an area where, I sense, sound concepts of comparing costs with benefits have been sorely lacking. I do not underestimate the difficulty; reality is complex and each new regulation seems to generate its own vested interests, with talented and vocal advocates. Yet, instances where obsolete government intervention actually hurts, rather than helps, the consuming public have often been cited, and newer regulations can be challenged on the same grounds. Even in areas where elimination of government regulation would clearly be inappropriate—such as the protection of the environment, health, and safety—I feel certain we can do a better job in assuring that the benefits of protection are weighed carefully against the costs of achieving them.

In the context of declining productivity, it is even more apparent that moderation in wage growth is needed if we are to gain control over inflation. Last year, hourly compensation increased about 9 percent. Combined with an actual decline in productivity of more than 2 percent, these wage increases drove unit labor costs up more than 11 percent—a marked acceleration from 1978 and thus a substantial source of added inflationary pressures. I welcome any assistance that can be obtained through cooperative and voluntary programs by way of educating business and labor as to the need for restraint and in heading off excesses. An effective program, emphasizing the ultimate futility of attempts to recover losses of real income required by productivity declines or external shocks potentially can dampen a ratcheting up of the wage-price spiral. But let us recognize, too, that experience here and abroad confirms that such programs cannot be the backbone of an anti-inflation policy. And, let us also appreciate, and avoid, the risk that such programs may lull us into thinking they are a substitute for monetary and budgetary discipline; in that event, the net effect would be counterproductive.

Of course, we will remain highly vulnerable to external developments so long as we are heavily dependent on imported oil. I will note, without belaboring a point that has been made so many times, that recent events only underscore the need to come to grips with this problem.

Part of the solution seems to me to require that we recognize the need to allow increases in the price of oil and related products to reflect their true scarcity. Sometimes the short-term impact of such a policy on the price indexes is cited as an almost insuperable obstacle to such an approach. To be sure, the short-term dilemma reinforces the need for firm anti-inflation policies to avoid further increases in inflationary expectations. But benefits over time would be substantial, for the longer we delay adjusting to the realities of the energy markets, the longer we will be vulnerable to spiraling prices at inopportune times, to say nothing of physical shortages.

The period we are now in surely will test our patience, our wisdom, and our common sense. The problems we face are not easy ones, and the policy decisions they call forth are not necessarily going to win popularity contests today. Yet, what strikes me is the understanding by the American people of some basic truths: the need for economic restraint, applied consistently and persistently; the fact that creation of money is no substitute for production and productivity; the absence of painless quick fixes.

You are better judges of the national mood than I. But I do have certain convictions. Events of recent years have given all of us—from our national leaders to the most humble citizen—some insight into what it means to really have to worry about the value of the dollar, at home and abroad, not just its implications for economic stability and for our national pride, but for our sense of value and our ability to exercise leadership in the world. There is no longer any soft or easy option of simply accepting another turn of the inflationary screw as a by-product of buying our way out of stagnation or slump. I also know the "payoff" over time from policies to restore stability and productivity can be huge for all Americans. That is why I feel so strongly we must "stick with it" until the job is done. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 4, 1980.

I am grateful for this opportunity to testify once again on certain proposals this committee is considering to ensure the continued capacity of the Federal Reserve System to conduct effective monetary policy in the years ahead. I am convinced that, after long debate and with a final effort by this committee, a fully satisfactory legislative solution can be enacted in a matter of weeks—legislation that would have broad support from the interested constituencies, would fall within acceptable limits of cost to the Treasury, and most important, would enable the Federal Reserve to maintain disciplined control of the money supply and to meet its other responsibilities for protecting the safety and soundness of the banking system.

The need for legislation is strongly reinforced by the decision of the Federal Reserve to adopt new operating procedures on October 6. These new procedures—which are described in an attachment to this testimony—place much greater emphasis on reserves as the instrument for controlling money growth.[1] Thus far, the procedures have worked reasonably well. But their effectiveness will be undercut as the share of money not subject to reserve requirements set by the Federal Reserve increases. Legislation to keep Federal Reserve control over the nation's reserve base from atrophying further is, in that context, an essential element in our anti-inflation program.

As we deliberate, the problem of attrition from Federal Reserve membership intensifies. In the three years that the Congress has debated this issue, the proportion of bank deposits held by member banks dropped from 73 percent to about 70 percent. That drop occurred despite the fact that many institutions have been willing to defer withdrawal from membership while awaiting legislation that would result in more equitable conditions. Now, it is evident that patience has run thin. During the fourth quarter of 1979 and the first few weeks of 1980, 69 banks with about $7 billion in deposits have given notice of withdrawal from membership. The loss of deposits in this short period exceeds that of any full year. The recent withdrawals by two very sizable banks in Pennsylvania, with more than $3 billion in deposits between them, seems to me especially significant. They show that much larger institutions than before are now prepared to take the step. As one banker has put it, the cost of membership is "too high a price to be a member of anything."

It is my judgment, and that of many others, that, in the absence of legislative action, the stream of member banks that withdraw will reach flood proportions. Financial innovation, shifting competitive patterns, and strong inflationary pressures with their related high interest rates, all have contributed to an increasing burden of membership. It has become progressively more costly and more difficult for banks to justify continuing their membership. It was not so long ago that, among medium-sized and larger banks, membership was pretty much taken for granted. Now in more and more areas of the country, that attitude is being reversed; it is continued membership that has to be justified to the stockholders and customers that ultimately shoulder the burden. Even banks conscious of the importance of a strong central bank and reluctant to give up a national charter find that justification

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

increasingly difficult or impossible in light of the heavy burden involved.

A recent survey by Reserve Banks, based entirely on information volunteered by members in the normal course of business, found that 320 member banks were considered certain or probable to withdraw. Another 350 were actively considering withdrawal. These 670 banks—some of which have already initiated withdrawal procedures—represent more than 10 percent of the System's membership and have in excess of $71 billion in deposits. If these banks, in fact, withdraw, deposits of banks holding federal reserves will decline to 64 percent of the deposits of the banking system. And there is no doubt in my mind that many more banks are considering withdrawal than have come to our attention and that the momentum will build further.

I would remind you that loss of members has several adverse effects on monetary control, the soundness of the banking system, and the strength of the Federal Reserve. As attrition causes the total amount of reserves held at Federal Reserve Banks to decline, the "multiplier" relationship between reserves and money increases and tends to become less stable. Consequently, fluctuations in the amount of reserves supplied—and these fluctuations inevitably have a range of uncertainty—can cause magnified and unintended changes in the money supply. As attrition increases the proportion of deposits held by nonmember banks, the possibility of unanticipated (and unpredictable) shifts of deposits between member and nonmember banks increases, destabilizing the relationship between reserves and money.

As banks leave the System, they also lose ready access to the Federal Reserve discount window. Operation of the window not only can assist otherwise sound banks to weather unexpected deposit outflows but also can provide an essential safety-valve function for the monetary system as a whole by enabling individual institutions to adjust more smoothly and without disruptions to changing credit conditions. At the same time, the Federal Reserve is losing the intimate supervisory surveillance of individual institutions important to the administration of the discount window and the effective discharge of our supervisory and regulatory responsibilities.

Finally, the structural consideration so central to the formation of the Federal Reserve System would become relevant again as larger and larger segments of the banking industry come to hold their entire operating and liquidity reserves at other commercial banks rather than maintaining balances with the Federal Reserve Banks. In this setting, localized strains may more readily be transmitted to other banks, and individual failures could have more serious repercussions.

Among the relevant criteria for evaluating any proposed legislation are how many banks are covered, the proportion of deposits held by those banks, and the size of the reserve base itself in relation to deposit totals. We have no formula for deciding precisely how large reserve balances need be, or how they should be distributed, to ensure effective monetary control and a well-functioning banking system. I am convinced that reserve requirements must be more equitably distributed among the nation's banks, and I also feel quite sure the Federal Reserve can meet its reponsibilities with a smaller reserve base than we now have. But I have grave doubts whether coverage and the reserve base could be reduced as drastically as in the bill (H.R. 7) passed by the House without serious adverse implications for monetary management.

Theorists have put forward arguments that, under certain operating hypotheses, required reserves may not be needed at all, let alone in sizable amounts. The rather abstruse arguments may or may not be valid in certain circumstances. But we at the Federal Reserve are not prepared—least of all at this critical juncture for our economy—to commit ourselves to experiments with monetary policy on the basis of untested theorizing about operating without sufficient reserve balances. You will properly hold us accountable for contributing to progress in dealing with inflation and the other economic problems that beset us. For our part, we must have adequate tools to meet that challenge.

In our opinion, a reduction in reserve balances held at Federal Reserve Banks (expressed in 1977 terms) to as little as $10 to $15 billion—or about $11.5 to $17 billion in 1979 terms—could prove adequate to conduct monetary policy, provided it is distributed equitably across depositary institutions having transaction accounts. But we are not certain of that outcome, and that level of balances—some 4 to 6 percent of transaction balances and less than 1.5 percent of total deposits in depositary institutions—might not even adequately support Federal Reserve operational requirements. For that reason we would strongly urge at least standby capacity to obtain somewhat larger balances—up to $20 billion or more in 1977 terms. H.R. 7, in contrast, provides for less than $8 billion of balances (in 1977 terms), distributed among only 450 banks.

The monetary policy need for an adequate level of reserve balances creates something of a quandary. Reduction of reserve balances of member banks to that level would not be sufficient to stem attrition in a purely voluntary system, because it plainly would not eliminate the burden of sterile reserves of federal members. On the other hand, a reduction in reserve requirements large enough to stop attrition would not provide a satisfactory level of reserve balances from the viewpoint of monetary policy. S. 353 would attempt to resolve this quandary, within the context of a voluntary system, by paying interest on the reserves held after some reduction. S. 85 and H.R. 7 approach the problem by making lower, non-interest-bearing reserve requirements mandatory for all depositary institutions having transaction types of accounts. However H.R. 7 provides too small a reserve base covering too few institutions. S. 85 would achieve a much more sizable reserve base than H.R. 7. But it does so at the expense of sizable requirements on time deposits—requirements high enough to burden significantly covered institutions relative to competing market instruments.

THE FEDERAL RESERVE MODERNIZATION ACT (S. 353)

As I just indicated, the amended version of S. 353, proposed by Senator Tower, would deal with attrition from Federal Reserve membership in the context of a fully voluntary system. The bill seeks to eliminate the burden of membership by reducing requirements against most deposits and mandating that all balances held at the Federal Reserve to meet reserve requirements earn interest at rates close to, but still somewhat short of, market rates. Access to services would be restricted to members and to other institutions voluntarily maintaining balances in an amount equal to those required of a member of the same deposit size and configuration. Those services would be fully priced.

Senator Tower's bill, unlike H.R. 7 and S. 85, provides for reserves on all savings deposits and on all time deposits of less than 180-day maturity. Such reserves would be interest bearing, and therefore would not have the same "tax" effect associated with such reserves in a mandatory framework. Thus, there would not be so strong an incentive to shift funds from these types of accounts because of the reserve requirement, a phenomenon that has been of great concern to the Board in the context of mandatory reserves on time and savings accounts. Nevertheless, it seems apparent that members would still feel somewhat burdened relative to other institutions. In that connection, I would point out that, to maintain an adequate reserve base, actual reserve requirements imposed within the framework of S. 353 would need to be in the upper part of the ranges specified in the bill.

I have examined this approach with care and have sympathy for its objectives because, as I have indicated to the committee before, I understand and share the nostalgia for retaining elements of voluntarism in the operations of the Federal Reserve System. But, we simply cannot rely on nostalgia in conducting monetary policy. It is the considered conclusion of the Federal Reserve Board that the voluntary approach cannot practically be made effective within the framework of acceptable revenue loss to the Treasury and other objectives. Indeed, it is our judgment that membership attrition would probably continue, although at a much slower rate.

Based on 1977 data, the cost analyses of the basic provisions of S. 353 that I have attached show that the net cost to the Treasury of implementing that bill would fall in the range from $450 to $520 million annually. This appears to be far in excess of amounts acceptable to the administration or to many members of the Congress. The bill also encompasses the possiblility of a *mandatory* supplemental deposit on transaction balances in an "emergency." As the appendix table indicates, with such supplementary deposits yielding $1^{1}/_{2}$ percentage points less than a market rate (as would be the case under the amendment to S. 353 supplied to the Board by Senator Tower), the net cost would still not be reduced to acceptable levels even if the supplemental provision were to be invoked.

The dilemma is that without payment of interest on reserves at or very near market rates, a purely voluntary system cannot stem attrition, but the payment of that interest drives up the cost. Moreover, it seems unlikely that—in view of the highly efficient correspondent banking network throughout the country—many nonmember institutions would be prepared to place equivalent balances with the Federal Reserve to obtain access to services. Indeed, under S. 353 the effectiveness of monetary policy, whether viewed in terms of the size of the reserve base or ongoing access to the discount window, might ultimately swing on the extent to which nonmember institutions maintained balances to obtain federal services. In any event, we would be left with the increasingly awkward problem of discriminating between members and nonmembers in the provision of certain services, such as automated clearinghouse payments, which for practical reasons cannot operate efficiently unless open to all depositary institutions. Indeed, even now nonmembers have access to those automated services.

Therefore, I must conclude that attention should be directed toward approaches that would apply reserve requirements to depositary institutions on a universal and mandatory basis. Such a universal approach has the enormous benefit of equitably applying reserve requirements to comparable accounts—at thrifts as well as banks, at members as well as nonmembers. This is particularly important with respect to rapidly growing components of the nation's basic money supply, negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts, many of which now escape reserve requirements altogether.

I can readily sympathize with the desire to maintain a voluntary system wherever possible in the provision of governmental services. But, it would be ironic indeed to insist upon the approach for philosophical reasons in an area—control of money—that is clearly a specified constitutional function of the federal government, even at the expense of impairing the effectiveness with which that function is discharged.

Supplementary Deposits

It is possible to reconcile the seemingly conflicting objectives of equity for financial institutions, acceptable limits on the loss of Treasury revenues, and the provision of a large enough reserve base to ensure the effective conduct of monetary policy by use of a standby authority for interest-earning supplemental deposits at Reserve Banks along the lines that I suggested to the committee last fall. Provision for such a supplemental deposit would permit us to attempt to operate with a relatively small reserve base, while providing a "safety net" should experience prove that base inadequate to obtain sufficiently precise control over the money supply. It would entail no added cost to the Treasury and virtually no cost to the banking system. And, from a legislative viewpoint, it could easily be made part of any of the bills before the Congress.

The amendment proposed for S. 353 in fact seems to accept the general logic of that approach. However, the preconditions for the imposition and retention of the supplement as specified in the amendment appear so restrictive as to impair its value. The amendment stipulates, for example, that the Board must find that the supplemental deposit is the *only* means to maintain effective control over monetary growth, and it requires a *unanimous* vote of the Board, provisions that might make it impossible to use the authority even if the overwhelming majority of the Board felt it had enormous advantages over any conceivable alternative.

The provision in the amendment that stipulates that the authority for the supplemental deposit will expire after four years is perhaps a still more serious flaw. It may or may not be needed in four years. But, if the expiration date came at a time when supplemental deposits were in place, an obvious problem would be created because the authority would not be in use at that time unless it was needed. On the other hand, the fact that it had not been used in four years should not indicate that it would never be necessary. We have no dispute with the point that the authority should not be used lightly, and we would be glad to propose procedural safeguards to reinforce that point without vitiating its potential usefulness in a time of need.

PROVISIONS OF SERVICES AND OTHER ISSUES

The amendments to S. 353 offered by Senator Tower to require charges for Reserve Bank services and for float are, in principle, acceptable to the Federal Reserve, and similar provisions are in other bills. We believe that pricing is a natural corollary to open access—but I would also emphasize, however, that open access and pricing are practicable only after reserve requirements are restructured and applied to all depositary institutions.

Pricing of System services likely will induce major changes in existing banking relationships. It may have differential effects on large and small, or city and rural, institutions. Overly rigid application of the principles, however sound these principles are, could cause disruptions in banking markets. Consequently, I would urge that the pricing provision allow a degree of flexibility in timing and implementation. For instance, it should be clear that the Federal Reserve need not precisely match costs and revenues for every service.

I would also urge that the Board be given authority, similar to that provided in H.R. 7, to permit exceptions to full-cost coverage where required by the public interest, competitive condition, or the provision of an adequate level of services nationwide. Indeed, the Board questions whether a charge for the receipt and disbursement of a new currency is appropriate at all. The government might normally be expected to provide that service, and in any event, the Treasury already earns some $7 billion per year from the provision of currency through the interest earned on securities held by the Federal Reserve as collateral against that currency.

The committee also should note that S. 353 does not address the technical problems relating to collateralization of Federal Reserve notes that can rise under legislation that reduces reserve requirements. We are prepared to supply an appropriate amendment that could be attached to S. 353 or to any bill that would deal with the problem.

CONCLUSION

I am convinced the essential elements of legislation to provide the Federal Reserve with the tools it needs to meet its responsibilities are at hand. The Board of Governors believes these elements should give concrete embodiment to the following principles, and these principles can be achieved without revenue loss.

1. Reserves should be applied to all transaction accounts. Some relatively low exemption level or a system of graduated requirements for the smallest institutions can be accommodated within this principle.
2. When and if reserve requirements are imposed on time deposits, they should be confined to short-term, nonpersonal accounts and should be at a relatively low level.
3. To establish comparable competitive conditions, reserve requirements should be equal for all despositary institutions offering comparable accounts.
4. Authority should be provided to ensure that the reserve base is of adequate size for the efficient and effective conduct of monetary policy.
5. Access to Federal Reserve services should be open to all depositary institutions with transaction accounts, and the Reserve Banks should, in principle, aim to recover the full cost of those services from pricing—provided all institutions have a comparable reserve burden.
6. Consistent with the dual banking system, institutions should remain free to choose a state or federal charter, and membership in the Federal Reserve System, with its implications for certain supervisory matters and for the election of Federal Reserve Bank directors, should remain voluntary.

These principles already are incorporated into, or could readily be added to, two bills that are before you: S. 85 and H.R. 7. Last September I testified at length on specific modifications to improve S. 85 or H.R. 7 to bring them more fully into line with the essential objectives, and I have little to add to the comments I made at that time.

In conclusion, let me express again the Board's deep concern that prompt action be taken to ensure that the Federal Reserve has, and for years to come will continue to have, adequate tools to manage the nation's monetary affairs and to ensure a sound and safe banking system. In light of the many new uncertainties facing our nation both at home and abroad, and the enormous challenge of dealing with inflation, we cannot responsibly permit attrition from membership to grow to the stage where it seriously disrupts monetary management and calls into question the strength and independence of the nation's central bank. I fear we will soon be perilously close to that point. The principles I have stated are consistent with prompt action. We must not permit the opportunity before us to slip away. □

Announcements

New Definitions of Money

The Federal Reserve Board on February 7, 1980, announced new definitions of money that will be used in the conduct of monetary policy.

The redefinitions, which have been under study for several years, were prompted by many financial developments that have reduced the significance of the old measures. Among these developments are the emergence of negotiable order of withdrawal (NOW) accounts, automatic transfer services (ATS), and money market mutual funds and a growing similarity between deposits in commercial banks and thrift institutions.

One of the new definitions is essentially the same as the old narrowly defined money supply (M-1) while a second concept will include transaction accounts of all depositary institutions.

The new definitions of money are as follows:

M-1A is currency plus demand deposits at commercial banks. This is essentially the same as the old M-1 with one exception—it excludes demand deposits held by foreign banks and official institutions.

M-1B equals M-1A plus other checkable deposits at all depositary institutions including NOW accounts, ATS, credit union share drafts, and demand deposits at mutual savings banks.

M-2 equals M-1B plus savings and small-denomination time deposits at all depositary institutions, overnight repurchase agreements (RPs) at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M-3 equals M-2 plus large-denomination time deposits at all depositary institutions and term RPs at commercial banks and savings and loan associations.

The Board also adopted a broad measure of liquid assets, L. L equals M-3 plus other liquid assets not included elsewhere such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

In addition to regular publication of these new measures, the Board will publish their principal components.

A detailed explanation of the new measures is published in this issue of the FEDERAL RESERVE BULLETIN.

Regulation E: Final Rules

The Federal Reserve Board on January 31, 1980, announced adoption of additional final rules to complete its Regulation E (Electronic Fund Transfers) and to implement the Electronic Fund Transfer Act.

The Board previously had adopted regulatory rules to carry out sections of the act effective February 1979 and May 10, 1980. The new rules concern other provisions of the act becoming effective in May.

The new rules are revisions of proposals published by the Board in October. In general, they deal with requirements for documentation of electronic fund transfers by financial institutions; notification requirements in connection with preauthorized electronic receipt of funds; requirements for prompt crediting of funds received electronically; procedures for resolving errors; and responsibility for compliance when an EFT card or similar device is issued to a consumer by an EFT service provider who does not hold the consumer's account.

The Board decided to take no action at this time on a proposal made in October concerning charges made by financial institutions in connection with error resolution. The Board said it will monitor industry practice regarding such charges and will take action if consumers appear to need protection in this area.

The Electronic Fund Transfer Act[1] protects consumers in their use of EFT services. EFT services permit consumers and others to transfer funds without the use of checks. One means by which funds can be transferred is through use of an EFT card. Consumers can use EFT cards to make payments—for example, at the point of sale to authorize a debit of the consumer's account at a financial institution in payment for the purchase of goods or services. This usage differs from a credit card in that the EFT card authorizes funds to be *taken directly out of* the consumer's account while the credit card *creates a debt* that the consumer pays at a later time. The EFT card may also be used at automated tellers to withdraw cash from the consumer's account.

Consumers may use other EFT services to authorize the electronic deposit of payments due to them (such as electronic deposit of wages, social security benefits, dividends, and similar repetitive deposits) or for payment of their bills.

The new rules adopted as part of Regulation E include these details:

1. Documentation of transfers. The act requires that financial institutions document electronic transfers by making receipts available at automated teller machines or point-of-sale terminals, and by sending consumers of EFT services periodic statements. Regulation E includes the following requirements: (a) Financial institutions must show on periodic statements the date a transfer was debited or credited to the consumer's account. (An earlier proposal to require the date the transfer was initiated was not adopted.) (b) A financial institution may show the location of an automated teller terminal in any of three ways: street address; name of an organization (such as the name of a store); or name of a readily identifiable location (such as O'Hare Airport), where the terminal is situated.

In order to facilitate compliance with the documentation provisions of the act and Regulation E, the Board proposed to delay the effective dates for other requirements. Comment on the proposal was requested through March 7, 1980.

2. Preauthorized credits. The act requires that financial institutions give either positive notice of receipt of preauthorized deposits to a consumer's account (such as sending the consumer notice of receipt of a deposit, for instance, of a direct electronic deposit of social security benefits) or negative notice (sending a notice that a scheduled deposit had not been received), unless the payor has given the consumer notice that the transfer has been started (such as notice that an employer has initiated a payroll deposit).

The Board adopted provisions in Regulation E to implement these requirements. As an alternative, the Board provided, as it had suggested in a proposal made in April 1979, that institutions may provide consumers with a telephone number to be used to verify whether a transfer has or has not been made. Institutions that adopt this alternative are required to provide readily available telephone service and to inform the consumer of the telephone number as an initial disclosure of terms of the institution's EFT service, and also on periodic statements to the consumer.

3. Availability of funds. Financial institutions must make electronically deposited funds available to consumers promptly.

4. Procedures for processing errors. The act—and Regulation E as adopted—require generally that financial institutions resolve asserted errors in electronic fund transfers within 10 business days of notification by the consumer, either orally or in writing. Alternatively, institutions may take up to 45 calendar days to resolve a complaint, if the account is provisionally recredited within 10 business days for the amount in dispute. Recrediting need not take place unless written confirmation of an oral report of error is received within 10 business days of the oral report by an institution that has advised the consumer that it requires a written report and has provided an address.

When an institution determines that no error has been committed, it must notify the consumer that the account is being debited again for the amount that was credited. It must honor, for the period of investigation and for five business days after mailing of a redebiting notice, checks that are payable to third parties up to the amount in dispute.

The institution may limit its investigation to the "four walls" of the institution, when a third party—with which the institution has no agree-

1. Title XX of the Financial Institutions Regulatory and Interest Rate Control Act of 1978.

ment—is involved (including the Social Security Administration).

5. EFT card issued by a financial institution not holding the consumer's account. The institution offering the services would be responsible for compliance, with limited exceptions for disclosures having to do with the relationship of the institution holding the consumer's account to that consumer.

The Board's rules for consumer protection under the act and Regulation E, as previously adopted, include the following, effective May 10, 1980: (a) requirements for disclosures to consumers who use EFT services; (b) exemptions for transfers of funds within an institution; (c) record retention; and (d) the relation of the federal Electronic Fund Transfer Act to state law.

The following previously adopted final rules are already in effect: (a) limitations on a consumer's liability for unauthorized use of an EFT card, including: the provision that consumers cannot be held liable for unauthorized use of EFT cards if the card issuer has not disclosed what liability the consumer will have for unauthorized use of the card, the telephone number and address for reporting a lost or stolen card, and the institution's business days; and the provision that written notice of loss or theft of an EFT card is effective when the consumer mails or otherwise transmits the notice to the card issuer and (b) conditions under which EFT cards may be issued.

Change in Check Collection Rules

The Federal Reserve Board announced on January 14, 1980, a change in its check collection rules to speed up collection of large dollar-value checks—$250,000 or more—as a means of improving the nation's payments system and of cutting down the amount of Federal Reserve float.

At the same time, and with the same objectives, the Board asked the Federal Reserve Banks to complete development of a plan first suggested by the Board last May for presenting large dollar-value checks for collection electronically, instead of initially presenting them by delivery of the paper checks. This plan could have the added benefit of conserving fuel used in check collection.

Federal Reserve float—now running at about $5.5 billion daily, on the average—is the amount of money that the Federal Reserve has paid to banks that have sent checks received by them to the System for collection, but that has not yet been collected from the banks whose customers wrote the checks.

To reduce such float, the Board directed the System's Conference of First Vice Presidents to develop, as soon as practicable, procedures under which banks sending checks to the Federal Reserve for collection will sort out all checks of $250,000 or more. These large checks will be given special handling by the System to speed up their collection. Checks of this size account for approximately a quarter of average daily float.

At the same time, the Board also asked the System's Conference of First Vice Presidents to complete a plan for the processing of large dollar-value checks received by the Federal Reserve, so the necessary information for collection can be electronically transferred to the banks on which these checks are drawn and float can be reduced by speeding up payment.

The Board will consider, and will request member bank comment on, any proposed electronic check presentment plan.

Consumer Advisory Council Meeting

The Federal Reserve Board announced that its Consumer Advisory Council met on January 28 and 29, 1980.

The Council, whose 30 members are representative of a broad range of consumer and credit interests, advises the Board on its responsibilities with respect to consumer credit protection legislation at meetings held generally four times a year.

The Council's agenda at the January meetings included the following:

1. Recommendations for changes in laws and regulations to integrate provisions under the Truth in Lending and Electronic Fund Transfer Acts relating to consumer liability and resolution of errors.

2. Discussion of credit-scoring systems and how they operate under Regulation B (Equal Credit Opportunity).

3. Discussion of the Board's policy and procedures in enforcing the Community Reinvestment Act.

4. Presentation by the Board's staff on the 1980 legislative outlook.

CHANGE IN BOARD STAFF

The Board of Governors has announced the following appointment.

Robert C. Plows as Assistant Director, Division of Consumer and Community Affairs, effective January 13, 1980. Mr. Plows was with a private law firm before joining the Board's staff in 1976. He holds a B.A. degree from Oberlin College, an M.A. degree from Yale Divinity School, and a J.D. degree from George Washington University.

ADDITION TO PUBLIC TOUR PROGRAM

The Federal Reserve Board has announced the addition of a slide show to its public tour program. The show explains the role and responsibilities of the Federal Reserve System, the nation's central bank, and highlights architectural features of the Board Building that are a part of the guided tour.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period January 11 through February 10, 1980:

California
Salvang . . . . Community Bank of Santa Ynez Valley
Colorado
Conifer . . . . Mountain Valley Bank
Pueblo . . . . Pueblo Boulevard Bank
Texas
Alief . . . . Alief Alamo Bank
Wyoming
Afton . . . . First State Bank at Afton

Legal Developments

AMENDMENTS TO REGULATION E

Effective May 10, 1980, Regulation E, Electronic Fund Transfers (Part 205) is amended as follows:

1. Section 205.2 is amended by revising the heading, adding a sentence at the end of paragraph (g), and by adding paragraph (m), to read as follows:

Section 205.2—Definitions and Rules of Construction

* * * * *

(g) "Electronic fund transfer" *** The term does not include payments made by check, draft, or similar paper instrument at an electronic terminal.

* * * * *

(m) Footnotes have the same legal effect as the text of the regulation.

2. Section 205.4 is amended by redesignating paragraph (c) as paragraph (b) and paragraph (d) as paragraph (c).

3. Section 205.5(a) is amended, to read as follows:

Section 205.5—Issuance of Access Devices

(a) *General rule.* *** (3) As a renewal of, or in substitution for, an access device issued before February 8, 1979 (other than an accepted access device, which can be renewed or substituted under paragraph (a)(2) of this section), provided that the disclosures set forth in §§ 205.7(a)(1), (2), and (3) accompany the renewal or substitute device; except that for a renewal or substitution that occurs before July 1, 1979, the disclosures may be sent within a reasonable time after the renewal or substitute device is issued.

* * * * *

4. Section 205.7(a) is amended, to read as follows:

Section 205.7—Initial Disclosure of Terms and Conditions

(a) *Content of disclosures.* At the time a consumer contracts for an electronic fund transfer service or before the first electronic fund transfer is made involving a consumer's account, a financial institution shall disclose to the consumer, in a readily understandable written statement that the consumer may retain, the following terms and conditions of the electronic fund transfer service, as applicable:

* * * * *

5. The final sentence of § 205.8(a) is amended, to read as follows:

Section 205.8—Change in Terms; Error Resolution Notice

(a) *Change in terms.* ***However, if such a change is to be made permanent, the financial institution shall provide written notice of the change to the consumer on or with the next regularly scheduled periodic statement or within 30 days, unless disclosure would jeopardize the security of the system or account.

* * * * *

6. Sections 205.9, 205.10(a), and 205.11 are added, to read as follows:

Section 205.9—Documentation of Transfers

(a) *Receipts at electronic terminals.* At the time an electronic fund transfer is initiated at an electronic terminal by a consumer, the financial institution shall make available[2] to the consumer a written receipt of the transfer(s) that clearly sets forth the following information, as applicable:

(1) The amount of the transfer. A charge for the transfer may be included in this amount if the terminal is owned or operated by a person other than the finan-

2. A financial institution may arrange for a third party, such as a merchant, to make the receipt available.

cial institution holding the consumer's account, provided the amount of the charge is disclosed on the receipt and on a sign posted on or at the terminal.

(2) The calendar date the consumer initiated the transfer.

(3) The type of transfer and the type of the consumer's account(s)[3] to or from which funds are transferred, such as "withdrawal from checking," "transfer from savings to checking," or "payment from savings." These descriptions may be used for transfers to or from accounts that are similar in function to checking accounts (such as share draft or negotiable order of withdrawal accounts) or to savings accounts (such as share accounts). Codes may be used only if they are explained elsewhere on the receipt.

(4) A number or code that uniquely identifies the consumer initiating the transfer, the consumer's account(s), or the access device used to initiate the transfer.

(5) The location (in a form prescribed by paragraph (b)(1)(iv) of this section) of the terminal at which the transfer was initiated or an identification (such as a code or terminal number).

(6) The name of any third party to or from whom funds are transferred; a code may be used only if it is explained elsewhere on the receipt. This requirement does not apply if the name is provided by the consumer in a form that the electronic terminal cannot duplicate on the receipt.

(b) *Periodic statements.* For any account to or from which electronic fund transfers can be made, the financial institution shall mail or deliver a statement for each monthly or shorter cycle in which an electronic fund transfer has occurred, but at least a quarterly statement if no transfer has occurred. The statement shall include the following, as applicable:

(1) For each electronic fund transfer occurring during the cycle, [4]

(i) The amount of the transfer. If a transfer charge was added at the time of initiation by the owner or operator of an electronic terminal in accordance with paragraph (a)(1) of this section, that charge may be included in the amount of the transfer.

(ii) The date the transfer was credited or debited to the consumer's account.

(iii) The type of transfer and the type of the consumer's account(s) to or from which funds were transferred.

(iv) For each transfer initiated by the consumer at an electronic terminal, the location that appeared on the receipt or, if an identification (such as a code or terminal number) was used, that identification and one of the following descriptions of the terminal's location:

(A) The address, including number and street (the number may be omitted if the street alone uniquely identifies the terminal location) or intersection, city, and state or foreign country;[5]

(B) A generally accepted name for a specific location (such as a branch of the financial institution, a shopping center, or an airport), city, and state or foreign country;[6] or

(C) The name of the entity at whose place of business the terminal is located or which owns or operates the terminal (such as the financial institution[7] or the seller of goods or services), city, and state or foreign country.[8]

(v) The name of any third party to or from whom funds were transferred.[9] If the transfer was initiated by the consumer at an electronic terminal and a code was used on the receipt to identify the third party, the statement shall include the code and the name of the third party.

(2) The number(s) of the consumer's account(s) for which the statement is issued.

(3) The total amount of any fees or charges, other than a finance charge under 12 CFR 226.7(b)(1)(iv), assessed against the account during the statement period for electronic fund transfers or for the right to make such transfers.

(4) The balances in the consumer's account(s) at the beginning and at the close of the statement period.

(5) The address and telephone number to be used for inquiry or notice of errors, preceded by "Direct Inquiries To:" or similar language. Alternatively, the address and telephone number may be provided on the notice of error resolution procedures set forth in § 205.8(b).

(6) If the financial institution uses the notice procedure set forth in § 205.10(a)(1)(iii), the telephone number the consumer may call to ascertain whether a preauthorized transfer to the consumer's account has occurred.

3. If more than one account of the same type may be accessed by a single access device, the accounts must be uniquely identified.

4. The information required by paragraph (b)(1) of this section may be provided on accompanying documents. Codes explained on the statement or on accompanying documents are acceptable.

5. The city and state may be omitted if all the terminals owned or operated by the financial institution providing the statement (or by the system in which it participates) are located in the same city. The state may be omitted if all the terminals owned or operated by the financial institution providing the statement (or by the system in which it participates) are located in that state.

6. See footnote 5.

7. If the financial institution providing the statement owns or operates terminals at more than one location, it shall describe the location of its electronic terminals by use of paragraphs (b)(1)(iv)(A) or (B) of this section.

8. See footnote 5.

9. A financial institution need not identify third parties whose names appear on checks, drafts, or similar paper instruments deposited to the consumer's account at an electronic terminal.

(c) *Documentation for certain passbook accounts.* In the case of a consumer's passbook account which may not be accessed by any electronic fund transfers other than preauthorized transfers to the account, the financial institution may, in lieu of complying with paragraph (b) of this section, upon presentation of the consumer's passbook, provide the consumer with documentation by entering in the passbook or on a separate document the amount and date of each electronic fund transfer made since the passbook was last presented.

(d) *Periodic statements for certain non-passbook accounts.* If a consumer's account other than a passbook account may not be accessed by any electronic fund transfers other than preauthorized transfers to the account, the financial institution need provide the periodic statement required by paragraph (b) of this section only quarterly.

(e) *Use of abbreviations.* A financial institution may use commonly accepted or readily understandable abbreviations in complying with the documentation requirements of this section.

Section 205.10—Preauthorized Transfers

(a) *Preauthorized transfers to a consumer's account.* (1) Where a consumer's account is scheduled to be credited by a preauthorized electronic fund transfer from the same payor at least once every 60 days, except where the payor provides positive notice to the consumer that the transfer has been initiated, the financial institution shall provide notice by one of the following means:

(i) The institution shall transmit oral or written notice to the consumer, within 2 business days after the transfer, that the transfer occurred;

(ii) The institution shall transmit oral or written notice to the consumer, within 2 business days after the date on which the transfer was scheduled to occur, that the transfer did not occur; or

(iii) The institution shall provide a readily available telephone line that the consumer may call to ascertain whether or not the transfer occurred, and shall disclose the telephone number on the initial disclosures required by § 205.7 and on each periodic statement.

(2) A financial institution that receives a preauthorized transfer of the type described in paragraph (a)(1) of this section shall credit the amount of the transfer as of the day the funds for the transfer are received.

* * * * *

Section 205.11—Procedures for Resolving Errors

(a) *Definition of error.* For purposes of this section, the term "error" means:

(1) An unauthorized electronic fund transfer;

(2) An incorrect electronic fund transfer to or from the consumer's account;

(3) The omission from a periodic statement of an electronic fund transfer to or from the consumer's account that should have been included;

(4) A computational or bookkeeping error made by the financial institution relating to an electronic fund transfer;

(5) The consumer's receipt of an incorrect amount of money from an electronic terminal;

(6) An electronic fund transfer not identified in accordance with the requirements of §§ 205.9 or 205.10(a); or

(7) A consumer's request for any documentation required by §§ 205.9 or 205.10(a), or for additional information or clarification concerning an electronic fund transfer. This includes any request for documentation, information, or clarification in order to assert an error within the meaning of paragraphs (a)(1) through (6) of this section. It does not include a routine inquiry about the balance in the consumer's account or a request for duplicate copies of documentation or other information that is made only for tax or other record-keeping purposes.

(b) *Notice of error from consumer.* (1) A notice of an error is an oral or written notice from the consumer that

(i) Is received by the financial institution[10] no later than 60 days after the institution

(A) Transmitted a periodic statement or provided documentation under § 205.9(c) on which the alleged error is first reflected; or

(B) Transmitted additional information, clarification, or documentation described in paragraph (a)(7) of this section that was initially requested in accordance with paragraph (b)(1)(i)(A) of this section;

(ii) Enables the financial institution to identify the consumer's name and account number; and

(iii) Except for errors described in paragraph (a)(7) of this section, indicates the consumer's belief, and the reasons for that belief, that an error exists in the consumer's account or is reflected on documentation required by §§ 205.9 or 205.10(a), and indicates to the

10. A financial institution may require the consumer to give notice only at the telephone number or address disclosed by the institution, provided the institution maintains reasonable procedures to refer the consumer to the specified telephone number or address if the consumer attempts to give notice to the institution in a different manner.

extent possible the type, the date, and the amount of the error.

(2) A financial institution may require a written confirmation to be received within 10 business days of an oral notice if, when the oral notice is given, the consumer is advised of the requirement and of the address to which confirmation must be sent.

(c) *Investigation of errors.* (1) After receiving a notice of an error, the financial institution shall promptly investigate the alleged error, determine whether an error occurred, and transmit the results of its investigation and determination to the consumer within 10 business days.

(2) As an alternative to the 10-business-day requirement of paragraph (c)(1) of this section, the financial institution shall investigate the alleged error and determine whether an error occurred, promptly but in no event later than 45 calendar days after receiving a notice of an error, and shall transmit the results of its investigation and determination to the consumer, provided

(i) The financial institution provisionally recredits the consumer's account in the amount of the alleged error (including interest where applicable) within 10 business days after receiving the notice of error. If the financial institution has a reasonable basis for believing that an unauthorized electronic fund transfer may have occurred and that it has satisfied the requirements of § 205.6(a), it may withhold a maximum of $50 from the amount recredited;

(ii) The financial institution, promptly but no later than 2 business days after the provisional recrediting, orally reports or mails or delivers notice to the consumer of the amount and date of the recrediting and of the fact that the consumer will have full use of the funds pending the determination of whether an error occurred;

(iii) The financial institution gives the consumer full use of the funds provisionally recredited during the investigation; and

(iv) If the financial institution determines that no error occurred and debits the account, the institution gives notice of the debiting and continues to honor certain items as required by paragraph (f)(2) of this section.

(3) A financial institution that requires but does not receive timely written confirmation of oral notice of an error shall comply with all requirements of this section except that it need not provisionally recredit the consumer's account.

(d) *Extent of required investigation.* (1) A financial institution complies with its duty to investigate, correct, and report its determination regarding an error described in paragraph (a)(7) of this section by transmitting the requested information, clarification, or documentation within the time limits set forth in paragraph (c) of this section. If the institution has provisionally recredited the consumer's account in accordance with paragraph (c)(2) of this section, it may debit the amount upon transmitting the requested information, clarification, or documentation.

(2) Except in the case of services covered by § 205.14, a financial institution's review of its own records regarding an alleged error will satisfy its investigation responsibilities under paragraph (c) of this section if the alleged error concerns a transfer to or from a third party and there is no agreement between the financial institution and the third party[11] regarding the type of electronic fund transfer alleged in the error.

(3) A financial institution may make, without investigation, a final correction to a consumer's account in the amount or manner alleged by the consumer to be in error, but must comply with all other applicable requirements of this section.

(e) *Procedures after financial institution determines that error occurred.* If the financial institution determines that an error occurred, it shall

(1) Promptly, but no later than 1 business day after its determination, correct the error (subject to the liability provisions of §§ 205.6(a) and (b)), including, where applicable, the crediting of interest and the refunding of any fees or charges imposed, and

(2) Promptly, but in any event within the 10-business-day or 45-day time limits, orally report or mail or deliver to the consumer notice of the correction and, if applicable, notice that a provisional credit has been made final.[12]

(f) *Procedures after financial institution determines that no error occurred.* If the financial institution determines that no error occurred or that an error occurred in a different manner or amount from that described by the consumer,

(1) The financial institution shall mail or deliver to the consumer a written explanation of its findings within 3 business days after concluding its investigation, but in no event later than 10 business days after receiv-

11. Institutions do not have an agreement for purposes of paragraph (d)(2) of this section solely because they participate in transactions under the federal recurring payments program, or that are cleared through an automated or other clearing house or similar arrangement for the clearing and settlement of fund transfers generally, or because they agree to be bound by the rules of such arrangements. An agreement that a third party will honor an access device is an agreement for purposes of this paragraphy.

12. This notice requirement may be satisfied by a notice on a periodic statement that is mailed or delivered within the 10-business-day or 45-day time limits and that clearly identifies the correction to the consumer's account.

ing notice of the error if the institution is proceeding under paragraph (c)(1) of this section. The explanation shall include notice of the consumer's right to request the documents upon which the institution relied in making its determination.

(2) Upon debiting a provisionally recredited amount, the financial institution

(i) Shall orally report or mail or deliver notice to the consumer of the date and amount of the debiting and the fact that the financial institution will honor checks, drafts, or similar paper instruments payable to third parties and preauthorized transfers from the consumer's account (using the provisionally recredited funds) for 5 business days after transmittal of the notice.

(ii) Shall honor checks, drafts, or similar paper instruments payable to third parties and preauthorized transfers from the consumer's account (without charge to the consumer as a result of an overdraft) for 5 business days after transmittal of the notice. The institution need only honor items that it would have paid if the provisionally recredited funds had not been debited.

(3) Upon the consumer's request, the financial institution shall promptly mail or deliver to the consumer copies of the documents on which it relied in making its determination.

(g) *Withdrawal of notice of error.* The financial institution has no further error resolution responsibilities as to a consumer's assertion of an error if the consumer concludes that no error did in fact occur and voluntarily withdraws the notice.

(h) *Reassertion of error.* A financial institution that has fully complied with the requirements of this section with respect to an error has no further responsibilities under this section if the consumer subsequently reasserts the same error, regardless of the manner in which it is reasserted. This paragraph does not preclude the assertion of an error defined in paragraphs (a)(1) through (6) of this section following the assertion of an error described in paragraph (a)(7) of this section regarding the same electronic fund transfer.

(i) *Relation to Truth in Lending.* Where an electronic fund transfer also involves an extension of credit under an agreement between a consumer and a financial institution to extend credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account, the financial institution shall comply with the requirements of this section rather than those of 12 CFR 226.2(j), 226.2(cc), and 226.14(a) governing error resolution.

7. Section 205.13 is amended, to read as follows:

Section 205.13—Administrative Enforcement

* * * * *

(b) *Issuance of staff interpretations.*

* * * * *

(2)(i)***Any request for an official staff interpretation of this regulation shall be made in writing and addressed to the Director of the Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

* * * * *

(4) Pursuant to § 915(d) of the Act, the Board has designated the Director and other officials of the Division of Consumer and Community Affairs as officials "duly authorized" to issue, at their discretion, official staff interpretations of this regulation.

(c) *Record retention.*

* * * * *

(2) Any person subject to the Act and this regulation that has actual notice that it is being investigated or is subject to an enforcement proceeding by an agency charged with monitoring that person's compliance with the Act and this regulation, or that has been served with notice of an action filed under §§ 910, 915, or 916(a) of the Act, shall retain the information required in paragraph (c)(1) of this section that pertains to the action or proceeding until final disposition of the matter, unless an earlier time is allowed by order of the agency or court.

8. Section 205.14 is added, to read as follows:

Section 205.14—Services Offered by Financial Institutions Not Holding Consumer's Account

(a) *Compliance by service-providing institution.* Except as provided in this section, where a financial institution issues an access device to a consumer to be used for initiating electronic fund transfers to or from the consumer's account held by another financial institution, and the service-providing institution does not have an agreement with the account-holding institution regarding the service, the service-providing institution shall comply with all requirements of the Act and this regulation that relate to the service or the electronic fund transfers made by the consumer under the service. For this purpose, the following special rules shall apply:

(1) Section 205.6 shall require the service-providing institution to reimburse the consumer for unauthorized electronic fund transfers in excess of the limits set by that section.

(2) Sections 205.7, 205.8, and 205.9 shall require the service-providing institution to provide those disclosures and documentation that are within its knowledge and the purview of its relationship with the consumer.

(3) Section 205.11(b)(1)(i) shall require the service-providing institution to extend by a reasonable time the time periods within which notice of an error must be received if a delay in notifying the service-providing institution was due to the fact that the consumer initially notified or attempted to notify the account-holding institution.

(4) Sections 205.11(c)(2)(i) and (e)(1) shall require the service-providing institution to transfer funds, in the appropriate amount and within the applicable time period, to the consumer's account at the account-holding institution.

(5) Section 205.11(c)(2)(ii) shall require the service-providing institution to disclose the date on which it initiates a transfer to effect the provisional recredit.

(6) Section 205.11(f)(2) shall require the service-providing institution to notify the account-holding institution of the date until which the account-holding institution must honor any debit to the account as required by § 205.11(f)(2). If an overdraft results, the service-providing institution shall promptly reimburse the account-holding institution in the amount of the overdraft.

(b) *Compliance by account-holding institution.* An account-holding institution described in paragraph (a) of this section need not comply with the requirements of the Act and this regulation with respect to electronic fund transfers to or from the consumer's account made by the service-providing institution, except that the account-holding institution shall comply with § 205.11 by

(1) Promptly providing, upon the request of the service-providing institution, information or copies of documents required for the purpose of investigating alleged errors or furnishing copies of documents to the consumer; and

(2) Honoring debits to the account in accordance with § 205.11(f)(2).

(c) *Definition of agreement.* For purposes of this section, an agreement between the service-providing and the account-holding institutions regarding the electronic fund transfer service refers to a specific agreement (s) among institutions (or among institutions and another person that participates in the operation of the service) which sets forth the rights and obligations of the institutions with respect to a service involving the issuance of an access device to the consumer. Institutions do not have such an agreement solely because they participate in transactions that are cleared through an automated or other clearing house or similar arrangement for the clearing and settlement of fund transfers generally, or because they agree to be bound by the rules of such an arrangement.

9. Appendix A is amended by deleting the material enclosed in parentheses in each section caption, and substituting therefor the following: in § A(1), "§ 205.5(b)(3)"; in § A(2), "§ 205.7(a)(1)"; in § A(3), "§ 205.7(a)(2)"; in § A(4), "§ 205.7(a)(3)"; in "§ A(5), 205.7(a)(4)"; in § A(6), "§ 205.7(a)(5)"; in § A(7), § 205.7(a)(9)"; in § A(8), "§ 205.7(a)(6)"; in § A(9), "§ 205.7(a)(6),(7), and (8)"; and in § A(10), "§ 205.7(a)(8)".

10. Appendix A is further amended by adding § A(8)(b) and by revising § A(10)(a), to read as follows:

Appendix A—Model Disclosure Clauses

* * * * *

Section A(8)—Disclosure of Right To Receive Documentation of Transfers (§ 205.7(a)(6))

* * * * *

(b) *Preauthorized credits.* If you have arranged to have direct deposits made to your account at least once every 60 days from the same person or company,

(we will let you know if the deposit is [not] made.)

(the person or company making the deposit will tell you every time they send us the money.)

(you can call us at [insert telephone number] to find out whether or not the deposit has been made.)

* * * * *

Section A(10)—Disclosure of Financial Institution's Liability for Failure to Make Transfers (§ 205.7(a)(8))

(a) *Liability for failure to make transfers.* If we do not complete a transfer to or from your account on time or in the correct amount according to our agreement with you, we will be liable for your losses or damages. However, there are some exceptions. We will not be liable, for instance:

—If, through no fault of ours, you do not have enough money in your account to make the transfer.

—If the transfer would go over the credit limit on your overdraft line.

—If the automated teller machine where you are making the transfer does not have enough cash.

—If the (terminal)(system) was not working properly and you knew about the breakdown when you started the transfer.

—If circumstances beyond our control (such as fire or flood) prevent the transfer, despite reasonable precautions that we have taken.

—There may be other exceptions stated in our agreement with you.

* * * * *

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

Orders Under Section 3, of Bank Holding Company Act

American National Sidney Corp., Sidney, Nebraska

Order Denying Formation of Bank Holding Company

American National Sidney Corp., Sidney, Nebraska, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 100 percent, less directors' qualifying shares, of the voting shares of American National Bank of Sidney ("Bank"), Sidney, Nebraska.

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 is a nonoperating corporation formed for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $25.8 million.[1] Upon acquisition of Bank, Applicant would control the 55th largest of 452 banks in Nebraska and would hold approximately 0.34 percent of the total deposits of commercial banks in the state.

Bank is the largest of five banks in the relevant banking market and holds 48.8 percent of the total deposits in commercial banks in the market.[2] While two of Applicant's principals are associated with two other one-bank holding companies and their subsidiary banks, those organizations, located in Lincoln, Nebraska, and Des Moines, Iowa, operate in separate banking markets from Bank. It appears that consummation of the proposal would not eliminate competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of the application.

The Board has indicated on previous occasions that a holding company should serve as a source of financial and managerial strength to its subsidiary bank, and that the Board will closely examine the condition of an applicant in each case with this consideration in mind.[3] Furthermore, where principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the one-bank holding company proposal before it, also considers the total chain and analyzes the financial and managerial resources and future prospects of the chain within the context of the Board's multi-bank holding company standards. Having examined such factors in light of the record in this application, the Board concludes that the record presents adverse considerations as they relate to the applicant company that warrant denial of its proposed acquisition of Bank.

As stated, Applicant's officers and principal shareholders are also officers and principal shareholders of two other one-bank holding companies. The operations of both bank holding companies have fallen short of those expected by the Board and projected by those companies in their application to become bank holding companies. From the record, it appears that these results are due in major part to certain management policies and practices of Applicant's principals. The operating history and overall condition of each of these bank holding companies do not support a finding that Applicant's principals have demonstrated a history of satisfactory managerial performance that would warrant a favorable finding by the Board at this time with

1. All banking data are as of June 30, 1978.

2. The relevant banking market is approximated by Cheyenne County.

3. The Bank Holding Company Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of both the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

respect to Applicant's managerial resources and future prospects.[4]

With respect to Applicant's and Bank's financial resources the Board notes that Applicant would incur a sizable debt in connection with the proposed acquisition of Bank's shares. Although Applicant's final retirement of subordinated debentures issued in connection with this acquisition is scheduled to take place in the twentieth year following consummation, earnings prospects for Bank based upon Bank's historical performance appear to provide Applicant with sufficient financial flexibility to retire the entire acquisition debt in 12 years while maintaining adequate capital in Bank. However, in light of the records of the other two bank holding companies in meeting their projections, the Board believes that Applicant's projections in this case appear somewhat optimistic. Accordingly, the Board is of the view that the considerations relating to financial and managerial resources and future prospects are so adverse as to warrant denial of this application.

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

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

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

By order of the Board of Governors, effective January 25, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

4. The Board has previously stated that it believes that it is reasonable to expect an applicant to demonstrate a record of satisfactory managerial performance. *See* e.g., *Chickasha Bancshares, Inc.*, 63 FEDERAL RESERVE BULLETIN 1082 (1977).

Childress Bancshares, Inc., Childress, Texas

Order Denying Formation of Bank Holding Company

Childress Bancshares, Inc., Childress, Texas, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 95 percent or more of the voting shares of The First National Bank in Childress, Childress, Texas ("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 nonoperating company with no subsidiaries, was organized for the purpose of becoming a bank holding company through the acquisition of Bank. Bank ($13.7 million in deposits) is one of the smaller banks in Texas, holding less than 0.1 percent of the total deposits in commercial banks in the state.[1]

Bank is the larger of the two banks located in the Childress County banking market and holds 66.7 percent of the market's total commercial bank deposits.[2] This proposal involves a restructuring of Bank's ownership from an individual to a corporation owned by the same individual. Applicant neither engages in any activity directly nor holds shares of any other bank. In analyzing the competitive effects of this proposal it is necessary to consider that when Applicant's principal purchased controlling interest in Bank in March 1979, he also purchased controlling interest in Farmers and Mechanics Trust Company, Childress, Texas ("F&M"), a registered bank holding company controlling First State Bank, Childress, Texas ("First State Bank"), the only other bank located in the relevant banking market. First State Bank ($6.8 million in deposits) is the second bank in the relevant market and holds 33.3 percent of the market's commercial bank deposits. The purchase of control of Bank and F&M by Applicant's principal occurred only two days before the effective date of the Change in Bank Control Act of 1978 (12 U.S.C. § 1817(j)), and thus escaped scrutiny under that Act. The Change in Bank Control Act requires individuals to notify the appropriate Federal banking regulatory agency prior to acquiring con-

1. Unless otherwise indicated, all banking data are as of December 31, 1978, and reflect bank holding company formations and acquisitions approved as of November 30, 1979.

2. The relevant banking market is approximated by Childress County, Texas.

trolling interest in a bank or bank holding company in order that the agency may review, inter alia, the competitive consequences of the acquisition and disapprove any acquisition that does not meet the standards of that Act.

The facts of record indicate that Bank and First State Bank have been affiliated for a long period of time and the nature of this relationship was such that little, if any, meaningful competition existed between Bank and First State Bank when Applicant's principal purchased control of Bank and F&M in March 1979. However, the sale of control of Bank and F&M in 1979 presented an opportunity to sever this relationship and introduce competition into the relevant banking market.

Section 3(c) of the Bank Holding Company Act precludes the Board from approving any acquisition by a bank holding company that (1) would result in a monopoly or be in a furtherance of any combination to monopolize or attempt to monopolize a banking market, or that (2) may substantially lessen competition or tend to create a monopoly or be in restraint of trade in any banking market, unless the Board finds that the anticompetitive effects are clearly outweighed by the convenience and needs of the community to be served.

In the Board's view, the subject proposal presents a compelling case where the holding company form is being used to further an anti-competitive arrangement. Acquisition of control of Bank and F&M by Applicant's principal resulted in his controlling all the commercial banking deposits in the relevant banking market and was clearly anticompetitive in its inception, a factor the Board has regarded as significant and relevant to a consideration of the competitive aspects of an acquisition.[3] In addition, Applicant's principal controls, either directly or indirectly, two other banks located in banking markets which are adjacent to the Childress banking market. In light of all the facts of record, the market shares of the organizations involved and their collective position in the relevant market (Bank and First State Bank are the only commercial banking alternatives in the market), the Board is of the opinion that the application should be denied since approval of this proposal would serve to perpetuate a substantially adverse competitive situation in the relevant banking market.[4]

The subject proposal presents a situation where the holding company form is being used to further an anticompetitive arrangement. While denial of this proposal may not immediately result in a complete termination of the anticompetitive situation, it would preserve the distinct possibility that Bank could again become an independent and competing organization in the future. Alternatively, approval would solidify and strengthen the common ownership of the two banks and would diminish the possiblility of disaffiliation in the future.

On the basis of the foregoing and the facts of record, the Board concludes that approval of the application would have significant adverse competitive effects. Accordingly, under the standards set forth in the Bank Holding Company Act, the proposal may not be approved unless the adverse competitive factors are clearly outweighed by other public interest considerations reflected in the record. In this case, the Board finds that the adverse competitive aspects are not outweighed.

Where principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the one-bank holding company proposal before it, also considers the total chain and analyzes the financial and managerial resources and future prospects of the chain within the context of the Board's multibank holding company standards. Based upon such analysis in this case, the managerial resources and future prospects of Applicant and Bank appear to be satisfactory. Therefore, considerations relating to banking factors are consistent with approval of the subject application. No significant changes in the services offered by Bank are expected to result from consummation of the proposed acquisition. Thus, convenience and needs factors are consistent with, but lend no weight toward, approval. In light of the above, it is the Board's judgment that approval of this application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that consummation of the proposal to form a bank holding company would not be in the public interest and that the application should be and hereby is denied for the reasons summarized herein.

By order of the Board of Governors, effective January 28, 1980.

3. See the Board's Order of May 11, 1977, denying an application by *Mahaska Investment Company*, Oskaloosa, Iowa (63 Federal Reserve Bulletin 579 (1977)); and the Board's Order of November 18, 1977, denying an application by *Citizens Bancorp, Inc.*, Hartford City, Indiana (63 Federal Reserve Bulletin 1083 (1977)).

4. In this regard, the Board notes that in *Board of Governors of the Federal Reserve System* v. *First Lincolnwood Corp.*, 439 U.S. 234 (1978), the Supreme Court upheld the Board's authority to deny approval for formation of a one-bank holding company on the basis of preexisting, unfavorable aspects even though the formation will neither cause nor enhance the already existing adverse aspects. Thus, the Board may deny approval due to conditions that predate the proposed holding company formation. Although the *First Lincolnwood* case involved adverse financial factors, the rationale of the Board's authority to deny a bank holding company formation is equally applicable to an anticompetitive arrangement, especially in light of the Act's strong emphasis against anticompetitive combinations.

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

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

First National Boston Corporation, Boston, Massachusetts

Order Approving Acquisition of a Bank

First National Boston Corporation, Boston, Massachusetts, a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the "Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. §1842) to indirectly acquire[1] 100 percent (less directors' qualifying shares) of the shares of Southeastern Bank and Trust Company ("Bank"), New Bedford, Massachusetts.

Notice of the applications, affording an 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 applications and all comments received, including those of The First National Bank of New Bedford, New Bedford, Massachusetts ("Protestant"), in light of the factors set forth in section 3(c) of the Act.

In addition to interposing numerous objections to the proposed acquisition, Protestant has requested that the Board order a formal hearing to air the issues raised by Protestant's objections. Section 3(b) of the Act requires that the Board hold a formal hearing concerning an application only where the appropriate state banking authority makes a timely written recommendation of denial of the application, and no such recommendation has been received from the Massachusetts Commissioner of Banks with respect to Applicant's proposal.[2] While no formal hearing is required in this instance, the Board could in its discretion order a formal or informal proceeding concerning the application if it determines that there are material questions of facts in dispute that can only be resolved by means of such a proceeding. Accordingly, the Board has scrutinized the record in this application, and has determined that there are no material factual differences that would necessitate a hearing on this application.[3] Rather, Protestant submits arguments concerning the interpretation or significance that should be accorded to certain facts in the record. Inasmuch as the Board itself is charged by statute with making these judgments, and in view of the fact that all parties have been afforded ample opportunity to present their arguments in written submissions to the record in this application, the Board has denied Protestant's request for a formal hearing. Accordingly, the Board will proceed to consider the application, as well as Protestant's objections to the proposal, on their merits.

Applicant, the largest commercial banking organization in Massachusetts, controls seven subsidiary banks with aggregate domestic deposits of $3.51 billion, representing 21.3 percent of total deposits held in commercial banks in the state.[4] Bank, with deposits of $45.4 million, is the 178th largest commercial bank in the state. While banking resources in Massachusetts are somewhat concentrated among several large organizations, including Applicant, in this case the addition of 0.28 percent of state-wide deposits held by Bank would represent only a nominal increase of the share of deposits controlled by Applicant in the state. Accordingly, consummation of the proposal would not have an appreciable effect upon the concentration of banking resources in Massachusetts.

Bank, with four banking offices, is the third largest of eight commercial banks in the New Bedford banking market,[5] and holds 19.7 percent of commercial bank deposits in the market. While Applicant's subsidiary banks have 75 branches in seven Massachusetts

1. Applicant has applied under section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) for approval to merge its wholly-owned inactive subsidiary, First of Boston Bristol Corporation ("First Bristol"), with Bank's parent holding company, Southeastern Bancorp. Inc., New Bedford, Massachusetts, thereby causing First Bristol to become a bank holding company. At the same time, Applicant has applied under section 3(a)(3) (12 U.S.C. § 1842(a)(3)) for approval to indirectly acquire Bank at the time First Bristol merges with Southeastern Bancorp, Inc. Applicant has also applied under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) for approval to merge with First Bristol, following consummation of the prior transactions. Both First Bristol and Southeastern Bancorp. Inc. have no significance except as a means to facilitate the acquisition of voting shares of Bank by Applicant. Accordingly, all of the above-described transactions are treated together herein as one application for the acquisition of shares of Bank.

2. Protestant contends that a dissenting vote by one member of the Massachusetts Board of Bank Incorporation on an application for state approval of the proposal triggered the hearing requirement of section 3(b). The Board finds this contention to be without merit since section 3(b) provides that a specific written recommendation be submitted by the state authority to the Board. In any event, the order of which the dissenting vote was a part was overturned by the Massachusetts courts, and in a subsequent ruling the application was unanimously approved by the Massachusetts Board.

3. In this connection, the Board notes that Protestant and Applicant have had ample opportunity to resolve any factual discrepancies on three occasions in hearings held before Massachusetts banking authorities concerning the proposed acquisition. A complete transcript of the most recent hearing, including submissions by the parties, has been made a part of the record in this application.

4. All banking data are as of September 30, 1978.

5. The New Bedford banking market is approximated by the city of New Bedford and six surrounding towns, including Dartmouth, Freetown, Acushnet, and Fairhaven in Bristol County, and Mattapoisett and Marion in Plymouth County. Protestant contends that the relevant banking market for the proposal is the New Bedford SMSA. While not identical, the market defined herein is substantially equivalent to the New Bedford SMSA.

counties, none of those offices are located in the New Bedford banking market. Protestant contends that the proposed acquisition of Bank by Applicant will eliminate a significant amount of direct competition in the New Bedford market since Applicant's lead subsidiary bank, First National Bank of Boston ("FNBB"), derives approximately $20.2 million in loans and $6.7 million in deposits from the New Bedford area. However, from the record it appears that FNBB's New Bedford loans are large commercial loans of which a large portion are made to several sizeable firms. Similarly, a large portion of the deposit accounts are accounts of $100,000 or more, and are related to loans. Inasmuch as FNBB has no banking offices to serve the individual or small business customer in the New Bedford banking market, and in view of the fact that business derived from that market by FNBB is attributable to large commercial customers, the Board does not regard FNBB as a competitor in the local New Bedford market. Accordingly, the Board concludes that consummation of the proposal would not result in the elimination of existing competition in the New Bedford banking market.

With respect to potential competition, the Board notes that Applicant has the resources to enter the market de novo. However, with a relatively low per capita income and high unemployment rate, the New Bedford market is not considered attractive for de novo entry at this time. Moreover, Massachusetts places restrictions on branching across county lines, and none of Applicant's subsidiary banks is authorized to branch into the New Bedford market. Therefore, consummation of the acquisition would have no serious adverse effects on potential competition.

The financial and managerial resources of Applicant and its subsidiary banks are considered generally satisfactory and the future prospects for each appear favorable. Upon consummation of the acquisition of Bank by Applicant, the financial resources of Bank may be regarded as adequate and its future prospects favorable, particularly in light of Applicant's commitment to provide additional capital to Bank. In addition, affiliation of Bank with Applicant will provide Bank with access to Applicant's managerial resources and particularly managerial expertise in the areas of loan portfolio review, automated accounting and internal auditing and budget controls. Thus, the Board concludes that banking factors lend some weight toward approval of the application.

In considering the effects of the proposed acquisition on the convenience and needs of the community to be served, the Board has examined the Applicant's record of performance in meeting the credit needs of its community as provided in the Community Reinvestment Act (12 U.S.C. § 2901) ("CRA") and the Board's Regulation BB (12 CFR § 228) issued thereunder. In so doing, the Board has scrutinized the objections of Protestant concerning Applicant's record of performance with respect to CRA factors. In this regard, Protestant alleges that Applicant's efforts to ascertain local credit needs are inadequate; that Applicant has disregarded community needs by closing branches in low- and moderate-income neighborhoods; that Applicant does not meet local credit needs as evidenced by the small percentage of its total loans represented by mortgage loans within its defined community; that Applicant's participation in community development programs is insignificant in comparison with its resources; and that Applicant engages in community disinvestment by requiring its smaller subsidiary banks to join in loan participations with FNBB.

Protestant has submitted information regarding each of these allegations including information developed in extended proceedings at the State level. Furthermore, the proposed acquisition has been the subject of public hearings before the Massachusetts Board during which Protestant presented information concerning its allegations. Upon submission of the record of the latest proceeding to the Board, Applicant was requested to respond to Protestant's allegations concerning Applicant's record of performance and made several subsequent submissions for the record. The Board has examined the submissions of Protestant and Applicant regarding the issues raised by Protestant. Inasmuch as Protestant's objections focus primarily on the CRA performance of FNBB, the Board has also considered the conclusions reached by the Office of the Comptroller of the Currency resulting from an examination of FNBB that included an assessment of FNBB's record in meeting the requirements of the CRA. At the outset, the Board notes that no procedural violations by FNBB of CRA requirements were found. Accordingly, on the basis of its review of the entire record, the Board makes the following findings concerning Protestant's allegations.

With respect to Applicant's efforts to ascertain and meet the credit needs of its community, it appears from the record that FNBB has taken a number of steps to communicate more effectively with local community groups in an effort to ascertain the credit needs of the local community.[6] Specifically, FNBB has established a community investment department whose purpose is to develop an effective community contact program and to coordinate and supervise CRA compliance. In addition, FNBB's Board of Directors has established a committee composed of those Board members with responsibility for developing policies relating to the CRA and evaluating the implementation

6. FNBB's definition of its community as encompassing all of Suffolk County appears to be reasonable, does not exclude any low- to moderate-income neighborhoods, and is not disputed by Protestant.

of those policies. To date meetings with community groups have tended to be initiated by the community groups, rather than FNBB. However, in light of Applicant's willingness to improve its performance in this area, the Board expects that FNBB will take affirmative action to intensify its efforts to meet with such groups.

With regard to FNBB's alleged closing of two branches located in low- and moderate-income neighborhoods, the Board notes that FNBB transferred its Mattapan branch to minority-controlled Unity Bank and Trust Company, Boston, Massachusetts, which assumed operation of the branch with no interruption in service to the community. Moreover, since the transfer, FNBB has assisted Unity in its continued operation of the Mattapan branch by training lending officers, and providing marketing assistance and staffing. FNBB has also helped to strengthen Unity's overall financial position by investing in Unity's capital notes and affording Unity the opportunity to purchase certain loans from FNBB order to provide it with additional earnings. Applicant plans to dispose of another of FNBB's branches in a similar manner. While the Board may not prescribe the manner in which an applicant conducts its business transactions provided such transactions comply with applicable laws and conform to principles of banking safety and soundness, the Board does expect an applicant to conduct its operations with due regard to serving the needs of its community. From the record it appears that Applicant and FNBB have found a reasonable means of disposing of the branches in question while at the same time assuring that the localities and customers served by these branches will continue to have an adequate source of credit and other banking services. Accordingly, the Board is unable to conclude that the disposal of the two branches in question is evidence that Applicant and FNBB are not attempting to meet the needs of FNBB's community.

With respect to FNBB's record of residential mortgage lending, from the record it appears that both the number and dollar volume of such loans are low. Furthermore, the record indicates that there are a number of low- and moderate-income neighborhoods where FNBB has originated no mortgage or home-improvement loans. FNBB attributes the small volume of mortgage loans to management's prior policy of accepting loan applications only from individuals who had a depository relationship with FNBB. Moreover, until two years ago, FNBB had made mortgage loans only as an accommodation to corporate clients, and this limitation has contributed to the current low volume of mortgages outstanding. However, FNBB has included mortgage loans in its CRA statement as one of the types of credit offered, and the Board expects every organization to provide to the community in a fair and nondiscriminatory manner the type of credit listed in its CRA statement and to make known to its community that such credit is available. Applicant has stated that FNBB's policy of accepting mortgage applications only from existing depositors has been discontinued in an effort to promote additional applications. In addition, Applicant states that it is making efforts and developing plans to advise its community of the availability of mortgage and home-improvement credit. The board has relied on Applicant's representations in this regard, and the Board expects that Applicant will intensify its efforts to upgrade its commitment to extending mortgage credit throughout FNBB's entire community, particularly to the low- to moderate-income areas of that community.

With respect to the allegation that FNBB's community development efforts are insignificant in relation to Applicant's resources, the Board notes that in its recent information statement regarding consideration of relevant factors under CRA, the Board stressed that it is not so much concerned with the ratio of loans to a particular area or activity as with lender sensitivity to credit needs of a particular segment. In this regard it appears that Applicant has a positive record of attempting to assess and meet credit needs of local community and minority-owned small businesses. For example, since 1970, FNBB has operated an urban marketing program that specializes in financing inner city minority businesses. Credit-worthy borrowers are sought through contact with local community groups and most of the loans are advanced under the auspices of the small business groups. As a result of these efforts, over the past five years FNBB has extended approximately $4 million in loans through its urban marketing program to small businesses located in low- and moderate-income areas in Suffolk County, 80 percent of which are minority-owned.

In addition to its urban marketing program, Applicant has made a major commitment to small business lending generally by offering reduced rates on such loans. Specifically, in December 1978 FNBB introduced a special small business index rate (SBIR) for loans to small business and nonprofit corporations owned in New England that is 1.25 percent below Applicant's basic business loan rate. As a result, as of May 1979, 3,660 loans totalling $108 million had been extended under the SBIR program. FNBB has also demonstrated a commitment to student loan programs, and as of May 1979, FNBB had a total of 10,300 student loans outstanding with a total dollar value of $12.8 million, of which $7.1 million represented 3,500 Higher Education Loan Plan loans primarily to students from low- to moderate-income families.

In addition to its efforts regarding small business loans, Applicant has participated in a number of other community-oriented lending programs. Applicant has been an active participant in the principal Boston community development program, "The Boston Plan," that is targeted, among other things, to develop and support commercial enterprises in one of Boston's low-income neighborhoods. Applicant has committed $1.6 million to this plan and has indicated a commitment to the residential rehabilitation portion of the neighborhood's renovation program. In addition, since 1974, Applicant has participated in the management and operation of the Boston Neighborhood Housing Services program and has recently commited to support a community development block grant program in the town of Winthrop. Finally, by purchasing and underwriting the securities of Massachusetts Housing Finance Agency (MHFA), Applicant indirectly provides funds to meet the low- and moderate-income housing needs in Suffolk County, which constitute the primary use of the proceeds of the sale of MHFA securities.

With regard to the allegation that Applicant's record with respect to its other subsidiary banks demonstrates significant disinvestment in the local communities, data submitted by Protestant indicated that loan participations between FNBB and Applicant's other subsidiary banks resulted in a $10.9 million outflow of funds from these smaller banks. The Board is of the opinion that the entire record does not support a finding of community disinvestment. A loan participation schedule submitted by Applicant shows that as of December 31, 1978, the six smaller subsidiary banks had purchased $13.6 million in loans from FNBB and sold $2.7 million in loans to FNBB. However, during this period, Applicant supplied $13 million in new capital to these subsidiaries resulting in a net inflow to the subsidiaries of $2.1 million. Thus, the Board concludes that Protestant's allegation in this regard is not supported by the facts of record.

The Board also notes that upon consummation of acquisition, Applicant states that it will cause Bank to offer its customers a number of new services: NOW accounts, credit card services, and commercial accounts receivable, chattel mortgage and floor plan financing. In addition, within six months, Applicant would cause Bank to lower to $100 the minimum deposit required on its 1 to 4 year certificates of deposit and to eliminate the $300 minimum deposit required on Bank's 90-day notice account. Protestant asserts that these services are available from other banks in the market and that their benefits are therefore illusory. The Board believes that the benefits resulting from this transaction are of benefit to the community to be served and that the introduction of these services will enhance competition in the New Bedford banking market. Thus, based on its evaluation of the entire record on this application, including Applicant's and FNBB's overall record of performance with respect to the factors to be considered under CRA, the Board is of the opinion that considerations relating to the convenience and needs of the community to be served are favorable and lend some weight toward approval of the application.

Based on the foregoing, it is the Board's judgment that approval of the applications 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. These transactions shall not be made before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston, pursuant to delegated authority.

By Order of the Board of Governors, effective January 28, 1980.

Voting for this action: Chairman Volker and Governors Schultz, Wallich, Coldwell, Partee, and Rice. Absent and not voting: Governor Teeters.

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

Guaranty Development Company, Livingston, Montana

Order Approving Acquisition of Bank

Guaranty Development Company, Livingston, Montana, 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 53.8 percent of the voting shares of First Security Bank of Big Timber ("Bank"), Big Timber, Montana.

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 that became a bank holding company as a result of the 1970 Amendments to the Act, controls one bank with deposits of $31.3 million, representing 0.8 percent of the total deposits in commercial banks in the state.[1] Acquistion of Bank, which holds deposits of $5.3 million, would increase Applicant's share of statewide deposits by 0.1 percent and would not result in a significant in-

1. All banking data are as of September 30, 1978.

crease in the concentration of banking resources in Montana.

Bank is the smaller of two banks operating in the relevant banking market[2] controlling 24.8 percent of market deposits. Applicant's banking subsidiary is located in a separate, though adjacent, banking market and no significant existing competition would be eliminated by consummation of this proposal. Although Applicant is capable of entering the market de novo, it does not appear from the facts of record that the market is particularly attractive for de novo entry. On the basis of the above and other facts of record, the Board concludes that competitive considerations are consistent with approval of the application.

The financial and managerial resources of Applicant, its subsidiary bank, and Bank are regarded as satisfactory and their future prospects appear favorable. Accordingly, banking factors are consistent with approval of the application. Although Applicant proposes no immediate changes in the services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

Applicant currently engages in certain nonbanking activities pursuant to section 4(c)(ii) of the Act, which provides a total exemption from the prohibitions of section 4 of the Act against nonbanking activities.[3] Based upon its review of the legislative intent of Congress in providing this exemption, it is the Board's judgment that the exceptionally broad exemption afforded by section 4(c)(ii) must be limited to family-owned one-bank holding companies that are not engaged in the management of banks. Moreover, in the Board's view, upon the acquisition of an additional bank, a one-bank holding company that is exempt under section 4(c)(ii) of the Act, would become engaged in the management of banks, and would thereby terminate its eligibility for the exemption. In addition, the Board believes that to permit unsupervised nonbank expansion by a multibank holding company would constitute an evasion of the Act, which the Board is authorized to prevent pursuant to section 5(b) of the Act. Accordingly, the Board concludes that upon the acquisition of Bank, Applicant will no longer be eligible for the exemption for its nonbanking activities afforded by section 4(c)(ii) of the Act.[4]

2. The relevant market is approximated by Sweet Grass County, Montana.

3. Section 4(c)(ii) exempts from the prohibitions of section 4 "a company covered in 1970 more than 85 percentum of the voting stock of which was collectively owned on June 30, 1968 and continuously thereafter, directly or indirectly by or for members of the same family, or their spouses, who are lineal descendants of common ancestors:"

4. Absent the exemption afforded by section 4(c)(ii), Applicant's existing nonbanking activities (leasing a condominum and airplane for use in its bank business and furnishing data processing services to its banking subsidiary) appear to be exempt under section 4(c)(1) (C) of the Act. Applicant also has one small loan outstanding to one of its principals. In view of the size of this loan, and the circumstances under which it was made, the Board does not regard Applicant as being engaged in lending activities. However, Applicant may not make any additional loans without obtaining the Board's prior approval under section 4 of the Act.

Based on the foregoing, it is the Board's judgment that the proposed transaction would be consistent with the public interest and that the application should be approved. Accordingly, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calender day following the effective date of this Order or later than three months after the effective date of the Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Minneapolis pursuant to delegated authority.

By order of the Board of Governors, effective January 25, 1980.

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

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

The Marine Corporation, Milwaukee, Wisconsin

Order Approving Acquisition of Bank

The Marine Corporation, Milwaukee, Wisconsin, 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 80 percent or more of the voting shares of Commercial State Bank, Madison, Wisconsin ("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 (12 U.S.C. § 1842(b)). The time for filing comments and views has expired, and the application and all comments received, including the submission from Lake City Bank, Madison, Wisconsin ("Lake City Bank"), have been considered by the Board in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the third largest banking organization in Wisconsin, controls 17 banks with aggregate deposits of approximately $1.3 billion, representing 6.6 percent of total deposits in commercial banks in the state.[1] Ac-

1. All banking data are as of December 31, 1978, and reflect bank holding company formations and acquisitions approved as of October 30, 1979.

quisition of Bank ($29.8 million in deposits), the 164th largest banking organization in Wisconsin, will increase Applicant's share of commercial bank deposits by only 0.2 percent and will not alter Applicant's ranking in the state.

Bank is the ninth largest of 23 banking organizations in the Madison banking market (the relevant market)[2] and controls 2.5 percent of total commercial bank deposits therein. Applicant is the fourth largest banking organization in the Madison market through its control of Security Marine Bank ("Security Bank") ($70.9 million in deposits), holding 6.1 percent of the market's commercial bank deposits. Upon consummation of the proposal Applicant's market share will increase to 8.6 percent, but due to the presence of significantly larger banking organizations in the market, its ranking will remain unchanged. In light of the above and other facts of record, the Board finds that consummation of this proposal will result in the elimination of existing competition between Security Bank and Bank,[3] will remove an independent competitor from the Madison market and will increase the concentration of banking resources in the market. These facts would appear to warrant a finding that consummation of this proposal would have serious adverse competitive effects[4]. However, the Board notes there are other facts in the record bearing upon the competitive effects of the proposal and, based upon its consideration of all the facts, concludes that such a finding is not warranted.

The Board believes that proposals involving the acquisition of an independent banking organization by an organization already represented in a market must be analyzed carefully, giving attention to all of the facts presented in each case, such as the structural characteristics of the market as well as the quantitative factors associated with the proposal. In this regard, the Board notes that the largest banking organization in the Madison banking market, First Wisconsin Corporation ("First Wisconsin"), controlling 26.8 percent of market deposits, is also the largest banking organization in the state. In addition, the market share held by First Wisconsin and the second largest banking organization in the market is over 47 percent or nearly six times the market share that will be controlled by Applicant. The Board also believes that consideration should be given to the fact that the organization to be acquired is a relatively small institution. Accordingly, the Board concludes that the overall competitive effects of this proposal do not warrant denial; futhermore, any anticompetitive effects are outweighed by the convenience and needs considerations associated with this application.

The financial and managerial resources and future prospects of Applicant, its subsidiaries, and Bank are regarded as generally satisfactory, particularly in light of steps Applicant will undertake to strengthen and improve Bank's overall condition. Applicant also intends to inject capital into certain of its other subsidiary banks. In addition to the fact that affiliation with Applicant will strengthen Bank's overall condition, it will enable Bank to introduce new and expanded services to its customers. Upon consummation of this proposal, Applicant intends to assist Bank in developing its commercial loan portfolio and in offering lease financing, increasing its agricultural loans, and its marketing, computer and management services. Applicant also intends to assist Bank in improving its physical facilities. In light of the above, considerations relating to the convenience and needs of the community to be served lend significant weight toward approval of the application and outweigh the adverse competitive effects that might result from consummation of this proposal. Accordingly, the Board has determined 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 before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective January 11, 1980.

Voting for this action: Vice Chairman Schultz, Governors Wallich, Coldwell, Teeters, and Rice. Voting against this action: Governor Partee. Absent and not voting: Chairman Volcker.

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

2. The Madison banking market is approximated by the Madison, Wisconsin RMA.

3. Lake City Bank, in its submission to the Board, states that it does not object to Applicant's acquisition of Bank but only to the acquisition of Bank's Milwaukee Street Branch ("Branch") because such an acquisition will effectively eliminate existing competition in the area served by Branch. The Board notes that offices of Security Bank are convenient banking alternatives to Branch and that consummation of this proposal will eliminate meaningful existing competition, particularly in the northeast portion of the Madison banking market; however, for the reasons discussed below, the Board finds denial of the proposal is not warranted.

4. In an analysis based solely on market share, the competitive effects of this proposal are similar to those presented in an application the Board recently denied (County National Bancorporation/T.G.B., 65 FEDERAL RESERVE BULLETIN, 763 (1979) ("County National")). However, the Board's Order in County National reflects the Board's determination that market share is not the only factor the Board considers in assessing the competitive effects of a proposal. In County National, the Board found significant that the proposal would result in the merger of two sizeable "banking organizations comparably balanced and poised as natural competitors for the same range of business within the market" (See footnote 3 in County National Order). In addition, the Board noted that the County National proposal would have eliminated a lead bank and its independent holding company from the St. Louis banking market. Neither of these facts is present in the subject proposal.

Dissenting Statement of Governor Partee

I would deny the application of The Marine Corporation to acquire Commercial State Bank. I believe that the issue presented by this application was addressed by the Board when it considered the application by County National Bancorporation, Clayton, Missouri, a bank holding company, to acquire control of another bank holding company, T. G. Bancshares, Co., St. Louis, Missouri, operating in the same market as County National. (65 FEDERAL RESERVE BULLETIN 763 (1979)). In that case, the resulting organization would have controlled 5.6 percent of the St. Louis banking market's commercial bank deposits, and would have become the market's fourth largest banking organization.

In view of the Board's denial of the County National proposal, it would seem to me consistent that the Board deny this application as well. The market shares at issue in this proposal are larger than was the case in County National. Futhermore, I do not believe the seriously adverse competitive effects of this proposal, as reflected in a market share analysis, are mitigated by convenience and needs considerations or any special characteristics of the Madison market. Accordingly, while I would not have denied County National in the first instance, I believe that based upon the Board's action in that case and the facts of record in the instant proposal, this case should be denied.

Orders Under Section 4
of Bank Holding Company Act

Chase Manhattan Corporation, New York, New York

Order Granting Amended Application to Engage in Certain Insurance Agency Activities

On September 22, 1975, the Board of Governors issued an Order modifying its previous Order of July 14, 1975, and approving the application of Chase Manhattan Corporation, New York, New York ("Chase"), to engage de novo through its subsidiary, Housing Investment Corporation of Florida ("HIC") in the sale pursuant to section 4(c)(8) of the Bank Holding Company Act, 12 U.S.C. § 1841 et seq. ("Act"), of credit-related property and liability insurance, credit life, credit accident and health insurance, mortgage redemption insurance and homeowners comprehensive policies.[1]

Chase's application had been protested by the Independent Insurance Agents of America, formerly the National Association of Insurance Agents, Inc., and the Florida Association of Insurance Agents, Inc. (together referred to herein as "Protestants"). The Board had directed that public hearings on the Chase application be held before an Administrative Law Judge ("ALJ") and such hearings were held between June 11 and June 21, 1975. The ALJ made certain findings and recommended that, with certain conditions, Chase's application be approved. Immediately thereafter, the Florida legislature enacted a law limiting the permissible insurance agency activities of bank holding companies in Florida.[2] After reviewing the findings and recommendations of the ALJ and the effect of the newly enacted statute on the scope of the proposal, the Board approved Chase's application. Protestants subsequently petitioned for judicial review of the Board's action.

On March 19, 1979, the United States Court of Appeals for the Fifth Circuit remanded the matter of Chase's application to the Board for further development of evidence with respect to the effect of the intervening Florida law upon the Board's findings on the public benefits associated with Chase's application and with instructions to explain the conclusions of the Board in this regard that differed from those of the ALJ.[3] In response to the Court's instructions, the Board directed Chase to supplement the record with information on these issues and afforded to Protestants the opportunity to comment on Chase's submissions. Chase amended its application so as to limit its proposal to insurance agency activities permitted by Florida law and detailed the public benefits expected to result from its proposal. Thereafter, by letter of August 17, 1979, Protestants withdrew their opposition to the Chase application. Accordingly, there appears to be no reason for further proceedings before an Administrative Law Judge. The Board had reviewed the entire record relating to the application, including Chase's recent submissions and Protestant's response thereto, and makes the following findings as to the facts and the conclusions to be drawn therefrom.

Chase, a bank holding company within the meaning of the Act, has amended its application under section 4(c)(8) of the Act and section (b) (1) of the Board's Regulation Y to engage de novo through HIC in the sale of (1) insurance that assures repayment of mortgage loans made by HIC in the event of death or disability of the borrower, and (2) insurance that protects property that is collateral for a mortgage loan against loss or damage, but excluding insurance customarily written under an inland marine form. Chase has committed to engage in the sale of such insurance in con-

1. At the same time, the Board approved the applications of several other bank holding companies to engage in similar insurance agency activities. However, following the litigation described later in the text, Chase is the only one of these bank holding companies that requested the Board to consider its amended application.

2. Florida Statue § 626.988 (1977).

3. *Florida Association of Insurance Agents, Inc.* v. *Board of Governors*, 591 F2d 334 (5th Cir. 1979).

formance with Florida law (including that enacted subsequent to the ALJ's decision in this case) and the Board's regulations. In particular, Chase will engage in this activity only to the extent that such insurance is directly related to real estate mortgage loans made or brokered by licensees under chapter 494, Florida Statutes, and only to the extent necessary to protect against loss or damage to the real property that is subject to mortgage, on residential property consisting of not more than four individual dwelling units.

The Administrative Law Judge and the Board previously found that insurance activities proposed by Chase are authorized by section 225.4 (a)(9) of Regulation Y and are so closely related to banking or managing or controlling banks as to be a proper incident thereto. The Fifth Circuit Court of Appeals, in the *Florida* case, left this determination undisturbed. Therefore, the Board believes that it is neither necessary nor appropriate to reconsider these conclusions.

Upon consideration of Chase's amended application, the Board is of the view that, even in light of the limited scope of insurance activities permitted under amended Florida law, the performance of the proposed insurance agency activities by Chase through HIC reasonably can be expected to produce benefits to the public that outweigh possible adverse effects. In particular, approval of the application would favor the public interest by introducing into the communities served by HIC[4] an additional source of mortgage-related insurance, thereby increasing overall competition in these communities and the surrounding areas. The Board has long recognized that de novo entry is pro-competitive and provides a public benefit.[5] Additionally, approval of the application will result in some gain in efficiency as Chase will utilize present physical locations, office equipment, computer hardware and software, and various personnel support service capabilities to generate additional revenue. Ultimately, the more efficient use of its investments should result in lower prices to HIC's customers. Finally, approval of this application will provide mortgage customers of HIC the advantages of one-stop shopping. HIC will offer insurance through four of its subsidiary offices and plans to have at least one insurance agent located on the premises of each of those offices. Accordingly, customers will be able to purchase their mortgage-related insurance at the same place and time that they receive their mortgage and also will be afforded the convenience of centralized billing.

In connection with Chase's original application, the Administrative Law Judge found that certain possible adverse effects would result from approval of the application.[6] The Board in its September 22, 1975, Order found that no such adverse effects would result. Upon reconsideration of the evidence of record, the Board remains of the view that no reasonably forseeable or possible adverse effects would result from approval of this application. In particular, the record shows that HIC was organized in 1972 and originates less than 0.1 percent of the residential mortgage loans in Florida. Futhermore, there are numerous alternative sources of mortgage credit and insurance in Florida, HIC proposes to engage in its insurance agency activities de novo and the scope of insurance activities in which HIC may permissibly engage is severely restricted by Florida law, as described above, and by the Board's regulations. Based upon this information, it does not appear that approval of this application will result in a concentration of resources in any market, any unfair competitive advantages for HIC or Chase, decreased competition within the insurance industry or reduction of opportunities for individual entrepeneurs. Furthermore, there is no evidence in the record to indicate any other adverse effects that would result from approval of the application.

Based upon the foregoing, the Board has determined in accordance with the provisions of section 4(c)(8) that consummation of the proposal can reasonably be expected to produce public benefits that outweigh possible adverse effects. Accordingly, Chase's application to sell the limited insurance coverages enumerated above and expressly permitted under Florida law is hereby approved.

This determination supersedes the Board's Order of September 22, 1975, and is conditioned upon Applicant's conduct of these activities in accordance with all applicable Florida insurance laws. This determination is further 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 transactions herein approved shall be executed not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective January 11, 1980.

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4. HIC will sell insurance at offices located in Miami, Jacksonville, Tampa, and Alamonte Springs, Florida.

5. See *e.g.*, U.N. *Bancshares, Inc.*, 59 FEDERAL RESERVE BULLETIN 204 (1973) and *Citicorp-Westport*, 64 FEDERAL RESERVE BULLETIN 510 (1979).

6. It should be noted that because Chase does no banking business in Florida, the ALJ found relatively fewer adverse affects in connection with Chase's application than with the other applications, which since have been abandoned, as described in footnote 1 supra.

Voting for this action: Vice Chairman Schultz and Governors Coldwell, Partee, and Rice. Present and not voting: Governor Wallich. Absent and not voting: Chairman Volcker and Governor Teeters.

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

NCNB Corporation, Charlotte, North Carolina

First Atlanta Corporation, Atlanta, Georgia

First and Merchants Corporation, Richmond, Virginia

Order Approving Retention of Tri-South Management Associates

NCNB Corporation, Charlotte, North Carolina ("NCNB") (through its direct subsidiary, NCNB Tri-South Corporation, Charlotte, North Carolina), First and Merchants Corporation, Richmond, Virginia ("Merchants Corporation") (through its direct subsidiary, First and Merchants Tri-South Corporation, Richmond, Virginia), and First Atlanta Corporation, Atlanta, Georgia ("Atlanta Corporation") (through its indirect subsidiary, First Atlanta Tri-South Corporation, which is a subsidiary of T & B.P.C., Inc., Atlanta, Georgia, a direct subsidiary of Atlanta Corporation), (together, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act, as amended, 12 U.S.C. § 1841 et seq. (the "Act"), have applied for the Board's approval, under section 4(c)(8) of the Act and section 225.4(b) of the Board's Regulation Y, to retain until December 31, 1983, voting shares of Tri-South Management Associates ("Associates"),[1] a partnership whose only activity is to act as investment adviser to Tri-South Mortgage Investors ("Company"), a Massachusetts business trust operating as a real estate investment trust.[2] This activity has been determined to be permissible for bank holding companies (12 C.F.R. § 225.4(a)(5)).

Notice of the applications, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (44 *Federal Register* 64567 (1979)). The time for filing comments and views has expired and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

NCNB, the second largest banking organization in North Carolina, is a one-bank holding company with deposits of approximately $3.9 billion, representing 18.2 percent of the total deposits in commercial banks in the state.[3] Through its subsidiary, NCNB Mortgage Corporation, NCNB engages in the mortgage banking business from offices in North Carolina, South Carolina, Georgia, and Florida.

Merchants Corporation, the fourth largest banking organization in Virginia, is a one-bank holding company with deposits of approximately $1.6 billion, representing 8.4 percent of total deposits in commercial banks in the state. Through its subsidiary, First Mortgage Corporation, Merchants Corporation engages in the mortgage banking business, primarily in the State of Virginia.

Atlanta Corporation, the second largest banking organization in Georgia, has three banking subsidiaries with aggregate deposits of $1.9 billion, representing 12.0 percent of total deposits in commercial banks in the state. Through its subsidiary, Tharpe & Brooks, Inc., Atlanta Corporation engages in the mortgage banking business serving the states of Georgia and Florida.

Applicants jointly commenced Associates in 1970 when each Applicant was a one-bank holding company within the meaning of the 1970 Amendments to the Act. Pursuant to the provisions of section 4(a)(2) of the Act, Applicants have until December 31, 1980, to divest of their interests in Associates or file applications to retain such interests. The Board regards the standards under section 4(c)(8) for retention of activities to be the same as the standards for a proposed acquisition of a section 4(c)(8) activity.

Applicants propose to jointly continue to act as investment adviser and financial consultant to Company through their respective interests in Associates. Associates' only client has been and continues to be Company. The extent to which this joint venture eliminated existing competition is determined by the facts that existed at the time Applicants entered into the activity.[4] The record indicates that at that time none of the Applicants was engaged in acting as investment adviser to a real estate investment trust and that this joint venture represented de novo entry by each Applicant into the activity. Therefore, no existing competition was eliminated.

1. In addition, Applicants each own shares of Company. In view of the fact that no one of the Applicants control 5 percent of Company's stock, no application is required with respect to these shares. (12 U.S.C. § 1843(c)(6)).
2. Company is a publicly held real estate investment trust.
3. Banking data for NCNB and Merchants Corporation are as of June 30, 1979. Banking data for Atlanta Corporation are as of December 31, 1978.
4. *United States* v. *Penn-Olin Chemical Co.*, 378 U.S. 158 (1964).

The Board also considers whether, at its inception, any potential competition between the Applicants may have been eliminated by this joint venture. In answering this question, the Board considers whether, absent this joint venture, any one of the Applicants would have entered the market on its own. From the record, it appears that each Applicant separately considered engaging in this activity but determined that such an undertaking was not economically feasible. Accordingly, it does not appear that the joint venture had any adverse effects on potential competition. At the time Applicants entered into this joint venture it was proposed that Associates would advise Company about investment opportunities, including evaluating specific loans and supervising Company's investment operations. However, since 1974, Associates' sole function has been to administer existing loan contracts and there are no present plans to expand its activities. Accordingly, the Board concludes that the formation of this joint venture had no significant effects on competition and that Applicants' retention of Associates would not have any significant competitive effects. Furthermore, there is no evidence in the record indicating that the proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects.

It is the Board's judgment that this joint venture resulted in public benefits through the addition of another competitor in the market, and that Applicants' temporary retention of their interests continues to be in 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 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 Governers, effective January 11, 1980.

Voting for this action: Vice Chairman Schultz and Governors Wallich, Coldwell, Partee, and Rice. Absent and not voting: Chairman Volcker and Governor Teeters.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Order Under Section 2
of Banking Holding Company Act

Comanche Land and Cattle Company, Comanche, Texas

Order Granting Determination Under the Bank Holding Company Act

Comanche Land and Cattle Company, Comanche, Texas ("Comanche"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended,[1] has requested a determination pursuant to section 2(g)(3) of the Act (12 U.S.C. § 1842(g)(3)) that it is not in fact capable of controlling First State Bank of Bangs, Bangs, Texas ("Bank"), or the individual to whom it transferred 28 percent of Bank's voting shares, notwithstanding the fact that such transferee is a director and officer of Comanche.

Under the provisions of section 2(g)(3) of the Act, shares transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor or has one or more officers, directors, trustees, or beneficiaries in common with or subject to control by the transferor, are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee.[2] It is hereby determined that Comanche is not in fact capable of controlling the individual transferee or Bank. This determination is based upon the evidence of record in this matter, including the following facts.

Comanche is a closely-held corporation with four shareholders. Comanche, which once held 65 percent of the shares of Bank, reduced its ownership to 24 percent by distributing 41 percent of the shares of Bank to its shareholders. Comanche held 25 percent or more of Bank's shares for only slightly more than one year. One of Comanche's shareholders, who received 28 percent of Bank's shares, is also a director and officer of Comanche. However, it appears that since this individual owns 70 percent of Comanche's shares. Comanche should be regarded as his alter ego, and there is no evidence in the record to contradict this conclusion.

With respect to its continued ownership of shares of Bank, Comanche has committed that it will not vote its shares of Bank, and that all transactions between Co-

1. The granting of this request will terminate Comanche's status as a bank holding company.

2. In its January 26, 1978 interpretation of section 2(g)(3), the Board stated that the presumption would apply where shares are transfered directly to one or more persons who are directors or officers of the transferor.

manche and Bank will be conducted in the ordinary course of business. Moreover, Comanche has committed that it will not have any directors or officers in common with Bank, and it has terminated all management interlocks with Bank that existed at the time of transfer. Finally, Comanche's board of directors has adopted a resolution to the effect that Comanche does not, and will not attempt to, exercise a controlling influence over Bank or the transferee of Bank's shares. Similarly, the board of directors of Bank have adopted a resolution to the effect that it is not and will not be controlled by Comanche, and the individual transferee has made an affidavit that he is not, and will not be, subject to Comanche's control.

On the basis of the foregoing and other facts of record, it is hereby determined that control of the divested shares of Bank rest with the transferee as an individual, and there is no evidence that Comanche controls or is capable of controlling Bank or its principal shareholder in his capacity as transferee of the stock of Bank. Accordingly, it is ordered, that the request of Comanche for a determination pursuant to section 2(g)(3) be granted. This determination is based on the representations made to the Board by Comanche and the transferee of Bank's shares. In the event that the Board should hereafter determine that facts material to this determination are otherwise than as represented, or that Comanche or the transferee have failed to disclose to the Board other material facts, this determination may be revoked, and any change in the facts and circumstances relied upon by the Board in making this determination could result in the Board reconsidering the determination made herein.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(1), effective January 15, 1980.

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

Certification Pursuant to the Bank Holding Company Tax Act of 1976

First Pyramid Life Insurance Company, Little Rock, Arkansas

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976

[Docket No. TCR 76-179]

First Pyramid Life Insurance Company, (First) Little Rock, Arkansas, has requested a prior certification pursuant to section 1101(c)(3) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the 218,166 shares (36 percent) of City National Bank of Fort Smith, (Bank) Fort Smith, Arkansas, presently held by First, through the pro rata distribution to First's stockholders of the stock of a corporation (New Corporation) created and availed of solely for the purpose of receiving First's Bank shares, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 et seq) (BHC Act). First proposes to exchange the 216,166 shares of Bank it presently owns for all of the shares of New Corporation. After the exchange, First proposes immediately to distribute all of New Corporation's shares pro rata to the holders of common stock of First.

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification:[1]

1. First is a corporation organized under the laws of Arkansas on November 5, 1928. On July 24, 1953, First acquired ownership and control of 28,550 shares, representing 95.2 percent of the outstanding voting shares, of Bank. On July 7, 1970 First held 148,872 shares, representing 71.8 percent of the outstanding voting shares, of Bank. On February 28, 1978, First acquired an additional 131,980 shares of Bank in a transaction in which 2 shares of Bank common stock were issued to shareholders of Bank for every one share of common stock held by such shareholder.[2]

2. First became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the Board on August 15, 1971. First would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on that date by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank. First presently owns and controls 218,166

1. This information derives from First's correspondence with the Board concerning its request for this certification, First's Registration Statement filed with the Board pursuant to the BHC Act, and other records of the Board.

2. Under subsection (c) of section 1101 of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) when distributed by an otherwise qualified bank holding company. However, where such property was acquired by a qualified bank holding company in a transaction in which gain was not recognized under § 305(a) of the Code, then section 1101(b) is applicable. First has stated that the shares it received on February 28, 1978, were received in a transaction in which gain was not recognized under section 305(a) of the Code. Accordingly, even though 131,980 shares of Bank common stock were acquired by First after July 7, 1970, those shares would nevertheless qualify as property eligible for the tax benefits provided in section 1101(b) of the Code if those shares were, in fact, received in a transaction in which gain was not recognized under section 305(a) of the Code.

shares, representing 36 percent of the outstanding voting shares, of Bank.

3. First holds property acquired by it on or before July 7, 1970, the disposition of which but for the proviso of section 4(a)(2) of the BHC Act would be necessary or appropriate to effectuate section 4 of the BHC Act if First were to continue to be a bank holding company beyond December 31, 1980, and which property, but for such proviso, would be "prohibited property" within the meaning of section 1103(c) of the Code. Section 1103(g) of the Code provides that any bank holding company may elect, for the purposes of part VIII of subchapter O of Chapter 1 of the Code, to have the determination of whether property is "prohibited property" or is property eligible to be distributed without recognition of gain under section 1101(b)(1) of the Code, made under the BHC Act as if the Act did not contain the proviso of section 4(a)(2). First has represented that it will make such an election prior to the consummation of the proposed divestiture.

4. First has committed to the Board that no officer, director or employee with policy-making functions of First or any of its subsidiaries (including honorary or advisory directors) will hold any such position with New Corporation or any of its subsidiaries. First has further committed that all such interlocking relationships that now exist between First and Bank will be terminated.

On the basis of the foregoing information, it is hereby certified that:

(A) First is a qualified bank holding corporation within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) The shares of Bank that First proposes to exchange for shares of New Corporation are all or part of the property by reason of which First controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company, and

(C) exchange of the shares of Bank for the shares of New Corporation and the distribution to the shareholders of First of the shares of New Corporation are necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations and commitments made to the Board by First and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by First, or that First has failed to disclose to the Board other material facts or to fulfill any commitments made to the Board in connection herewith, it may revoke this certification.

By order of the Board of Governors acting through its General Counsel, pursuant to delegated authority (12 C.F.R.§ 265.2(b)(3), effective January 24, 1980.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During January 1980 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
Fannin Bancshares, Inc., Houston, Texas	Fannin Bank, Houston, Texas	January 11, 1980
Green River Company, Green River, Wyoming	First National Bank of Green River, Green River, Wyoming	January 25, 1980
Seaway Bancshares, Inc., Chicago, Illinois	Seaway National Bank of Chicago, Chicago, Illinois	January 14, 1980
Western Bancorporation, Houston, Texas	Western Bank, Houston, Texas	January 18, 1980

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Banc One Corporation, Columbus, Ohio	The Pomeroy National Bank, Pomeroy, Ohio	Cleveland	January 7, 1980
Beutler, Inc., Ness City, Kansas	The First State Bank, Ness City, Kansas	Kansas City	January 4, 1980
Cattle Crossing, Inc., Seward, Nebraska	The Cattle National Bank of Seward, Seward, Nebraska	Kansas City	January 3, 1980
F & M Bank Shares, Inc., Hennessey, Oklahoma	The Farmers and Merchants National Bank of Hennessey, Hennessey, Oklahoma	Kansas City	January 3, 1980
Falmouth Bancorporation, Falmouth, Kentucky	The Falmouth Deposit Bank, Falmouth, Kentucky	Cleveland	January 4, 1980
Illinois Holding Company, Sherrard, Illinois	Farmers State Bank of Sherrard, Sherrard, Illinois	Chicago	January 11, 1980
First Forest Park Corporation, Forest Park, Illinois	Forest Park National Bank, Forest Park, Illinois	Chicago	December 31, 1979
First Naperville Bancorporation, Inc., Naperville, Illinois	The First Bank, Naperville, Naperville, Illinois	Chicago	December 28, 1979
First National Charter Corporation,	Farmers Savings Bank, Marshall, Missouri	Kansas City	January 15, 1980
San Antonio Bancshares, Inc., San Antonio, Texas	Bank of San Antonio, San Antonio, Texas	Dallas	January 7, 1980
Lakota Bank Holding Company, Inc., Lakota, North Dakota	State Bank of Lakota, Lakota, North Dakota	Minneapolis	January 4, 1980
Leigh Corporation, Leigh, Nebraska	Bank of Leigh, Leigh, Nebraska	Kansas City	December 28, 1979
McGregor Bancshares, Inc., McGregor, Minnesota	State Bank of McGregor, McGregor, Minnesota	Minnesota	January 21, 1980
Manco, Inc., Mancos, Colorado	Mancos State Bank, Mancos, Colorado	Kansas City	January 17, 1980
Mansura Bancshares, Inc., Mansura, Illinois	Mansura State Bank, Mansura, Louisiana	Atlanta	January 21, 1980
Nekoosa Port Edwards Bancorporation, Nekoosa, Wisconsin	Nekoosa Port Edwards State Bank, Nekoosa, Wisconsin	Chicago	January 4, 1980
Peoples Bancshares, Inc., Van Buren, Arkansas	Peoples Bank & Trust Company, Van Buren, Arkansas	St. Louis	January 18, 1980
Trust Company of Georgia, Atlanta, Georgia	Citizens and Southern Bank of Rockdale, Conyers, Colorado	Atlanta	January 23, 1980
United Bank Corporation of New York, Albany, New York	Peninsula National Bank, Cedarhurst, New York	New York	January 8, 1980
Bucklin Bankshares, Inc., Bucklin, Kansas	The Farmers State Bank of Bucklin, Kansas, Bucklin, Kansas	Kansas City	January 25, 1980

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Elsie, Inc., Elsie, Nebraska	Commercial State Bank, Elsie, Nebraska	Kansas City	January 24, 1980
First Denham Bancshares, Inc., Denham Springs, Louisiana	First National Bank of Denham Springs, Denham Springs, Louisiana	Atlanta	January 21, 1980
First of Chadron Bank Corporation, Chadron, Nebraska	The First National Bank of Chadron, Chadron, Nebraska	Kansas City	January 24, 1980
First National Boston Corporation, Boston, Massachusetts	Pittsfield National Bank, Pittsfield, Massachusetts	Boston	January 28, 1980
Louisburg Bancshares, Inc., Louisburg, Kansas	The Bank of Louisburg, Louisburg, Kansas	Kansas City	January 25, 1980
Midlantic Banks Inc., West Orange, New Jersey	Atlantic National Bank, Atlantic City, New Jersey	New York	January 28, 1980
Royall Financial Corporation, Palestine, Texas	The Royall National Bank of Palestine, Palestine, Texas	Dallas	January 28, 1980
Security Financial Services, Inc., Sheboygan, Wisconsin	Eldorado State Bank, Eldorado, Wisconsin	Chicago	January 28, 1980
Walker Bancshares Corp., Crawfordsville, Iowa	Walker State Bank, Walker, Iowa	Chicago	January 2, 1980
Wolfe City Bancshares, Inc., Wolfe City, Texas	The Wolfe City National Bank, Wolfe City, Texas	Dallas	January 28, 1980

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
First Tahlequah Corp., Tahlequah, Oklahoma	First National Bank, Tahlequah, Oklahoma	Credit related insurance activities	Kansas City	January 17, 1980

Section 4

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
First Atlantic Corporation, Atlanta, Georgia	Underwriting of credit life and disability insurance	Atlanta	January 10, 1980
U.S. Bancorp, Portland, Oregon	State Finance & Thrift Company, Inc., Logan, Utah	San Francisco	January 4, 1980

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

Does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

American Trust Co. of Hawaii, et al., v. *Board of Governors*, filed January 1980, U.S.D.C. for the District of Columbia.

Boggs, et al. v. *Board of Governors*, filed October 1979, U.S.C.A. for the Eighth Circuit.

Independent Bank Corporation v. *Board of Governors*, filed October 1979, U.S.C.A. for the Sixth Circuit.

Wiley v. *United States, et al.*, filed September 1979, U.S.D.C. for the District of Columbia.

County National Bancorporation and TGB Co. v. *Board of Governors*, filed September 1979, U.S.C.A. for the Eighth Circuit.

State of Indiana v. *The United States of America, et al.*, filed September 1979, U.S.D.C. for the District of Columbia.

Edwin F. Gordon v. *Board of Governors, et al.*, filed August 1979, U.S.D.C. for the Northern District of Georgia.

Edwin F. Gordon v. *Board of Governors, et al.*, filed August 1979, U.S.C.A. for the Fifth Circuit.

American Bankers Association v. *Board of Governors, et al.*, filed August 1979, U.S.D.C. for the District of Columbia.

Gregory v. *Board of Governors*, filed July 1979, U.S.D.C. for the District of Columbia.

Donald W. Riegel, Jr. v. *Federal Open Market Committee*, filed July 1979, U.S.D.C. for the District of Columbia.

Connecticut Bankers Association, et al., v. *Board of Governors*, filed May 1979, U.S.C.A. for the District of Columbia.

Ella Jackson et al., v. *Board of Governors*, filed May 1979, U.S.C.A. for the Fifth Circuit.

Memphis Trust Company v. *Board of Governors*, filed May 1979, U.S.C.A. for the Sixth Circuit.

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1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1979				1979				
	Q1	Q2	Q3	Q4	Aug.	Sept.	Oct.	Nov.	Dec.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Member bank reserves									
1 Total	-2.3	-3.6	5.1	12.4	6.7	11.1	17.4	6.3	16.9
2 Required	-2.2	-3.5	4.8	11.6	6.4	12.0	15.4	6.9	12.6
3 Nonborrowed	-2.8	-7.5	7.0	6.8	9.5	3.8	-2.3	9.9	30.6
4 Monetary base[2]	5.9	4.8	9.3	9.5	11.2	12.2	10.2	5.4	7.8
Concepts of money and liquid assets[3]									
5 M-1A	0.2	7.8	8.8	4.7	7.3	6.9	1.6	5.2	6.2
6 M-1B	4.8	10.7	10.1	5.3	8.6	7.9	2.2	4.4	7.5
7 M-2	6.3	10.2	10.3	7.2	10.6	8.2	6.0	5.8	7.4
8 M-3	7.9	8.8	10.3	9.8	11.6	13.2	9.4	7.3	6.5
9 L	10.3	13.1	11.7	n.a.	10.3	16.4	6.9	5.3	n.a.
Time and savings deposits									
Commercial banks									
10 Total	20.9	6.5	13.7	25.4	-1.7	16.8	20.8	28.4	27.8
11 Savings[4]	-17.0	-9.7	-1.5	-21.0	-1.9	13.3	-25.3	-37.7	-12.5
12 Small denomination time[5]	24.8	20.4	14.4	24.4	15.3	19.1	26.0	35.0	14.1
13 Large-denomination time[6]	19.8	-4.8	9.5	29.5	18.2	41.9	35.9	26.4	-2.2
14 Thrift institutions[7]	8.3	7.4	7.4	6.7	7.4	7.0	6.6	6.2	6.3
15 Total loans and investments at commercial banks[8]	13.3	11.9	15.8	3.4	11.6	21.7	6.6r	-.5	4.1
	1979				1979				1980
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
	Interest rates (levels, percent per annum)								
Short-term rates									
16 Federal funds[9]	10.07	10.18	10.94	13.58	11.43	13.77	13.18	13.78	13.82
17 Federal Reserve discount[10]	9.50	9.50	10.21	11.92	10.70	11.77	12.00	12.00	12.00
18 Treasury bills (3-month market yield)[11]	9.38	9.38	9.67	11.84	10.26	11.70	11.79	12.04	12.00
19 Commercial paper (3-month)[11,12]	10.04	9.85	19.64	13.35	11.63	13.23	13.57	13.24	13.04
Long-term rates									
Bonds									
20 U.S. government[13]	9.03	9.08	9.03	10.18	9.21	9.99	10.37	10.18	10.65
21 State and local government[14]	6.37	6.22	6.28	7.20	6.52	7.08	7.30	7.22	7.35
22 Aaa utility (new issue)[15]	9.58	9.66	9.64	11.21	9.93	10.97	11.42	11.25	11.73
23 Conventional mortages[16]	10.33	10.35	11.13	12.38	11.35	12.15	12.50	12.50	12.80

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter. Growth rates for member bank reserves are adjusted for discontinuities in series that result from changes in Regulations D and M.

2. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks and the vaults of commercial banks; and vault cash of nonmember banks.

3. M-1A: Averages of daily figures for (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (2) currency outside the Treasury, Federal Reserve banks, and the vaults of commercial banks.

M-1B: M-1A plus NOW and ATS accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2: M-1B plus savings and small denomination time deposits at all depositary institutions, overnight RPs at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M-3: M-2 plus large denomination time deposits at all depositary institutions and term RPs at commercial banks and savings and loan associations.

L: M-3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities and U.S. savings bonds.

4. Savings deposits exclude NOW and ATS accounts at commercial banks.

5. Small time deposits are those issued in amounts of less than $100,000.

6. Large time deposits are those issued in amounts of $100,000 or more.

7. Savings and loan associations, mutual savings banks, and credit unions.

8. Quarterly changes calculated from figures shown in table 1.23.

9. Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

10. Rate for the Federal Reserve Bank of New York.

11. Quoted on a bank-discount basis.

12. Beginning Nov. 1977, unweighted average of offerintg rates quoted by at least five dealers. Previously, most representative rate quoted by these dealers. Before Nov. 1979, data shown are for 90- to 119-day maturity.

13. Market yields adjusted to a 20-year maturity by the U.S. Treasury.

14. *Bond Buyer* series for 20 issues of mixed quality.

15. Weighted averages of new publicly offered bonds rates Aaa, Aa and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.

16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week-ending						
	1979		1980	1979		1980				
	Nov.p	Dec.p	Jan.p	Dec. 19p	Dec. 26p	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**136,696**	**140,008**	**138,855**	**139,051**	**141,347**	**143,400**	**141,018**	**139,613**	**138,118**	**135,746**
2 U.S. government securities[1]	115,240	117,821	117,855	117,538	118,393	119,035	118,789	118,713	117,695	....
3 Bought outright	114,815	117,195	117,493	117,326	117,328	117,496	118,789	118,713	117,323	115,644
4 Held under repurchase agreements	425	626	362	212	1,065	1,539	0	0	372	684
5 Federal agency securities	8,363	8,455	8,383	8,353	8,401	8,805	8,216	8,216	8,481	....
6 Bought outright	8,221	8,218	8,216	8,216	8,216	8,216	8,216	8,216	8,216	8,216
7 Held under repurchase agreements	142	237	167	137	185	589	0	0	265	241
8 Acceptances	116	353	104	31	806	826	0	0	61	143
9 Loans	1,908	1,454	1,264	1,684	1,224	1,431	732	1,226	1,197	1,821
10 Float	6,119	6,499	5,825	6,128	6,857	7,682	7,653	6,135	5,327	3,587
11 Other Federal Reserve assets	4,950	5,426	5,424	5,318	5,667	5,622	5,628	5,324	5,357	5,409
12 Gold stock	11,159	11,112	11,156	11,112	11,112	11,112	11,112	11,172	11,172	11,172
13 Special drawing rights certificate account	1,800	1,800	2,064	1,800	1,800	1,800	1,800	1,800	1,800	2,801
14 Treasury currency outstanding	12,828	12,913	12,978	12,911	12,938	12,947	12,956	12,973	12,989	12,998
ABSORBING RESERVE FUNDS										
15 Currency in circulation	121,397	123,836	122,934	123,682	124,738	125,475	124,841	123,368	122,060	121,000
16 Treasury cash holdings	397	426	441	431	430	426	432	437	444	453
Deposits, other than member bank reserves, with Federal Reserve Banks										
17 Treasury	3,050	2,963	3,110	2,640	3,095	3,607	2,812	3,281	3,073	3,039
18 Foreign	353	318	331	326	266	351	372	283	320	313
19 Other	294	355	434	332	316	820	432	321	346	313
20 Other Federal Reserve liabilities and capital	4,894	5,349	5,080	5,149	5,445	5,402	4,741	5,006	5,166	5,357
21 Member bank reserves with Federal Reserve Banks	32,098	32,585	32,724	32,314	32,908	33,177	33,264	32,862	32,671	32,242
	End-of-month figures			Wednesday figures						
	1979		1980	1979		1980				
	Nov.p	Dec.p	Jan.p	Dec. 19p	Dec. 26p	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p
SUPPLYING RESERVE FUNDS										
22 **Reserve bank credit outstanding**	**138,008**	**140,705**	**135,202**	**137,207**	**137,836**	**146,060**	**139,987**	**136,420**	**140,386**	**131,672**
23 U.S. government securities[1]	118,087	117,458	116,311	115,186	113,057	119,070	117,639	114,774	118,610	112,478
24 Bought outright	117,528	116,291	116,311	115,186	112,856	116,406	117,639	114,774	116,950	112,478
25 Held under repurchase agreements	559	1,167	....	0	201	2,664	0	0	1,660	0
26 Federal agency securities	9,194	8,709	8,216	8,216	8,331	9,338	8,216	8,216	9,123	8,216
27 Bought outright	8,221	8,216	8,216	8,216	8,216	8,216	8,216	8,216	8,216	8,216
28 Held under repurchase agreements	973	493	....	0	115	1,122	0	0	907	0
29 Acceptances	269	704	....	0	415	1,078	0	0	327	0
30 Loans	2,034	1,454	828	1,561	1,982	2,060	1,250	1,740	1,116	924
31 Float	3,729	6,767	4,610	6,690	8,030	8,777	7,577	6,393	5,831	4,468
32 Other Federal Reserve assets	4,695	5,613	5,237	5,554	6,021	5,737	5,305	5,297	5,379	5,586
33 Gold stock	11,112	11,112	11,172	11,112	11,112	11,112	11,172	11,172	11,172	11,172
34 Special drawing rights certificate account	1,800	1,800	2,968	1,800	1,800	1,800	1,800	1,800	1,800	2,968
35 Treasury currency outstanding	13,020	12,947	13,006	12,937	12,947	12,947	12,970	12,979	12,989	13,006
ABSORBING RESERVE FUNDS										
36 Currency in circulation	122,082	125,473	121,004	124,449	125,595	125,590	124,286	122,959	121,781	121,182
37 Treasury cash holdings	427	426	460	431	430	426	434	438	448	457
Deposits, other than member bank reserves, with Federal Reserve Banks										
38 Treasury	2,590	4,075	2,931	3,061	2,883	3,961	3,472	3,468	3,309	3,051
39 Foreign	490	429	440	274	216	379	299	250	242	249
40 Other	352	1,412	339	303	370	1,821	324	307	357	261
41 Other Federal Reserve liabilities and capital	5,378	4,957	5,682	5,235	5,681	4,905	4,907	4,986	5,345	5,349
42 Member bank reserves with Federal Reserve Banks	32,617	29,792	31,492	29,302	28,520	34,837	32,207	29,963	34,865	28,269

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

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	Monthly averages of daily figures									
	1978	1979								1980
	Dec.	May	June	July	Aug.	Sept.	Oct.^{p}	Nov.^{p}	Dec.^{p}	Jan.^{p}
All member banks										
Reserves										
1 At Federal Reserve Banks	31,158	30,208	29,822	30,191	30,006	29,986	31,599	32,098	32,585	32,724
2 Currency and coin	10,330	10,044	10,154	10,552	10,523	10,726	10,681	10,740	11,323	12,318
3 Total held[1]	41,572	40,382	40,105	40,900	40,687	40,868	42,423	42,979	44,063	45,217
4 Required	41,447	40,095	39,884	40,710	40,494	40,863	42,002	42,770	43,560	44,902
5 Excess[1]	125	287	221	190	193	5	421	209	503	315
Borrowings at Reserve Banks[2]										
6 Total	874	1,777	1,396	1,179	1,097	1,344	2,022	1,908	1,454	1,264
7 Seasonal	134	173	188	168	177	169	161	141	81	74
Large banks in New York City										
8 Reserves held	7,120	6,658	6,346	6,605	6,408	6,437	6,655	6,695	7,206	7,781
9 Required	7,243	6,544	6,415	6,586	6,427	6,378	6,851	6,932	7,329	7,758
10 Excess	−123	114	−69	19	−19	59	−196	−237	−123	23
11 Borrowings[2]	99	150	78	97	79	87	183	139	63	32
Large banks in Chicago										
12 Reserves held	1,907	1,730	1,726	1,709	1,694	1,654	1,790	1,869	1,990	2,021
13 Required	1,900	1,712	1,697	1,713	1,706	1,760	1,859	1,950	2,001	2,059
14 Excess	7	18	29	−4	−12	−106	−69	−81	−11	−38
15 Borrowings[2]	10	60	64	45	6	80	136	118	79	76
Other large banks										
16 Reserves held	16,446	15,926	15,989	16,374	16,370	16,426	16,519	16,663	17,336	17,719
17 Required	16,342	15,893	15,877	16,339	16,321	16,491	16,796	17,000	17,369	17,967
18 Excess	104	33	112	35	49	−65	−277	−337	−33	−248
19 Borrowings[2]	276	721	586	517	484	600	856	804	697	642
All other banks										
20 Reserves held	16,099	16,068	16,044	16,212	16,215	16,351	16,495	16,496	16,621	16,843
21 Required	15,962	15,946	15,895	16,072	16,040	16,234	16,424	16,420	16,539	16,779
22 Excess	137	122	149	140	175	117	71	76	82	64
23 Borrowings[2]	489	846	668	520	528	577	847	847	615	514
Edge corporations										
24 Reserves held	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	90	308	333	336
25 Required	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	72	287	302	314
26 Excess	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18	21	31	22
U.S. agencies and branches										
27 Reserves held	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	185	26	29
28 Required	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	181	20	25
29 Excess	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4	6	4

Reserve classification	Weekly averages of daily figures for week (in 1979 and 1980) ending									
	Nov. 28^p	Dec. 5^p	Dec. 12^p	Dec. 19^p	Dec. 26^p	Jan. 2^p	Jan. 9^p	Jan. 16^p	Jan. 23^p	Jan. 30^p
All member banks										
Reserves										
30 At Federal Reserve Banks	32,341	32,436	31,752	32,314	32,908	33,177	33,264	32,862	32,671	32,242
31 Currency and coin	10,542	11,038	11,772	11,341	10,984	11,429	11,359	13,506	12,482	12,251
32 Total held[1]	43,022	43,614	43,668	43,816	44,056	44,767	44,807	46,539	45,325	44,665
33 Required	42,887	43,379	43,082	43,697	43,560	44,217	44,568	45,988	45,082	44,386
34 Excess[1]	135	235	586	119	496	550	239	551	243	279
Borrowings at Reserve Banks[2]										
35 Total	2,021	1,819	1,291	1,684	1,224	1,431	732	1,226	1,197	1,821
36 Seasonal	136	100	80	83	80	64	61	74	78	87
Large banks in New York City										
37 Reserves held	6,669	7,275	7,082	7,439	7,056	7,547	7,383	8,346	7,693	7,546
38 Required	6,779	7,271	7,290	7,506	7,138	7,464	7,752	8,329	7,651	7,469
39 Excess	−80	4	−208	−67	−82	83	−369	17	42	77
40 Borrowings[2]	239	136	....	12	90	129	33	46	0	0
Large banks in Chicago										
41 Reserves held	1,875	1,940	1,843	1,967	1,953	2,131	1,967	2,143	2,002	2,093
42 Required	1,960	2,005	1,884	2,054	2,015	2,066	2,089	2,102	2,045	2,009
43 Excess	−85	−65	−41	−87	−62	65	−122	41	−43	84
44 Borrowings[2]	424	69	178	74	21	111	0	0	0	236
Other large banks										
45 Reserves held	16,969	16,946	17,181	16,980	17,630	17,365	17,497	18,202	17,881	17,723
46 Required	17,197	17,261	17,245	17,357	17,414	17,603	17,769	18,298	18,134	17,849
47 Excess	−228	−315	−64	−377	216	−238	−272	−96	−253	−126
48 Borrowings[2]	601	814	584	990	464	663	318	756	650	883
All other banks										
49 Reserves held	16,567	16,627	16,301	16,563	16,834	16,873	16,619	17,003	16,883	16,851
50 Required	16,565	16,518	16,342	16,471	16,676	16,739	16,598	16,866	16,936	16,774
51 Excess	2	109	−41	92	158	134	21	137	−53	77
52 Borrowings[2]	757	800	529	608	649	528	381	424	547	702
Edge corporations										
53 Reserves held	310	304	349	319	336	347	338	376	315	338
54 Required	298	286	298	302	307	315	329	367	281	277
55 Excess	12	18	51	17	29	32	9	9	34	61
U.S. agencies and branches										
56 Reserves held	91	39	31	33	14	14	28	28	37	31
57 Required	88	38	23	7	10	30	31	26	35	8
58 Excess	3	1	8	26	4	−16	−3	2	2	23

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 merged into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

2. Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS Money Market Banks

Millions of dollars, except as noted

Type	1979, week ending Wednesday				1980, week ending Wednesday				
	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
	Total, 46 banks								
Basic reserve position									
1 Excess reserves[1]	46	77	32	186	324	−15	26	75	63
LESS:									
2 Borrowings at Federal Reserve Banks	489	332	362	128	404	130	289	181	624
3 Net interbank federal funds transactions	18,871	24,250	22,439	21,490	22,206	24,759	25,712	24,209	22,754
EQUALS: Net surplus, or deficit (−)									
4 Amount	−19,314	−24,504	−22,770	−21,433	−22,285	−24,904	−25,975	−24,314	−23,315
5 Percent of average required reserves	102.8	130.8	119.0	114.6	116.2	126.6	126.4	124.4	121.8
Interbank federal funds transactions									
Gross transactions									
6 Purchases	27,432	31,488	29,642	28,792	31,238	32,300	32,694	31,086	29,442
7 Sales	8,561	7,239	7,203	7,301	9,032	7,541	6,982	6,878	6,688
8 Two-way transactions[2]	6,113	6,584	6,633	7,039	7,672	6,941	6,782	5,960	6,300
Net transactions									
9 Purchases of net buying banks	21,318	24,904	23,009	21,753	23,567	25,359	25,912	25,127	23,142
10 Sales of net selling banks	2,448	655	599	262	1,360	559	200	918	388
Related transactions with U.S. government securities dealers									
11 Loans to dealers[3]	2,676	2,322	2,347	3,036	2,563	2,247	2,562	2,324	1,998
12 Borrowings from dealers[4]	2,383	1,515	1,637	1,732	2,744	1,372	1,754	1,811	2,261
13 Net loans	293	808	710	1,314	−181	875	807	513	−263
	8 banks in New York City								
Basic reserve position									
14 Excess reserves[1]	48	87	41	40	123	−43	53	46	15
LESS:									
15 Borrowings at Federal Reserve Banks	71	0	0	83	129	33	36	0	0
16 Net interbank federal funds transactions	3,598	6,890	4,849	4,617	5,592	6,460	6,846	6,855	5,516
EQUALS: Net surplus, or deficit (−)									
17 Amount	−3,621	−6,803	−4,807	−4,660	−5,958	−6,536	−6,829	−6,809	−5,501
18 Percent of average required reserves	55.5	103.7	71.0	72.8	88.6	93.2	90.6	98.3	81.7
Interbank federal funds transactions									
Gross transactions									
19 Purchases	6,184	8,775	7,084	6,438	8,018	8,215	8,322	8,071	7,181
20 Sales	2,586	1,885	2,236	1,822	2,066	1,754	1,476	1,216	1,665
21 Two-way transactions[2]	1,664	1,885	2,014	1,822	2,066	1,754	1,476	1,216	1,666
Net transactions									
22 Purchases of net buying banks	4,520	6,890	5,070	4,617	5,952	6,461	6,846	6,855	5,516
23 Sales of net selling banks	923	0	222	0	0	0	0	0	0
Related transactions with U.S. government securities dealers									
24 Loans to dealers[3]	1,874	1,594	1,584	2,074	1,765	1,446	1,785	1,583	1,401
25 Borrowings from dealers[4]	559	545	694	818	514	502	760	674	985
26 Net loans	1,315	1,049	890	1,256	1,251	944	1,025	909	415
	38 banks outside New York City								
Basic reserve position									
27 Excess reserves[1]	−2	−9	−9	146	201	28	−27	29	47
LESS:									
28 Borrowings at Federal Reserve Banks	418	332	362	45	275	97	254	181	624
29 Net interbank federal funds transactions	15,274	17,360	17,591	16,874	16,254	18,299	18,866	17,353	17,238
EQUALS: Net surplus, or deficit (−)									
30 Amount	−15,694	−17,701	−17,963	−16,773	−16,328	−18,368	−19,146	−17,505	−17,815
31 Percent of average required reserves	127.8	145.3	145.4	136.4	131.1	145.2	147.2	138.6	143.5
Interbank federal funds transactions									
Gross transactions									
32 Purchases	21,248	22,713	22,558	22,353	23,220	24,085	24,372	23,015	22,261
33 Sales	5,974	5,354	4,967	5,480	6,966	5,786	5,506	5,662	5,023
34 Two-way transactions[2]	4,450	4,699	4,619	5,217	5,606	5,187	5,306	4,743	4,635
Net transactions									
35 Purchases of net buying banks	16,798	18,014	17,399	17,136	17,615	18,899	19,066	18,272	17,626
36 Sales of net selling banks	1,525	655	348	262	1,360	599	200	918	388
Related transactions with U.S. government securities dealers									
37 Loans to dealers[3]	802	728	762	962	798	801	777	741	597
38 Borrowings from dealers[4]	1,824	969	943	905	2,230	870	994	1,136	1,276
39 Net loans	−1,021	−241	−180	57	−1,432	−69	−217	−396	−678

For notes see end of table.

1.13 Continued

Millions of dollars, except as noted

Type	1979, week ending Wednesday				1980, week ending Wednesday				
	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
	5 banks in City of Chicago								
Basic reserve position									
40 Excess reserves[1]	18	−1	−2	1	90	4	−18	0	15
LESS:									
41 Borrowings at Federal Reserve Banks	56	164	43	11	100	0	0	0	236
42 Net interbank federal funds transactions	7,304	7,281	7,171	7,375	8,114	7,798	8,121	7,824	7,906
EQUALS: Net surplus, or deficit (−)									
43 Amount	−7,341	−7,446	−7,216	−7,385	−8,125	−7,795	−8,138	−7,824	−8,127
44 Percent of average required reserves	390.6	423.2	381.7	390.1	418.5	397.1	408.6	407.4	431.2
Interbank federal funds transactions									
Gross transactions									
45 Purchases	8,373	8,460	8,272	8,652	9,356	15,028	9,521	9,108	9,102
46 Sales	1,069	1,179	1,101	1,277	1,242	4,528	1,400	1,284	1,196
47 Two-way transactions[2]	1,069	1,179	1,101	1,277	1,242	3,928	1,400	1,284	1,196
Net transactions									
48 Purchases of net buying banks	7,034	7,281	7,171	7,375	8,114	11,100	8,121	7,824	7,906
49 Sales of net selling banks	0	0	0	0	0	599	0	0	0
Related transactions with U.S. government securities dealers									
50 Loans to dealers[3]	181	145	89	187	123	678	136	138	110
51 Borrowings from dealers[4]	174	54	78	19	221	840	51	56	77
52 Net loans	7	91	11	168	−98	−162	85	82	32
	33 other banks								
Basic reserve position									
53 Excess reserves[1]	−20	−8	−7	145	111	25	−9	29	32
LESS:									
54 Borrowings at Federal Reserve Banks	362	168	320	35	175	97	254	181	389
55 Net interbank federal funds transactions	7,970	10,079	10,420	9,499	8,140	10,501	10,745	9,529	9,332
EQUALS: Net surplus, or deficit (−)									
56 Amount	−8,352	−10,255	−10,747	−9,388	−8,203	−10,574	−11,008	−9,681	−9,688
57 Percent of average required reserves	80.3	98.4	102.7	90.2	78.0	98.9	100.0	90.4	92.0
Interbank federal funds transactions									
Gross transactions									
58 Purchases	12,875	14,253	14,286	13,702	13,864	9,097	14,851	13,907	13,159
59 Sales	4,906	4,174	3,866	4,203	5,725	1,259	4,106	4,378	3,826
60 Two-way transactions[2]	3,381	3,519	3,518	3,940	4,364	1,259	3,906	3,459	3,439
Net transactions									
61 Purchases of net buying banks	9,495	10,734	10,768	9,762	9,500	7,798	10,945	10,448	9,720
62 Sales of net selling banks	1,525	655	348	262	1,360	0	200	918	388
Related transactions with U.S. government securities dealers									
63 Loans to dealers[3]	621	583	674	775	675	123	641	603	488
64 Borrowings from dealers[4]	1,650	915	865	886	2,009	31	944	1,081	1,198
65 Net loans	−1,028	−332	−191	−111	−1,334	92	−303	−474	−711

1. Based on reserve balances, including adjustments to include waivers of penalties for reserve deficiencies in accordance with changes in policy of the Board of Governors 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 (purchase 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. government or other securities.

NOTE. Weekly averages of daily figures. For description of series, see August 1964 BULLETIN, 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

Percent per annum

Current and previous levels

Federal Reserve Bank	Loans to member banks									Loans to all others under sec. 13, last par.[2]		
	Under secs. 13 and 13a[3]			Under sec. 10(b)[1]								
				Regular rate			Special rate[4]					
	Rate on 1/31/80	Effective date	Previous rate	Rate on 1/31/80	Effective date	Previous rate	Rate on 1/31/80	Effective date	Previous rate	Rate on 1/31/80	Effective date	Previous rate
Boston	12	10/10/79	11	12½	10/10/79	11½	13	10/10/79	12	15	10/10/79	14
New York	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14
Philadelphia	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14
Cleveland	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14
Richmond	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14
Atlanta	12	10/9/79	11	12½	10/9/79	11½	13	10/9/79	12	15	10/9/79	14
Chicago	12	10/9/79	11	12½	10/9/79	11½	13	10/9/79	12	15	10/9/79	14
St. Louis	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14
Minneapolis	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14
Kansas City	12	10/9/79	11	12½	10/9/79	11½	13	10/9/79	12	15	10/9/79	14
Dallas	12	10/9/79	11	12½	10/9/79	11½	13	10/9/79	12	15	10/9/79	14
San Francisco	12	10/8/79	11	12½	10/8/79	11½	13	10/8/79	12	15	10/8/79	14

Range of rates in recent years[5]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971— Jan. 8	5¼-5½	5¼
15	5¼	5¼
19	5–5¼	5¼
22	5–5¼	5
29	5	5
Feb. 13	4¾-5	5
19	4¾	4¾
July 16	4¾–5	5
23	5	5
Nov. 11	4¾–5	5
19	4¾	4¾
Dec. 13	4½–4¾	4¾
17	4½–4¾	4½
24	4½	4½
1973— Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
May 4	5¾	5¾
11	5¾-6	6
18	6	6
June 11	6–6½	6½
15	6½	6½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1973— July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
In effect Jan. 31, 1980	12	12

1. Advances secured to the satisfaction of the Federal Reserve Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the section 13 rate.
2. 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. government or any agency thereof.
3. Discounts or eligible paper and advances secured by such paper or by U.S. government obligations or any other obligations eligible for Federal Reserve Bank purchase.
4. Applicable to special advances described in section 201.2(e)(2) of Regulation A.
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* and *1941–1970; Annual Statistical Digest, 1971–1975, 1972–1976,* and *1973–1977.*

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect January 31, 1979		Previous requirements	
	Percent	Effective date	Percent	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 and savings[2,3,4]				
Savings	3	3/16/67	3½	3/2/67
Time[5]				
0–5, by maturity				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	2½	1/8/76	3	3/16/67
4 years or more	1	10/30/75	3	3/16/67
Over 5, by maturity				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	2½	1/8/76	3	12/12/74
4 years or more	1	10/30/75	3	12/12/74

	Legal limits	
	Minimum	Maximum
Net demand		
Reserve city banks	10	22
Other banks	7	14
Time	3	10
Borrowings from foreign banks	0	22

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975* and for prior changes, see Board's *Annual Report* for 1976, table 13.

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

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

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

4. The average reserve requirement on savings and other time deposits must be at least 3 percent, the minimum specified by law.

5. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances.

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement is $100 million or the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two statement weeks ending Sept. 26, 1979.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve banks or vault cash.

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

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Jan. 31, 1980		Previous maximum		In effect Jan. 31, 1980		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts [2]	5	1/1/74	(3)	....	5	1/1/74	(3)	....
Time accounts [4]								
Fixed ceiling rates by maturity								
3 30–89 days	5¼	9/1/79	5	7/1/73	(3)	....	(3)	....
4 90 days to 1 year	5½	7/1/73	5	(5)	5¾[6]	(1)	5¼	1/21/70
5 1 to 2 years [6]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years [6]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years [6]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years [7]	7¼	11/1/73	(8)	....	7½	11/1/73	(8)	....
9 6 to 8 years [7]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more [7]	7¾	6/1/78	(3)	....	8	6/1/78	(3)	....
11 Issued to governmental units (all maturities)	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 Individual retirement accounts and Keogh (H.R. 10) plans (3 years or more)[9]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
Special variable ceiling rates by maturity								
13 6 months money market time deposits)[10]	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
14 4 years or more	(12)	(12)	(13)	(13)	(12)	(12)	(13)	(13)

1. July 1, 1973, for mutual savings bank; July 6, 1973 for savings and loan associations.

2. For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978.

3. No separate account category.

4. 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).

5. Multiple maturity: July 20, 1966; single maturity: September 26, 1966.

6. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

7. No minimum denomination. Until July 1, 1979, minimum denomination ws $1,000 except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) Plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976, respectively.

8. 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 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, ceilings wre reimposed on certificates maturing in 4 years or more with minimum denomination of $1,000. There is no limitation on the amount of these certificates that banks can issue.

9. Accounts maturing in less than 3 years subject to regular ceilings.

10. Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.

11. Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks is the discount rate on most recently issued 6–month U.S. Treasury bills. Until Mar. 15, 1979, the ceiling rate for savings and loan associations and mutual savings banks was ¼ percentage point higher than the rate for commercial banks. Beginning Mar. 15, 1979, the ¼ percentage point interest differential is removed when the 6–month Treasury bill rate is 9 percent or more. The full differential is in effect when the 6–month bill rate is 8¾ percent or less. Thrift institutions may pay a maximum 9 percent when the 6–month bill rate is between 8¾ and 9 percent. Also effective March 15, 1979 interest compounding was prohibited on money market time deposits at all offering institutions. For both commerical banks and thrift institutions, the maximum allowable rates in January were as follows: Jan. 3, 11.93; Jan. 10, 11.73; Jan. 17, 11.77; Jan. 24, 11.88; Jan. 31, 11.96.

12. Effective Jan. 1, 1980, commerical banks, savings and loan associations, and mutual savings banks are authorized to offer variable ceiling accounts with no required minimum denomination and with maturities of 2½ years or more. The maximum rate for commercial banks is 1¾ percentage points below the yield on 2½ year U.S. Treasury securities; the ceiling rate for thrift institutions is ¼ percentage point higher than that for commercial banks. In January, the ceiling at commercial banks was 10.15 percent, and the ceiling at thrift institutions was 10.4 percent.

13. Between July 1, 1979, and Dec. 31, 1979, commercial banks, savings and loan associations, and mutual savings banks were authorized to offer variable ceiling accounts with no required minimum denomination and with maturities of 4 years or more. The maximum rate for commercial banks was 1¼ percentage points below the yield on 4–year U.S. Treasury securities; the ceiling rate for thrift institutions is ¼ percentage point higher than that for commerical banks.

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 with maturities of 30–89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the Federal Home Loan Bank Board *Journal* and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1977	1978	1979	1979 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched sale-purchase transactions)										
Treasury bills										
1 Gross purchases	13,738	16,628	17,930[1]	518	2,252	2,351	1,692	1,528[1]	2,752	2,464
2 Gross sales	7,241	13,725	7,480	623	0	380	353	780	154	378
3 Redemptions	2,136	2,033	4,208[1]	0	0	0	200	968[1]	300	0
Others within 1 year[2]										
4 Gross purchases	3,017	1,184	3,203	42	218	57	120	28	0	90
5 Gross sales	0	0	0	0	0	0	0	0	0	0
6 Exchange, or maturity shift	4,499	−5,170	7,499	1,152	33	1,526	876	−116	−937	−155
7 Redemptions	2,500	0	3,908[1]	0	0	0	0	668[1]	0	0
1 to 5 years										
8 Gross purchases	2,833	4,188	3,456[1]	0	237	699	354	703[1]	0	398
9 Gross sales	0	0	0	0	0	0	0	0	0	0
10 Exchange, or maturity shift	−6,649	−178	−6,653	−1,152	−33	−1,591	−876	116	222	155
5 to 10 years										
11 Gross purchases	758	1,526	523	0	96	140	73	0	0	81
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Exchange, or maturity shift	584	2,803	−2,465	0	0	−240	0	0	400	0
Over 10 years										
14 Gross purchases	553	1,063	454	0	142	81	87	0	0	51
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Exchange, or maturity shift	1,565	2,545	1,619	0	0	305	0	0	314	0
All maturities[2]										
17 Gross purchases	20,898	24,591	25,565[1]	561	2,945	3,327	2,326	2,259[1]	2,752	3,084
18 Gross sales	7,241	13,725	7,480	623	0	380	353	780	154	378
19 Redemptions	4,636	2,033	8,116[1]	0	0	0	200	1,636[1]	300	0
Matched sale-purchase transactions										
20 Gross sales	425,214	511,126	626,403	52,640	40,310	35,159	41,395	58,656	45,204	53,681
21 Gross purchases	423,841	510,854	623,245	52,949	40,300	35,480	41,583	58,671	45,979	49,738
Repurchase agreements										
22 Gross purchases	178,683	151,618	107,374	15,531	18,464	10,539	10,850	10,599	4,303	7,251
23 Gross sales	180,535	152,436	107,291	12,226	19,690	12,226	10,380	11,336	3,869	6,643
24 Net change in U.S. government securities	5,798	7,743	6,896	3,552	1,708	1,582	2,431	−878	3,507	−629
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
25 Gross purchases	1,433	301	853	371	482	0	0	0	0	0
26 Gross sales	0	173	399	0	0	0	0	0	0	0
27 Redemptions	223	235	134	33	0	*	18	3	*	5
Repurchase agreements										
28 Gross purchases	13,811	40,567	37,321	4,443	7,247	4,057	5,016	5,146	1,992	2,383
29 Gross sales	13,638	40,885	36,960	3,617	7,434	4,544	4,069	6,188	1,075	2,863
30 Net change in federal agency obligations	1,383	−426	681	1,163	295	−487	928	−1,045	917	−485
BANKERS ACCEPTANCES										
31 Outright transactions, net	−196	0	0	0	0	0	0	0	0	0
32 Repurchase agreements, net	159	−366	116	1,400	−241	−684	578	−735	−48	434
33 Net change in bankers acceptances	−37	−366	116	1,400	−241	−684	578	−735	−48	434
34 Total net change in System Open Market Account	**7,143**	**6,951**	**7,693**	**6,115**	**1,761**	**412**	**3,937**	**−2,658**	**4,376**	**−679**

1. In April 1979, the System acquired $640 million of 2-day cash management bills in exchange for maturing 2-year notes. New 2-year notes were later obtained in exchange for the maturing bills. In Oct. 1979, $668 million of maturing 2- and 4- year notes were exchanged for a like amount of short-term bills, later exchanged for new 2- and 4-year notes. Each of these transactions is treated in the table as both a purchase and a redemption.

2. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): Sept. 1977, 2,500; Mar. 1979, 2,600.

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1980					1979		1980
	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p	Nov.p	Dec.p	Jan.p
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,112	11,172	11,172	11,172	11,172	11,112	11,112	11,172
2 Special drawing rights certificate account	1,800	1,800	1,800	1,800	2,968	1,800	1,800	2,968
3 Coin	408	405	427	441	462	415	403	469
Loans								
4 Member bank borrowings	2,060	1,250	1,740	1,116	924	2,034	1,454	828
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Bought outright	0	0	0	0	0	0	0	0
7 Held under repurchase agreements	1,078	0	0	327	0	269	704	0
Federal agency obligations								
8 Bought outright	8,216	8,216	8,216	8,216	8,216	8,221	8,216	8,216
9 Held under repurchase agreements	1,122	0	0	907	0	973	493	0
U.S. government securities								
Bought outright								
10 Bills	45,359	46,592	43,727	45,903	41,431	47,101	45,244	45,264
11 Certificates—Special	0	0	0	0	0	0	0	0
12 Notes	56,494	56,494	56,494	56,494	56,494	55,928	56,494	56,494
13 Bonds	14,553	14,553	14,553	14,553	14,553	14,499	14,553	14,553
14 Total[1]	116,406	117,639	114,774	116,950	112,478	117,528	116,291	116,311
15 Held under repurchase agreements	2,664	0	0	1,660	0	559	1,167	0
16 Total U.S. government securities	119,070	117,639	114,774	118,610	112,478	118,087	117,458	116,311
17 **Total loans and securities**	**131,546**	**127,105**	**124,730**	**129,176**	**121,618**	**129,584**	**128,325**	**125,355**
18 Cash items in process of collection	15,957	14,748	14,454	12,696	10,905	10,137	13,571	10,050
19 Bank premises	407	408	409	411	410	403	408	411
20 Denominated in foreign currencies[2]	2,483	2,310	2,338	2,276	2,376	2,607	2,483	2,192
21 All other	2,847	2,587	2,550	2,692	2,800	1,685	2,722	2,634
22 **Total assets**	**166,560**	**160,535**	**157,880**	**160,664**	**152,711**	**157,743**	**160,824**	**155,251**
LIABILITIES								
23 Federal Reserve notes	113,477	112,155	110,845	109,681	109,095	109,908	113,355	108,927
Deposits								
Reserve accounts								
24 Member banks	34,525	31,876	29,517	34,538	27,864	32,280	29,520	31,232
25 Edge Act Corporations	304	316	418	293	355	296	265	244
26 U.S. agencies and branches of foreign banks	8	15	28	34	50	41	7	16
27 Total	34,837	32,207	29,963	34,865	28,269	32,617	29,792	31,492
28 U.S. Treasury—General account	3,961	3,472	3,468	3,309	3,051	2,590	4,075	2,931
29 Foreign—Official accounts	379	299	250	242	249	490	429	440
30 Other	1,821	324	307	357	261	352	1,412	339
31 Total deposits	40,998	36,302	33,988	38,773	31,830	36,049	35,708	35,202
32 Deferred availability cash items	7,180	7,171	8,061	6,865	6,437	6,408	6,804	5,440
33 Other liabilities and accrued dividends[3]	2,564	2,345	2,209	2,353	2,147	2,313	2,667	2,425
34 **Total liabilities**	**164,219**	**157,973**	**155,103**	**157,672**	**149,509**	**154,678**	**158,534**	**151,994**
CAPITAL ACCOUNTS								
35 Capital paid in	1,146	1,146	1,150	1,152	1,153	1,142	1,145	1,153
36 Surplus	1,145	1,145	1,145	1,145	1,145	1,078	1,145	1,145
37 Other capital accounts	50	271	482	695	904	845	0	959
38 **Total liabilities and capital accounts**	**166,560**	**160,535**	**157,880**	**160,664**	**152,711**	**157,743**	**160,824**	**155,251**
39 MEMO: Marketable U.S. government securities held in custody for foreign and international account	**80,963**	**80,715**	**79,426**	**80,192**	**80,799**	**74,403**	**80,828**	**81,039**
	Federal Reserve note statement							
40 Federal Reserve notes outstanding (issued to Bank)	125,217	125,131	125,496	125,601	125,698	124,864	125,301	125,707
Collateral held against notes outstanding								
41 Gold certificate account	11,112	11,172	11,172	11,172	11,172	11,112	11,112	11,172
42 Special Drawing Rights certificate account	1,800	1,800	1,800	1,800	2,968	1,800	1,800	2,968
43 Eligible paper	691	673	942	793	583	1,246	894	635
44 U.S. government and agency securities	111,614	111,486	111,582	111,836	110,975	110,706	111,495	110,932
45 **Total collateral**	**125,217**	**125,131**	**125,496**	**125,601**	**125,698**	**124,864**	**125,301**	**125,707**

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

2. Beginning December 29, 1978, such assets are revalued monthly at market exchange rates.

3. Includes exchange-translation account reflecting, beginning December 29, 1978, the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday					End of month		
	1980					1979		1980
	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Nov. 30	Dec. 31	Jan. 31
1 Loans	2,060	1,250	1,718	1,116	924	2,034	1,453	828
2 Within 15 days	2,027	1,219	1,510	1,096	873	1,894	1,441	813
3 16 days to 90 days	33	31	208	20	51	140	12	15
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances	1,078	0	0	327	0	269	704	0
6 Within 15 days	1,078	0	0	327	0	269	704	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities	119,070	117,639	114,774	118,610	112,478	118,087	117,458	116,311
10 Within 15 days[1]	5,985	2,412	4,356	6,226	4,397	4,402	3,133	3,878
11 16 days to 90 days	24,337	25,750	21,524	23,399	20,336	24,787	23,708	22,815
12 91 days to 1 year	35,362	36,091	35,508	35,599	34,359	36,196	37,231	36,211
13 Over 1 year to 5 years	27,864	27,864	27,864	27,864	27,864	27,311	27,864	27,885
14 Over 5 years to 10 years	12,774	12,774	12,774	12,774	12,774	12,694	12,774	12,774
15 Over 10 years	12,748	12,748	12,748	12,748	12,748	12,697	12,748	12,748
16 Federal agency obligations	9,338	8,216	8,216	9,123	8,216	9,194	8,709	8,216
17 Within 15 days[1]	1,123	42	42	986	79	1,098	644	79
18 16 days to 90 days	558	516	579	546	546	420	457	546
19 91 days to 1 year	1,338	1,355	1,292	1,277	1,277	1,363	1,307	1,277
20 Over 1 year to 5 years	4,252	4,236	4,236	4,238	4,238	4,168	4,234	4,238
21 Over 5 years to 10 years	1,325	1,325	1,325	1,356	1,356	1,403	1,325	1,356
22 Over 10 years	742	742	742	720	720	742	742	720

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

1.20 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1976	1977	1978	1979				
				July	Aug.	Sept.	Oct.	Nov.
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	29,180.4	34,322.8	40,300.3	52,102.7	52,402.5	54,233.1	53,324.9	51,884.8
2 Major New York City banks	11,467.2	13,860.6	15,008.7	20,480.5	20,357.2	21,117.6	19,740.2	19,223.0
3 Other banks	17,713.2	20,462.2	25,291.6	31,622.2	32,045.3	33,115.5	33,584.7	32,661.9
	Debits to savings deposits[2] (not seasonally adjusted)							
4 All customers	....	174.0	418.1	732.8	735.8	667.6	843.6	761.2
5 Business[3]	....	21.7	56.7	74.1	78.2	74.5	90.8	82.1
6 Others	....	152.3	361.4	658.8	657.6	593.1	752.8	679.0
	Demand deposit turnover[1] (seasonally adjusted)							
7 All commercial banks	116.8	129.2	139.4	171.9	173.1	175.0	172.0	168.1
8 Major New York City banks	411.6	503.0	541.9	717.7	709.1	711.5	641.2	643.0
9 Other banks	79.8	85.9	96.7	115.2	116.9	118.2	120.2	117.2
	Savings deposit turnover[2] (not seasonally adjusted)							
10 All customers	....	1.6	1.9	3.4	3.4	3.1	4.0	3.7
11 Business[3]	....	4.1	5.1	7.2	7.4	7.0	8.6	8.0
12 Others	....	1.5	1.7	3.2	3.2	2.9	3.8	3.5

1. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
2. Excludes negotiable order of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.
3. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies.

NOTE. Historical data—estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSAs, which were available through June 1977—are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1976 Dec.	1977 Dec.	1978 Dec.	1979 Dec.	1979 July	Aug.	Sept.	Oct.	Nov.	Dec.
					Seasonally adjusted					
MEASURES[1]										
1 M-1A	305.0	328.4	351.6	371.5	363.2	365.4	367.5	368.0	369.6	371.5
2 M-1B	307.7	332.5	359.9	387.7	378.0	380.7	383.2	383.9	385.3	387.7
3 M-2	1,166.7	1,294.1	1,400.8	1,523.9	1,476.4	1,489.5	1,499.7	1,507.2	1,514.5	1,523.9
4 M-3	1,299.7	1,460.3	1,622.2	1,772.1	1,702.9	1,719.3	1,738.2	1,751.8	1,762.5	1,772.1
5 L[2]	1,523.5	1,715.5	1,926.3	n.a.	2,057.3	2,074.9	2,103.3	2,115.4	2,124.8	n.a.
COMPONENTS										
6 Currency	80.7	88.7	97.6	106.1	102.6	103.7	104.8	105.4	105.9	106.1
7 Demand deposits	224.4	239.7	253.9	265.4	260.6	261.7	262.7	262.6	263.7	265.4
8 Savings deposits	447.7	486.5	476.0	417.8	451.0	450.3	445.3	435.9	422.2	417.8
9 Small time deposits[3]	396.6	454.9	533.8	653.4	597.0	604.6	614.2	627.5	645.8	653.4
10 Large time deposits[4]	118.0	145.2	194.7	217.9	197.4	200.4	207.4	213.6	218.3	217.9
					Not seasonally adjusted					
MEASURES[1]										
11 M-1A	313.5	337.2	360.9	381.1	365.1	363.2	367.0	369.7	372.2	381.1
12 M-1B	316.1	341.3	369.3	397.3	379.9	378.6	382.7	385.5	387.9	397.3
13 M-2	1,169.1	1,295.9	1,402.9	1,526.0	1,482.1	1,486.8	1,498.2	1,507.1	1,509.9	1,526.0
14 M-3	1,303.8	1,464.5	1,627.8	1,777.6	1,706.1	1,716.3	1,736.1	1,752.4	1,759.1	1,777.6
15 L[2]	1,527.1	1,718.5	1,929.8	n.a.	2,059.2	2,071.0	2,094.6	2,113.6	2,123.8	n.a.
COMPONENTS										
16 Currency	82.1	90.3	99.4	108.0	103.2	103.9	104.5	105.2	106.6	108.0
17 Demand deposits	231.3	247.0	261.5	273.0	261.9	259.3	262.5	264.4	265.6	273.0
18 Other checkable deposits[5]	2.7	4.1	8.3	16.2	14.8	15.3	15.7	15.8	15.7	16.2
19 Overnight RPs and Eurodollars[6]	13.6	18.6	23.3	24.2	25.0	25.2	26.1	25.6	23.5	24.2
20 Money market mutual funds	3.4	3.8	10.3	43.6	28.0	31.2	33.7	36.9	40.4	43.6
21 Savings deposits	444.9	483.2	472.8	414.9	454.4	451.1	445.6	434.6	420.0	414.9
22 Small time deposits[3]	393.5	451.3	529.8	648.7	597.4	603.3	612.7	627.3	640.8	648.7
23 Large time deposits[4]	119.7	147.7	198.2	221.5	194.9	200.0	206.8	214.2	219.5	221.5

1. Composition of ~~the~~ money ~~stock measures~~ and liquid assets is as follows:

M-1A: Averages of daily figures for (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (2) currency outside the Treasury, Federal Reserve banks, and the vaults of commercial banks.

M-1B: M-1A plus NOW and ATS accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2: M-1B plus savings and small-denomination time deposits at all depositary institutions, overnight RPs at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M-3: M-2 plus large-denomination time deposits at all depositary institutions and term RPs at commercial banks and savings and loan associations.

2. L: M-3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Small time deposits are those issued in amounts of less than \$100,000.

4. Large time deposits are those issued in amounts of \$100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

5. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

6. Overnight (and continuing contract) RPs are those issued by commercial banks to the nonbank public, and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. nonbank customers.

NOTE. Latest monthly and weekly figures are available from the Board's H.6(508) release. Back data are available from the Banking Section, Division of Research and Statistics.

NOTES TO TABLE 1.23:

1. Includes domestic chartered banks, U.S. branches, agencies, and New York investment company subsidiaries of foreign banks; and Edge Act corporations.
2. Excludes loans to commercial banks in the United States.
3. As of Dec. 31, 1978, total loans and investments were reduced by \$0.1 billion. "Other securities" were increased by \$1.5 billion and total loans were reduced by \$1.6 billion largely as the result of reclassifications of certain tax-exempt obligations. Most of the loan reduction was in "all other loans."
4. As of Jan. 3, 1979, as the result of reclassifications, total loans and investments and total loans were increased by \$0.6 billion. Business loans were increased by \$0.4 billion and real estate loans by \$0.5 billion. Nonbank financial loans were reduced by \$0.3 billion.
5. As of Dec. 31, 1977, as the result of loan reclassifications, business loans were reduced by \$0.2 billion and nonbank financial loans by \$0.1 billion; real estate loans were increased by \$0.3 billion.
6. As of Dec. 31, 1978, commercial and industrial loans were reduced \$0.1 billion as a result of reclassifications.
7. As of Dec. 31, 1978, nonbank financial loans were reduced \$0.1 billion as the result of reclassifications.
8. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
9. As of Dec. 31, 1978, commercial and industrial loans sold outright were increased \$0.7 billion as the result of reclassifications, but \$0.1 billion of this amount was offset by a balance sheet reduction of \$0.1 billion as noted above.
10. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday data for domestic chartered banks, and averages of current and previous month-end data for foreign-related institutions.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1976 Dec.	1977 Dec.	1978 Dec.	1979 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
	Seasonally adjusted										
1 **Reserves**[1]	**34.89**	**36.10**	**41.27**	**40.65**	**40.48**	**40.42**	**40.82**	**41.07**	**41.46**	**42.32**	**43.13**
2 Nonborrowed	34.84	35.53	40.40	39.73	38.72	39.00	39.65	39.98	40.12	40.30	41.22
3 Required	34.61	35.91	41.04	40.47	40.34	40.20	40.61	40.85	41.27	42.04	42.88
4 Monetary base[2]	118.4	127.8	142.3	144.5	144.9	145.6	146.9	148.4	150.1	151.6	152.8
5 **Deposits subject to reserve requirements**[3]	**528.6**	**568.6**	**616.7**	**618.6**	**613.9**	**613.1**	**618.7**	**623.7**	**630.5**	**639.0**	**644.1**
6 Time and savings	354.1	386.7	429.4	432.0	428.7	425.9	429.4	434.4	439.8	445.6	451.8
Demand											
7 Private	171.5	178.5	185.1	184.7	183.5	184.8	187.5	187.1	189.0	191.7	190.4
8 U.S. government	3.0	3.5	2.3	1.8	1.7	2.4	1.8	2.2	1.8	1.8	2.0
	Not seasonally adjusted										
9 Monetary base[2]	120.3	129.8	144.6	144.2	144.4	145.6	147.9	148.4	149.4	151.3	153.5
10 **Deposits subject to reserve requirements**[3]	**534.8**	**575.3**	**624.0**	**621.1**	**610.9**	**613.9**	**619.2**	**620.4**	**629.0**	**638.6**	**642.2**
11 Time and savings	353.6	386.4	429.6	432.3	429.8	427.2	429.8	434.1	439.4	445.7	449.7
Demand											
12 Private	177.9	185.1	191.9	186.8	179.2	183.9	187.8	184.5	187.5	191.4	191.4
13 U.S. government	3.3	3.8	2.5	2.0	1.8	2.8	1.6	1.7	2.1	1.6	1.7

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 Jan. 8 and Dec. 30, 1976; and Nov. 2, 1978. 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 reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks; and vault cash of nonmember banks.

3. 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. government, less cash items in process of collection and demand balances due from domestic commercial banks.

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[1]

Billions of dollars; averages of Wednesday figures

Category	1977 Dec.	1978 Dec.	1979 Oct.^{p}	1979 Nov.^{p}	1979 Dec.^{p}	1977 Dec.	1978 Dec.	1979 Oct.^{p}	1979 Nov.^{p}	1979 Dec.^{p}
	Seasonally adjusted					Not seasonally adjusted				
1 **Total loans and securities**[2]	**891.1**	**1,014.3**[3]	**1,129.1**	**1,128.6**	**1,132.5**	**899.1**	**1,023.8**[3]	**1,131.0**	**1,130.7**	**1,142.8**
2 U.S. Treasury securities	99.5	93.4	95.3	94.3	93.8	100.7	94.6	93.2	93.3	95.0
3 Other securities	159.6	173.1[3]	188.8	190.5	191.5	160.2	173.9[3]	189.0	190.7	192.3
4 Total loans and leases[2]	632.1	747.8[3]	845.0	843.8	847.2	638.3	755.4[3]	848.8	846.7	855.7
5 Commercial and industrial loans	211.2[5]	246.5[6]	288.6	288.3	290.4	212.6[5]	248.2[6]	288.4	288.3	292.4
6 Real estate loans	175.2[5]	210.5	237.1	239.7	242.4	175.5[5]	210.9	238.3	240.9	242.9
7 Loans to individuals	138.2	164.9	181.3	182.3	182.9	139.0	165.9	183.3	183.7	184.0
8 Security loans	20.6	19.4	20.6	18.4	18.3	22.0	20.7	20.8	18.8	19.6
9 Loans to nonbank financial institutions	25.8[5]	27.1[7]	30.9	30.9	30.3	26.3[5]	27.6[7]	31.0	31.0	30.8
10 Agricultural loans	25.8	28.2	30.0	29.4	31.0	25.7	28.1	30.3	29.5	30.8
11 Lease financing receivables	5.8	7.4	8.9	9.1	9.4	5.8	7.4	8.9	9.1	9.4
12 All other loans	29.5	43.6[3]	47.5	45.7	42.3	31.5	46.6[3]	47.7	45.4	45.7
MEMO:										
13 **Total loans and investments plus loans sold**[2,8]	**895.9**	**1,018.1**[3]	**1,132.7**	**1,132.2**	**1,135.3**	**903.9**	**1,027.6**[3]	**1,134.6**	**1,134.3**	**1,145.6**
14 Total loans plus loans sold[2,8]	636.9	751.6[3]	848.6	847.4	849.9	643.0	759.2[3]	852.4	850.3	858.4
15 Total loans sold to affiliates[8]	4.8	3.8	3.6	3.6	2.8	4.8	3.8	3.6	3.6	2.8
16 Commercial and industrial loans plus loans sold[8]	213.9[5]	248.5[9]	291.3	290.9	292.2	215.3[5]	250.1[9]	291.1	290.9	294.2
17 Commercial and industrial loans sold[8]	2.7	1.9[9]	2.7	2.5	1.8	2.7	1.9[9]	2.7	2.5	1.8
18 Acceptances held	7.5	6.8	8.0	7.9	8.5	8.6	7.5	7.9	8.2	9.4
19 Other commercial and industrial loans	203.7[5]	239.7	280.6	280.4	282.0	203.9[5]	240.9	280.6	280.1	283.0
20 To U.S. addressees[10]	193.8[5]	226.6	261.1	261.2	263.2	193.7[5]	226.5	261.3	260.7	263.2
21 To non-U.S. addressees	9.9[5]	13.1	19.5	19.3	18.8	10.3[5]	14.4	19.2	19.4	19.8
22 Loans to foreign banks	13.5	21.2	23.1	19.6	18.7	14.6	23.0	22.6	19.1	20.1
23 Loans to commercial banks in the United States	54.1	57.3	76.4	75.1	77.8	56.9	60.3	74.2	76.5	81.9

For notes see bottom of opposite page.

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

Billions of dollars except for number of banks

Account	1979										1980
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and investments	1,031.4	1,048.3	1,059.4	1,071.3	1,081.8	1,094.3	1,112.1	1,118.4	1,118.0	1,143.3	1,133.4
2 Loans, gross	759.8	773.9	785.3	797.9	807.6	819.4	833.8	839.0	836.7	860.1	849.7
3 Interbank	42.3	44.4	45.9	46.3	48.1	50.3	53.6	54.0	52.6	62.9	57.2
4 Commercial and industrial	227.8	233.0	236.4	240.5	242.0	244.1	249.4	249.8	248.0	253.4	252.6
5 Other	489.6	496.5	503.0	511.2	517.4	525.0	530.9	535.3	536.1	543.7	540.0
6 U.S. Treasury securities	93.6	94.2	93.2	91.6	92.1	90.6	91.9	91.5	92.1	92.5	92.4
7 Other securities	178.0	180.2	181.0	181.7	182.1	184.3	186.4	187.8	189.3	190.7	191.2
8 Cash assets, total	135.8	139.9	158.8	146.3	140.2	145.7	148.5	160.7	158.1	146.4	148.4
9 Currency and coin	15.2	15.6	16.0	16.3	16.1	16.8	16.7	16.6	18.2	17.9	17.3
10 Reserves with Federal Reserve Banks	30.0	33.9	32.8	32.6	29.6	33.7	31.6	34.1	34.7	28.4	28.3
11 Balances with depositary institutions	36.8	39.0	44.6	40.8	41.2	41.1	40.7	45.5	43.7	37.7	43.7
12 Cash items in process of collection	53.7	51.4	65.4	56.5	53.4	54.1	59.5	64.6	61.5	62.4	59.0
13 Other assets	58.9	55.8	52.7	55.1	53.9	53.8	57.5	57.8	59.3	61.2	63.1
14 Total assets/total liabilities and capital	**1,226.1**	**1,244.0**	**1,270.9**	**1,272.7**	**1,275.9**	**1,293.8**	**1,318.2**	**1,336.9**	**1,335.4**	**1,351.0**	**1,344.9**
15 Deposits	954.9	964.4	975.5	971.3	975.2	982.9	996.6	1,023.6	1,017.6	1,030.6	1,022.5
16 Demand	335.0	348.0	357.8	352.4	352.6	352.4	358.7	376.6	365.1	377.6	362.4
17 Savings	216.8	215.9	215.5	216.4	218.3	216.6	213.4	207.6	205.0	203.4	200.6
18 Time	403.0	400.5	402.3	402.5	404.2	413.8	424.5	439.4	447.4	449.7	459.6
19 Borrowings	115.2	123.5	132.0	137.1	137.2	140.1	147.0	137.4	135.6	140.5	143.1
20 Other liabilities	60.9	60.8	65.4	65.5	64.9	69.7	71.2	74.0	78.5	74.1	77.5
21 Residual (assets less liabilities)	95.1	95.3	98.1	98.9	98.7	101.1	103.3	101.9	103.7	105.8	101.8
MEMO:											
22 U.S. Treasury note balances included in borrowing	4.8	5.9	4.9	12.9	11.9	8.6	17.8	8.4	5.0	12.8	15.0
23 Number of banks	14,597	14,610	14,616	14,620	14,584	14,607	14,616	14,605	14,608	14,610	14,594
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
24 Loans and investments	1,101.4	1,114.8	1,131.2	1,146.9	1,153.1	1,169.8	1,197.7	1,200.3	1,200.9	1,229.8	
25 Loans, gross	827.2	837.7	854.2	870.7	876.2	892.1	915.9	917.6	916.2	943.1	
26 Interbank	56.1	57.3	61.8	60.4	60.6	63.8	69.2	71.6	71.8	80.5	
27 Commercial and industrial	259.8	264.7	268.8	274.6	276.9	280.5	288.1	288.3	287.9	295.0	
28 Other	511.3	515.6	523.6	535.7	538.6	547.8	558.6	557.7	556.6	567.6	
29 U.S. Treasury securities	94.9	95.6	94.6	93.1	93.5	91.9	93.5	93.1	93.7	94.5	
30 Other securities	179.4	181.5	182.3	183.1	183.5	185.8	188.3	189.5	190.9	192.2	
31 Cash assets, total	157.0	156.6	176.5	167.8	160.4	166.0	172.2	179.9	176.7	169.5	
32 Currency and coin	15.2	15.6	16.1	16.3	16.1	16.8	16.7	16.6	18.2	17.9	
33 Reserves with Federal Reserve Banks	30.7	34.6	33.5	33.4	30.4	34.5	32.5	34.9	35.6	29.0	
34 Balances with depositary institutions	56.0	53.9	60.3	60.3	59.3	59.3	62.4	62.5	60.0	59.0	
35 Csh items in process of collection	55.1	52.5	66.6	57.7	54.7	55.3	60.6	65.9	62.9	63.7	
36 Other assets	74.1	70.8	67.7	71.4	69.7	70.9	76.7	76.5	78.5	81.0	
37 Total assets/total liabilities and capital	**1,332.5**	**1,342.1**	**1,375.5**	**1,386.1**	**1,383.2**	**1,406.7**	**1,446.5**	**1,456.7**	**1,456.1**	**1,480.3**	**n.a.**
38 Deposits	994.0	997.4	1,013.2	1,015.6	1,012.3	1,020.9	1,043.6	1,062.6	1,058.5	1,076.3	
39 Demand	355.7	362.0	375.8	376.4	369.7	369.1	383.2	394.2	384.9	400.5	
40 Savings	218.0	216.9	216.7	217.2	219.1	217.6	214.2	208.3	205.9	204.3	
41 Time	420.3	418.5	420.7	422.0	432.5	434.2	446.2	460.1	467.7	471.5	
42 Borrowings	141.7	150.5	159.5	165.4	165.8	169.5	182.1	171.6	169.5	180.5	
43 Other liabilities	99.8	97.1	102.8	104.2	104.4	113.1	115.2	118.5	122.2	115.4	
44 Residual (assets less liabilities)	97.1	97.2	100.0	100.9	100.8	103.2	105.6	104.0	105.8	108.1	
MEMO:											
45 U.S. Treasury note balances included in borrowing	4.8	5.9	4.9	12.9	11.9	8.6	17.8	8.4	5.0	12.8	
46 Number of banks	14,930	14,946	14,954	14,968	14,933	14,960	14,972	14,963	14,969	14,975	

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.

2. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York state foreign investment corporations.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month; data for other banking institutions are for last Wednesday except at end of quarter, when they are for the last day of the month.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars, except for number of banks

Account	1976	1977		1978	1976	1977		1978
	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30
	Total insured				National (all insured)			
1 Loans and investments, gross	827,696	854,733	914,779	956,431	476,610	488,240	523,000	542,218
Loans								
2 Gross	578,734	601,122	657,509	695,443	340,691	351,311	384,722	403,812
3 Net	560,077	581,143	636,318	672,207	329,971	339,955	372,702	390,630
Investments								
4 U.S. Treasury securities	101,461	100,568	99,333	97,001	55,727	53,345	52,244	50,519
5 Other	147,500	153,042	157,936	163,986	80,191	80,583	86,033	87,886
6 Cash assets	129,562	130,726	159,264	157,393	76,072	74,641	92,050	90,728
7 **Total assets/total liabilities**[1]	**1,003,970**	**1,040,945**	**1,129,712**	**1,172,772**	**583,304**	**599,743**	**651,360**	**671,166**
8 Deposits	825,003	847,372	922,657	945,874	469,377	476,381	520,167	526,932
Demand								
9 U.S. government	3,022	2,817	7,310	7,956	1,676	1,632	4,172	4,483
10 Interbank	44,064	44,965	49,843	47,203	23,149	22,876	25,646	22,416
11 Other	285,200	284,544	319,873	312,707	163,346	161,358	181,821	176,025
Time and savings								
12 Interbank	8,248	7,721	8,731	8,987	4,907	4,599	5,730	5,791
13 Other	484,467	507,324	536,899	569,020	276,296	285,915	302,795	318,215
14 Borrowings	75,291	81,137	89,339	98,351	54,421	57,283	63,218	68,948
15 Total capital accounts	75,061	75,502	79,082	83,074	41,319	43,142	44,994	47,019
16 MEMO: Number of banks	14,397	14,425	14,397	14,381	4,735	4,701	4,654	4,616
	State member (all insured)				Insured nonmember			
17 Loans and investment, gross	144,000	144,597	152,514	157,464	207,085	221,896	239,265	256,749
Loans								
18 Gross	102,277	102,117	110,243	115,736	135,766	147,694	162,543	175,894
19 Net	99,474	99,173	107,205	112,470	130,630	142,015	156,411	169,106
Investments								
20 U.S. Treasury securities	18,849	19,296	18,179	16,886	26,884	27,926	28,909	29,595
21 Other	22,874	23,183	24,091	24,841	44,434	46,275	47,812	51,259
22 Cash assets	32,859	35,918	42,305	43,057	20,631	20,166	24,908	23,606
23 **Total assets/total liabilities**[1]	**189,579**	**195,452**	**210,442**	**217,384**	**231,086**	**245,748**	**267,910**	**284,221**
24 Deposits	149,491	152,472	163,436	167,403	206,134	218,519	239,053	251,539
Demand								
25 U.S. government	429	371	1,241	1,158	917	813	1,896	2,315
26 Interbank	19,295	20,568	22,346	23,117	1,619	1,520	1,849	1,669
27 Other	52,204	52,570	57,605	55,550	69,648	70,615	80,445	81,131
Time and savings								
28 Interbank	2,384	2,134	2,026	2,275	956	988	973	920
29 Other	75,178	76,827	80,216	85,301	132,993	144,581	153,887	165,502
30 Borrowings	17,310	19,697	21,736	23,167	3,559	4,155	4,384	6,235
31 Total capital accounts	13,199	13,441	14,182	14,670	17,542	18,919	19,905	21,384
32 MEMO: Number of banks	1,023	1,019	1,014	1,005	8,639	8,705	8,729	8,760
	Noninsured nonmember				Total nonmember			
33 Loans and investments, gross	18,819	22,940	24,415	28,699	225,904	244,837	263,681	285,448
Loans								
34 Gross	16,336	20,865	22,686	26,747	152,103	168,559	185,230	202,641
35 Net	16,209	20,679	22,484	26,548	146,840	162,694	178,896	195,655
Investments								
36 U.S. Treasury securities	1,054	993	879	869	27,938	28,919	29,788	30,465
37 Other	1,428	1,081	849	1,082	45,863	47,357	48,662	52,341
38 Cash assets	6,496	8,330	9,458	9,360	27,127	28,497	34,367	32,967
39 **Total assets/total liabilities**[1]	**26,790**	**33,390**	**36,433**	**42,279**	**257,877**	**279,139**	**304,343**	**326,501**
40 Deposits	13,325	14,658	16,844	19,924	219,460	233,177	255,898	271,463
Demand								
41 U.S. government	4	8	10	8	921	822	1,907	2,323
42 Interbank	1,277	1,504	1,868	2,067	2,896	3,025	3,718	3,736
43 Other	3,236	3,588	4,073	4,814	72,884	74,203	84,518	85,946
Time and savings								
44 Interbank	1,041	1,164	1,089	1,203	1,997	2,152	2,063	2,123
45 Other	7,766	8,392	9,802	11,831	140,760	152,974	163,690	177,334
46 Borrowings	4,842	7,056	6,908	8,413	8,401	11,212	11,293	14,649
47 Total capital accounts	818	893	917	962	18,360	19,812	20,823	22,346
48 MEMO: Number of banks	275	293	310	317	8,914	8,998	9,039	9,077

1. Includes items not shown separately.

For Note see table 1.24

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, September 30, 1978

Millions of dollars, except for number of banks

Asset account	Insured commercial banks	Member banks[1]						Nonmember banks[1]
		Total	Large banks			All other		
			New York City	City of Chicago	Other large			
1 Cash bank balances, items in process	158,380	134,955	43,758	5,298	47,914	37,986		23,482
2 Currency and coin	12,135	8,866	867	180	2,918	4,901		3,268
3 Reserves with Federal Reserve Banks	28,043	28,041	3,621	1,152	12,200	11,067		3
4 Demand balances with banks in United States	41,104	25,982	12,821	543	3,672	8,945		15,177
5 Other balances with banks in United States	4,648	2,582	601	15	648	1,319		2,066
6 Balances with banks in foreign countries	3,295	2,832	331	288	1,507	705		463
7 Cash items in process of collection	69,156	66,652	25,516	3,119	26,969	11,049		2,504
8 Total securities held—Book value	262,199	179,877	20,808	7,918	58,271	92,881		82,336
9 U.S. Treasury	95,068	65,764	9,524	2,690	22,051	31,499		29,315
10 Other U.S. government agencies	40,078	25,457	1,828	1,284	7,730	14,616		14,622
11 States and political subdivisions	121,260	85,125	9,166	3,705	27,423	44,831		36,136
12 All other securities	5,698	3,465	291	240	1,048	1,887		2,234
13 Unclassified total	94	66	....	....	19	47		28
14 Trading-account securities	6,833	6,681	3,238	708	2,446	290		151
15 U.S. Treasury	4,125	4,103	2,407	408	1,210	78		23
16 Other U.S. government agencies	825	816	401	82	278	55		9
17 States and political subdivisions	1,395	1,381	363	117	794	107		14
18 All other trading account securities	394	316	67	101	145	3		78
19 Unclassified	94	66	....	....	19	47		28
20 Bank investment portfolios	255,366	173,196	17,570	7,210	55,825	92,591		82,185
21 U.S. Treasury	90,943	61,661	7,117	2,282	20,840	31,422		29,293
22 Other U.S. government agencies	39,253	24,641	1,426	1,201	7,452	14,561		14,613
23 States and political subdivisions	119,865	83,745	8,803	3,588	26,629	44,724		36,123
24 All other portfolio securities	5,305	3,149	224	138	903	1,884		2,156
25 Federal Reserve stock and corporate stock	1,656	1,403	311	111	507	475		253
26 Federal funds sold and securities resale agreement	41,258	31,999	3,290	1,784	16,498	10,427		9,365
27 Commercial banks	34,256	25,272	1,987	1,294	12,274	9,717		9,090
28 Brokers and dealers	4,259	4,119	821	396	2,361	541		140
29 Others	2,743	2,608	482	94	1,863	169		135
30 Other loans, gross	675,915	500,802	79,996	26,172	190,565	204,069		175,113
31 LESS: Unearned income on loans	17,019	11,355	675	107	3,765	6,809		5,664
32 Reserves for loan loss	7,431	5,894	1,347	341	2,256	1,949		1,537
33 Other loans, net	651,465	483,553	77,974	25,724	184,544	195,311		167,912
Other loans, gross, by category								
34 Real estate loans	203,386	138,730	10,241	2,938	52,687	72,863		64,656
35 Construction and land development	25,621	19,100	2,598	685	9,236	6,581		6,521
36 Secured by farmland	8,418	3,655	23	34	453	3,146		4,763
37 Secured by residential properties	117,176	81,370	5,362	1,559	31,212	43,236		35,806
38 1- to 4-family residences	111,674	77,422	4,617	1,460	29,774	41,570		34,252
39 FHA-insured or VA-guaranteed	7,503	6,500	508	44	3,446	2,502		1,003
40 Conventional	104,171	70,922	4,109	1,417	26,328	39,068		33,249
41 Multifamily residences	5,502	3,948	746	99	1,438	1,665		1,554
42 FHA-insured	399	340	132	27	88	92		59
43 Conventional	5,103	3,609	613	72	1,350	1,573		1,495
44 Secured by other properties	52,171	34,605	2,258	660	11,786	19,901		17,566
45 Loans to financial institutions	37,072	34,843	12,434	4,342	15,137	2,930		2,228
46 REITs and mortgage companies	8,574	8,162	2,066	801	4,616	680		412
47 Domestic commercial banks	3,362	2,618	966	165	1,206	281		744
48 Banks in foreign countries	7,359	7,187	3,464	268	2,820	635		171
49 Other depositary institutions	1,579	1,411	290	76	785	261		167
50 Other financial institutions	16,198	15,465	5,649	3,033	5,710	1,073		733
51 Loans to security brokers and dealers	11,042	10,834	6,465	1,324	2,846	199		207
52 Other loans to purchase or carry securities	4,280	3,532	410	276	1,860	985		747
53 Loans to farmers except real estate	28,054	15,296	168	150	3,781	11,196		12,758
54 Commercial and industrial loans	213, 123	171,815	39,633	13,290	67,833	51,059		41,309
55 Loans to individuals	161,599	110,974	7,100	2,562	40,320	60,993		50,624
56 Installment loans	131,571	90,568	5,405	1,711	33,640	49,811		41,003
57 Passenger automobiles	58,908	37,494	1,077	209	11,626	24,582		21,414
58 Residential repair and modernization	8,526	5,543	331	60	2,088	3,064		2,983
59 Credit cards and related plans	21,938	19,333	2,268	1,267	9,736	6,062		2,605
60 Charge-account credit cards	17,900	16,037	1,573	1,219	8,192	5,053		1,863
61 Check and revolving credit plans	4,038	3,296	695	47	1,545	1,009		742
62 Other retail consumer goods	19,689	13,296	427	57	5,242	7,570		6,393
63 Mobile homes	9,642	6,667	179	19	2,563	3,905		2,976
64 Other	10,047	6,629	249	38	2,678	3,664		3,417
65 Other installment loans	22,510	14,902	1,302	119	4,948	8,533		7,608
66 Single-payment loans to individuals	30,027	20,406	1,694	851	6,680	11,182		9,621
67 All other loans	17,360	14,778	3,545	1,290	6,100	3,844		2,582
68 **Total loans and securities, net**	**956,579**	**696,833**	**102,383**	**35,536**	**259,820**	**299,094**		**259,867**
69 Direct lease financing	6,717	6,212	1,145	96	3,931	1,041		505
70 Fixed assets—Buildings, furniture, real estate	22,448	16,529	2,332	795	6,268	7,133		5,926
71 Investment in unconsolidated subsidiaries	3,255	3,209	1,642	188	1,282	96		46
72 Customer acceptances outstanding	16,557	16,036	8,315	1,258	6,054	409		521
73 Other assets	34,559	30,408	11,323	1,000	12,810	5,275		4,249
74 **Total assets**	**1,198,495**	**904,182**	**170,899**	**44,170**	**338,079**	**351,034**		**294,595**

For notes see opposite page.

1.26 Continued

Liability or capital account	Insured commercial banks	Member banks[1] Total	Large banks New York City	Large banks City of Chicago	Large banks Other large	Member banks All other	Nonmember banks[1]
75 Demand deposits	369,030	282,450	66,035	10,690	100,737	104,988	86,591
76 Mutual savings banks	1,282	1,089	527	1	256	305	194
77 Other individuals, partnerships, and corporations	279,651	205,591	31,422	7,864	79,429	86,876	74,061
78 U.S. government	7,942	5,720	569	188	1,987	2,977	2,222
79 States and political subdivisions	17,122	11,577	764	252	3,446	7,116	5,545
80 Foreign governments, central banks, etc	1,805	1,728	1,436	19	211	62	77
81 Commercial banks in United States	39,596	38,213	21,414	1,807	10,803	4,189	1,393
82 Banks in foreign countries	7,379	7,217	5,461	207	1,251	298	162
83 Certified and officers' checks, etc	14,253	11,315	4,443	352	3,354	3,166	2,937
84 Time deposits	368,562	266,496	38,086	15,954	98,525	113,931	102,066
85 Accumulated for personal loan payments	79	66	0	0	1	65	13
86 Mutual savings banks	399	392	177	40	148	27	7
87 Other individuals, partnerships, and corporations	292,120	210,439	29,209	12,074	76,333	92,824	81,680
88 U.S. government	864	689	61	40	356	232	175
89 States and political subdivisions	59,087	40,010	1,952	1,554	16,483	20,020	19,077
90 Foreign governments, central banks, etc	6,672	6,450	3,780	1,145	1,401	124	222
91 Commercial banks in United States	7,961	7,289	2,077	999	3,585	629	672
92 Banks in foreign countries	1,381	1,161	829	103	219	9	220
93 Savings deposits	223,326	152,249	10,632	2,604	54,825	84,188	71,077
94 Individuals and nonprofit organizations	207,701	141,803	9,878	2,448	51,161	78,316	65,897
95 Corporations and other profit organizations	11,216	7,672	519	148	3,195	3,809	3,544
96 U.S. government	82	65	2	3	24	35	17
97 States and political subdivisions	4,298	2,682	215	4	437	2,025	1,616
98 All other	30	27	18	*	8	2	3
99 **Total deposits**	**960,918**	**701,195**	**114,753**	**29,248**	**254,087**	**303,107**	**259,733**
100 Federal funds purchased and securities sold under agreements to repurchase	91,981	85,582	21,149	8,777	41,799	13,857	6,398
101 Commercial banks	42,174	39,607	6,991	5,235	21,609	5,773	2,566
102 Brokers and dealers	12,787	11,849	2,130	1,616	6,381	1,722	939
103 Others	37,020	34,126	12,028	1,926	13,809	6,362	2,894
104 Other liabilities for borrowed money	8,738	8,352	3,631	306	3,191	1,225	386
105 Mortgage indebtedness	1,767	1,455	234	27	701	491	316
106 Bank acceptances outstanding	16,661	16,140	8,398	1,260	6,070	412	521
107 Other liabilities	27,124	23,883	8,600	1,525	9,020	4,477	3,494
108 **Total liabilities**	**1,107,188**	**836,607**	**157,026**	**41,144**	**314,868**	**323,569**	**270,849**
109 Subordinated notes and debentures	5,767	4,401	1,001	79	2,033	1,287	1,366
110 **Equity capital**	**85,540**	**63,174**	**12,871**	**2,947**	**21,177**	**26,178**	**22,380**
111 Preferred stock	88	36	0	0	5	31	52
112 Common stock	17,875	12,816	2,645	570	4,007	5,594	5,064
113 Surplus	32,341	23,127	4,541	1,404	8,148	9,034	9,217
114 Undivided profits	33,517	26,013	5,554	921	8,680	10,858	7,509
115 Other capital reserves	1,719	1,182	132	52	337	661	538
116 **Total liabilities and equity capital**	**1,198,495**	**904,182**	**170,899**	**44,170**	**338,079**	**351,034**	**294,595**
Memo:							
117 Demand deposits adjusted[2]	252,337	171,864	18,537	5,576	60,978	86,774	80,472
Average for last 15 or 30 days							
118 Cash and due from bank	146,283	124,916	36,862	6,030	45,731	36,293	21,379
119 Federal funds sold and securities purchased under agreements to resell	43,873	33,682	4,272	1,887	16,007	11,517	10,307
120 Total loans	651,874	483,316	76,750	25,722	184,790	196,054	168,558
121 Time deposits of $100,000 or more	183,614	150,160	32,196	13,216	65,776	38,972	33,454
122 Total deposits	944,593	687,543	107,028	28,922	250,804	300,789	257,062
123 Federal funds purchased and securities sold under agreements to repurchase	92,685	86,635	22,896	9,473	40,541	13,725	6,053
124 Other liabilities for borrowed money	8,716	8,326	3,679	370	3,211	1,067	390
125 Standby letters of credit outstanding	18,820	17,658	10,063	1,477	4,820	1,297	1,162
126 Time deposits of $100,000 or more	186,837	152,553	32,654	13,486	66,684	39,728	34,284
127 Certificates of deposit	160,227	129,667	27,950	11,590	56,383	33,743	30,560
128 Other time deposits	26,610	22,886	4,704	1,896	10,301	5,985	3,724
129 Number of banks	14,390	5,593	12	9	153	5,419	8,810

1. Member banks exclude and nonmember banks include 13 noninsured trust companies that are members of the Federal Reserve System.
2. Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. government, 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. Back data in lesser detail were shown in previous issues of the BULLETIN.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities

Millions of Dollars, Wednesday figures

Account	1979				1980					Adjustment bank, 1979 ▲
	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p	
1 Cash items in process of collection	54,832	53,254	54,391	50,218	59,660	51,467	57,368	51,844	49,080	105
2 Demand deposits due from banks in the United States	16,522	15,151	18,836	9,090	17,918	16,573	16,813	17,570	18,217	147
3 All other cash and due from depositary institutions	33,266	33,161	30,242	27,986	36,197	33,397	31,304	35,126	28,563	145
4 **Total loans and securities**	**509,020**	**505,753**	**512,758**	**518,148**	**529,669**	**520,067**	**518,117**	**510,790**	**515,050**	**3,603**
Securities										
5 U.S. Treasury securities	36,954	37,271	36,381	35,580	36,089	35,956	35,885	35,456	35,638	364
6 Trading account	6,049	6,314	5,483	5,030	4,890	5,109	5,415	5,206	5,243	....
7 Investment account, by maturity	30,905	30,958	30,898	30,550	31,200	30,847	30,470	30,251	30,395	364
8 One year or less	7,931	8,030	8,095	7,951	8,003	7,551	7,241	7,313	7,371	117
9 Over one through five years	18,354	18,295	18,281	18,079	18,596	18,715	18,615	18,310	18,312	172
10 Over five years	4,620	4,632	4,522	4,520	4,600	4,581	4,614	4,628	4,712	75
11 Other securities	71,669	71,711	71,499	71,418	71,998	72,619	72,596	72,510	72,545	604
12 Trading account	4,450	4,208	3,740	3,597	3,532	3,669	3,553	3,457	3,427	....
13 Investment account	67,219	67,503	67,759	67,821	68,466	68,950	69,043	69,053	69,118	604
14 U.S. government agencies	15,458	15,590	15,679	15,691	15,851	15,813	15,855	15,869	15,858	61
15 States and political subdivision, by maturity	49,125	49,257	49,424	49,474	49,964	50,482	50,526	50,524	50,584	537
16 One year or less	6,428	6,425	6,439	6,361	6,239	6,344	6,255	6,231	6,333	76
17 Over one year	42,697	42,832	42,984	43,114	43,725	44,138	44,270	44,293	44,251	461
18 Other bonds, corporate stocks and securities	2,636	2,656	2,657	2,655	2,651	2,656	2,663	2,660	2,676	6
Loans										
19 Federal funds sold	26,217	25,288	27,356	30,901	34,194	28,447	27, 638	24,776	27,739	165
20 To commercial banks	19,010	18,952	20,589	22,880	27,939	21,737	20,344	19,252	20,256	72
21 To nonbank brokers and dealers in securities	5,159	4,667	5,100	5,663	4,698	4,928	5,157	4,093	5,054	93
22 To others	2,048	1,669	1,667	2,358	1,557	1,781	2,136	1,430	2,429	....
23 Other loans, gross	386,280	383,640	389,781	392,492	399,672	395,424	394,373	390,442	391,574	2,596
24 Commercial and industrial	153,444	152,629	155,481	156,797	159,155	157,654	157,013	156,471	156,605	712
25 Bankers' acceptances and commercial paper	4,738	4,512	4,848	5,388	5,177	4,737	4,560	4,176	4,287	....
26 All other	148,705	148,117	150,633	151,408	153,979	152,917	152,453	152,295	152,318	712
27 U.S. addresses	142,175	141,605	144,112	144,881	147,379	146,338	145,919	145,819	145,858	711
28 Non-U.S. addresses	6,531	6,512	6,520	6,527	6,599	6,579	6,534	6,476	6,459	1
29 Real estate	97,464	97,990	98,277	98,211	99,916	100,250	100,456	100,768	101,042	825
30 To individuals for personal expenditures	70,636	70,843	71,224	71,702	73,359	73,648	73,298	73,260	73,499	942
To financial institutions										
31 Commercial banks in the United States	3,487	3,140	3,332	3,715	3,792	3,711	3,461	2,854	2,792	6
32 Banks in foreign countries	6,974	6,896	6,974	6,796	7,468	6,909	7,201	6,051	6,420	....
33 Sales finance, personal finance companies, etc	9,146	8,677	8,821	9,322	9,462	8,798	9,000	8,580	8,634	2
34 Other financial institutions	16,814	16,714	17,001	16,957	17,106	16,852	16,577	16,243	16,142	16
35 To nonbank brokers and dealers in securities	8,375	7,043	8,180	7,483	7,737	7,340	7,301	6,357	6,303	....
36 To others for purchasing and carrying securities[2]	2,540	2,573	2,607	2,588	2,533	2,506	2,528	2,506	2,503	6
37 To finance agricultural production	4,848	4,823	4,850	4,889	5,047	4,993	4,954	4,898	4,922	21
38 All other	12,552	12,311	13,033	14,032	14,096	12,762	12,584	12,453	12,711	67
39 LESS: Unearned income	6,892	6,939	7,039	7,051	7,101	7,173	7,166	7,174	7,204	100
40 Loan loss reserve	5,209	5,218	5,222	5,191	5,182	5,205	5,210	5,219	5,242	27
41 Other loans, net	374,180	371,483	377,520	380,249	387,388	383,045	381,997	378,048	379,128	2,469
42 Lease financing receivables	7,675	7,784	7,810	7,842	7,967	8,079	8,085	8,103	8,100	1
43 All other assets	61,048	61,533	62,458	61,365	65,508	61,746	61,824	62,158	64,512	145
44 **Total assets**	**682,363**	**676,636**	**686,496**	**674,649**	**716,919**	**691,330**	**693,510**	**685,590**	**683,521**	**4,147**
Deposits										
45 Demand deposits	196,858	193,130	199,303	188,853	219,190	195,993	202,340	190,598	189,508	3,582
46 Mutual savings banks	717	602	638	657	916	744	769	622	619	1,269
47 Individuals, partnerships, and corporations	134,685	136,482	137,067	144,835	155,769	140,106	142,498	133,631	131,981	1,158
48 States and political subdivisions	4,560	4,562	5,112	4,805	5,942	5,105	5,030	4,921	5,240	53
49 U.S. government	2,703	1,774	3,082	839	863	963	1,265	964	772	10
50 Commercial banks in the United States	33,394	29,706	34,669	20,597	35,975	30,429	32,793	32,318	31,576	8
51 Banks in foreign countries	8,195	8,305	7,678	8,670	8,337	7,828	8,590	6,892	8,232	....
52 Foreign governments and official institutions	1,891	2,463	1,894	1,902	1,777	1,937	2,175	2,115	2,211	....
53 Certified and officers' checks	10,713	9,236	9,163	6,549	9,610	8,880	9,219	9,134	8,876	39
54 Time and savings deposits	265,622	265,460	265,452	265,004	267,415	270,030	269,036	268,405	269,086	2,314
55 Savings	72,722	72,464	72,413	72,223	74,604	74,733	73,847	73,221	72,648	956
56 Individuals and nonprofit organizations	68,094	67,845	67,898	67,729	70,048	70,151	69,404	68,752	68,201	928
57 Partnerships and corporations operated for profit	3,924	3,896	3,805	3,796	3,773	3,784	3,703	3,720	3,721	27
58 Domestic governmental units	684	696	688	674	759	774	718	731	704	1
59 All other	21	27	23	23	24	23	21	18	22	....
60 Time	192,900	192,996	193,039	192,782	192,812	195,297	195,189	195,184	196,437	1,357
61 Individuals, partnerships, and corporations	159,941	159,563	159,817	159,572	159,993	161,994	162,220	162,191	163,484	1,188
62 States and political subdivisions	22,079	22,056	21,682	21,651	21,374	21,692	21,968	22,099	22,272	164
63 U.S. government	494	493	493	492	467	477	446	426	424	5
64 Commercial banks in the United States	5,485	5,485	5,252	5,217	5,128	5,260	5,320	5,473	5,396	....
65 Foreign governments, official institutions and banks	4,901	5,398	5,795	5,849	5,849	5,873	5,234	4,995	4,862	....
66 Federal funds purchased[3]	95,767	95,720	92,667	90,579	100,898	101,828	95,947	95,945	90,717	42
Other liabilities for borrowed money										
67 Borrowings from Federal Reserve Banks	1,620	1,285	951	1,410	1,545	842	1,290	445	299	126
68 Treasury tax-and-loan notes	434	574	6,566	8,203	6,926	1,670	4,385	8,213	9,815	2
69 All other liabilities for borrowed money	13,649	13,440	13,545	14,822	14,498	14,145	13,642	13,986	14,984	124
70 Other liabilities and subordinated note and debentures	63,409	61,873	63,020	60,800	60,887	61,039	61,068	62,151	63,211	59
71 **Total liabilities**	**637,360**	**631,482**	**641,505**	**629,672**	**671,360**	**645,547**	**647,708**	**639,742**	**637,620**	**3,810**
72 Residual (total assets minus total liabilities)[4]	45,003	45,154	44,991	44,977	45,559	45,783	45,802	45,848	45,901	337

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes securities sold under agreements to repurchase.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

▲ See p. A–23.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977 Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1979				1980					Adjustment bank, 1979 ▲
	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p	
1 Cash items in process of collection	52,343	50,880	51,803	47,391	56,372	49,126	54,585	49,462	46,913	29
2 Demand deposits due from banks in the United States	15,715	14,344	17,999	8,353	17,019	15,757	15,902	16,719	17,338	78
3 All other cash and due from depositary institutions	31,540	31,338	28,599	26,233	33,962	31,502	29,468	32,948	26,616	77
4 **Total loans and securities**	**476,548**	**473,323**	**479,954**	**485,271**	**494,902**	**485,232**	**483,152**	**476,322**	**480,509**	**1,860**
Securities										
5 U.S. Treasury securities	34,655	34,961	34,064	33,263	33,628	33,477	33,423	32,963	33,155	194
6 Trading account	6,008	6,277	5,445	4,999	4,860	5,061	5,380	5,143	5,206	....
7 Investment account, by maturity	28,647	28,684	28,620	28,264	28,768	28,416	28,043	27,821	27,950	194
8 One year or less	7,411	7,511	7,586	7,440	7,493	7,037	6,728	6,800	6,863	102
9 Over one through five years	16,931	16,858	16,839	16,637	17,070	17,193	17,096	16,789	16,787	82
10 Over five years	4,304	4,315	4,194	4,187	4,205	4,186	4,218	4,232	4,300	10
11 Other securities	66,292	66,332	66,099	66,012	66,286	66,922	66,882	66,792	66,795	280
12 Trading account	4,328	4,110	3,628	3,488	3,415	3,570	3,449	3,377	3,311	....
13 Investment account	61,964	62,222	62,471	62,524	62,871	63,351	63,433	63,416	63,484	280
14 U.S.government agencies	14,391	14,516	14,597	14,610	14,786	14,738	14,780	14,782	14,778	59
15 States and political subdivision, by maturity	45,090	45,203	45,372	45,413	45,592	46,115	46,148	46,132	46,188	217
16 One year or less	5,873	5,868	5,875	5,798	5,651	5,766	5,678	5,650	5,752	46
17 Over one year	39,217	39,335	39,496	39,615	39,940	40,349	40,470	40,482	40,436	170
18 Other bonds, corporate stocks and securities	2,483	2,503	2,503	2,502	2,493	2,498	2,504	2,502	2,518	4
Loans										
19 Federal funds sold[1]	23,657	22,589	24,445	28,084	31,401	25,498	24,551	22,133	25,097	146
20 To commercial banks	16,820	16,762	18,081	20,543	25,562	19,261	17,856	17,225	18,224	53
21 To nonbank brokers and dealers in securities	4,844	4,219	4,749	5,236	4,339	4,515	4,615	3,534	4,494	93
22 To others	1,993	1,608	1,614	2,306	1,500	1,723	2,079	1,374	2,380	....
23 Other loans, gross	363,193	360,747	366,746	369,296	374,955	370,793	369,749	365,901	366,984	1,304
24 Commercial and industrial	146,036	145,265	148,073	149,350	151,235	149,753	149,082	148,544	148,666	262
25 Bankers' acceptances and commercial paper	4,667	4,443	4,768	5,310	5,099	4,658	4,480	4,089	4,197	....
26 All other	141,370	140,822	143,304	144,039	146,136	145,095	144,602	144,455	144,469	262
27 U.S. addressees	134,885	134,358	136,833	137,561	139,581	138,562	138,114	138,026	138,056	262
28 Non-U.S. addressees	6,484	6,463	6,471	6,478	6,555	6,532	6,488	6,429	6,413	1
29 Real estate	91,771	92,274	92,550	92,484	93,718	94,080	94,271	94,570	94,800	500
30 To individuals for personal expenditures	62,536	62,905	63,230	63,656	64,800	65,067	64,732	64,708	64,908	494
To financial institutions										
31 Commercial banks in the United States	3,417	3,070	3,268	3,647	3,714	3,639	3,391	2,784	2,719	6
32 Banks in foreign countries	6,899	6,817	6,883	6,714	7,390	6,829	7,121	5,978	6,338	....
33 Sales finance, personal finance companies, etc	8,954	8,482	8,622	9,128	9,270	8,611	8,811	8,393	8,466	....
34 Other financial institutions	16,354	16,254	16,557	16,524	16,653	16,394	16,144	15,818	15,703	....
35 To nonbank brokers and dealers in securities	8,293	6,959	8,095	7,375	7,605	7,213	7,205	6,280	6,224	....
36 To others for purchasing and carrying securities[2]	2,316	2,343	2,377	2,355	2,301	2,276	2,294	2,280	2,270	1
37 To finance agricultural production	4,681	4,656	4,685	4,722	4,884	4,828	4,792	4,736	4,762	18
38 All other	11,934	11,721	12,406	13,341	13,385	12,103	11,904	11,808	12,127	22
39 LESS: Unearned income	6,321	6,366	6,464	6,478	6,486	6,555	6,546	6,553	6,586	52
40 Loan loss reserve	4,928	4,940	4,936	4,907	4,882	4,903	4,907	4,915	4,936	13
41 Other loans, net	351,944	349,441	355,345	357,911	363,587	359,335	358,296	354,432	355,461	1,239
42 Lease financing receivables	7,469	7,578	7,603	7,633	7,757	7,867	7,872	7,888	7,885	....
43 All other assets	59,305	59,832	60,706	59,602	63,747	60,035	60,127	60,477	62,731	87
44 **Total assets**	**642,920**	**637,296**	**646,663**	**634,484**	**673,760**	**649,520**	**651,107**	**643,817**	**641,992**	**2,132**
Deposits										
45 Demand deposits	185,036	181,345	187,245	176,716	205,400	183,782	189,629	178,629	177,846	672
46 Mutual savings banks	690	578	613	635	884	713	736	599	592	....
47 Individuals, partnerships, and corporations	125,418	127,096	127,800	135,201	144,850	130,354	132,467	124,218	122,733	609
48 States and political subdivisions	4,056	4,018	4,406	4,151	5,225	4,536	4,383	4,197	4,595	32
49 U.S. government	2,497	1,639	2,845	770	784	841	1,077	733	687	4
50 Commercial banks in the United States	31,936	28,369	33,211	19,188	34,375	29,072	31,384	31,078	30,281	1
51 Banks in foreign countries	8,127	8,236	7,626	8,613	8,268	7,760	8,539	6,835	8,182	....
52 Foreign governments and official institutions	1,890	2,456	1,893	1,900	1,776	1,936	2,175	2,114	2,211	....
53 Certified and officer's checks	10,422	8,954	8,851	6,258	9,238	8,569	8,866	8,856	8,566	24
54 Time and savings deposits	247,869	247,713	247,796	247,333	248,577	250,967	249,863	249,175	249,844	1,207
55 Savings	67,512	67,271	67,240	67,084	69,020	69,131	68,282	67,700	67,170	552
56 Individuals and nonprofit organization	63,244	63,006	63,076	62,932	64,796	64,896	64,177	63,569	63,063	530
57 Partnerships and corporations operated for profit	3,633	3,605	3,520	3,514	3,492	3,501	3,427	3,443	3,442	21
58 Domestic governmental units	614	633	621	614	709	710	657	670	644	1
59 All other	20	26	22	23	24	23	21	18	21	....
60 Time	180,357	180,443	180,555	180,249	179,556	181,836	181,581	181,475	182,675	655
61 Individuals, partnerships, and corporations	149,637	149,242	149,455	149,196	148,977	150,809	150,922	150,808	152,051	570
62 States and political subdivisions	20,136	20,119	19,845	19,778	19,430	19,712	19,952	20,067	20,232	80
63 U.S. government	488	487	486	484	458	469	438	418	415	4
64 Commercial banks in the United States	5,200	5,202	4,979	4,946	4,846	4,977	5,039	5,191	5,125	....
65 Foreign governments, official institutions, and banks	4,896	5,393	5,791	5,845	5,845	5,869	5,230	4,991	4,852	....
66 Federal funds purchased[3]	90,538	90,688	87,557	85,516	95,692	96,221	90,552	90,658	85,620	42
Other liabilities for borrowed money										
67 Borrowings from Federal Reserve Banks	1,568	1,261	884	1,294	1,487	756	1,196	417	286	....
68 Treasury tax-and-loan notes	400	528	6,095	7,691	6,398	1,538	4,046	7,633	9,131	....
69 All other liabilities for borrowed money	13,336	12,888	13,199	14,420	14,169	13,793	13,291	13,563	14,493	15
70 Other liabilities and subordinated note and debentures	62,022	60,574	61,722	59,409	59,538	59,747	59,789	60,973	61,932	35
71 **Total liabilities**	**600,768**	**594,996**	**604,496**	**592,380**	**631,261**	**606,805**	**608,365**	**601,049**	**599,153**	**1,971**
72 Residual (total assets minus total liabilities)[4]	42,152	42,300	42,167	42,104	42,498	42,715	42,741	42,768	42,838	161

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes securities sold under agreements to repurchase.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

▲ See p. A-23.

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

Millions of dollars, Wednesday figures

Account	1979				1980				
	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p
1 Cash items in process of collection	19,442	19,083	19,078	14,205	19,333	18,931	21,372	20,354	19,002
2 Demand deposits due from banks in the United States	11,036	9,655	12,339	3,369	11,359	10,524	11,021	12,160	12,022
3 All other cash and due from depositary institutions	8,076	8,291	6,658	4,692	10,296	7,895	6,985	8,693	5,653
4 **Total loans and securities**[1]	**110,699**	**108,335**	**112,927**	**115,511**	**117,132**	**112,809**	**112,951**	**108,416**	**112,296**
Securities									
5 U.S. Treasury securities[2]	....	....	....	....	....	....	....	....	....
6 Trading account[2]	....	....	....	....	....	....	....	....	....
7 Investment account, by maturity	6,342	6,165	6,055	5,857	6,255	5,951	5,881	5,695	5,775
8 One year or less	1,265	1,165	1,165	1,165	1,259	1,019	1,014	1,032	1,034
9 Over one through five years	4,461	4,281	4,284	4,066	4,385	4,319	4,211	4,004	4,051
10 Over five years	616	720	605	626	611	613	656	659	690
11 Other securities[2]	....	....	....	....	....	....	....	....	....
12 Trading account[2]	....	....	....	....	....	....	....	....	....
13 Investment account	12,166	12,204	12,412	12,419	12,347	12,347	12,308	12,245	12,243
14 U.S. government agencies	2,539	2,546	2,550	2,530	2,532	2,518	2,479	2,426	2,425
15 States and political subdivision, by maturity	9,066	9,083	9,269	9,301	9,222	9,226	9,224	9,213	9,213
16 One year or less	1,471	1,472	1,524	1,551	1,498	1,477	1,450	1,454	1,505
17 Over one year	7,595	7,611	7,745	7,749	7,725	7,750	7,774	7,759	7,708
18 Other bonds, corporate stocks and securities	561	576	592	588	592	603	605	606	605
Loans									
19 Federal funds sold[3]	7,188	6,210	7,411	10,166	9,199	7,296	7,644	6,072	9,266
20 To commercial banks	4,745	4,230	5,415	7,870	7,470	5,446	5,490	4,521	6,552
21 To nonbank brokers and dealers in securities	1,790	1,509	1,376	1,502	1,233	1,237	1,480	1,148	1,338
22 To others	653	471	621	794	496	612	673	402	1,375
23 Other loans, gross	87,608	86,381	89,724	89,740	91,915	89,813	89,724	87,008	87,634
24 Commercial and industrial	45,598	45,347	46,963	47,143	47,977	47,505	47,264	46,886	46,996
25 Bankers' acceptances and commercial paper	1,661	1,682	1,836	1,929	1,897	1,885	1,716	1,364	1,520
26 All other	43,936	43,665	45,127	45,214	46,080	45,621	45,547	45,522	45,476
27 U.S. addressees	41,838	41,595	43,034	43,101	43,854	43,385	43,337	43,325	43,260
28 Non-U.S. addressees	2,098	2,070	2,093	2,113	2,226	2,235	2,210	2,197	2,216
29 Real estate	12,137	12,191	12,243	12,284	12,321	12,298	12,343	12,386	12,450
30 To individuals for personal expenditures	8,188	8,419	8,469	8,495	8,496	8,554	8,562	8,559	8,585
To financial institutions									
31 Commercial banks in the United States	1,469	1,272	1,260	1,389	1,465	1,463	1,443	1,070	974
32 Banks in foreign countries	3,166	3,167	3,154	2,924	3,590	3,304	3,511	2,618	2,820
33 Sales finance, personal finance companies, etc.	3,784	3,560	3,547	3,874	3,920	3,528	3,682	3,456	3,411
34 Other financial institutions	4,972	4,921	5,274	5,262	5,331	5,186	5,052	4,972	5,026
35 To nonbank brokers and dealers in securities	4,745	4,033	5,133	4,423	4,626	4,300	4,220	3,566	3,451
36 To others for purchasing and carrying securities[4]	425	421	422	426	422	425	432	438	440
37 To finance agricultural production	264	252	276	290	282	262	267	250	254
38 All other	2,860	2,796	2,983	3,228	3,485	2,987	2,947	2,807	3,225
39 Less: Unearned income	972	983	1,039	1,050	975	996	1,002	999	1,007
40 Loan loss reserve	1,633	1,643	1,636	1,621	1,609	1,601	1,603	1,605	1,616
41 Other loans, net	85,003	83,755	87,049	87,069	89,331	87,216	87,118	84,404	85,012
42 Lease financing receivables	1,504	1,498	1,501	1,505	1,549	1,565	1,570	1,573	1,555
43 All other assets[5]	29,308	30,350	29,630	28,110	30,546	27,919	27,512	28,019	29,629
44 **Total assets**	**180,067**	**177,212**	**182,134**	**167,394**	**190,215**	**179,642**	**181,411**	**179,215**	**180,157**
Deposits									
45 Demand deposits	63,763	60,850	65,120	51,261	69,403	61,648	66,198	63,836	63,045
46 Mutual savings banks	360	311	351	347	519	393	409	322	280
47 Individuals, partnerships, and corporations	29,882	30,933	32,027	33,368	37,201	32,721	34,152	32,139	31,491
48 States and political subdivisions	470	340	407	431	483	605	557	460	494
49 U.S. government	718	352	758	104	96	164	242	110	90
50 Commercial banks in the United States	18,926	16,110	20,470	6,727	19,500	16,619	18,436	19,437	18,512
51 Banks in foreign countries	6,238	6,377	5,635	6,509	6,321	5,953	6,662	5,154	6,389
52 Foreign governments and official institutions	1,069	1,545	1,061	1,086	932	1,085	1,304	1,331	1,414
53 Certified and officers' checks	6,098	4,880	4,410	2,689	4,351	4,108	4,436	4,885	4,374
54 Time and savings deposits	44,652	44,972	45,646	45,359	44,891	45,371	44,962	44,788	45,280
55 Savings	9,423	9,431	9,408	9,448	9,623	9,682	9,589	9,472	9,380
56 Individuals and nonprofit organizations	8,935	8,922	8,927	8,965	9,121	9,182	9,104	8,990	8,902
57 Partnerships and corporations operated for profit	353	351	338	345	334	336	329	327	324
58 Domestic governmental units	125	143	131	126	156	150	144	145	141
59 All other	9	15	12	12	12	13	11	10	13
60 Time	35,229	35,541	36,239	35,911	35,269	35,689	35,373	35,316	35,899
61 Individuals, partnerships, and corporations	29,213	29,109	29,591	29,233	28,816	29,234	29,455	29,466	30,104
62 States and political subdivisions	1,672	1,613	1,591	1,569	1,439	1,456	1,501	1,492	1,536
63 U.S. government	42	41	47	46	45	54	53	51	58
64 Commercial banks in the United States	1,589	1,576	1,442	1,379	1,250	1,249	1,263	1,393	1,407
65 Foreign governments, official institutions, and banks	2,714	3,201	3,568	3,684	3,718	3,697	3,100	2,914	2,794
66 Federal funds purchased[6]	27,518	28,693	25,299	25,018	32,043	29,878	26,074	25,564	25,182
Other liabilities for borrowed money									
67 Borrowings from Federal Reserve Banks	500	....	....	631	....	229	250	....	....
68 Treasury tax-and-loan notes	3	49	1,820	2,058	1,602	330	912	1,913	2,215
69 All other liabilities for borrowed money	6,430	6,020	6,301	7,234	6,408	6,346	6,094	6,452	7,140
70 Other liabilities and subordinated note and debentures	23,311	22,700	24,061	21,986	21,908	21,868	22,847	22,592	23,123
71 **Total liabilities**	**166,177**	**163,285**	**168,247**	**153,547**	**176,255**	**165,671**	**167,338**	**165,146**	**165,984**
72 Residual (total assets minus total liabilities)[7]	13,890	13,926	13,887	13,846	13,960	13,972	14,073	14,069	14,172

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Other than financial institutions and brokers and dealers.
5. Includes trading account securities.
6. Includes securities sold under agreements to repurchase.
7. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Category	1979				1980					Adjustment bank, 1979▲
	Dec. 5	Dec. 12	Dec. 19	Dec. 26	Jan. 2p	Jan. 9p	Jan. 16p	Jan. 23p	Jan. 30p	
BANKS WITH ASSETS OF $750 MILLION OR MORE										
1 Total loans (gross) and investments adjusted[1]	498,624	495,818	501,098	503,796	510,222	506,997	506,687	501,077	504,448	3,651
2 Total loans (gross) adjusted[1]	390,001	386,836	393,217	396,798	402,134	398,422	398,205	393,110	396,265	2,682
3 Demand deposits adjusted[2]	105,929	108,396	107,161	117,199	122,692	113,134	110,914	105,472	108,080	1,146
4 Time deposits in accounts of $100,000 or more	130,518	130,352	130,213	129,698	128,367	129,628	129,364	128,965	129,930	324
5 Negotiable CDs	93,791	93,170	92,972	92,581	91,498	92,266	92,405	91,820	92,615	238
6 Other time deposits	36,727	37,182	37,242	37,118	36,869	37,363	36,958	37,145	37,315	86
7 Loans sold outright to affiliates[3]	3,146	3,184	3,200	2,707	2,749	2,646	2,662	2,612	2,655	....
8 Commercial and industrial	2,070	2,097	2,110	1,780	1,819	1,711	1,728	1,705	1,749	....
9 Other	1,077	1,087	1,090	927	930	934	934	907	906	....
BANKS WITH ASSETS OF $1 BILLION OR MORE										
10 Total loans (gross) and investments adjusted[1]	467,560	464,797	470,005	472,466	476,994	473,790	473,357	467,781	471,089	1,865
11 Total loans (gross) adjusted[1]	366,613	363,504	369,841	373,190	377,080	373,392	373,051	368,025	371,139	1,391
12 Demand deposits adjusted[2]	98,260	100,456	99,385	109,367	113,868	104,743	102,582	97,356	99,966	638
13 Time deposits in accounts of $100,000 or more	122,588	122,434	122,367	121,830	120,267	121,416	121,032	120,582	121,496	140
14 Negotiable CDs	87,898	87,302	87,111	86,710	85,403	86,078	86,134	85,501	86,262	67
15 Other time deposits	34,690	35,132	35,255	35,120	34,864	35,338	34,898	35,081	35,234	74
16 Loans sold outright to affiliates[3]	3,082	3,120	3,140	2,649	2,696	2,597	2,614	2,562	2,606	....
17 Commercial and industrial	2,038	2,066	2,080	1,752	1,796	1,687	1,704	1,674	1,719	....
18 Other	1,044	1,054	1,060	898	901	910	909	888	887	....
BANKS IN NEW YORK CITY										
19 Total loans (gross) and investments adjusted[1,4]	107,091	105,459	108,927	108,923	110,781	108,497	108,623	105,429	107,391	....
20 Total loans (gross) adjusted[1]	88,582	87,089	90,460	90,647	92,179	90,200	90,434	87,489	89,373	....
21 Demand deposits adjusted[2]	24,676	25,305	24,812	30,225	30,474	25,933	26,148	23,936	25,441	....
22 Time deposits in accounts of $100,000 or more	28,187	28,479	29,106	28,760	28,046	28,435	28,009	27,918	28,444	....
23 Negotiable CDs	20,192	20,109	20,447	20,214	19,576	19,838	20,051	19,864	20,316	....
24 Other time deposits	7,994	8,370	8,659	8,546	8,470	8,598	7,958	8,054	8,128	....

1. Exclusive of loans and federal funds transactions with domestic commercial banks.
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank) and nonconsolidated nonbank subsidiaries of the holding company.
4. Excludes trading account securities.

▲ Revised. These amounts represent accumulated adjustments originally made to offset the cumulative effects of mergers. A "positive" adjustment bank should be added to, and a "negative" adjustment bank subtracted from, outstanding data for any date in the year to establish comparability with any date in the subsequent year.

NOTES TO TABLE 1.311.

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus U.S. branches, agencies, and New York investment company subsidiaries of foreign banks and Edge Act corporations.
2. Includes seasonally adjusted Federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestic chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.
5. Includes averages of daily figures for member banks and quarterly call report figures for nonmember banks.
6. Includes averages of current and previous month-end data.
7. Based on daily average data reported by 46 large banks.
8. Includes U.S. Treasury demand deposits and Treasury tax and loan notes at commercial banks. Averages of daily data.
9. Averages of Wednesday figures.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of Dollars

Industry classification	Outstanding					Net change during					Adjustment bank[2]
	1979				1980	1979				1980	
	Sept. 26	Oct. 31	Nov. 28	Dec. 26	Jan. 30	Q3	Q4	Nov.	Dec.	Jan.	
1 Durable goods manufacturing	23,954	23,472	22,856r	23,593	23,721	2,689	1	-616r	737		
2 Nondurable goods manufacturing	18,907	19,121	18,379	19,205	19,211	1,503	298	-741	826		
3 Food, liquor, and tobacco	4,906	5,024	4,968	5,220	4,963	535	314	-57	252		
4 Textiles, apparel, and leather	5,029	4,849	4,608	4,342	4,153	328	-686	-241	-266		
5 Petroleum refining	1,972	2,182	1,873	2,677	3,206	6	705	-309	805		
6 Chemicals and rubber	3,627	3,810	3,749	3,836	3,744	179	209	-61	87		
7 Other nondurable goods	3,372	3,255	3,182	3,129	3,145	456	-243	-73	-53		
8 Mining (including crude petroleum and natural gas	11,681	11,697	11,502	11,998	12,244	673	317	-195	495		
9 Trade	24,655	25,410	25,077	24,885	24,230	685	230	-332r	-192	n.a.	n.a.
10 Commodity dealers	1,859	2,191	1,861	2,134	2,118	-58	275	-330	273		
11 Other wholesale	11,940	12,170	11,902	11,992	11,730	199	52	-268	90		
12 Retail	10,855	11,049	11,314r	10,759	10,382	544	-96	265r	-555		
13 Transportation, communication, and other public utilities	16,760	16,885	17,212	17,830	18,058	1,434	1,070r	327	618		
14 Transportation	6,833	7,065	7,075	7,133	7,230	380	300	10	58		
15 Communication	2,325	2,404	2,475	2,522	2,633	274	197	70	47		
16 Other public utilities	7,602	7,416	7,662	8,176r	8,195	779	574r	247	513		
17 Construction	5,892	5,687	5,703r	5,759r	5,757	309	-133r	16r	56		
18 Services	18,359	18,782	18,924r	19,399	19,776	1,108	1,040	142	475		
19 All other[1]	14,525r	14,494r	14,505r	14,892r	15,058	-1,335	367	11r	387		
20 **Total domestic loans**	**134,373r**	**135,547r**	**134,158r**	**137,561r**	**138,056**	**7,066**	**3,189r**	**-1,389**	**3,403**	**168**	**262**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans)	68,372r	69,010r	69,731r	72,447r	75,469	3,826	4,074r	721r	2,716	n.a.	n.a.

1. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.
2. Data for adjustment bank for individual categories are not yet available. Previously published data are incorrect. Revised data will be published when available.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of December 31, 1977 are included in this series. The revised series is on a last-Wednesday-of-the-month basis.

1.311 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	December outstanding			Outstanding in 1979r							
	1976	1977	1978	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Total nondeposit funds											
1 Seasonally adjusted[2]	54.6	61.8	85.4r	111.4	115.3	118.8	129.7	131.0	129.8	125.6	119.9
2 Not seasonally adjusted	53.3	60.4	84.9r	113.5	115.1	121.5	131.3	131.2	130.5	128.4	118.5
Federal funds, RPs, and other borrowings from nonbanks[3]											
3 Seasonally adjusted[3]	47.1	58.4	74.8	84.3	84.5	86.6	92.9	91.3	91.9	85.9	87.9
4 Not seasonally adjusted	45.8	57.0	73.8	86.5	84.3	89.3	94.5	91.5	92.6	88.6	86.5
5 Net Eurodollar borrowings, not seasonally adjusted	3.7	-1.3	6.8	23.4	27.1	28.4	33.1	35.9	34.3	36.2	29.2
6 Loans sold to affiliates, not seasonally adjusted[4]	3.8	4.8	3.8	3.7	3.8	3.7	3.7	3.7	3.6	3.6	2.8
MEMO											
7 Domestic chartered banks net positions with own foreign branches, not seasonally adjusted[5]	-6.0	-12.5	-10.2	2.8	5.4	5.6	8.2	10.5	9.1	11.4	6.4
8 Gross due from balances	12.8	21.1	24.9	19.5	20.1	20.3	19.5	21.7	22.1	21.7	22.9
9 Gross due to balances	6.8	8.6	14.7	22.3	25.5	26.0	27.7	32.2	31.2	33.0	29.3
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[6]	9.7	11.1	17.0	20.6	21.7	22.8	24.9	25.4	25.3	24.8	22.8
11 Gross due from balances	8.3	10.3	14.2	15.9	17.6	17.6	16.2	18.1	20.5	21.9	24.2
12 Gross due to balances	18.1	21.4	31.2	36.5	39.3	40.4	41.0	43.5	45.7	46.8	47.0
13 Security RP borrowings, seasonally adjusted[7]	27.9	36.3	43.8	44.4	47.3	45.1	43.0	45.0	46.9	41.8	46.7
14 Not seasonally adjusted	27.0	35.1	42.4	47.1	46.7	44.7	44.7	46.8	46.4	43.9	45.2
15 U.S. Treasury demand balances, seasonally adjusted[8]	3.9	4.4	8.6	9.3	9.2	15.3	12.4	11.1	12.9	5.7	8.0
16 Not seasonally adjusted	4.4	5.1	10.2	8.4	10.8	13.2	9.8	12.4	11.7	5.5	9.5
17 Time deposits, $100,000 or more, seasonally adjusted[9]	136.0	159.8	204.4	199.0	191.7	192.5	194.7	199.5	206.1	212.1	210.2
18 Not seasonally adjusted	138.4	162.5	207.8	198.2	191.6	191.0	194.9	200.8	207.5	212.1	213.8

For notes see bottom of page A23.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	Commercial banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978			1979[2]			
				June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **All holders—Individuals, partnerships, and corporations**	**236.9**	**250.1**	**274.4**	**271.2**	**278.8**	**294.6**	**270.4**	**285.6**	**292.4**	**302.2**
2 Financial business	20.1	22.3	25.0	25.7	25.9	27.8	24.4	25.4	26.7	27.1
3 Nonfinancial business	125.1	130.2	142.9	137.7	142.5	152.7	135.9	145.1	148.8	157.7
4 Consumer	78.0	82.6	91.0	92.9	95.0	97.4	93.9	98.6	99.2	99.2
5 Foreign	2.4	2.7	2.5	2.4	2.5	2.7	2.7	2.8	2.8	23.1
6 Other	11.3	12.4	12.9	12.4	13.1	14.1	13.5	13.7	14.9	15.1
	Weekly reporting banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978			1979[3]			
				Oct.	Nov.	Dec.	Mar.	June	Sept.	Dec.
7 **All holders—Individuals, partnerships, and corporations**	**124.4**	**128.5**	**139.1**	**141.3**	**142.7**	**147.0**	**121.9**	**128.8**	**132.7**	**139.3**
8 Financial business	15.6	17.5	18.5	19.1	19.3	19.8	16.9	18.4	19.7	20.1
9 Nonfinancial business	69.9	69.7	76.3	75.0	75.7	79.0	64.6	68.1	69.1	74.1
10 Consumer	29.9	31.7	34.6	37.5	37.7	38.2	31.1	33.0	33.7	34.3
11 Foreign	2.3	2.6	2.4	2.5	2.5	2.5	2.6	2.7	2.8	3.0
12 Other	6.6	7.1	7.4	7.2	7.5	7.5	6.7	6.6	7.4	7.8

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.
2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1
3. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.33 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1976 Dec.	1977 Dec.	1978 Dec.	1979						
				June	July	Aug.	Sept.	Oct.[1]	Nov.	Dec.
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**52,971**	**65,101**	**83,665**	**101,516**	**102,447**	**103,907**	**107,621**	**106,613**	**108,965**	**113,282**
Financial companies[2]										
Dealer-placed paper[3]										
2 Total	7,261	8,884	12,296	16,537	17,042	17,379	18,207	16,085	16,702	17,574
3 Bank-related	1,900	2,132	3,521	3,826	3,951	4,062	4,485	3,052	2,958	2,784
Directly placed paper[4]										
4 Total	32,511	40,484	51,360	61,256	60,532	60,402	61,369	62,761	64,236	64,757
5 Bank-related	5,959	7,102	12,314	15,130	14,722	15,817	15,930	18,024	18,339	17,598
6 Nonfinancial companies[5]	13,199	15,733	19,739,	23,723	24,873	26,126	28,045	27,767	28,027	30,951
	Bankers of dollar acceptances (not reasonably adjusted)									
7 **Total**	**22,523**	**25,450**	**33,700**	**36,989**	**39,040**	**42,354**	**42,147**	**43,486**	**43,599**	**45,321**
Holder										
8 Accepting banks	10,442	10,434	8,579	8,180	8,288	7,994	8,119	7,785	8,297	9,867
9 Own bills	8,769	8,915	7,653	6,956	7,243	7,138	7,288	7,121	7,514	8,329
10 Bills bought	1,673	1,519	927	1,224	1,045	856	831	664	782	1,538
Federal Reserve Banks										
11 Own account	991	954	1	1,400	1,159	475	1,053	317	269	704
12 Foreign correspondents	375	362	664	971	952	957	1,470	1,498	1,465	1,382
13 Others	10,715	13,700	24,456	26,439	28,641	32,928	31,505	33,886	33,569	33,368
Basis										
14. Imports into United States	4,992	6,378	8,574	9,202	9,499	9,847	9,724	10,129	10,354	10,270
15 Exports from United States	4,818	5,863	7,586	8,599	8,784	9,578	9,354	9,519	9,271	9,640
16 All other	12,713	13,209	17,540	19,189	20,756	22,929	23,069	23,838	23,974	25,411

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October.
2. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortage banking; sales, personal and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
3. Includes all financiel company paper sold by dealers in the open market.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in activities, such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation and reserves.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1979—June 19	11½	1979—Oct. 9	14½	1979—Jan	11.75	1979—July	11.54
July 27	11¾	23	15	Feb.	11.75	Aug.	11.91
Aug. 16	12	Nov. 1	15¼	Mar.	11.75	Sept.	12.90
28	12¼	9	15½	Apr.	11.75	Oct.	14.39
Sept. 7	12¾	16	15¾	May	11.75	Nov.	15.55
14	13	30	15½	June	11.65	Dec.	15.30
21	13¼	Dec. 7	15¼			1980—Jan.	15.25
28	13½						

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 5–10, 1979

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousand of dollars)	8,107,372	696,629	369,217	431,935	1,724,393	685,208	4,199,992
2 Number of loans	128,317	97,398	11,174	6,984	10,369	1,062	1,330
3 Weighted average maturity (months)	3.0	3.6	3.3	3.3	3.5	3.9	2.5
4 Weighted average interest rate (percent per annum)	15.81	14.77	14.92	15.93	15.40	16.01	16.19
5 Interquartile range[1]	15.25–16.82	12.68–16.99	13.21–16.83	14.58–17.48	13.65–16.91	15.25–16.86	15.31–16.70
Percentage of amount of loans							
6 With floating rate	52.6	17.1	21.7	44.7	36.4	66.6	66.3
7 Made under commitment	49.4	19.6	26.1	38.4	43.6	61.1	58.0
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS							
8 Amount of loans (thousand of dollars)	1,646,325		325,742		204,389	137,391	978,803
9 Number of loans	28,827		27,356		1,020	206	244
10 Weighted average maturity (months)	48.5		35.1		39.0	35.7	56.7
11 Weighted average interest rate (rate percent per annum)	15.55		14.76		15.66	15.43	15.81
12 Interquartile range[1]	15.25–16.50		13.00–16.14		15.00–17.23	15.25–17.00	15.25–16.25
Percentage of amount of loans							
13 With floating rate	71.7		27.8		66.4	74.1	87.0
14 Made under commitment	63.3		33.1		60.3	62.0	74.1
CONSTRUCTION AND LAND DEVELOPMENT LOANS							
15 Amount of loans (thousand of dollars)	1,056,988	205,277	195,753	145,500	276,070	234,388	
16 Number of loans	34,676	25,307	5,348	2,274	1,568	178	
17 Weighted average maturity (months)	9.7	7.9	18.5	6.3	7.4	9.1	
18 Weighted average interest rate (percent per annum	15.51	14.20	15.73	15.72	15.83	15.96	
19 Interquartile range[1]	14.49–17.25	11.77–16.31	14.58–17.18	13.75–16.99	14.50–17.60	15.50–17.50	
Percentage of amount of loans							
20 With floating rate	40.2	16.2	12.8	29.6	58.2	69.7	
21 Secured by real estate	76.9	70.2	65.8	61.1	90.9	85.3	
22 Made under commitment	40.4	31.3	26.4	31.2	53.0	50.9	
Type of construction							
23 1- to 4-family	38.7	58.5	49.4	20.4	44.2	17.3	
24 Multifamily	7.4	1.3	1.5	4.7	10.9	15.1	
25 Nonresidential	53.9	40.2	49.1	74.8	45.0	67.5	
	All sizes	**1–9**	**10–24**	**25–49**	**50–99**	**100–249**	**250 and over**
LOANS TO FARMERS							
26 Amount of loans (thousands of dollars)	1,196,869	160,264	184,426	181,529	234,651	248,311	187,688
27 Number of loans	65,936	42,480	12,830	4,933	3,610	1,674	409
28 Weighted average maturity (months)	6.9	7.3	7.1	6.9	7.3	5.8	7.3
29 Weighted average interest rate (percent per annum)	13.63	12.88	13.20	13.32	13.11	13.86	15.35
30 Interquartile range[1]	12.42–14.49	11.83–13.80	11.72–14.42	12.00–14.41	12.00–14.00	13.42–13.80	13.42–17.55
By purpose of loan							
31 Feeder livestock	13.51	12.03	13.20	12.87	13.44	13.45	14.64
32 Other livestock	12.92	12.17	12.55	14.19	11.57	(2)	(2)
33 Other current operating expenses	13.64	13.03	13.28	13.81	12.96	15.45	15.24
24 Farm machinery and equipment	13.16	13.03	13.75	13.53	12.09	(2)	(2)
35 Other	14.55	13.39	12.94	13.30	14.16	14.22	16.77

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.
2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2(416) statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, percent per annum

Instrument	1977	1978	1979	1979 Oct.	1979 Nov.	1979 Dec.	1980 Jan.	1980, week ending Jan. 5	Jan. 12	Jan. 19	Jan. 26	Feb. 2
							Money market rates					
1 Federal funds[1]	5.54	7.94	11.20	13.77	13.18	13.78	13.82	14.04	13.94	13.91	13.77	13.54
Commercial paper[2,3]												
2 1-month	5.42	7.76	10.86	13.06	13.34	13.35	13.07	13.26	13.08	13.01	13.05	13.02
3 3-month	5.54	7.94	10.97	13.23	13.57	13.24	13.04	13.11	13.02	12.97	13.06	13.06
4 6-month	5.60	7.99	10.91	13.23	13.26	12.80	12.66	12.64	12.56	12.63	12.71	12.80
Finance paper, directly placed[2,3]												
5 1-month	5.38	7.73	10.78	12.85	13.25	13.27	13.01	13.32	12.97	12.96	12.96	12.96
6 3-month	5.49	7.80	10.47	12.24	12.52	11.74	11.96	11.89	11.95	11.97	11.98	12.03
7 *6-month*	5.50	7.78	10.25	11.50	12.00	11.68	11.79	11.73	11.79	11.75	11.82	11.83
8 Prime bankers acceptances, 90-day[3,4]	5.59	8.11	11.04	13.44	13.53	13.31	13.15	13.29	13.09	13.04	13.24	13.11
Certificates of deposit, secondary market[5]												
9 1-month	5.48	7.88	11.03	13.36	13.60	13.36	13.26	13.34	13.30	13.21	13.29	13.16
10 3-month	5.64	8.22	11.22	13.66	13.90	13.43	13.39	13.45	13.38	13.33	13.42	13.36
11 6-month	5.92	8.61	11.44	13.83	13.97	13.42	13.48	13.49	13.39	13.34	13.57	13.59
12 Eurodollar deposits, 3-month[6]	6.05	8.74	11.96	14.59	15.00	14.51	14.33	14.58	14.56	14.18	14.20	14.41
U.S. Treasury bills[3,7]												
Secondary market												
13 3-month	5.27	7.19	10.07	11.70	11.79	12.04	12.00	12.10	11.72	11.91	12.17	12.15
14 6-month	5.53	7.58	10.06	11.66	11.82	11.84	11.84	11.93	11.73	11.77	11.88	11.96
15 1-year	5.71	7.74	9.75	11.23	11.22	10.92	10.96	10.97	10.78	10.83	11.05	11.23
Auction average[8]												
16 3-month	5.265	7.221	10.041	11.472	11.868	12.071	12.036	12.105	11.943	11.904	12.189	12.038
17 6-month	5.510	7.572	10.017	11.339	11.856	11.847	11.851	11.880	11.858	11.783	11.886	11.846
							Capital market rates					
U.S. TREASURY NOTES AND BONDS												
Constant maturities[9]												
18 1-year	6.09	8.34	10.67	12.44	12.39	11.98	12.06	12.02	11.90	11.92	12.11	12.36
19 2-year	6.45	8.34	10.12	11.49	11.81	11.39	11.50	11.39	11.27	11.37	11.63	11.86
20 2½-year[10]	....	....	....	....	....	10.90	11.15	....	....	....	....	....
21 3-year	6.69	8.29	9.71	10.95	11.18	10.71	10.88	10.75	10.69	10.78	10.96	11.24
22 4-year[10]	....	....	....	11.55	10.85	....	....	....	....	....	....	....
23 5-year	6.99	8.32	9.52	10.63	10.93	10.42	10.74	10.52	10.54	10.64	10.87	11.15
24 7-year	7.23	8.36	9.48	10.47	10.80	10.42	10.77	10.52	10.57	10.66	10.91	11.17
25 10-year	7.42	8.41	9.44	10.30	10.65	10.39	10.80	10.52	10.59	10.71	10.95	11.19
26 20-year	7.67	8.48	9.33	9.99	10.37	10.18	10.65	10.30	10.35	10.52	10.86	11.19
27 30-year	....	8.49	9.29	9.85	10.30	10.12	10.60	10.25	10.31	10.46	10.80	11.12
Composite[11]												
28 3 to 5 years	6.85	8.30	9.58	10.75	10.98	10.45	10.76	10.59	10.58	10.66	10.87	11.13
29 Over 10 years (long-term)	7.06	7.89	8.74	9.44	9.80	9.59	10.03	9.73	9.80	9.93	10.20	10.48
STATE AND LOCAL NOTES AND BONDS												
Moody's series[12]												
30 Aaa	5.20	5.52	5.92	6.25	6.49	6.50	6.58	6.50	6.60	6.60	6.60	6.80
31 Baa	6.12	6.27	6.73	7.34	7.66	7.42	7.60	7.60	7.60	7.60	7.60	7.60
32 *Bond Buyer* series[13]	5.68	6.03	6.52	7.08	7.30	7.22	7.35	7.32	7.30	7.28	7.33	7.52
CORPORATE BONDS												
33 Seasoned issues, all industries[14]	8.43	9.07	10.12	10.71	11.37	11.35	11.74	11.54	11.60	11.67	11.83	12.06
By rating groups												
34 Aaa	8.02	8.73	9.63	10.13	10.76	10.74	11.09	10.88	10.91	10.99	11.22	11.49
35 Aa	8.24	8.92	9.94	10.46	11.22	11.15	11.56	11.35	11.40	11.50	11.64	11.87
36 A	8.49	9.12	10.20	10.83	11.50	11.46	11.88	11.61	11.73	11.83	11.98	12.20
37 Baa	8.97	9.45	10.69	11.40	11.99	12.06	12.42	12.29	12.34	12.34	12.46	12.69
Aaa utility bonds[15]												
38 New issue	8.19	8.96	10.03	10.97	11.42	11.25	11.73	....	11.51	11.61	12.08	....
39 Recently offered issues	8.19	8.97	10.02	10.91	11.36	11.33	11.77	11.44	11.54	11.69	12.11	12.35
MEMO: Dividend/price ratio[16]												
40 Preferred stocks	7.60	8.25	9.07r	9.46r	9.95r	10.06r	10.14	10.20	10.17	10.04	10.14	10.17
41 Common stocks	4.56	5.28	5.46r	5.56	5.71	5.53	5.40	5.66	5.49	5.40	5.28	5.21

1. 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.
2. Beginning November 1977, unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Previously, most representative rate quoted by those dealers and finance companies. Before Nov. 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
3. Yields are quoted on a bank-discount basis.
4. Average of the midpoint of the range of daily dealer closing rates offered for domestic issues.
5. Five-day average of rates quoted by five dealers (3-month series was previously a 7-day average).
6. Averages of daily quotations for the week ending Wednesday.
7. Except for auction averages, yields are computed from daily closing bid prices.
8. Rates are recorded in the week in which bills are issued.
9. Yield on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.
10. Each figure is an average of only five business days near the end of the month. The rate for each month is used to determine the maximum interest rate payable in the following month on small saver certificates. (See table 1.16).
11. 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, including several very low yielding "flower" bonds.
12. General obligations only, based on figures for Thursday, from Moody's Investors Service.
13. Twenty issues of mixed quality.
14. Averages of daily figures from Moody's Investors Service.
15. 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.
16. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.37 STOCK MARKET Selected Statistics

Indicator	1977	1978	1979	1979 July	Aug.	Sept.	Oct.	Nov.	Dec.	1980 Jan.
	Prices and trading (averages of daily figures)									
Common stock prices										
1 **New York Stock Exchange (Dec. 31, 1965 = 50)**	**53.67**	**53.76**	**55.67**	**58.38**	**61.19**	**61.89**	**59.27**	**59.02**	**61.75**	**63.74**
2 Industrial	57.84	58.30	61.82	56.24	67.71	69.17	66.68	66.45	69.82	72.67
3 Transportation	41.07	43.25	45.20	48.85	52.48	52.21	48.07	47.61	50.59	52.61
4 Utility	40.91	39.23	36.46	38.88	39.26	38.39	36.58	36.55	37.29	37.08
5 Finance	55.23	56.74	58.65	64.43	68.40	67.21	61.64	60.64	63.21	64.22
6 **Standard & Poor's Corporation (1941–43 = 10)**[1]	**98.18**	**96.11**	**98.34**	**102.71**	**107.36**	**108.60**	**104.47**	**103.66**	**107.78**	**110.87**
7 **American Stock Exchange (Aug. 31, 1973 = 100)**	**116.18**	**144.56**	**186.56**	**197.63**	**208.29**	**223.00**	**212.33**	**216.58**	**238.83**	**259.54**
Volume of trading (thousands of shares)										
8 New York Stock Exchange	20,936	28,591	32,233	32,416	35,870	37,576	37,301	31,126	35,510	52,647
9 American Stock Exchange	2,514	3,622	4,182	3,890	4,503	5,405	5,446	3,938	5,389	9,363
	Customer financing (end-of-period balances, in millions of dollars)									
10 **Regulated margin credit at brokers/dealers**[2]	**9,993**	**11,035**	**11,615**	**12,019**	**12,236**	**12,178**	**11,483**	**11,083**	**11,615**	n.a.
11 Margin stock[3]	9,740	10,830	11,450	11,840	12,060	12,000	11,310	10,920	11,450	n.a.
12 Convertible bonds	250	205	164	178	176	177	173	161	164	n.a.
13 Subscription issues	3	1	1	1	*	1	*	2	1	n.a.
Free credit balances at brokers[4]										
14 Margin-account	640	835	1,050	885	910	960	950	955	1,050	n.a.
15 Cash-account	2,060	2,510	4,060	3,025	2,995	3,325	3,490	3,435	4,060	n.a.
	Margin-account debt at brokers (percentage distributions, end of period)									
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	n.a.
By equity class (in percent)[5]										
17 Under 40	18.0	33.0	16.0	19.0	14.0	16.0	27.0	17.0	16.0	n.a.
18 40–49	36.0	28.0	31.0	28.0	26.0	26.0	31.0	31.0	31.0	n.a.
19 50–59	23.0	18.0	24.0	28.0	31.0	30.0	20.0	25.0	24.0	n.a.
20 60–69	11.0	10.0	14.0	12.0	14.0	14.0	10.0	13.0	14.0	n.a.
21 70–79	6.0	6.0	8.0	7.0	8.0	8.0	6.0	7.0	8.0	n.a.
22 80 or more	5.0	5.0	7.0	6.0	7.0	6.0	6.0	7.0	7.0	n.a.
	Special miscellaneous-account balances at brokers (end of period)									
23 **Total balances (million dollars)**[6]	**9,910**	**13,092**	**16,290**	**13,280**	**14,130**	**14,460**	**14,800**	**14,995**	**16,290**	n.a.
Distribution by equity status (percent)										
24 Net credit status	43.4	41.3	48.5	43.5	44.1	45.3	44.5	46.5	48.5	n.a.
Debt status, equity of										
25 60 percent or more	44.9	45.1	43.6	47.1	47.8	46.4	45.5	45.0	43.6	n.a.
26 Less than 60 percent	11.7	13.6	7.9	9.4	8.1	8.3	10.0	8.5	7.9	n.a.

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

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

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.
In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.
3. A distribution of this total by equity class is shown on lines 17-22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act or 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1977	1978	1979									
			Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
	Savings and loan associations											
1 **Assets**	**459,241**	**523,542**	**539,582**	**543,320**	**549,031**	**555,409**	**561,037**	**566,493**	**570,479**	**576,251**	**578,922**	**579,132**
2 Mortgages	381,163	432,808	441,358	445,638	450,978	456,544	460,620	464,609	468,307	472,198	474,678	475,664
3 Cash and investment securities[1]	39,150	44,884	50,153	48,698	48,280	48,253	49,496	50,007	49,301	49,220	48,180	46,457
4 Other	38,928	45,850	48,071	48,984	49,773	50,612	50,721	51,877	52,871	54,833	56,064	57,011
5 **Liabilities and net worth**	**459,241**	**523,542**	**539,582**	**543,320**	**549,031**	**555,409**	**561,037**	**570,479**	**566,493**	**576,251**	**578,922**	**579,132**
6 Savings capital	386,800	430,953	446,898	445,751	447,788	454,642	456,657	457,856	462,626	464,489	465,646	470,138
7 Borrowed money	27,840	42,907	41,538	43,710	44,324	46,993	48,437	50,437	52,738	54,268	54,433	55,303
8 FHLBB	19,945	31,990	31,123	32,389	33,003	34,266	35,286	36,009	37,620	39,223	39,638	40,335
9 Other	7,895	10,917	10,415	11,321	11,321	12,727	13,151	14,428	15,118	15,045	14,795	14,968
10 Loans in process	9,911	10,721	10,331	10,690	11,118	11,260	11,309	11,047	10,909	10,766	10,159	9,516
11 Other	9,506	9,904	10,905	12,950	15,259	11,681	13,503	15,712	12,497	14,673	16,324	11,645
12 Net worth[2]	25,184	29,057	29,910	30,219	30,542	30,833	31,131	31,441	31,709	32,055	32,360	32,530
13 MEMO: Mortgage loan commitments outstanding[3]	19,875	18,911	21,082	22,915	23,560	22,770	22,360	22,282	22,397	20,930	18,029	15,935
	Mutual savings banks[4]											
14 **Assets**	**14,287**	**158,174**	**161,866**	**161,231**	**161,380**	**161,814**	**162,598**	**163,388**	**163,431**	**163,133**	**163,205**	
Loans												
15 Mortgage	88,195	95,157	96,136	95,900	96,239	96,743	97,238	97,637	97,973	98,304	98,610	
16 Other	6,210	7,195	*9,421*	*9,290*	*9,444*	*9,577*	*10,282*	*10,430*	*9,982*	*9,510*	9,449	
Securities												
17 U.S. government[5]	5,895	4,959	4,814	8,193	8,148	8,029	7,992	7,921	7,891	7,750	7,754	
18 State and local government	2,828	3,333	3,126	3,326	3,264	3,175	3,154	3,149	3,150	3,100	3,003	
19 Corporate and other[6]	37,918	39,732	40,658	37,211	37,304	37,281	37,171	37,125	37,076	37,210	37,036	
20 Cash	2,401	3,665	3,410	3,072	2,785	2,764	2,,540	2,866	3,020	2,909	3,010	
21 Other assets	3,839	4,131	4,300	4,239	4,198	4,245	4,220	4,260	4,339	4,351	4,343	
22 **Liabilities**	**147,287**	**158,174**	**161,866**	**161,231**	**161,380**	**161,814**	**162,598**	**163,388**	**163,431**	**163,133**	**163,205**	**n.a.**
23 Deposits	134,017	142,701	145,650	145,096	145,056	146,057	145,757	145,713	146,252	145,096	144,828	
24 Regular[7]	132,744	141,170	144,042	143,210	143,271	144,161	143,843	143,731	144,258	143,263	143,064	
25 Ordinary savings	78,005	71,816	68,829	67,758	67,577	68,104	67,537	66,733	65,676	62,672	61,156	
26 Time and other	54,739	69,354	75,213	75,452	75,694	76,057	76,306	76,998	78,572	80,591	81,908	
27 Other	*1,272*	*1,531*	*1,608*	*1,886*	*1,784*	*1,896*	*1,914*	*1,982*	*2,003*	*1,834*	1,764	
28 Other liabilities	3,292	4,565	5,048	5,050	5,172	4,545	5,578	6,350	5,790	6,600	6,872	
29 General reserve accounts	9,978	10,907	11,167	11,085	11,153	11,212	11,264	11,324	11,388	11,437	11,504	
30 MEMO: Mortgage loan commitments outstanding[8]	4,066	4,400	4,482	4,449	4,352	4,469	4,214	4,071	4,123	3,749	3,619	
	Life insurance companies											
31 **Assets**	**351,722**	**389,924**	**399,579**	**402,963**	**405,627**	**409,853**	**414,120**	**418,350**	**421,660**	**423,760**		
Securities												
32 Government	19,553	20,009	20,463	20,510	20,381	20,397	20,468	20,472	20,379	20,429		
33 United States[9]	*5,315*	*4,822*	*5,234*	*5,272*	*5,149*	*5,178*	*5,228*	*5,229*	*5,067*	5,075		
34 State and local	6,051	6,402	6,259	6,268	6,272	6,,241	6,243	6,258	6,295	6,339		
35 Foreign[10]	8,187	8,785	8,970	8,970	8,960	8,978	8,997	8,985	9,017	9,015		
36 Business	175,654	198,105	204,895	206,160	207,775	209,804	212,876	215,252	216,500	216,183	n.a.	n.a.
37 Bonds	141,891	162,587	168,622	169,817	171,762	173,130	175,854	176,920	177,698	178,633		
38 Stocks	33,763	35,548	36,273	36,343	36,013	36,674	37,022	38,332	38,802	37,550		
39 Mortgages	96,848	106,167	108,417	109,198	110,023	111,123	112,120	113,102	114,368	115,991		
40 Real estate	11,060	11,764	11,484	12,086	12,101	12,199	12,351	12,738	12,740	12,816		
41 Policy loans	27,556	30,146	31,160	31,512	31,832	32,131	32,390	32,713	33,046	33,574		
42 Other assets	21,051	23,733	23,160	23,497	23,515	24,199	23,915	24,073	24,627	24,767		
	Credit unions											
43 **Total assets/liabilities and capital**	**53,755**	**62,348**	**63,671**	**63,030**	**64,158**	**65,435**	**68,840**	**65,547**	**66,280**	**65,063**	**65,419**	**65,854**
44 Federal	29,564	34,760	35,406	34,758	35,379	36,146	35,413	35,724	36,151	35,537	35,670	35,934
45 State	*24,191*	27,588	28,265	28,272	28,779	29,289	29,427	29,823	30,129	29,526	29,749	29,920
46 Loans outstanding	41,845	50,269	50,828	50,846	51,351	52,028	52,083	52,970	53,545	53,533	56,267	53,125
47 Federal	22,634	27,687	27,961	27,869	28,103	28,487	28,379	28,848	29,129	29,020	30,613	28,698
48 State	19,211	22,582	22,867	27,977	23,248	23,541	23,704	24,122	24,416	24,513	25,654	24,426
49 Savings	46,516	53,517	54,713	54,199	55,107	56,437	56,393	56,583	57,255	55,739	55,797	56,232
50 Federal (shares)	25,576	29,802	30,212	29,796	30,222	31,048	30,732	30,761	31,097	30,366	30,399	35,530
51 State (shares and deposits)	20,940	23,715	24,501	24,403	24,885	25,839	25,661	25,822	26,158	25,373	25,398	25,702

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1977	Fiscal year 1978	Fiscal year 1979	Calendar year 1978	1979		1979		
				H2	H1	H2	Oct.	Nov.	Dec.
U.S. budget									
1 Receipts[1]	357,762	401,997	465,940	206,275	246,574	233,952	33,099	38,320	42,617
2 Outlays[1]	402,725	450,938	493,221	238,186	245,616	263,044	47,807	46,841	44,010
3 Surplus, or deficit(−)	−44,963	−48,940	−27,281	−31,912	958	−29,093	−14,708	−8,522	−1,393
4 Trust funds	9,497	12,693	18,335	11,754	4,041	9,679	−6,555	8,108	565
5 Federal funds[2]	−54,460	−61,633	−45,616	−43,666	−4,999	−38,773	−8,153	−16,630	−1,959
Off-budget entities surplus, or deficit (−)									
6 Federal Financing Bank outlays	−8,415	−10,661	−13,261	−5,082	−7,712	−5,909	−1,536	−538	−735
7 Other[3]	−264	355	832	1,843	−447	805	1,598	118	131
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−53,642	−59,246	−39,710	−35,151	−7,201	−34,197	−14,646	−8,942	−1,997
Source or financing									
9 Borrowing from the public	53,516	−59,106	33,641	30,314	6,039	31,320	2,217	5,548	11,207
10 Cash and monetary assets (decrease, or increase (−))[4]	−2,247	−3,023	−408	3,381	−8,878	3,059	14,220	4,533	−10,378
11 Other[5]	2,373	3,163	6,477	1,456	10,040	−182	−1,791	−1,139	−1,168
MEMO:									
12 Treasury operating balance (level, end of period)	19,104	22,444	24,176	16,291	17,485	15,924	10,460	5,591	15,924
13 Federal Reserve Banks	15,740	16,647	6,489	4,196	3,290	4,075	2,209	2,590	4,075
14 Tax and loan accounts	3,364	5,797	17,687	12,095	14,195	11,849	8,251	3,001	11,849

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Half-year figures calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
3. Includes Pension Benefit Guaranty Corp.; Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.
4. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes 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; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1980.*

NOTES TO TABLE 1.38

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations.
3. Excludes figures for loans in process, which are shown as a liability.
4. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Prior to that date, data were reported on a gross-of-valuation-reserves basis.
5. Begining April 1979, includes obligations of U.S. government agencies. Prior to that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, prior to April 1979, nonguaranteed issues of U.S. government agencies.
7. Excludes checking, club, and school accounts.
8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "business" securities.
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and DEvelopment.

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

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States.

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

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1977	Fiscal year 1978	Fiscal year 1979	Calendar year 1978 H2	Calendar year 1979 H1	Calendar year 1979 H2	Calendar year 1979 Oct.	Calendar year 1979 Nov.	Calendar year 1979 Dec.
RECEIPTS									
1 **All sources**[1]	**357,762**	**401,997**	**465,940**	**206,275**	**246,574**	**233,952**	**33,099**	**38,320**	**42,617**
2 Individual income taxes, net	157,626	180,988	217,841	98,854	111,603	115,488	18,682	18,972	20,192
3 Withheld	144,820	165,215	195,295	90,148	98,683	105,764	17,777	18,725	19,402
4 Presidential Election Campaign Fund	37	39	36	3	32	3	0	0	0
5 Nonwithheld	42,062	47,804	56,215	10,777	44,116	12,355	1,183	589	952
6 Refunds[1]	29,293	32,070	33,705	2,075	31,228	2,634	278	342	163
Corporation income taxes									
7 Gross receipts	60,057	65,380	71,448	28,536	42,427	29,169	2,543	1,684	10,667
8 Refunds	5,164	5,428	5,771	2,757	2,889	3,306	1,068	523	460
9 Social insurance taxes and contributions, net	108,683	123,410	141,591	61,064	75,609	71,031	9,384	14,433	8,675
10 Payroll employment taxes and contributions[2]	88,196	99,626	115,041	51,052	59,298	60,562	8,013	12,259	7,963
11 Self-employment taxes and contributions[3]	4,014	4,267	5,034	369	4,616	417	0	0	0
12 Unemployment insurance	11,312	13,850	15,387	6,727	8,623	6,899	840	1,650	204
13 Other net receipts[4]	5,162	5,668	6,130	2,917	3,072	3,149	530	524	507
14 Excise taxes	17,548	18,376	18,745	9,879	8,984	9,675	1,547	1,653	1,658
15 Customs deposits	5,150	6,573	7,439	3,748	3,682	3,741	646	605	595
16 Estate and gift taxes	7,327	5,285	5,411	2,691	2,657	2,900	526	518	425
17 Miscellaneous receipts[5]	6,536	7,413	9,237	4,260	4,501	5,254	838	977	866
OUTLAYS									
18 **All types**[1]	**402,725**	**450,938**	**493,221**	**238,186**	**245,616**	**263,044**	**47,807**	**46,841**	**44,010**
19 National defense	97,501	105,192	116,491	55,124	57,643	62,002	10,448	10,734	10,566
20 International affairs	4,813	6,083	5,419	2,060	3,538	4,617	1,263	1,190	899
21 General science, space, and technology	4,677	4,,721	5,620	2,383	2,461	3,299	451	515	432
22 Energy	4,172	5,901	7,855	4,279	4,417	3,281	52	643	625
23 Natural resources and environment	10,000	11,167	12,346	6,020	5,672	7,350	1,433	538	1,597
24 Agriculture	5,532	7,618	6,410	4,967	3,020	1,709	402	769	1,150
25 Commerce and housing credit	-44	3,319	2,592	3,292	60	3,,002	2,078	222	516
26 Transportation	14,636	15,462	17,013	8,740	7,688	10,298	1,923	1,670	1,862
27 Community and regional development	6,286	11,263	9,735	5,844	4,499	4,855	630	973	614
28 Education, training, employment, social services	20,985	25,890	28,524	14,247	14,467	14,579	2,330	2,330	2,461
29 Health	38,785	43,676	49,614	23,830	24,860	26,492	4,662	4,449	4,532
30 Income security[1]	137,915	146,503	160,496	73,127	81,173	86,007	14,477	15,370	14,286
31 Veterans benefits and services	18,038	18,987	19,916	9,532	10,127	10,113	1,809	2,701	1,778
32 Administration of justice	3,600	3,786	4,138	1,989	2,096	2,174	460	350	350
33 General government	3,374	3,723	4,671	2,304	2,291	2,103	209	342	422
34 General-purpose fiscal assistance	9,499	9,377	8,234	4,610	3,890	4,286	1,822	378	102
35 Interest[6]	38,009	44,040	52,634	24,036	26,934	29,045	4,082	4,719	8,695
36 Undistributed offsetting receipts[6,7]	-15,053	-15,772	-18,489	-8,199	-8,999	-12,164	-722	-1,052	-6,879

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. government accounts from an accrual basis to a cash basis.
7. Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1980.*

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1977			1978			1979		
	June 30	Sept. 30	Dec. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**685.2**	**709.1**	**729.2**	**758.8**	**780.4**	**797.7**	**804.6**	**812.2**	**833.8**
2 Public debt securities	674.4	698.8	718.9	749.0	771.5	789.2	796.8	804.9	826.5
3 Held by public	523.2	543.4	564.1	587.9	603.6	619.2	630.5	626.4	638.8
4 Held by agencies	151.2	155.5	154.8	161.1	168.0	170.0	166.3	178.5	187.7
5 Agency securities	10.8	10.3	10.2	9.8	8.9	8.5	7.8	7.3	7.2
6 Held by public	9.0	8.5	8.4	8.0	7.4	7.0	6.3	5.9	5.8
7 Held by agencies	1.8	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5
8 **Debt subject to statutory limit**	**675.6**	**700.0**	**720.1**	**750.2**	**772.7**	**790.3**	**797.9**	**806.0**	**827.6**
9 Public debt securities	673.8	698.2	718.3	748.4	770.9	788.6	796.2	804.3	825.9
10 Other debt[1]	1.7	1.7	1.7	1.8	1.8	1.7	1.7	1.7	1.7
11 MEMO. Statutory debt limit	700.0	700.0	752.0	752.0	798.0	798.0	798.0	830.0	830.0

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

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

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

Billions of dollars, end of period

Type and holder	1975	1976	1977	1978	1979				1980
					Sept.	Oct.	Nov.	Dec.	Jan.
1 **Total gross public debt**	**576.6**	**653.5**	**718.9**	**789.2**	**826.5**	**826.8**	**833.8**	**845.1**	**847.7**
By type									
2 Interest-bearing debt	575.7	652.5	715.2	782.4	819.0	825.7	832.7	844.0	846.5
3 Marketable	363.2	421.3	459.9	487.5	506.7	515.0	519.6	530.7	535.7
4 Bills	157.5	164.0	161.1	161.7	161.4	161.7	165.1	172.6	175.5
5 Notes	167.1	216.7	251.8	265.8	274.2	280.8	279.7	283.4	284.0
6 Bonds	38.6	40.6	47.0	60.0	71.1	72.5	74.8	74.7	76.1
7 Nonmarketable[1]	212.5	231.2	255.3	294.8	312.3	310.7	313.2	313.2	310.9
8 Convertible bonds[2]	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2
9 State and local government series	1.2	4.5	13.9	24.3	24.6	24.4	24.5	24.6	24.8
10 Foreign issues[3]	21.6	22.3	22.2	29.6	28.1	28.0	29.2	28.8	30.0
11 Government	21.6	22.3	22.2	28.0	24.0	23.9	23.9	23.6	23.6
12 Public	0	0	0	1.6	4.2	4.2	5.3	5.3	6.4
13 Savings bonds and notes	67.9	72.3	77.0	80.9	80.0	80.5	80.0	79.9	78.6
14 Government account series[4]	119.4	129.7	139.8	157.5	176.4	175.3	177.0	177.5	174.9
15 Non-interest-bearing debt	1.0	1.1	3.7	6.8	7.5	1.1	1.1	1.2	1.2
By holder[5]									
16 U.S. government agencies and trust funds	139.1	147.1	154.8	170.0	187.7	185.7	187.1		
17 Federal Reserve Banks	89.8	97.0	102.5	109.6	115.8r	114.6	118.1		
18 Private investors	349.4	409.5	461.3	508.6	524.0	526.5	528.6		
19 Commercial banks	85.1	103.8	101.4	93.4	92.3	93.5	95.0		
20 Mutual savings banks	4.5	5.9	5.9	5.2	4.7	4.5	4.3		
21 Insurance companies	9.5	12.7	15.1	15.0	14.6	14.8	14.4		
22 Other companies	20.2	27.7	22.7	20.6	23.7	24.1	24.0	n.a.	n.a.
23 State and local governments	34.2	41.6	55.2	68.6	68.9	69.7	68.2		
Individuals									
24 Savings bonds	67.3	72.0	76.7	80.7	80.6	80.5	80.1		
25 Other securities	24.0	28.8	28.6	30.0	32.6	32.9	33.7		
26 Foreign and international[6]	66.5	78.1	109.6	137.8	125.2	124.4	120.6		
27 Other miscellaneous investors[7]	38.0	38.9	46.1	57.4	81.3	82.0	88.3		

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depositary bonds, retirement plan bonds, and individual retirement bonds.
2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.
3. Nonmarketable dollar-denominated and foreign currency denominated series held by foreigners.
4. Held almost entirely by U.S. government agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

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

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1977	1978	1979 Oct.	1979 Nov.	1977	1978	1979 Oct.	1979 Nov.
	All maturities				1 to 5 years			
1 **All holders**	**459,927**	**487,546**	**515,124**	**520,573**	**151,264**	**162,886**	**164,448**	**164,395**
2 U.S. government agencies and trust funds	14,420	12,695	11.379	11,047	4,788	3,310	3,099	2,560
3 Federal Reserve Banks	101,191	109,616	114,580	108,087	27,012	31,283	27,139	27,554
4 Private investors	344,315	365,235	389,165	401,439	119,464	128,293	134,210	134,281
5 Commercial banks	75,363	68,890	67,575	67,771	38,691	38,390	37,663	37,734
6 Mutual savings banks	4,379	3,499	3,100	3,280	2,112	1,918	1,626	1,700
7 Insurance companies	12,378	11,635	12,005	11,645	4,729	4,664	5,138	4,573
8 Nonfinancial corporations	9,474	8,272	9,146	8,918	3,183	3,635	3,337	3,238
9 Savings and loan associations	4,817	3,835	3,512	3,370	2,368	2,255	1,980	1,944
10 State and local governments	15,495	18,815	18,145	15,999	3,875	3,997	3,946	3,613
11 All others	222,409	250,288	275,682	290,457	64,505	73,433	80,519	81,478
	Total, within 1 year				5 to 10 years			
12 **All holders**	**230,691**	**228,516**	**246,462**	**247,397**	**45,328**	**50,400**	**45,500**	**47,904**
13 U.S. government agencies and trust funds	1,906	1,488	1,416	1,624	2,129	1,989	872	871
14 Federal Reserve Banks	56,702	52,801	62,754	55,101	10,404	14,809	12,303	12,714
15 Private investors	172,084	174,227	182,292	190,671	32,795	33,601	32,325	34,319
16 Commercial banks	29,477	20,608	20,410	20,357	6,162	7,490	6,982	7,064
17 Mutual savings banks	1,400	817	790	870	584	496	465	461
18 Insurance companies	2,398	1,838	1,918	2,068	3,204	2,899	2,608	2,736
19 Nonfinancial corporations	5,770	4,048	5,105	4,977	307	369	267	259
20 Savings and loan associations	2,236	1,414	1,390	1,285	143	89	68	64
21 State and local governments	7,917	8,194	6,169	5,795	1,283	1,588	1,694	1,509
22 All others	122,885	137,309	146,510	155,319	21,112	20,671	20,241	22,225
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**161,081**	**161,747**	**161,692**	**165,100**	**12,906**	**19,800**	**27,778**	**27,624**
24 U.S. government agencies and trust funds	32	2	*	0	3,102	3,876	4,520	4,520
25 Federal Reserve Banks	42,004	42,397	44,072	37,310	1,510	2,088	3,229	3,239
26 Private investors	119,035	119,348	117,619	127,790	8,295	13,836	20,029	19,866
27 Commercial banks	11,996	5,707	5,138	5,863	456	956	1,072	1,017
28 Mutual savings banks	484	150	167	282	137	143	124	134
29 Insurance companies	1,187	753	455	466	1,245	1,460	1,389	1,394
30 Nonfinancial corporations	4,329	1,792	2,562	2,632	133	86	276	230
31 Savings and loan associations	806	262	202	217	54	60	58	58
32 State and local governments	6,,092	5,524	3,241	3,091	890	1,420	2,033	1,769
33 All others	94,152	105,161	105,854	115,240	5,380	9,711	15,077	15,263
	Other, within 1 year				Over 20 years			
34 **All holders**	**69,610**	**66,769**	**84,770**	**82,297**	**19,738**	**25,944**	**30,937**	**33,253**
35 U.S. government agencies and trust funds	1,874	1,487	1,416	1,624	2,495	2,031	1,472	1,472
36 Federal Reserve Banks	14,698	10,404	18,682	17,791	5,564	8,635	9,156	9,479
37 Private investors	53,039	54,879	64,672	62,881	11,679	15,278	20,309	22.302
38 Commercial banks	15,482	14,901	15,272	14,494	578	1,446	1,449	1,599
39 Mutual savings banks	916	667	623	589	146	126	94	113
40 Insurance companies	1,211	1,084	1,463	1,603	802	774	952	873
41 Nonfinancial corporations	1,441	2,256	2,543	2,345	81	135	161	213
42 Savings and loan associations	1,430	1,152	1,188	1,068	16	17	15	19
43 State and local governments	1,825	2,670	2,928	2,704	1,530	3,616	4,303	3,314
44 All others	28,733	32,149	40,655	40,078	8,526	9,164	13,335	16,172

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve 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 Nov. 30, 1979: (1) 5,399 commercial banks, 460 mutual savings banks, and 724 insurance companies, each about 80 percent; (2) 419 nonfinancial corporations and 483 savings and loan associations, each about 50 percent; and (3) 491 state and local governments, about 40 percent.

"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	1976	1977	1978	1979			1979, week ending Wednesday					
				Oct.	Nov.	Dec.p	Oct. 10	Oct. 17	Oct. 24	Oct. 31	Nov. 7	Nov. 14
1 **U.S. government securities**	**10,449**	**10,838**	**10,285**	**13,846**	**16,677**	**15,629**	**14,485**	**14,585**	**14,410**	**12,880**	**15,252**	**17,237**
By maturity												
2 Bills	6,676	6,746	6,173	7,856	9,787	10,232	8,144	8,223	7,983	6,736	8,293	9,908
3 Other within 1 year	210	237	392	430	607	560	357	414	361	495	299	663
4 1–5 years	2,317	2,320	1,889	3,076	3,119	2,520	3,764	2,498	3,527	3,682	2,722	3,348
5 5–10 years	1,019	1,148	965	955	1,592	1,292	961	1,034	981	888	1,650	1,683
6 Over 10 years	229	388	866	1,529	1,572	1,026	1,259	2,416	1,558	1,079	2,288	1,635
By type of customer												
7 U.S. government securities dealers	1,360	1,267	1,135	1,613	1,973	1,719	1,222	1,901	1,157	1,433	1,966	2,198
8 U.S. government securities brokers	3,407	3,709	3,838	6,123	6,439	6,296	6,607	6,401	7,018	5,789	5,532	7,207
9 Commercial banks	2,426	2,295	1,804	1,823	2,259	2,033	2,103	1,839	1,826	1,734	2,160	2,407
10 All others[1]	3,257	3,568	3,508	4,288	6,005	6,596	4,553	4,444	4,409	3,925	5,594	5,425
11 **Federal agency securities**	**1,548**	**1,729**	**1,894**	**3,151**	**3,324**	**3,225**	**3,113**	**3,230**	**3,059**	**3,583**	**2,921**	**3,533**

1. Includes, among others, all other dealers and brokers in commodities and securities, foreign banking agencies, and the Federal Reserve System.

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

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, or purchases or sales of securities underrepurchase, 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	1976	1977	1978	1979			1979, week ending Wednesday					
				Oct.	Nov.	Dec.p	Sept. 19	Sept. 26	Oct. 3	Oct. 10	Oct. 17	Oct. 24
	Positions[1]											
1 **U.S. government securities**	**7,592**	**5,172**	**2,656**	**700**	**3,,931**	**3,900**	**999**	**915**	**−693**	**653**	**1,157**	**671**
2 Bills	6,290	4,772	2,452	2,291	4,446	5,760	2,603	2,414	1,805	2,102	2,771	2,399
3 Other within 1 year	188	99	260	−800	−896	−1,548	−259	−422	−878	−799	−828	−735
4 1–5 years	515	60	−92	−535	−197	−681	−1,146	−1,068	−1,461	−307	−641	−788
5 5–10 years	402	92	40	17	347	385	132	174	129	61	59	−7
6 Over 10 years	198	149	−4	−272	231	57	−332	−184	−288	−405	−206	−199
7 **Federal agency securities**	**729**	**693**	**606**	**1,809**	**1,534**	**1,308**	**1,966**	**2,549**	**2,280**	**1,947**	**1,824**	**1,567**
	Financing[2]											
8 **All sources**	**8,715**	**9,877**	**10,204**	**16,021**	**19,122**	**21,391**	**18,047**	**18,697**	**16,946**	**15,711**	**16,628**	**16,744**
Commercial banks												
9 New York City	1,896	1,313	599	1,152	1,778	1,729	1,501	1,373	1,035	1,406	1,463	1,220
10 Outside New York City	1,660	1,987	2,174	3,247	3,386	3,778	3,682	3,438	3,483	3,368	3,637	3,227
11 Corporations[3]	1,479	2,423	2,370	3,131	4,102	4,832	4,074	3,765	3,117	3,120	3,123	3,312
12 All others	3,681	4,155	5,052	8,491	9,857	11,054	8,789	10,122	9,311	7,816	8,403	8,985

1. New ammounts (in terms of par values) of securities owned by nonbank dealer firms and dealer department 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 agreement to resell.

2. Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. government 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.

3. All business corporations except commercial banks and insurance companies.

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	1976	1977	1978	1979					
				May	June	July	Aug.	Sept.	Oct.
1 **Federal and federally sponsored agencies**[1]	**103,848**	**112,472**	**137,063**	**146,429**	**149,612**	**152,653**	**153,788**	**154,753**	**158,300**
2 Federal agencies	22,419	22,760	23,488	23,366	24,170	24,274	24,415	24,341	24,153
3 Defense Department[2]	1,113	983	968	807	796	787	777	767	759
4 *Export-Import Bank*[3,4]	8,574	8,671	8,711	8,107	8,806	8,783	8,781	8,886	8,881
5 Federal Housing Administration[5]	575	581	588	568	562	559	552	551	547
6 Government National Mortgage Association participation certificates[6]	4,120	3,743	3,141	3,099	3,039	3,004	3,004	3,004	3,004
7 Postal Service[7]	2,998	2,431	2,364	2,202	2,202	2,202	2,202	1,837	1,837
8 Tennessee Valley Authority	4,935	6,015	7,460	8,155	8,335	8,495	8,655	8,850	8,670
9 United States Railway Association[7]	104	336	356	428	430	444	444	446	455
10 Federally sponsored agencies[1]	81,429	89,712	113,575	123,063	125,442	128,379	129,373	130,412	134,147
11 Federal Home Loan Banks	16,811	18,345	27,563	28,577	28,758	29,600	29,994	30,303	31,874
12 Federal Home Loan Mortgage Corporation	1,690	1,686	2,262	2,323	2,522	2,522	2,720	2,622	2,621
13 Federal National Mortgage Association	30,565	31,890	41,080	44,639	45,775	46,341	46,108	46,378	46,861
14 Federal Land Banks	17,127	19,118	20,360	18,389	18,389	17,075	17,075	17,075	16,006
15 Federal Intermediate Credit Banks	10,494	11,174	11,469	5,958	5,122	4,269	3,427	2,676	2,676
16 Banks for Cooperatives	4,330	4,434	4,843	1,483	785	785	785	785	584
17 Farm Credit Banks[1]	....	2,548	5,081	20,597	22,949	26,606	28,033	29,297	32,189
18 Student Loan Marketing Association[8]	410	515	915	1,095	1,140	1,180	1,230	1,275	1,335
19 Other	2	2	2	2	2	1	1	1	1
MEMO:									
20 **Federal Financing Bank debt**[7,9]	**28,711**	**38,580**	**51,298**	**58,186**	**60,816**	**61,798**	**62,880**	**64,211**	**65,583**
Lending to federal and federally sponsored agencies									
21 Export-Import Bank[4]	5,208	5,834	6,898	7,131	7,846	7,846	7,846	7,953	7,953
22 Postal Service[7]	2,748	2,181	2,114	1,952	1,952	1,952	1,952	1,587	1,587
23 Student Loan Marketing Association[8]	410	515	915	1,095	1,140	1,180	1,230	1,275	1,335
24 Tennessee Valley Authority	3,110	4,190	5,635	6,430	6,610	6,770	6,930	7,125	6,945
25 United States Railway Association[7]	104	336	356	428	430	444	444	446	455
Other Lending[10]									
26 Farmers Home Administration	10,750	16,095	23,825	28,050	29,200	29,765	30,445	31,080	31,670
27 Rural Electrification Administration	1,415	2,647	4,604	5,253	5,497	5,639	5,754	5,926	6,157
28 Other	4,966	6,782	6,951	7,847	8,141	8,202	8,279	8,819	9,481

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

7. Off-budget.

8. 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.

9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1976	1977	1978	1979 June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.
1 **All issues, new and refunding**[1]	**35,313**	**46,769**	**48,607**	**4,736**	**3,399**	**4,261**	**2,479**	**4,235**	**4,105**
Type of issue									
2 General obligation	18,040	18,042	17,854	1,543	789	743	699	1,044	804
3 Revenue	17,140	28,655	30,658	3,174	2,607	3,508	1,773	3,179	3,289
4 Housing Assisstance Administration[2]	....	....	....	....	....	....	....	....	....
5 U.S. government loans	133	72	95	19	3	10	7	12	12
Type of issuer									
6 State	7,054	6,354	6,632	642	234	200	113	294	274
7 Special district and statutory authority	15,304	21,717	24,156	2,068	1,606	2,560	1,414	2,750	2,661
8 Municipalities, counties, townships, school districts	12,845	18,623	17,718	2,007	1,556	1,490	945	1,179	1,158
9 **Issues for new capital, total**	**32,108**	**36,189**	**37,629**	**4,389**	**2,902**	**4,197**	**2,436**	**4,177**	**3,635**
Use of proceeds									
10 Education	4,900	5,076	5,003	527	383	556	218	311	298
11 Transportation	2,586	2,951	3,460	278	149	151	38	562	97
12 Utilities and conservation	9,594	8,119	9,026	988	608	817	336	1,431	509
13 Social welfare	6,566	8,274	10,494	1,454	1,166	1,749	1,082	1,182	2,031
14 Industrial aid	483	4,676	3,526	344	328	417	382	427	321
15 Other purposes	7,979	7,093	6,120	798	268	507	380	264	379

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.

SOURCE. Public Securities Association

1.48 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1976	1977	1978	1979 May	June	July[r]	Aug.[r]	Sept.	Oct.
1 **All issues**[1]	**53,488**	**53,792**	**47,230**	**4,167**	**6,247**	**4,095**	**4,083**	**4,308**	**4,561**
2 **Bonds**	**42,380**	**42,015**	**36,872**	**3,575**	**5,356**	**3,114**	**2,859**	**3,021**	**3,532**
Type of offering									
3 Public	26,453	24,072	19,815	1,999	4,171	2,247	1,973	2,167	2,669
4 Private placement	15,927	17,943	17,057	1,576	1,185	867	886	854	863
Industry group									
5 Manufacturing	13,264	12,204	9,572	1,208	1,146	968	806	1,095	1,334
6 Commercial and miscellaneous	4,372	6,234	5,246	267	573	241	413	361	214
7 Transportation	4,387	1,996	2,007	205	423	380	171	175	296
8 Public utility	8,297	8,262	7,092	638	1,125	174	137	620	1,107
9 Communication	2,787	3,063	3,373	102	379	26	336	418	433
10 Real estate and financial	9,274	10,258	9,586	1,154	1,710	1,325	996	353	147
11 **Stocks**	**11,108**	**11,777**	**10,358**	**592**	**891**	**981**	**1,224**	**1,287**	**1,029**
Type									
12 Preferred	2,803	3,916	2,832	174	278	392	401	698	195
13 Common	8,305	7,861	7,526	418	613	589	823	589	834
Industry group									
14 Manufacturing	2,237	1,189	1,241	85	47	38	360	394	151
15 Commercial and miscellaneous	1,183	1,834	1,816	203	363	173	266	218	98
16 Transportation	24	456	263	49	3	....	142	4	....
17 Public utility	6,121	5,865	5,140	227	248	598	366	527	662
18 Communication	776	1,379	264	7	30	68	....	83	47
19 Real estate and financial	771	1,049	1,631	21	200	103	91	61	70

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1978	1979	1979 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INVESTMENT COMPANIES[1]									
1 Sales of own shares[2]	6,645	7,495	676	744	675	580	617	690r	748
2 Redemptions of own shares[3]	7,231	8,393	667	706	832	784	805	579	743
3 Net sales	−586	−898	9	38	−157	−204	−188	111	5
4 Assets[4]	44,980	49,493	48,064	48,771	50,802	50,147	46,271	48,613	49,493
5 Cash position[5]	4,507	4,983	5,012	5,052	4,924	5,016	4,521	4,984	4,983
6 Other	40,473	44,510	43,052	43,719	45,878	45,131	41,750	43,629	44,510

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

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

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1976	1977	1978	1978 Q1	Q2	Q3	Q4	1979 Q1	Q2	Q3
1 **Profits before tax**	**156.0**	**177.1**	**206.0**	**177.5**	**207.2**	**212.0**	**227.4**	**233.3**	**227.9**	**242.3**
2 Profits tax liability	63.8	72.6	84.5	70.8	84.7	87.5	95.1	91.3	88.7	94.0
3 Profits after tax	92.2	104.5	121.5	106.7	122.4	124.5	132.3	142.0	139.3	148.3
4 Dividends	37.5	42.1	47.2	45.1	46.0	47.8	49.7	51.5	52.3	52.8
5 Undistributed profits	54.7	62.4	74.3	61.6	76.4	76.8	82.6	90.5	87.0	95.5
6 Capital consumption allowances	97.1	109.3	119.8	116.5	119.1	120.6	123.1	125.5	130.4	132.8
7 Net cash flow	151.8	171.7	194.1	178.1	195.5	197.3	205.7	216.0	217.3	228.3

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

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978				1979		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**759.0**	**826.3**	**900.9**	**925.0**	**954.2**	**992.6**	**1,028.1**	**1,078.6**	**1,110.6**	**1,169.6**
2 Cash	82.1	87.3	94.3	88.8	91.3	91.6	103.5	102.4	100.1	103.6
3 U.S. government securities	19.0	23.6	18.7	18.6	17.3	16.1	17.8	19.2	20.8	17.8
4 Notes and accounts receivable	272.1	293.3	325.0	337.4	356.0	376.4	381.9	405.3	419.0	448.9
5 Inventories	315.9	342.9	375.6	390.5	399.3	415.5	428.3	452.6	469.2	492.7
6 Other	69.9	79.2	87.3	89.6	90.3	92.9	96.5	99.1	101.5	106.7
7 **Current liabilities**	**451.6**	**492.7**	**546.8**	**574.2**	**593.5**	**626.3**	**662.2**	**701.9**	**723.9**	**773.7**
8 Notes and accounts payable	264.2	282.0	313.7	325.2	337.9	356.2	375.1	392.6	410.8	443.1
9 Other	187.4	210.6	233.1	249.0	255.6	270.0	287.1	309.2	313.2	330.6
10 **Net working capital**	**307.4**	**336.6**	**354.1**	**350.7**	**360.7**	**366.3**	**365.9**	**376.7**	**386.1**	**395.9**
11 MEMO: Current ratio [1]	1.681	1.677	1.648	1.611	1.608	1.585	1.552	1.537	1.534	1.512

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

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

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

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

Industry	1978	1979_p	1978		1979				1980	
			Q3	Q4	Q1	Q2	$Q3^r$	Q4[2]	Q1[2]	Q2[2]
1 **All industries**	**153.82**	**176.37**	**155.41**	**163.96**	**165.94**	**173.48**	**179.33**	**184.32**	**189.32**	**195.76**
Manufacturing										
2 Durable goods industries	31.66	37.89	32.25	33.99	34.00	36.86	39.72	40.16	42.32	44.44
3 Nondurable goods industries	35.96	40.41	35.50	39.26	37.56	39.56	40.50	42.88	42.70	44.68
Nonmanufacturing										
4 Mining	4.78	5.52	4.99	4.98	5.46	5.31	5.42	5.91	4.95	5.04
Transportation										
5 Railroad	3.32	3.88	3.38	3.49	4.02	3.66	4.03	4.00	3.92	3.68
6 Air	2.30	3.34	2.20	2.39	3.35	3.26	3.10	3.74	5.09	3.89
7 Other	2.43	2.97	2.47	2.55	2.71	2.79	3.16	3.22	3.75	3.98
Public utilities										
8 Electric	29.48	33.18	24.92	26.95	27.70	28.06	28.32	28.53	27.72	28.32
9 Gas and other	4.70	4.99	4.70	4.78	4.66	5.18	5.01	5.24	5.35	6.13
10 Communication	18.16	20.18	18.90	18.46	18.75	20.29	20.41	50.65	53.52	55.60
11 Commercial and other[1]	25.71	28.98	26.09	27.12	27.73	28.51	29.66			

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 noprofit organizations.

Source. *Survey of Current Business* (U.S. Dept. of Commerce).

1.53 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1973	1974	1975	1976	1977	1978		1979		
						Q3	Q4	Q1	Q2	Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	35.4	36.1	36.0	38.6	44.0	49.7	52.6	54.9	58.7	62.3
2 Business	32.3	37.2	39.3	44.7	55.2	58.3	63.3	66.7	70.1	68.1
3 Total	67.7	73.3	75.3	83.4	99.2	108.0	116.0	121.6	128.8	130.4
4 LESS: Reserves for unearned income and losses	8.4	9.0	9.4	10.5	12.7	14.3	15.6	16.5	17.7	18.7
5 Accounts receivable, net	59.3	64.2	65.9	72.9	86.5	93.7	100.4	105.1	111.1	111.7
6 Cash and bank deposits	2.6	3.0	2.9	2.6	2.6	2.7	3.5			
7 Securities	.8	.4	1.0	1.1	.9	1.8	1.3	23.8[1]	24.6	25.8
8 All other	10.6	12.0	11.8	12.6	14.3	17.1	17.3			
9 **Total assets**	**73.2**	**79.6**	**81.6**	**89.2**	**104.3**	**115.3**	**122.4**	**128.9**	**135.8**	**137.4**
LIABILITIES										
10 Bank loans	7.2	9.7	8.0	6.3	5.9	5.4	6.5	6.5	7.3	7.8
11 Commercial paper	19.7	20.7	22.2	23.7	29.6	29.3	34.5	38.1	41.0	39.2
Debt										
12 *Short-term, n.e.c.*	4.6	4.9	4.5	5.4	6.2	6.8	8.1	6.7	8.8	9.1
13 Long-term n.e.c.	24.6	26.5	27.6	32.3	36.0	41.3	43.6	44.5	46.0	47.5
14 Other	5.6	5.5	6.8	8.1	11.5	15.2	12.6	15.1	14.4	15.4
15 Capital, surplus, and undivided profits	11.5	12.4	12.5	13.4	15.1	17.3	17.2	18.0	18.2	18.4
16 **Total liabilities and capital**	**73.2**	**79.6**	**81.6**	**89.2**	**104.3**	**115.3**	**122.4**	**128.9**	**135.8**	**137.4**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

1.54 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Nov. 30, 1979[1]	Changes in accounts receivable			Extensions			Repayments		
		1979			1979			1979		
		Sept.	Oct.	Nov.	Sept.	Oct.	Nov.	Sept.	Oct.	Nov.
1 **Total**	**70,225**	**−1,245**	**399**	**242**	**15,310**	**16,354**	**16,505**	**16,555**	**15,955**	**16,263**
2 Retail automotive (commercial vehicles	15,308	94	−16	−41	1,236	1,151	1,135	1,142	1,167	1,176
3 Wholesale automotive	14,075	−1,453	−408	−319	5,320	6,079	5,082	6,773	6,487	5,401
4 Retail paper on business, industrial and farm equipment	18,516	135	369	261	1,172	1,300	1,252	1,037	931	991
5 Loans on commercial accounts receivable[2] 6 Factored commercial accounts receivable[2]	6,714	−281	168	304	5,369	5,200	6,635	5,650	5,032	6,331
7 All other business credit	15,612	260	286	37	2,213	2,624	2,401	1,953	2,338	2,364

1. Not seasonally adjusted.

2. Beginning January 1979 the categories "Loans on commercial accounts receivable" and "Factored commercial accounts receivable" are combined.

1.55 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1976	1977	1978	1979 July	1979 Aug.	1979 Sept.	1979 Oct.	1979 Nov.	1979 Dec.
	Terms and yields in primary and secondary markets								
PRIMARY MARKETS									
Conventional mortgages on new homes									
Terms[1]									
1 Purchase price (thousands of dollars)	48.4	54.3	62.6	74.3	80.0	75.5	76.4	771	79.2
2 Amount of loan (thousands of dollars)	35.9	40.5	45.9	52.7	56.9	53.9	54.9	54.5r	55.8
3 Loan/price ratio (percent)	74.2	76.3	75.3	73.0	73.1	73.4	73.7	73.8	72.8
4 Maturity (years)	27.2	27.9	28.0	28.1	28.1	28.6	28.5	28.5	28.7
5 Fees and charges (percent of loan amount)[2]	1.44	1.33	1.39	1.63	1.60	1.67	1.70	1.82	1.86
6 Contract rate (percent per annum)	8.76	8.80	9.30	10.49	10.73	10.72	10.91	11.04	11.31
Yield (percent per annum)									
7 FHLBB series[3]	8.99	9.01	9.54	10.78	11.01	11.02	11.21	11.37	11.65
8 HUD series[4]	8.99	8.95	9.68	10.95	11.10	11.35	12.15	12.50	12.50
SECONDARY MARKETS									
Yield (percent per annum)									
9 FHA mortgages (HUD series)[5]	8.82	8.68	9.70	10.46	10.58	11.37	n.a.	12.41	12.24
10 GNMA securities[6]	8.17	8.04	8.98	9.77	9.91	10.31	11.25	11.57	11.34
FNMA auctions[7]									
11 Government-underwritten loans	8.99	8.73	9.77	10.66	10.66	11.08	12.52	12.75	12.48
12 Conventional loans	9.11	8.98	10.01	11.52	11.52	11.75	12.85	13.66	12.98
	Activity in secondary markets								
FEDERAL NATIONAL MORTGAGE ASSOCIATION									
Mortgage holdings (end of period)									
13 Total	32,904	34,370	43,311	48,539	48,909	49,173	49,744	50,350r	51,091
14 FHA-insured	18,916	18,457	21,243	23,378	23,526	n.a.	n.a.	n.a.	n.a.
15 VA-guaranteed	9,212	9,315	10,544	10,450	10,386	n.a.	n.a.	n.a.	n.a.
16 Conventional	4,776	6,597	11,524	14,710	14,997	15,203	15,517	15,797	16,106
Mortgage transactions (during period)									
17 Purchases	3,606	4,780	12,303	602	646	545	859	872	893
18 Sales	86	67	5	0	0	0	0	0	0
Mortgage commitments[8]									
19 Contracted (during period)	6,247	9,729	18,960	354	593	1,407	2,369	496	n.a.
20 Outstanding (end of period)	3,398	4,698	9,201	5,912	5,692	6,352	7,472	6,974	n.a.
Auction of 4-month commitments to buy									
Government-underwritten loans									
21 Offered[9]	4,929.8	7,974.1	12,978	133.2	162.3	1,421.1	2,943.4	558.4	649.2
22 Accepted	2,787.2	4,846.2	6,747.2	69.6	82.7	599.9	1,130.4	264.6	249.3
Conventional loans									
23 Offered[9]	2,595.7	5,675.2	9,933.0	93.5	245.9	527.3	1,049.9	366.1	413.2
24 Accepted	1,879.2	3,917.8	5,110.9	69.9	184.1	325.6	431.2	190.2	152.4
FEDERAL HOME LOAN MORTGAGE CORPORATION									
Mortgage holdings (end of period)[10]									
25 Total	4,269	3,276	3,064	3,487	3,549	3,729	3,726	3,990	4,035
26 FHA/VA	1,618	1,395	1,243	1,156	1,145	1,132	1,120	1,112	1,102
27 Conventional	2,651	1,881	1,822	2,331	2,404	2,597	2,606	2,879	2,933
Mortgage transactions (during period)									
28 Purchases	1,175	3,900	6,524	518	636	537	552	458	403
29 Sales	1,396	4,131	6,211	321	554	347	530	186	361
Mortgage commitments[11]									
30 Contracted (during period)	1,477	5,546	7,451	528	655	437	504	221	199
31 Outstanding (end of period)	333	1,063	1,410	1,572	1,536	1,400	1,312	1,036	797

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 Department of Housing and Urban Development.

5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

9. Mortgage amounts offered by bidders are total bids received.

10. Includes participation as well as whole loans.

11. Includes conventional and government-underwritten loans.

1.56 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1976	1977	1978	1978 Q3	1978 Q4	1979 Q1	1979 Q2	1979 Q3
1 **All holders**	**889,327**	**1,023,505**	**1,172,502**	**1,133,503**	**1,172,737**	**1,206,280**	**1,252,519**	**1,295,449**
2 1- to 4-family	556,557	656,566	761,905	734,709	761,892	784,602	817,018	845,284r
3 Multifamily	104,516	111,841	122,004	119,381	121,978	123,970	125,923	129,079
4 Commercial	171,223	189,274	212,597	205,629	212,743	217,501	224,507	232,084
5 Farm	57,031	65,824	75,996	73,784	76,124	80,207	85,071	89,002
6 Major financial institutions	647,650	745,011	847,910	821,988	848,145	866,036	894,471	919,984
7 Commercial banks[1]	151,326	178,979	213,963	205,445	213,963	220,063	229,564	239,363
8 1- to 4-family	86,234	105,115	126,966	121,911	126,966	130,585	136,223	142,038
9 Multifamily	8,082	9,215	10,912	10,478	10,912	11,223	11,708	12,208
10 Commercial	50,289	56,898	67,056	64,386	67,056	68,968	71,945	75,016
11 Farm	6,721	7,751	9,029	8,670	9,029	9,287	9,688	10,101
12 Mutual savings banks	81,639	88,104	95,157	93,403	95,157	96,136	97,155	97,929
13 1- to 4-family	53,089	57,637	62,252	61,104	62,252	62,892	63,559	64,065
14 Multifamily	14,177	15,304	16,529	16,224	16,529	16,699	16,876	17,010
15 Commercial	14,313	15,110	16,319	16,019	16,319	16,488	16,663	16,795
16 Farm	60	53	57	56	57	57	58	59
17 Savings and loan associations	323,130	381,163	432,858	420,971	432,858	441,420	456,629	468,324
18 1- to 4-family	260,895	310,686	356,156	345,617	356,156	363,774	377,587	387,257
19 Multifamily	28,436	32,513	36,057	35,362	36,057	36,682	37,078	38,028
20 Commmercial	33,799	37,964	40,645	39,992	40,645	40,964	41,964	43,039
21 Life insurance companies	91,555	96,765	105,932	102,169	106,167	108,417	111,123	114,368
22 1- to 4-family	16,088	14,727	14,449	14,158	14,436	14,507	14,489	14,884
23 Multifamily	19,178	18,807	19,026	18,742	19,000	19,080	19,102	19,107
24 Commercial	48,864	54,388	62,086	59,153	62,232	63,908	66,055	68,513
25 Farm	7,425	8,843	10,371	10,116	10,499	10,922	11,477	11,864
26 Federal and related agencies	66,753	70,006	81,853	78,672	81,853	86,689	90,095	93,143
27 Government National Mortgage Assn	4,241	3,660	3,509	3,560	3,509	3,448	3,425	3,382
28 1- to 4-family	1,970	1,548	877	897	877	821	800	780
29 Multifamily	2,271	2,112	2,632	2,663	2,632	2,627	2,625	2,602
30 Farmers Home Administration	1,964	1,353	926	1,384	926	956	1,200	1,383
31 1- to 4-family	454	626	288	460	288	302	363	163
32 Multifamily	218	275	320	240	320	180	75	299
33 Commercial	72	149	101	251	101	283	278	262
34 Farm	320	303	217	433	217	191	484	659
35 Federal Housing and Veterans Admin	5,150	5,212	5,419	5,295	5,419	5,522	5,597	5,672
36 1- to 4-family	1,676	1,627	1,641	1,565	1,641	1,693	1,744	1,795
37 Multifamily	3,474	3,585	3,778	3,730	3,778	3,829	3,853	3,877
38 Federal National Mortgage Association	32,904	34,369	43,311	41,189	43,311	46,410	48,206	49,173
39 1- to 4-family	26,934	28,504	37,579	35,437	37,579	40,702	42,543	43,534
40 Multifamily	5,970	5,865	5,732	5,752	5,732	5,708	5,663	5,639
41 Federal Land Banks	19,125	22,136	25,624	24,758	25,624	26,893	28,459	29,804
42 1- to 4-family	601	670	927	819	927	1,042	1,198	1,374
43 Farm	18,524	21,466	24,697	23,939	24,697	25,851	27,261	28,430
44 Federal Home Loan Mortgage Corp	4,269	3,2767	3,064	2,486	3,064	3,460	3,208	3,729
45 1- to 4-family	3,889	2,738	2,407	1,994	2,407	2,685	2,489	2,850
46 Mutlifamily	380	538	657	492	657	775	719	879
47 Mortgage pools or trusts[2]	49,801	70,289	88,633	82,730	88,633	94,551	102,259	110,648
48 Government National Mortgage Assn	30,572	44,896	24,347	50,844	54,347	57,955	63,000	69,357
49 1- to 4-family	29,583	43,555	52,732	49,276	52,732	56,269	61,246	67,535
50 Multifamily	989	1,341	1,615	1,568	1,615	1,686	1,754	1,822
51 Federal Home Loan Mortgage Corp	2,671	6,610	11,892	10,511	11,892	12,467	13,708	14,421
52 1- to 4-family	2,282	5,621	9,657	8,616	9,657	10,088	11,096	11,568
53 Multifamily	389	989	2,235	1,895	2,235	2,379	2,612	2,853
54 Farmers Home Administration	16,558	18,783	22,394	21,375	22,394	24,129	25,551	26,870
55 1- to 4-family	10,219	11,379	13,400	12,851	13,400	13,883	14,329	14,972
56 Multifamily	532	759	1,116	1,116	1,116	1,465	1,764	1,763
57 Commercial	2,440	2,945	3,560	3,369	3,560	3,660	3,833	4,054
58 Farm	3,367	3,682	4,318	4,039	4,318	5,121	5,625	6,081
59 Individual and others[3]	125,123	138,199	154,106	150,113	154,106	158,014	165,694	171,674
60 1- to 4-family	62,643	72,115	82,574	80,004	82,574	85,056	89,352	92,469
61 Multifamily	20,420	20,538	21,395	21,119	21,395	21,670	22,094	22,992
62 Commerical	21,446	21,820	212,830	22,459	22,830	23,292	23,770	24,405
63 Farm	20,614	23,726	27,307	26,531	27,307	27,996	30,478	31,808

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

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

Millions of dollars

Holder, and type of credit	1976	1977	1978	1979 June	1979 July	1979 Aug.	1979 Sept.	1979 Oct.	1979 Nov.	1979 Dec.
	Amounts outstanding (end of period)									
1 **Total**	**193,977**	**230,829**	**275,629**	**291,856**	**295,052**	**299,813**	**303,902**	**305,217**	**307,641**	**311,339**
By major holder										
2 Commercial banks	93,728	112,373	136,189	144,035	145,169	147,312	148,657	149,152	149,057	149,821
3 Finance companies	38,919	44,868	54,298	60,996	62,463	63,362	64,822	65,692	67,164	68,318
4 Credit unions	31,169	37,605	45,939	47,478	47,772	48,631	49,214	48,770	48,673	48,186
5 Retailers[2]	19,260	23,490	24,876	23,672	23,713	24,114	24,446	24,860	25,732	27,916
6 Savings and loans	6,246	7,354	8,394	9,290	9,425	9,760	9,972	10,073	10,241	10,361
7 Gasoline companies	2,830	2,963	3,240	3,704	3,872	4,048	4,244	4,174	4,281	4,316
8 Mutual savings banks	1,825	2,176	2,693	2,681	2,638	2,586	2,547	2,496	2,493	2,421
By major type of credit										
9 Automobile	67,707	82,911	102,468	110,930	111,952	113,351	114,765	114,876	115,121	115,022
10 Commercial banks	39,621	49,577	60,564	64,480	64,826	65,389	65,813	65,973	65,646	65,229
11 Indirect paper	22,072	27,379	33,850	36,251	36,475	36,887	37,267	37,469	37,334	37,209
12 Direct loans	17,549	22,198	26,714	28,229	28,351	28,502	28,546	28,504	28,312	28,020
13 Credit unions	15,238	18,099	21,967	22,703	22,844	23,255	23,534	23,322	23,275	23,042
14 Finance companies	12,848	15,235	19,937	23,747	24,282	24,707	25,418	25,581	26,200	26,751
15 Revolving	17,189	39,274	47,051	47,458	47,894	49,270	50,422	50,883	52,060	55,547
16 Commercial banks	14,359	18,374	24,434	25,652	25,927	26,782	27,446	27,600	27,827	29,171
17 Retailer	....	17,937	19,377	18,102	18,095	18,440	18,732	19,109	19,952	22,060
18 Gasoline companies	2,830	2,963	3,240	3,704	3,872	4,048	4,244	4,174	4,281	4,316
19 Mobile home	14,573	15,141	16,042	16,607	16,719	16,972	17,105	17,244	17,349	17,409
20 Commercial banks	8,737	9,124	9,553	9,759	9,801	9,912	9,940	10,013	10,036	9,991
21 Finance companies	3,263	3,077	3,152	3,191	3,212	3,231	3,258	3,295	3,321	3,390
22 Savings and loans	2,241	2,538	2,848	3,152	3,198	3,312	3,384	3,418	3,475	3,516
23 Credit unions	332	402	489	505	508	517	523	518	517	512
24 Other	94,508	93,503	110,068	116,861	118,487	120,220	121,610	122,214	123,111	123,361
25 Commercial banks	31,011	35,298	41,638	44,144	44,615	45,229	45,458	45,566	45,548	45,430
26 Finance companies	22,808	26,556	31,209	34,058	34,969	35,424	36,146	36,816	37,643	38,177
27 Credit unions	15,599	19,104	23,483	24,270	24,420	24,859	25,157	24,930	24,881	24,632
28 Retailers	19,260	5,553	5,499	5,570	5,618	5,674	5,714	5,751	5,780	5,856
29 Savings and loans	4,,005	4,816	5,546	6,138	6,227	6,448	6,588	6,655	6,766	6,845
30 Mutual savings banks	1,825	2,176	2,693	2,681	2,638	2,586	2,547	2,496	2,493	2,421
	Net change (during period)[3]									
31 **Total**	**21,647**	**35,278**	**44,810**	**2,558**	**2,443**	**2,446**	**4,446**	**2,186**	**2,407**	**1,550**
By major holder										
32 Commercial banks	10,792	18,645	23,813	984	662	866	1,521	771	283	419
33 Finance companies	2,946	5,948	9,430	913	1,185	549	1,773	1,076	1,340	1,087
34 Credit unions	5,503	6,436	8,334	144	342	391	411	-152	-44	-455
35 Retailers[1]	1,059	2,654	1,386	288	180	332	443	335	477	282
36 Savings and loans	1,085	1,111	1,041	240	120	253	207	76	143	165
37 Gasoline companies	124	132	276	39	2	116	127	122	218	115
38 Mutual savings banks	138	352	530	-50	-48	-61	-36	-42	-10	-63
By major type of credit										
39 Automobile	10,465	15,204	19,557	690	616	594	1,823	487	533	682
40 Commercial banks	6,334	9,956	10,987	123	72	172	762	203	-76	122
41 Indirect paper	2,742	5,307	6,471	87	51	188	542	237	40	260
42 Direct loans	3,592	4,649	4,516	36	21	-16	220	-34	-116	-138
43 Credit unions	2,497	2,861	3,868	45	183	177	218	-79	-24	-213
44 Finance companies	1,634	2,387	4,702	522	361	245	843	363	633	773
45 Revolving	2,170	6,248	7,776	796	429	787	1,057	664	799	633
46 Commercial banks	2,046	4,015	6,060	494	303	365	546	253	136	225
47 Retailers	....	2,101	1,440	263	124	306	384	289	445	293
48 Gasoline companies	124	132	276	39	2	116	127	122	218	115
49 Mobile home	140	565	897	102	72	182	89	150	103	108
50 Commercial banks	70	387	426	12	17	59	10	105	33	-22
51 Finance companies	-182	-189	74	14	11	13	17	27	19	84
52 Savings and loans	192	297	310	74	41	106	57	21	52	51
53 Credit unions	60	70	87	2	3	4	5	-3	-1	-5
54 Other	8,872	13,261	16,580	970	1,326	883	1,477	885	972	127
55 Commercial banks	2,342	4,287	6,340	355	270	270	203	210	190	94
56 Finance companies	1,494	3,750	4,654	377	813	291	913	686	688	230
57 Credit unions	2,946	3,505	4,379	97	156	210	188	-70	-19	-237
58 Retailers	1,059	553	-54	25	56	26	59	46	32	-11
59 Savings and loans	893	814	731	166	79	147	150	55	91	114
60 Mutual savings banks	138	352	530	-50	-48	-61	-36	-42	-10	-63

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

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

3. Net change equals extensions minus liquidations (repayments, charge-offs, and other credit); figures for all months are seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $64.3 billion at the end of 1978, $58.6 billion at the end of 1977, $54.8 billion at the end of 1976, and $50.9 billion at the end of 1975. Comparable data for Dec. 31, 1979, will be published in the February 1980 BULLETIN.

1.58 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars

Holder, and type of credit	1976	1977	1978	1979 June	1979 July	1979 Aug.	1979 Sept.	1979 Oct.	1979 Nov.	1979 Dec.
	Extensions[1]									
1 **Total**	**211,028**	**254,071**	**298,351**	**26,139**	**26,848**	**27,583**	**28,634**	**27,695**	**26,464**	**25,805**
By major holder										
2 Commercial banks	97,397	117,896	142,720	12,278	12,292	12,700	13,172	12,718	11,738	11,504
3 Finance companies	36,129	41,989	50,505	4,641	5,353	5,133	5,489	5,642	5,105	5,249
4 Credit unions	29,259	34,028	40,023	2,986	3,282	3,361	3,363	2,942	2,808	2,396
5 Retailers[2]	29,447	39,133	41,619	3,853	3,687	3,921	4,082	3,930	4,161	4,054
6 Savings and loans	3,898	4,485	5,050	682	592	728	678	571	606	632
7 Gasoline companies	13,387	14,617	16,125	1,589	1,525	1,640	1,734	1,773	1,913	1,895
8 Mutual savings banks	1,511	1,923	2,309	110	117	100	116	119	133	75
By major type of credit										
9 Automobile	63,743	75,641	88,987	7,178	7,447	7,667	8,430	7,676	7,066	7,131
10 Commercial banks	37,886	46,363	53,028	3,952	3,936	4,085	4,544	4,185	3,640	3,808
11 Indirect paper	20,576	25,149	29,336	2,146	2,151	2,276	2,569	2,376	2,009	2,181
12 Direct loans	17,310	21,214	23,692	1,806	1,785	1,809	1,975	1,809	1,631	1,627
13 Credit unions	14,688	16,616	19,486	1,485	1,611	1,661	1,655	1,434	1,399	1,223
14 Finance companies	11,169	12,662	16,473	1,741	1,900	1,921	2,231	2,057	2,027	2,100
15 Revolving	43,934	86,756	104,587	10,136	9,856	10,371	10,699	10,424	10,613	10,330
16 Commercial banks	30,547	38,256	51,531	5,166	5,078	5,280	5,398	5,165	5,014	4,817
17 Retailers	....	33,883	36,931	3,381	3,253	3,451	3,567	3,486	3,686	3,618
18 Gasoline companies	13,387	14,617	16,125	1,589	1,525	1,640	1,734	1,773	1,913	1,895
19 Mobile home	4,859	5,425	6,067	547	519	655	531	582	515	490
20 Commercial banks	3,064	3,466	3,704	304	297	362	294	374	294	245
21 Finance companies	702	643	886	59	71	67	69	83	69	97
22 Savings and loans	929	1,120	1,239	167	133	206	148	114	139	140
23 Credit unions	164	196	238	17	18	20	20	11	13	8
24 Other	98,492	86,249	98,710	8,278	9,026	8,890	8,974	9,013	8,270	7,854
25 Commercial banks	25,900	29,811	34,457	2,856	2,981	2,973	2,936	2,994	2,790	2,634
26 Finance companies	24,258	28,684	33,146	2,841	3,382	3,145	3,189	3,502	3,009	3,052
27 Credit unions	14,407	17,216	20,299	1,484	1,653	1,680	1,688	1,497	1,396	1,165
28 Retailers	29,447	5,250	4,688	472	434	470	515	444	475	436
29 Savings and loans	2,969	3,365	3,811	515	459	522	530	457	467	492
30 Mutual savings banks	1,511	1,923	2,309	110	117	100	116	119	133	75
	Liquidations[1]									
31 **Total**	**189,381**	**218,793**	**253,541**	**23,581**	**24,405**	**25,137**	**24,188**	**25,509**	**24,057**	**24,255**
By major holder										
32 Commercial banks	86,605	99,251	118,907	11,294	11,630	11,834	11,651	11,947	11,455	11,085
33 Finance companies	33,183	36,041	41,075	3,728	4,168	4,584	3,716	4,566	3,765	4,162
34 Credit unions	23,756	27,592	31,689	2,842	2,940	2,970	2,952	3,094	2,852	2,851
35 Retailers[2]	28,388	36,479	40,233	3,565	3,507	3,589	3,639	3,595	3,684	3,772
36 Savings and loans	2,813	3,374	4,009	442	472	475	471	495	463	467
37 Gasoline companies	13,263	14,485	15,849	1,550	1,523	1,524	1,607	1,651	1,695	1,780
38 Mutual savings banks	1,373	1,571	1,779	160	165	161	152	161	143	138
By major type of credit										
39 Automobile	53,278	60,437	69,430	6,488	6,831	7,073	6,607	7,189	6,533	6,449
40 Commercial banks	31,552	36,407	42,041	3,829	3,864	3,913	3,782	3,982	3,716	3,686
41 Indirect banks	17,834	19,842	22,865	2,059	2,100	2,088	2,027	2,139	1,969	1,921
42 Direct loans	13,718	16,565	19,176	1,770	1,764	1,825	1,755	1,843	1,747	1,765
43 Credit unions	12,191	13,755	15,618	1,440	1,428	1,484	1,437	1,513	1,423	1,436
44 Finance companies	9,535	10,275	11,771	1,219	1,539	1,676	1,388	1,694	1,394	1,327
45 Revolving	41,764	80,508	96,811	9,340	9,427	9,584	9,642	9,760	9,814	9,697
46 Commercial banks	28,501	34,241	45,471	4,672	4,775	4,915	4,852	4,912	4,878	4,592
47 Retailers	....	31,782	35,491	3,118	3,129	3,145	3,183	3,197	3,241	3,325
48 Gasoline companies	13,263	14,485	15,849	1,550	1,523	1,524	1,607	1,651	1,695	1,780
49 Mobile home	4,719	4,860	5,170	445	447	473	442	432	412	382
50 Commercial banks	2,994	3,079	3,278	292	280	303	284	269	261	267
51 Finance companies	884	832	812	45	60	54	52	56	50	13
52 Savings and loans	737	823	929	93	92	100	91	93	87	89
53 Credit unions	104	126	151	15	15	16	15	14	14	13
54 Other	89,620	72,988	82,130	7,308	7,700	8,007	7,497	8,128	7,298	7,727
55 Commercial banks	23,558	25,524	28,117	2,501	2,711	2,703	2,733	2,784	2,600	2,540
56 Finance companies	22,764	24,934	28,492	2,464	2,569	2,854	2,276	2,816	2,321	2,822
57 Credit unions	11,461	13,711	15,920	1,387	1,497	1,470	1,500	1,567	1,415	1,402
58 Retailers	28,388	4,697	4,742	447	378	444	456	398	443	447
59 Savings and loans	2,076	2,551	3,080	349	380	375	380	402	376	378
60 Mutual savings banks	1,373	1,571	1,779	160	165	161	152	161	143	138

1. Monthly figures are seasonally adjusted.

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

1.59 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1973	1974	1975	1976	1977	1978	1976 H2	1977 H1	1977 H2	1978 H1	1978 H2	1979 H1
						Nonfinancial sectors						
1 **Total funds raised**	**203.1**	**191.3**	**210.8**	**271.9**	**338.5**	**400.3**	**274.9**	**298.1**	**378.9**	**384.5**	**416.1**	**386.5**
2 Excluding equities	195.4	187.4	200.7	261.1	335.4	398.2	266.8	296.9	373.8	387.1	409.3	383.8
By sector and instrument												
3 U.S. government	8.3	11.8	85.4	69.0	56.8	53.7	61.4	46.1	67.4	61.4	46.0	27.1
4 Treasury securities	7.9	12.0	85.8	69.1	57.6	55.1	61.8	46.7	68.6	62.3	47.9	29.4
5 Agency issues and mortgages	.4	−.2	−.4	−.1	−.9	−1.4	−.3	−.6	−1.2	−.9	−1.9	−2.3
6 All other nonfinancial sectors	194.9	179.5	125.4	202.9	281.8	346.6	213.4	252.0	311.5	323.1	370.2	359.4
7 Corporate equities	7.7	3.8	10.1	10.8	3.1	2.1	8.1	1.2	5.1	−2.6	6.8	2.7
8 Debt instruments	187.2	175.6	115.3	192.0	278.6	344.5	205.4	250.8	306.4	325.7	363.4	356.7
9 Private domestic nonfinancial sectors	188.8	164.1	112.1	182.0	267.9	314.4	192.3	241.5	294.2	302.5	326.3	344.1
10 Corporate equities	7.9	4.1	9.9	10.5	2.7	2.6	7.7	.5	4.9	−1.8	7.0	2.8
11 Debt instruments	180.9	160.0	102.1	171.5	265.1	311.8	184.6	241.0	289.3	304.3	319.2	341.3
12 Debt capital instruments	105.1	98.0	98.4	123.5	175.6	196.6	126.5	158.7	192.5	188.0	205.1	204.8
13 State and local obligations	14.7	16.5	16.1	15.7	23.7	28.3	10.9	22.3	25.0	27.8	28.7	17.5
14 Corporate bonds	9.2	19.7	27.2	22.8	21.0	20.1	22.9	16.6	25.4	20.6	19.6	23.7
Mortgages												
15 Home	46.4	34.8	39.5	63.7	96.4	104.5	70.0	89.7	103.1	99.8	109.2	112.7
16 Multifamily residential	10.4	6.9	*	1.8	7.4	10.2	3.1	6.4	8.4	9.3	11.2	8.2
17 Commercial	18.9	15.1	11.0	13.4	18.4	23.3	12.5	14.8	21.9	21.2	25.4	25.8
18 Farm	5.5	5.0	4.6	6.1	8.8	10.2	7.3	9.0	8.7	9.3	11.1	17.1
19 Other debt instruments	75.8	62.0	3.8	48.0	89.5	115.2	58.0	82.3	96.7	116.3	114.1	136.5
20 Consumer credit	26.0	9.9	9.7	25.6	40.6	50.6	27.6	36.6	44.5	50.1	51.0	47.7
21 Bank loans n.e.c.	37.1	31.7	−12.3	4.0	27.0	37.3	10.8	27.3	26.7	43.1	31.4	48.9
22 Open market paper	2.5	6.6	−2.6	4.0	2.9	5.2	2.3	3.4	2.4	5.3	5.1	10.8
23 Other	10.3	13.7	9.0	14.4	19.0	22.2	17.4	14.9	23.2	17.8	26.5	29.1
24 By borrowing sector	188.8	164.1	112.1	182.0	267.9	314.4	192.3	241.5	294.2	302.5	326.3	344.1
25 State and local governments	13.2	15.5	13.7	15.2	20.4	23.6	11.7	15.7	25.0	21.0	26.1	14.6
26 Households	80.1	51.2	49.5	90.7	139.9	162.6	98.8	129.4	150.4	156.1	169.1	168.5
27 Farm	9.6	8.0	8.8	10.9	14.7	18.1	11.9	15.7	13.8	15.3	20.8	23.2
28 Nonfarm noncorporate	13.0	7.7	2.0	5.4	12.5	15.7	5.8	13.4	12.5	16.3	14.5	15.1
29 Corporate	73.0	81.7	38.1	59.8	80.3	94.5	64.1	67.3	92.4	93.7	95.8	122.7
30 Foreign	6.1	15.4	13.3	20.8	13.9	32.3	21.1	10.5	17.3	20.6	43.9	15.3
31 Corporate equities	−.2	−.2	.2	.3	.4	−.5	.3	.6	.2	−.8	−.2	−.1
32 Debt instruments	6.3	15.7	13.2	20.5	13.5	32.8	20.8	9.9	17.1	21.4	44.1	15.4
33 Bonds	1.0	2.1	6.2	8.6	5.1	4.0	9.7	4.4	5.7	5.0	3.0	3.5
34 Bank loans n.e.c.	2.7	4.7	3.9	6.8	3.1	18.3	5.1	−.4	6.5	9.3	27.3	2.8
35 Open market paper	.9	7.3	.3	1.9	2.4	6.6	2.4	2.7	2.2	3.6	9.6	6.1
36 U.S. government loans	1.7	1.6	2.8	3.3	3.0	3.9	3.6	3.1	2.9	3.6	4.2	3.1
						Financial sectors						
37 **Total funds raised**	**44.8**	**39.2**	**12.7**	**24.1**	**54.0**	**81.4**	**28.5**	**47.7**	**60.3**	**80.7**	**82.1**	**90.9**
By instrument												
38 U.S. government related	19.9	23.1	13.5	18.6	26.3	41.4	20.7	22.6	29.9	38.5	44.3	48.0
39 Sponsored credit agency securities	16.3	16.6	2.3	3.3	7.0	23.1	4.3	7.1	6.8	21.9	24.3	21.4
40 Mortgage pool securities	3.6	5.8	10.3	15.7	20.5	18.3	17.2	17.9	23.1	16.6	20.1	26.6
41 Loans from U.S. government	0	.7	.9	−.4	−1.2	0	−.7	−2.3	0	0	0	0
42 Private financial sectors	24.9	16.2	−.8	5.5	27.7	40.0	7.8	25.1	30.4	42.2	37.8	42.9
43 Corporate equities	1.5	.3	.6	1.0	.9	1.7	2.3	.9	.8	2.2	1.1	2.3
44 Debt instruments	23.4	15.9	−1.4	4.4	26.9	38.3	5.6	24.2	29.6	40.0	36.7	40.5
45 Corporate bonds	3.5	2.1	2.9	5.8	10.1	7.5	5.1	10.2	10.1	8.5	6.4	10.1
46 Mortgages	−1.2	−1.3	2.3	2.1	3.1	.9	2.8	3.1	3.0	2.1	−.3	−.4
47 Bank loans n.e.c.	9.0	4.6	−3.7	−3.7	−.3	2.8	−5.3	−1.8	1.2	2.5	3.1	−1.4
48 Open market paper and RPs	4.9	3.8	1.1	2.2	9.6	14.6	5.0	9.8	9.5	13.5	15.7	24.5
49 Loans from FHLBs	7.2	6.7	−4.0	−2.0	4.3	12.5	−2.0	2.9	5.8	13.2	11.8	7.7
By sector												
50 Sponsored credit agencies	16.3	17.3	3.2	2.6	5.8	23.1	3.5	4.7	6.8	21.9	24.3	21.4
51 Mortgage pools	3.6	5.8	10.3	15.7	20.5	18.3	17.2	17.9	23.1	16.6	20.1	26.6
52 Private financial sectors	24.9	16.2	−.8	5.5	27.7	40.0	7.8	25.1	30.4	42.2	37.8	42.9
53 Commercial banks	1.2	1.2	1.2	2.3	1.1	1.3	2.1	.8	1.5	1.5	1.1	1.1
54 Bank affiliates	2.2	3.5	.3	−.8	1.3	6.7	−.3	1.3	1.2	5.8	7.6	6.2
55 Savings and loan associations	6.0	4.8	−2.3	.1	9.9	14.3	.3	8.3	11.5	16.4	12.2	10.4
56 Other insurance companies	.5	.9	1.0	.9	.9	1.1	.9	.9	1.0	1.0	1.1	1.0
57 Finance companies	9.5	6.0	.5	6.4	17.6	18.6	7.2	16.7	18.5	18.9	18.2	24.7
58 REITs	6.5	.6	−1.4	−2.4	−2.2	−1.0	−2.7	−2.4	−2.0	−1.0	−1.0	−.4
59 Open-end investment companies	−1.2	−.7	−.1	−1.0	−.9	−1.0	.4	−.6	−1.3	−.5	−1.5	−.3
						All sectors						
60 **Total funds raised, by instrument**	**248.0**	**230.5**	**223.5**	**296.0**	**392.5**	**481.7**	**303.4**	**345.8**	**439.2**	**465.2**	**498.3**	**477.4**
61 Investment compnay shares	−1.2	−.7	−.1	−1.0	−.9	−1.0	.4	−.6	−1.3	−.5	−1.5	−.3
62 Other corporate equities	10.4	4.8	10.8	12.9	4.9	4.7	9.9	2.6	7.2	.1	9.4	5.3
63 Debt instruments	238.8	226.4	212.8	284.1	388.5	478.0	293.1	343.8	433.3	465.5	490.4	472.4
64 U.S. government securities	28.3	34.3	98.2	88.1	84.3	95.2	82.9	71.2	97.4	100.0	90.4	75.3
65 State and local obligations	14.7	16.5	16.1	15.7	23.7	28.3	10.9	22.3	25.0	27.8	28.7	17.5
66 Corporate and foreign bonds	13.6	23.9	36.4	37.2	36.1	31.6	37.7	31.2	41.1	34.2	29.1	37.2
67 Mortgages	79.9	60.5	57.2	87.1	134.0	149.0	95.5	122.9	145.1	141.6	156.4	163.2
68 Consumer credit	26.0	9.9	9.7	25.6	40.6	50.6	27.6	36.6	44.5	50.1	51.0	47.7
69 Bank loans n.e.c.	48.8	41.0	−12.2	7.0	29.8	58.4	10.6	25.1	34.4	54.9	61.8	50.3
70 Open market paper and RPs	8.3	17.7	−1.2	8.1	15.0	26.4	9.6	15.9	14.0	22.4	30.4	41.3
71 Other loans	19.1	22.7	8.7	15.3	25.2	38.6	18.23	18.5	31.8	34.6	42.5	39.9

1.60 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1973	1974	1975	1976	1977	1978	1976	1977		1978		1979
							H2	H1	H2	H1	H2	H1
1 **Total funds advanced in credit markets to nonfinancial sectors**	**195.4**	**187.4**	**200.7**	**261.1**	**355.4**	**398.2**	**266.8**	**296.9**	**373.8**	**387.1**	**409.3**	**383.8**
By public agencies and foreign												
2 Total net advances	31.8	53.7	44.6	54.3	85.1	109.7	60.3	66.1	104.2	102.8	116.6	47.3
3 U.S. government securities	9.5	11.9	22.5	26.8	40.2	43.9	30.2	27.1	53.3	43.7	44.0	−27.4
4 Residential mortgages	8.2	14.7	16.2	12.8	20.4	26.5	14.7	18.9	22.0	22.2	30.7	36.2
5 FHLB advances to S&Ls	7.2	6.7	−4.0	−2.0	4.3	12.5	−2.0	2.9	5.8	13.2	11.8	7.7
6 Other loans and securities	6.9	20.5	9.8	16.6	20.2	26.9	17.4	17.2	23.1	23.7	30.1	30.7
Total advanced, by sector												
7 U.S. government	2.8	9.8	15.1	8.9	11.8	20.4	11.9	5.9	17.8	19.4	21.4	24.4
8 Sponsored credit agencies	19.1	26.5	14.8	20.3	26.8	44.6	22.2	21.6	32.0	39.4	49.8	52.9
9 Monetary authorities	9.2	6.2	8.5	9.8	7.1	7.0	6.2	10.2	4.0	13.4	.5	−.6
10 Foreign	.6	11.2	6.1	15.2	39.4	37.7	20.0	28.3	50.4	30.6	44.9	29.5
11 Agency borrowing not included in line 1	19.9	23.1	13.5	18.6	26.3	41.4	20.7	22.6	29.9	38.5	44.3	48.0
Private domestic funds advanced												
12 Total net advances	183.6	156.8	169.7	225.4	276.5	330.0	227.2	253.5	299.6	322.8	337.1	384.6
13 U.S. government securities	18.8	22.4	75.7	61.3	44.1	51.3	52.7	44.1	44.1	56.3	46.4	102.6
14 State and local obligations	14.7	16.5	16.1	15.7	23.7	28.3	10.9	22.3	25.0	27.8	28.7	17.5
15 Corporate and foreign bonds	10.0	20.9	32.8	30.5	22.5	22.5	31.8	18.0	27.0	24.1	20.9	28.4
16 Residential mortgages	48.4	26.9	23.2	52.7	83.3	88.2	58.2	77.1	89.4	86.7	89.6	84.5
17 Other mortgages and loans	98.8	76.8	17.9	63.3	107.3	152.2	71.6	94.9	119.7	141.1	163.3	159.3
18 LESS: FHLB advances	7.2	6.7	−4.0	−2.0	4.3	12.5	−2.0	2.9	5.8	13.2	11.8	7.7
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	161.3	125.5	122.5	190.3	255.9	296.9	202.2	249.1	265.0	301.7	292.0	324.4
20 Commercial banking	84.6	66.6	29.4	59.6	87.6	128.7	68.3	84.6	90.7	132.5	125.0	131.4
21 Savings institutions	35.1	24.2	53.5	70.8	82.0	75.9	70.4	81.4	82.6	75.8	75.9	59.3
22 Insurance and pension funds	23.7	29.8	40.6	49.9	67.9	73.5	47.9	65.2	70.6	76.9	70.2	81.3
23 Other finance	17.9	4.8	−1.0	10.0	18.4	18.7	15.5	18.0	21.2	16.6	20.8	52.4
24 Source of funds	161.3	125.5	122.5	190.3	255.9	296.9	202.2	249.1	265.0	301.7	292.0	324.4
25 Private domestic deposits	97.3	67.5	92.0	124.6	141.2	142.5	132.4	138.6	143.8	138.3	146.7	111.8
26 Credit market borrowing	23.4	15.9	−1.4	4.4	26.9	38.3	5.6	24.2	29.6	40.0	36.7	40.5
27 Other sources	40.6	42.1	32.0	61.3	87.8	116.0	64.2	86.2	91.7	123.5	108.6	172.1
28 Foreign funds	3.0	10.3	−8.7	−4.6	1.2	6.3	−2.8	1.6	.8	5.7	6.9	52.2
29 Treasury balances	−1.0	−5.1	−1.7	−.1	4.3	6.8	−3.9	.1	8.5	1.9	11.6	5.5
30 Insurance and pension reserves	18.4	26.2	29.7	34.5	49.4	62.7	33.2	45.3	53.4	66.2	59.2	60.8
31 Other, net	20.2	10.6	12.7	31.4	32.9	40.3	37.8	39.3	29.0	49.6	31.0	53.6
Private domestic nonfinancial investors												
32 Direct lending in credit markets	45.7	47.2	45.8	39.5	47.5	71.4	30.6	28.6	64.1	61.1	81.7	100.7
33 U.S. government securities	18.8	18.9	24.1	16.1	23.0	33.2	11.0	11.9	34.2	32.1	34.4	66.5
34 State and local obligations	5.4	9.3	8.4	3.8	2.6	4.5	−1.5	−.5	5.7	7.0	2.0	−3.0
35 Corporate and foreign bonds	2.0	5.1	8.4	5.8	−3.3	−1.4	6.0	−.1	−6.5	−3.7	1.0	3.8
36 Commercial paper	9.8	5.8	−1.3	1.9	9.5	16.3	1.6	8.2	10.8	8.2	24.4	9.4
37 Other	9.7	8.0	6.2	11.8	15.7	18.7	13.5	9.2	19.9	17.5	20.0	24.1
38 Deposits and currency	101.2	73.8	98.1	131.9	149.5	151.8	141.0	144.5	154.5	148.7	154.8	121.8
39 Security RPs	11.0	−2.2	.2	2.3	2.2	7.5	3.2	4.3	.2	9.8	5.1	10.5
40 Money market fund shares	......	2.4	1.3	*	.2	6.9	.5	−.5	.9	6.1	7.7	30.2
41 Time and savings accounts	75.7	65.4	84.0	113.5	121.0	115.2	122.9	115.3	126.7	110.7	119.8	77.2
42 Large negotiable CDS	17.8	18.4	−14.3	−13.6	9.0	10.8	−7.8	−4.5	22.6	10.1	11.4	−39.4
43 Other at commercial banks	29.5	25.3	38.8	57.9	43.0	43.3	61.5	47.5	38.4	42.1	44.5	61.1
44 At savings institutions	28.5	21.8	59.4	69.1	69.0	61.1	69.3	72.3	65.7	58.5	63.8	55.5
45 Money	14.5	8.2	12.6	16.1	26.1	22.2	14.3	25.4	26.8	22.1	22.3	3.8
46 Demand depostis	10.6	1.9	6.4	8.8	17.8	12.9	5.8	19.6	16.1	11.6	14.2	−6.1
47 Currency	3.9	6.3	6.2	7.3	8.3	9.3	8.6	5.8	10.8	10.5	8.1	10.0
48 **Total of credit market instrument, deposits and currency**	**146.9**	**121.0**	**143.9**	**171.4**	**197.0**	**223.2**	**171.6**	**173.1**	**218.6**	**209.8**	**236.6**	**222.5**
49 Public support rate (in percent)	16.3	28.7	22.2	20.8	25.4	27.5	22.6	22.2	27.9	26.5	28.5	12.3
50 Private financial intermediation (in percent)	87.9	80.0	72.2	84.4	92.5	90.0	89.0	98.2	88.5	93.5	86.6	84.4
51 Total foreign funds	3.6	21.5	−2.6	10.6	40.5	44.0	17.3	29.9	51.2	36.3	51.8	22.7
MEMO: Corporate equities not included above												
52 **Total net issues**	**9.2**	**4.1**	**10.7**	**11.9**	**4.0**	**3.7**	**10.3**	**2.1**	**5.9**	**−.4**	**7.9**	**5.0**
53 Mutual fund shares	−1.2	−.7	−.1	−1.0	−.9	−1.0	.4	−.6	−1.3	−.5	−1.5	−.3
54 Other equities	10.4	4.8	10.8	12.9	4.9	4.7	9.9	2.6	7.2	.1	9.4	5.3
55 Acquisitions by financial institutions	13.1	5.8	9.6	12.3	7.4	7.6	11.8	6.8	8.1	.4	14.7	14.2
56 Other net purchases	−3.9	−1.7	1.1	−.4	−3.4	−3.8	−1.5	−4.7	−2.2	−.8	−6.8	−9.2

NOTES BY LINE NUMBER.
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, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, 33.
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. Sum of lines 39 and 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 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1977	1978	1979	1979							1980
				June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.
1 **Industrial production**[1]	**138.2**	**146.1**	**152.2**	**152.6**	**152.8**	**151.6**	**152.4**	**152.2**	**152.1**	**152.3**	**152.7**
Market groupings											
2 Products, total	137.9	144.8	149.8	150.2	149.7	148.7	149.9[r]	149.6	149.4	149.9	150.1
3 Final, total	135.9	142.2	147.0	147.6	147.1	145.6	147.2[r]	146.8	146.7	147.2	147.4
4 Consumer goods	145.3	149.1	150.5	151.8	150.8	148.2	149.7[r]	149.7	148.9	148.9	148.4
5 Equipment	123.0	132.8	142.2	141.9	142.1	141.8	143.9[r]	142.9	143.7	144.9	146.1
6 Intermediate	145.1	154.1	160.0	159.5	159.4	160.6	159.8[r]	159.8	159.7	159.8	160.1
7 Materials	138.6	148.3	156.0	156.5	157.6	156.0	156.3[r]	156.3	156.2	156.1	156.6
Industry groupings											
8 Manufacturing	138.4	146.8	153.3	153.9	154.1	152.4	153.5[r]	153.2	152.9	152.9	153.3
Capacity utilization (percent)[1,2]											
9 Manufacturing	81.9	84.4	85.7	86.2	86.1	84.9	85.3	84.9	84.6	84.3	84.3
10 Industrial materials industries	82.7	85.6	85.6	87.5	87.9	86.8	86.7	86.6	86.3	85.9	86.0
11 Construction contracts[3]	160.5	174.3	....	177.0	165.0	164.0	185.0	171.0	156.0	183.0	n.a.
12 Nonagricultural employment, total[4]	125.3	131.4	136.0	136.2	136.3	136.4	136.5	136.8	136.9	137.1	137.6
13 Goods-producing, total	104.5	109.8	114.0	114.4	114.7	114.1	114.1	114.0	113.8	114.4	114.6
14 Manufacturing, total	101.2	105.3	107.9	108.3	108.4	107.8	107.7	107.5	107.1	107.4	107.3
15 Manufacturing, production-worker	98.8	102.8	104.9	105.5	105.5	104.5	104.5	104.1	103.6	103.9	103.7
16 Service-producing	136.7	143.2	148.1	148.1	148.2	148.7[r]	148.8[r]	149.3	149.6	149.6	150.2
17 Personal income, total[5]	244.4	274.1	306.9	304.0	308.5	310.6[r]	312.8[r]	315.9	319.2	322.8	n.a.
18 Wages and salary disbursements	230.2	258.1	287.1	285.5	287.7	289.2	291.9[r]	294.1	297.1	300.0	n.a.
19 Manufacturing	198.3	222.4	246.8	245.9	247.6	246.3	248.7[r]	250.6	251.9	255.0	n.a.
20 Disposable personal income	194.8	217.7	....	....	....	244.8	....	....	250.6	....	n.a.
21 Retail sales[6]	229.8	253.8	280.9	274.4	276.5	285.8	293.9	288.9	292.0	293.5	300.1
Prices[7]											
22 Consumer	181.5	195.4	....	216.6	218.9	221.1	223.4	225.4	227.5	229.9	n.a.
23 Producer finished goods	180.6	194.6	....	213.7	216.2	217.3	220.4	223.7	225.9	227.8	n.a.

1. The industrial production and capacity utilization series have been revised. For a description of the changes see the August 1979 BULLETIN, pp. 603–07.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce). Series for disposable income is quarterly.
6. Based on Bureau of Census data published in *Survey of Current Business* (U.S. Department of Commerce).
7. Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Department of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

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

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

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1979				1979				1979			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3[r]	Q4[r]	Q1[r]	Q2[r]	Q3	Q4[r]
	Output (167 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**153.4**	**153.1**	**153.3**	**153.0**	**176.9**	**178.2**	**179.5**	**180.8**	**86.7**	**85.9**	**85.4**	**84.6**
2 Primary processing	162.1	161.9	163.4	161.9[r]	182.7	184.2	185.7	187.2	88.7	87.9	88.0	86.5
3 Advanced processing	148.7	148.5	148.1	148.2	173.8	175.0	176.2	177.4	85.6	84.8	84.0	83.5
4 **Materials**	**155.5**	**155.6**	**156.6**	**156.2**[r]	**176.7**[r]	**178.1**	**179.5**	**181.0**	**88.0**	**87.3**	**87.2**[r]	**86.3**
5 Durable goods	158.4	157.7	158.7	156.2[r]	181.5	183.0	184.5	186.0	87.3	86.2	86.0	84.0
6 Metal materials	124.7	124.3	126.9	119.6	139.8	140.3	140.7	141.1	89.2	88.5	90.2	84.8
7 Nondurable goods	172.2	173.4	175.7	177.8[r]	191.7[r]	193.5[r]	195.3	197.3	89.8	89.6	89.9[r]	90.1
8 Textile, paper, and chemical	179.1	181.3	184.3	186.4[r]	199.4[r]	201.3[r]	203.2	205.3	89.8	90.0	90.7[r]	90.8
9 Textile	118.2	119.6	122.4	123.6	136.9	137.3	137.7	138.1	86.3	87.1	88.9	89.5
10 Paper	136.9	140.7	147.0	148.1	148.6[r]	149.6[r]	150.6	151.6	92.1	94.0	97.6[r]	97.6
11 Chemical	222.7	224.8	226.6	229.5	247.2[r]	250.3[r]	253.3	256.3	90.1	89.8	89.5[r]	89.5
12 Energy	127.9	128.1	128.3	129.4[r]	146.7	147.5	148.3	149.2	87.1	86.9	86.5	86.7

1. The capacity utilization series has been revised. For a description of the changes, see the August 1979 BULLETIN, pp. 606–07.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1977	1978	1979	1979						1980
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
HOUSEHOLD SURVEY DATA										
1 **Noninstitutional population**[1]	**158,559**	**161,058**	**163,620**	**163,685**	**163,891**	**164,106**	**164,468**	**164,682**	**164,898**	**165,101**
2 Labor force (including Armed Forces)[1]	99,534	102,537	104,996	105,141	105,218	105,586	105,688	105,744	106,088	106,310
3 Civilian labor force	97,401	100,420	102,908	103,059	103,128	103,494	103,595	103,652	103,999	104,229
Employment										
4 Nonagricultural industries[2]	87,302	91,031	93,648	93,949	93,689	94,,140	94,180	94,223	94,553	94,534
5 Agriculture	3,244	3,342	3,297	3,262	3,315	3,364	3,294	3,385	3,359	3,270
Unemployment										
6 Number	6,855	6,047	5,963	5,848	6,124	5,990	6,121	6,044	6,087	6,425
7 Rate (percent of civilian labor force)	7.0	6.0	5.8	5.7	5.9	5.8	5.9	5.8	5.9	6.2
8 Not in labor force	59,025	58,521	58,623	58,545	58,673	58,519	58,780	59,937	58,810	58,791
ESTABLISHMENT SURVEY DATA										
9 ***Nonagricultural payroll employment***[3]	**82,423**	**86,446**	**89,497**	**89,713**	**89,762**	**89,803**	**89,982**	**90,100r**	**90,231r**	**90,536**
10 Manufacturing	19,682	20,476	20,979	21,079	20,957	20,949	20,899	20,836r	20,882r	20,867
11 Mining	813	851	958	956	968	973	979	983r	992r	995
12 Contract construction	3,851	4,271	4,642	4,688	4,674	4,671	4,694	4,714r	4,780r	4,843
13 Transportation and public utilities	4,713	4,927	5,154	5,169	5,194	5,180	5,218	5,229r	5,206r	5,236
14 Trade	18,516	19,499	20,140	20,122	20,126	20,169	20,243	20,308r	20,246r	20,378
15 Finance	4,467	4,727	4,964	4,972	5,003	4,997	5,018	5,039r	5,054r	5,071
16 Service	15,303	16,220	17,047	17,092	17,141	17,191	17,257	17,298r	17,360r	17,414
17 Government	15,079	15,476	15,613	15,635	15,699	15,673	15,674	15,693r	15,711r	15,732

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 Indexes and Gross Value[1]

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1979 Average	1978 Nov.	1978 Dec.	1979 Jan.	1979 May	1979 June	1979 July	1979 Aug.	1979 Sept.	1979 Oct.r	1979 Nov.	1979 Dec.p	1980 Jan.e
	Index (1967 = 100)													
MAJOR MARKET														
1 **Total index**	**100.00**	**152.2**	**150.6**	**151.8**	**151.5**	**152.4**	**152.6**	**152.8**	**151.6**	**152.4**	**152.2**	**152.1**	**152.3**	**152.7**
2 Products	60.71	149.8	148.0	149.0	149.2	150.3	150.2	149.7	148.7	149.9	149.6	149.4	149.9	150.1
3 Final products	47.82	147.0	145.3	146.1	146.1	147.8	147.6	147.1	145.6	147.2	146.8	146.7	147.2	147.4
4 Consumer goods	27.68	150.5	151.3	151.5	150.6	152.0	151.8	150.8	148.2	149.7	149.7	148.9	148.9	148.4
5 Equipment	20.14	142.2	137.1	138.6	139.9	141.9	141.9	142.1	141.8	143.9	142.9	143.7	144.9	146.1
6 Intermediate products	12.89	160.0	157.8	159.9	160.8	159.5	159.5	159.4	160.6	159.8	159.8	159.7	159.8	160.1
7 Materials	39.29	156.0	154.5	156.2	155.0	155.7	156.5	157.6	156.0	156.3	156.3	156.2	156.1	156.6
Consumer goods														
8 Durable consumer goods	7.89	155.6	162.9	161.8	160.4	160.5	158.6	157.2	147.5	151.8	152.6	149.3	147.6	144.4
9 Automotive products	2.83	167.9	190.2	186.9	181.4	182.7	175.9	170.3	147.3	157.6	159.2	150.6	143.3	133.8
10 Autos and utility vehicles	2.03	154.3	185.0	179.2	173.2	176.3	167.4	155.6	125.1	139.7	142.4	131.0	121.2	108.2
11 Autos	1.90	136.7	159.7	151.9	145.8	153.1	148.0	141.8	118.5	128.0	129.0	118.3	110.2	98.5
12 Auto parts and allied goods	80	202.3	203.2	206.5	202.2	199.0	197.5	207.8	203.7	203.0	202.1	200.3	199.7	199.0
13 Home goods	5.06	148.7	147.6	147.7	148.6	148.1	148.8	149.8	147.7	148.5	148.8	148.5	149.9	150.3
14 Appliances, A/C, and TV	1.40	127.4	129.1	129.8	124.0	128.4	129.3	129.7	121.2	129.6	128.0	128.6	135.9	135.0
15 Appliances and TV	1.33	129.3	130.1	130.6	124.8	130.2	131.2	131.6	124.1	132.2	130.2	131.4	138.2	....
16 Carpeting and furniture	1.07	170.7	164.2	164.3	170.7	170.2	170.6	171.9	171.7	169.7	169.2	170.3	168.5	....
17 Miscellaneous home goods	2.59	151.2	150.7	150.6	152.8	149.6	150.5	151.6	152.1	150.0	151.7	150.3	149.9	150.8
18 Nondurable consumer goods	19.79	148.5	146.7	147.3	146.7	148.7	149.1	148.2	148.5	148.9	148.6	148.7	149.4	150.0
19 Clothing	4.29	....	132.4	132.2	130.1	128.6	130.7	126.9	128.0	129.0	127.7	129.1	....	....
20 Consumer staples	15.50	153.9	150.6	151.5	151.3	154.2	154.2	154.1	154.2	154.3	154.3	154.2	155.1	155.7
21 Consumer foods and tobacco	8.33	145.4	141.7	143.2	141.8	145.7	146.2	147.0	145.3	146.5	146.7	145.7	146.5	....
22 Nonfood staples	7.17	163.7	161.0	161.2	162.4	164.1	163.5	162.4	164.6	163.5	163.2	164.0	165.1	166.6
23 Consumer chemical products	2.63	205.7	195.9	196.5	200.3	205.2	205.9	206.1	209.2	207.2	206.4	207.9	209.8	....
24 Consumer paper products	1.92	120.9	119.0	118.0	119.2	121.3	121.1	119.9	121.2	121.1	121.6	120.3	120.9	....
25 Consumer energy products	2.62	153.0	156.8	157.6	156.0	154.3	152.0	149.8	151.6	150.8	150.5	151.9	152.6	....
26 Residential utilities	1.45	....	162.7	162.5	166.2	167.8	162.3	158.5	163.5	162.2	164.2	166.7	....	....
Equipment														
27 Business	12.63	171.4	165.0	166.8	168.1	171.4	171.5	171.4	171.5	173.6	172.0	172.7	174.5	176.3
28 Industrial	6.77	152.2	147.6	148.4	151.4	151.8	152.0	151.3	151.7	153.5	151.2	153.3	154.8	159.8
29 Building and mining	1.44	206.4	207.8	206.3	208.8	203.7	205.3	207.4	210.6	212.0	200.6	204.4	209.0	229.4
30 Manufacturing	3.85	130.4	123.3	124.5	127.4	130.1	130.1	130.3	131.1	130.4	130.8	132.5	133.2	134.0
31 Power	1.47	156.3	152.1	154.2	157.8	157.7	156.8	151.0	147.7	156.3	156.3	157.6	157.9	158.9
32 Commercial transit, farm	5.86	193.4	185.0	188.0	187.4	193.9	194.0	194.6	194.4	196.8	195.9	195.2	197.4	195.4
33 Commerical	3.26	227.8	217.8	218.7	220.8	224.9	226.4	227.0	230.5	231.4	234.2	233.2	235.1	236.3
34 Transit	1.93	152.2	145.7	151.0	146.8	156.7	155.3	155.2	149.4	156.3	154.9	150.3	153.9	145.8
35 Farm	67	144.8	138.5	144.6	142.0	150.8	148.1	151.0	148.3	145.3	128.0	139.5	139.5	....
36 Defense and space	7.51	93.2	90.3	91.4	92.4	92.5	92.3	92.8	92.0	94.0	94.0	94.8	95.0	95.2
Intermediate products														
37 Construction supplies	6.42	156.9	156.1	158.3	159.1	156.4	156.3	156.4	157.3	156.3	156.8	156.7	156.3	156.2
38 Business supplies	6.47	163.0	159.6	161.5	162.5	162.5	162.6	162.4	163.8	163.2	162.7	162.6	163.2	....
39 Commercial energy products	1.14	172.2	171.3	173.0	173.6	172.6	169.4	167.8	170.7	169.8	172.2	174.4	175.0	....
Materials														
40 Durable goods materials	20.35	157.7	157.0	159.5	158.1	157.9	159.5	160.7	157.7	157.6	157.2	155.9	155.5	155.7
41 Durable consumer parts	4.58	137.1	147.2	148.6	148.5	142.5	141.8	138.5	129.7	132.2	132.0	126.8	123.7	122.5
42 Equipment parts	5.44	189.9	176.7	179.2	182.2	188.0	191.0	192.1	190.7	192.0	192.7	195.1	196.4	198.7
43 Durable materials n.e.c.	10.34	150.0	151.0	154.0	149.7	149.0	150.8	154.0	152.7	150.7	149.6	148.2	148.0	147.7
44 Basin metal materials	5.57	124.1	130.2	132.0	124.4	122.9	126.1	130.5	127.7	124.8	121.4	119.9	118.3	....
45 Nondurable goods materials	10.47	174.8	170.2	171.9	171.0	173.8	173.4	174.6	175.8	176.7	177.2	177.7	178.6	179.3
46 Textile, paper, and chemical materials	7.62	182.8	177.1	178.9	177.5	181.5	181.7	182.8	184.3	185.9	186.1	185.9	187.2	188.3
47 Textile materials	1.85	121.0	118.8	120.1	118.3	118.8	122.9	122.2	120.6	124.4	124.3	123.2	123.3	....
48 Paper materials	1.62	143.1	137.9	139.1	133.3	140.1	141.1	146.2	146.7	148.1	148.6	148.4	147.2	....
49 Chemical materials	4.15	225.9	218.4	220.8	221.2	225.7	223.9	224.1	227.5	228.2	228.4	228.6	231.5	....
50 Containers, nondurable	1.70	164.5	163.1	164.8	167.8	163.3	159.2	163.1	162.9	161.8	166.1	167.8	167.9	....
51 Nondurable materials n.e.c.	1.14	136.6	135.2	135.7	132.5	138.4	139.0	137.5	138.2	136.9	134.4	137.8	136.5	....
52 Energy materials	8.48	128.5	129.3	128.8	127.8	127.7	128.3	129.1	127.7	128.1	128.5	130.0	129.6	130.7
53 Primary energy	4.65	113.1	117.0	116.1	111.9	111.7	112.4	112.8	112.0	113.6	114.6	114.6	114.7	....
54 Converted fuel materials	3.82	147.2	144.4	144.4	147.0	147.2	147.6	148.8	146.9	145.7	145.3	148.8	147.8	....
Supplementary groups														
55 Home goods and clothing	9.35	139.7	140.6	140.6	140.1	139.1	140.5	139.3	138.6	139.5	139.1	139.6	140.4	140.7
56 Energy, total	12.23	137.8	139.1	139.1	138.1	137.6	137.2	137.1	136.8	136.8	137.2	138.9	138.8	140.0
57 Products	3.76	158.8	161.2	162.2	161.4	159.9	157.3	155.2	157.4	156.5	157.1	158.7	159.4	....
58 Materials	8.48	128.5	129.3	128.8	127.8	127.7	128.3	129.1	127.7	128.1	128.5	130.0	129.6	130.7

For notes see opposite page.

2.13 Continued

Grouping	SIC code	1967 proportion	1979 Average	1978 Nov.[c]	1978 Dec.	1979 Jan.	1979 May	1979 June	1979 July	1979 Aug.[c]	1979 Sept.	1979 Oct.[r]	1979 Nov.	1979 Dec.[p]	1980 Jan.[e]
							Index (1967 = 100)								
MAJOR INDUSTRY															
1 Mining and utilities	....	12.05	144.6	144.8	145.0	143.9	143.4	143.0	143.7	144.9	144.5	146.0	147.6	149.0	149.7
2 Mining	....	6.36	125.3	128.0	127.4	123.8	122.8	123.9	124.7	126.4	125.8	128.1	129.8	132.0	132.9
3 Utilities	....	5.69	166.2	163.7	164.7	166.2	166.5	164.2	164.8	165.5	165.3	166.1	167.4	168.0	168.4
4 Electric	....	3.88	....	185.2	186.7	188.4	186.4	182.4	182.2	183.6	184.1	184.3	....	....	....
5 Manufacturing	....	87.95	153.3	151.6	152.9	152.5	153.8	153.9	154.1	152.4	153.5	153.2	152.9	152.9	153.3
6 Nondurable	....	35.97	163.3	160.4	161.7	160.7	162.8	163.0	164.1	164.3	164.6	164.0	164.4	164.7	165.5
7 Durable	....	51.98	146.4	145.5	146.8	146.8	147.6	147.6	147.2	144.2	145.9	145.7	144.9	144.7	144.8
Mining															
8 Metal	10	.51	126.7	124.3	123.8	124.2	123.1	123.2	128.6	126.5	122.1	124.1	132.0	135.7	....
9 Coal	11,12	.69	133.6	144.6	144.7	115.9	133.4	137.5	137.1	144.1	142.6	144.7	141.9	147.7	147.3
10 Oil and gas extraction	13	4.40	121.7	124.8	123.8	123.0	118.6	119.6	120.4	121.6	121.6	124.2	125.7	127.7	129.0
11 Stone and earth minerals	14	.75	137.5	133.8	134.8	135.9	137.8	137.3	136.4	138.3	137.5	138.2	141.2	140.3	....
Nondurable manufacturers															
12 Foods	20	8.75	147.9	143.7	144.7	143.9	149.2	149.5	149.4	148.1	148.8	148.6	148.3	148.2	....
13 Tobacco products	21	.67	117.2	118.8	119.1	120.6	120.2	118.3	118.9	107.5	115.6	115.6	114.7	....	....
14 Textile mill products	22	2.68	143.8	140.4	141.7	141.6	141.5	114.6	143.0	144.1	146.9	146.0	147.4	146.6	....
15 Apparel products	23	3.31	130.8	135.8	136.5	130.3	128.2	132.0	129.7	130.1	131.2	128.5	129.3	....	....
16 Paper and products	26	3.21	150.8	146.7	148.5	144.6	147.9	148.0	154.0	153.9	155.3	154.1	153.3	153.9	154.4
17 Printing and publishing	27	4.72	136.9	133.7	134.4	135.6	136.8	136.9	135.6	137.7	137.1	137.2	136.5	137.9	139.3
18 Chemicals and products	28	7.74	210.4	204.6	207.2	206.5	209.7	207.8	210.5	213.1	212.0	211.4	214.5	216.6	....
19 Petroleum products	29	1.79	143.6	150.2	151.3	147.0	142.4	143.9	143.9	143.0	143.1	141.1	141.6	142.5	145.0
20 Rubber and plastic products	30	2.24	270.4	263.0	263.3	267.4	270.0	270.0	278.0	275.7	272.9	274.5	271.1	266.0	....
21 Leather and products	31	.86	71.2	73.4	73.8	74.8	72.3	70.1	69.7	69.7	70.8	70.1	70.4	70.9	....
Durable manufactures															
22 Ordnance, private and government	19,91	3.64	75.3	74.2	74.6	74.9	75.3	75.1	74.6	74.9	75.3	75.3	75.9	75.7	75.5
23 Lumber and products	24	1.64	136.9	140.1	144.0	137.3	136.1	136.8	135.2	138.0	138.6	138.7	135.6	133.4	....
24 Furniture and fixtures	25	1.37	161.4	158.6	157.6	161.7	159.6	159.6	159.5	161.7	162.0	163.3	162.9	160.7	....
25 Clay, glass, stone products	32	2.74	163.2	162.1	164.0	167.4	163.8	162.7	163.3	161.4	160.6	162.3	162.8	163.5	....
26 Primary metals	33	6.57	121.3	130.8	132.1	123.4	121.0	124.3	127.1	121.0	121.7	118.0	117.2	116.4	114.6
27 Iron and steel	331,2	4.21	113.3	124.4	125.3	113.3	114.3	118.1	119.0	112.0	115.0	108.2	108.0	107.8	....
28 Fabricated metal products	34	5.93	148.6	145.6	147.1	149.1	150.3	149.3	149.3	147.6	146.5	147.5	146.9	146.8	146.7
29 Nonelectrical machinery	35	9.15	163.7	157.8	158.1	161.2	164.3	164.5	165.3	166.2	165.1	162.3	163.1	162.5	167.9
30 Electrical machinery	36	8.05	175.0	165.2	167.7	170.9	174.7	175.1	174.4	171.7	176.7	177.3	179.4	181.4	182.2
31 Transportation equipment	37	9.27	135.3	142.1	142.9	141.2	141.9	139.4	135.5	124.7	131.7	133.7	128.2	126.2	121.8
32 Motor vehicles and parts	371	4.50	160.0	181.9	182.1	177.9	176.3	169.6	160.2	138.5	150.6	150.6	139.9	135.4	126.7
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	112.0	104.7	106.0	106.6	109.6	111.0	112.2	111.8	113.9	117.7	117.1	117.6	117.3
34 Instruments	38	2.11	174.9	171.3	173.1	175.2	174.7	175.9	174.0	173.9	172.9	175.0	173.4	175.9	175.7
35 Miscellaneous manufactures	39	1.51	153.9	151.1	151.7	152.0	150.7	152.7	155.7	155.7	153.6	154.5	155.3	156.0	156.1
							Gross value (billions of 1972 dollars, annual rates)								
MAJOR MARKET															
36 Products, total	....	**507.4**	**623.9**	**625.0**	**631.1**	**626.8**	**632.3**	**628.7**	**622.7**	**613.0**	**622.6**	**621.6**	**617.0**	**618.0**	**617.4**
37 Final	....	390.9[2]	479.8	482.8	486.6	481.7	488.2	485.1	479.6	468.8	478.8	477.6	473.7	474.6	473.6
38 Consumer goods	....	277.5[2]	326.2	332.8	334.1	328.9	331.5	329.8	326.0	319.2	323.6	324.6	321.8	321.4	319.2
39 Equipment	....	113.4[2]	153.6	150.0	152.4	152.9	156.7	155.4	153.6	149.6	155.2	153.0	151.9	153.2	154.4
40 Intermediate	....	116.6[2]	144.1	142.3	144.5	145.1	144.2	143.6	143.2	144.2	143.8	144.0	143.3	143.4	143.8

1. The industrial prodcution series has been revised. For a description of the changes, see "Revision of Industrial Production Index" in the August 1979 BULLETIN, pp. 603–05.
2. 1972 dollars.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

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

Item	1977	1978	1979	1979 June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
	Private residential real estate activity (thousand of units)									
NEW UNITS										
1 Permits authorized	1,677	1,801	1,537	1,639	1,528	1,654	1,775	1,542	1,263	1,204
2 1-family	1,125	1,183	970	1,012	1,001	1,030	1,015	927	751	768
3 2-or-more-family	551	618	566	627	527	624	760	615	512	436
4 Started	1,987	2,020	1,743	1,923	1,786	1,793	1,921	1,764r	1,522	1,527
5 1-family	1,451	1,433	1,193	1,288	1,220	1,239	1,254	1,159r	985	1,071
6 2-or-more-family	536	587	549	635	568	554	667	605r	537	456
7 Under construction, end of period[1]	1,208	1,310	n.a.	1,247	1,237	1,232	1,226r	1,218r	1,198	n.a.
8 1-family	730	765	n.a.	723	715	714	717r	708r	691	n.a.
9 2-or-more-family	478	546	n.a.	524	522	518	508r	510r	507	n.a.
10 Completed	1,656	1,868	n.a.	1,866	1,745	1,739	1,943r	1,824r	1,827	n.a.
11 1-family	1,258	1,369	n.a.	1,345	1,192	1,199	1,197r	1,259r	1,205	n.a.
12 2-or-more-family	399	498	n.a.	521	553	540	746r	565r	622	n.a.
13 Mobile homes shipped	277	276	n.a.	279	282	277	268	293	257	n.a.
Merchant builder activity in 1-family units										
14 Number sold	820	818	706	689	778	746	717r	692r	590	559
15 Number for sale, end of period[1]	408	419	407	418	416	416	413	409	400	403
Price (thousand of dollars)[2]										
Median										
16 Units sold	49.0	55.8	62.7	64.2	63.8	64.0	65.0r	62.1r	63.4	62.3
17 Units for sale	48.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average										
18 Units sold	54.4	62.7	72.1	74.3	71.9	74.0	76.8r	71.3r	74.2	75.1
EXISTING UNITS (1-family)										
19 Number sold	3,572	3,905	3,742	3,560	3,770	3,850	4,010	3,990	3,560	3,420
Price of units sold (thous. of dollars)[2]										
20 Median	42.8	48.7	55.5	56.8	57.9	57.7	57.3	56.3	55.6	56.5
21 Average	47.1	55.1	64.0	66.1	66.7	66.3	66.1	65.2	64.6	65.2
	Value of new construction[3] (millions of dollars)									
CONSTRUCTION										
22 **Total put in place**	**173,998**	**206,223**	**226,744**	**224,331**	**231,068**	**230,303**	**232,559**	**238,446r**	**237,442**	**239,552**
23 Private	135,824	160,403	178,079	178,348	180,103	180,635	181,626	185,566r	185,573	188,390
24 Residential	80,957	93,425	97,160	96,937	97,022	97,537	98,996	99,240r	99,146	99,764
25 Nonresidential, total	54,867	66,978	80,919	81,411	83,081	83,098	82,630	86,326	86,427	88,626
Buildings										
26 Industrial	7,713	10,993	14,375	14,697	15,547	13,751	13,698	15,019	15,022	14,669
27 Commercial	14,789	18,568	24,223	24,785	24,785	25,818	25,693	26,663	26,923	28,717
28 Other	6,200	6,739	7,354	7,306	7,427	7,532	7,331	7,851	7,722	8,227
29 Public utilities and other	26,165	30,678	34,967	34,623	35,322	35,997	35,908	36,793	36,760	37,013
30 Public	38,172	45,821	48,665	45,983	50,965	49,669	50,932	52,880	51,870	51,161
31 Military	1,428	1,498	1,627	1,787	1,500	1,859	1,658	1,855	1,660	1,702
32 Highway	8,984	10,286	11,127	10,315	11,166	11,507r	12,345	14,518	11,900	11,891
33 Conservation and development	3,862	4,436	4,732	3,571	5,255r	5,036r	4,900	4,296	4,960	5,124
34 Other[4]	23,898	29,601	31,179	30,310	33,044r	31,267r	32,029	32,211	33,350	32,444

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods 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.
4. Beginning January 1977 Highway imputations are included in Other.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 14,000 jurisdictions through 1977, and 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	12 months to		3 months (at annual rate) to				1 month to					Index level Dec. 1979 (1967 = 100)[1]
	1978 Dec.	1979 Dec.	1979				1979					
			Mar.	June	Sept.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	
CONSUMER PRICES[2]												
1 **All items**	**9.0**	**13.3**	**13.0**	**13.4**	**13.2**	**13.5**	**1.1**	**1.1**	**1.0**	**1.0**	**1.2**	**229.9**
2 Commodities	8.9	13.0	14.5	13.3	12.3	12.1	.9	1.1	.8	.9	1.1	219.4
3 Food	11.8	10.2	17.7	7.5	4.2	11.1	0	.9	.8	.5	1.3	241.9
4 Commodities less food	7.7	14.3	12.9	15.8	16.2	12.7	1.3	1.2	.8	1.1	1.1	207.2
5 Durable	9.2	10.3	10.0	9.1	8.7	13.2	.7	.7	.7	1.5	.9	199.8
6 Nondurable	8.7	14.8	16.5	25.8	25.7	11.9	1.9	1.8	.7	.6	1.1	228.2
7 Services	9.3	13.7	10.6	13.8	14.3	15.0	1.2	1.1	1.2	1.1	1.3	249.3
8 Rent	7.3	7.9	3.6	8.7	10.7	8.5	.9	.8	1.3	.4	.3	182.9
9 Services less rent	9.6	14.6	11.7	14.5	15.1	16.7	1.3	1.1	1.2	1.2	1.5	261.6
Other groupings												
10 All items less food	8.5	14.0	12.0	14.9	15.4	14.0	1.3	1.2	1.0	1.1	1.2	226.4
11 All items less food and energy	8.5	11.3	9.3	11.2	11.5	13.1	1.0	1.0	1.0	1.2	.9	218.1
12 Homeownership	12.4	19.8	16.7	18.0	19.3	25.8	1.7	1.4	1.9	2.1	1.7	286.9
PRODUCER PRICES												
13 Finished goods	9.2	12.5	14.3	7.5	15.0	13.3	1.0	1.4	1.0	1.3	.8	227.8
14 Consumer	9.6	14.1	16.0	6.7	19.6	14.4	1.5r	1.7r	1.0	1.6	.8	228.8
15 Foods	11.9	7.5	21.0	−11.3	13.1	10.0	1.2r	1.7r	−.1	2.6	−.1	232.0
16 Excluding foods	8.4	17.8	13.4	17.9	23.2	16.9	1.7r	1.8r	1.6	1.0	1.3	225.0
17 Capital equipment	8.0	8.7	10.3	9.8	4.3	10.8	−.3r	.6r	1.2	.5	.9	225.1
18 Materials	10.2	10.2	17.4	12.0	18.5	17.1	1.0r	1.5r	1.7	1.1	1.2	268.2
19 Intermediate[3]	8.3	16.3	14.0	15.3	18.8	17.1	1.4r	1.3r	1.9	.9	1.2	260.1
Crude:												
20 Nonfood	15.6	26.6	29.2	22.2	21.0	34.4	.7	2.9	2.8	2.0	2.7	385.8
21 Food	18.3	11.1	31.0	−7.1	13.9	9.8	−.2	1.4r	.5	2.0	−.1	249.7

1. Not seasonally adjusted
2. Figures for consumer prices are those for all urban consumers.
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	1976	1977	1978	1978		1979			
				Q3	Q4	Q1	Q2	Q3	Q4p
GROSS NATIONAL PRODUCT									
1 **Total**	**1,702.2**	**1,899.5**	**2,127.6**	**2,159.6**	**2,235.2**	**2,292.1**	**2,329.8**	**2,396.5**	**2,455.8**
By source									
2 Personal consumption expenditures	1,089.9	1,210.0	1,350.8	1,369.3	1,415.4	1,454.2	1,475.9	1,528.6	1,580.4
3 Durable goods	157.4	178.8	200.3	203.5	212.1	213.8	208.7	213.4	215.5
4 Nondurable goods	443.9	481.3	530.6	536.7	558.1	571.1	581.2	604.7	631.0
5 Services	488.5	549.8	619.8	629.1	645.1	669.3	686.0	710.6	733.9
6 Gross private domestic investment	243.0	303.3	351.5	356.2	370.5	373.8	395.4	392.3	383.3
7 Fixed investment	233.0	281.3	329.1	336.1	349.8	354.6	361.9	377.8	376.9
8 Nonresidential	164.9	189.4	221.1	225.9	236.1	243.4	249.1	261.8	261.3
9 Structures	57.3	62.6	76.5	79.7	84.4	84.9	90.5	95.0	98.7
10 Producer's durable equipment	107.6	126.8	144.6	146.3	151.8	158.5	158.6	166.7	162.6
11 Residential structures	68.1	91.9	108.0	110.2	113.7	111.2	112.9	116.0	115.6
12 Nonfarm	65.7	88.8	104.4	106.4	110.0	107.8	109.1	112.0	111.2
13 *Change in business inventories*	10.0	21.9	22.3	20.0	20.6	19.1	33.4	14.5	6.4
14 Nonfarm	12.1	20.7	21.3	18.5	19.3	18.8	32.6	12.6	2.3
15 Net exports of goods and services	8.0	-9.9	-10.3	-6.8	-4.5	4.0	-8.1	-2.3	-7.7
16 Exports	163.3	175.9	207.2	213.8	224.9	238.5	243.7	267.3	280.0
17 Imports	155.4	185.8	217.5	220.6	229.4	234.4	251.9	269.5	287.7
18 Government purchases of goods and services	361.3	396.2	435.6	440.9	453.8	460.1	466.6	477.8	499.8
19 Federal	129.7	144.4	152.6	152.3	159.0	163.6	161.7	162.9	177.0
20 State and local	231.6	251.8	283.0	288.6	294.8	296.5	304.9	314.9	322.8
By major type of product									
21 Final sales, total	1,692.1	1,877.6	2,105.2	2,139.5	2,214.5	2,272.9	2,296.4	2,381.9	2,449.5
22 Goods	762.7	842.2	930.0	940.9	983.8	1,011.8	1,018.1	1,036.0	1,056.2
23 Durable	305.9	345.9	380.4	382.6	402.3	425.5	422.4	424.4	421.0
24 Nondurable	456.8	496.3	549.6	558.3	581.6	586.2	595.7	611.6	635.2
25 Services	776.7	866.4	969.3	981.7	1,005.3	1,041.4	1,064.2	1,100.6	1,135.0
26 Structures	162.7	190.9	228.2	237.0	246.0	238.9	247.5	259.8	264.6
27 Change in business inventories	10.0	21.9	22.3	20.0	20.6	19.1	33.4	14.5	6.4
28 Durable goods	5.3	11.9	13.9	10.3	13.4	18.4	24.3	7.3	4.6
29 Nondurable goods	4.7	10.0	8.4	9.7	7.2	.7	9.1	7.2	1.8
30 MEMO: **Total GNP in 1972 dollars**	**1,273.0**	**1,340.5**	**1,399.2**	**1,407.3**	**1,426.6**	**1,430.6**	**1,422.3**	**1,433.3**	**1,438.4**
NATIONAL INCOME									
31 **Total**	**1,359.8**	**1,525.8**	**1,724.3**	**1,752.5**	**1,820.0**	**1,869.0**	**1,897.9**	**1,941.9**	**n.a.**
32 Compensation of employees	1,037.8	1,156.9	1,304.5	1,321.1	1,364.8	1,411.2	1,439.7	1,472.9	1,512.8
33 Wages and salaries	890.0	984.0	1,103.5	1,117.4	1,154.7	1,189.4	1,211.5	1,238.0	1,270.3
34 Government and government enterprises	188.0	201.3	218.0	219.2	225.1	228.1	231.2	234.4	240.2
35 Other	702.0	782.7	885.5	898.1	929.6	961.3	980.3	1,003.6	1,030.0
36 Supplement to wages and salaries	147.8	172.9	201.0	203.7	210.1	221.8	228.2	234.8	242.6
37 Employer contributions for social insurance	70.4	81.2	94.6	95.5	98.2	105.8	107.9	109.9	113.0
38 Other labor income	77.4	91.8	106.5	108.2	111.9	116.0	120.3	124.9	129.6
39 Proprietors' income[1]	89.3	100.2	116.8	117.4	125.7	129.0	129.3	130.3	131.5
40 Business and professional[1]	71.0	80.5	89.1	91.3	94.4	94.8	95.5	99.4	102.0
41 Farm[1]	18.3	19.6	27.7	26.1	31.3	34.2	33.7	30.9	29.5
42 Rental income of persons[2]	22.1	24.7	25.9	26.8	27.1	27.3	26.8	26.6	27.0
43 Corporate profits[1]	126.8	150.0	167.7	175.2	184.8	178.9	176.6	180.8	n.a.
44 Profits before tax[3]	156.0	177.1	206.0	212.0	227.4	233.3	227.9	242.3	n.a.
45 Inventory valuation adjustment	-14.6	-15.2	-25.2	-23.0	-28.8	-39.9	-36.6	-44.0	-46.9
46 Capital consumption adjustment	-14.5	-12.0	-13.1	-13.8	-13.8	-14.5	-14.7	-17.6	-20.1
47 Net interest	83.8	94.0	109.5	111.9	117.6	122.6	125.6	131.5	138.9

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustments.
3. For after-tax profits, dividends, and the like, see table 1.50.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1976	1977	1978	1978		1979			
				Q3	Q4	Q1	Q2	Q3	Q4p
PERSONAL INCOME AND SAVING									
1 **Total personal income**	**1,381.6**	**1,531.6**	**1,717.4**	**1,742.5**	**1,803.1**	**1,852.6**	**1,892.5**	**1,946.6**	**2,000.5**
2 Wage and salary disbursements	890.0	984.0	1,103.3	1,116.8	1,154.3	1,189.3	1,212.4	1,238.1	1,270.1
3 Commodity-producing industries	307.2	343.1	387.4	393.7	408.6	423.0	431.7	438.3	447.9
4 Manufacturing	237.4	266.0	298.3	300.8	312.7	324.8	328.5	331.9	338.6
5 Distributive industries	216.3	239.1	269.4	272.5	281.6	291.1	295.8	304.0	312.2
6 Service industries	178.5	200.5	228.7	231.9	239.4	247.2	252.8	261.3	269.9
7 Government and government enterprises	188.0	201.3	217.8	218.7	224.7	228.0	232.1	234.5	240.1
8 Other labor income	77.4	91.8	106.5	108.2	111.9	116.0	120.3	124.9	129.6
9 Proprietors' income[1]	89.3	100.2	116.8	117.4	125.7	129.0	129.3	130.3	131.5
10 Business and professional[1]	71.0	80.5	89.1	91.3	94.4	94.8	95.5	99.4	102.0
11 Farm[1]	18.3	19.6	27.7	26.1	31.3	34.2	33.7	30.9	29.5
12 Rental income of persons[2]	22.1	24.7	25.9	26.8	27.1	27.3	26.8	26.6	27.0
13 Dividends	37.5	42.1	47.2	47.8	49.7	51.5	52.3	52.8	54.4
14 Personal interest income	127.0	141.7	163.3	167.2	174.3	181.0	187.6	194.4	204.3
15 Transfer payments	193.8	208.4	224.1	228.3	231.8	237.3	243.6	260.8	266.7
16 Old-age survivors, disability, and health insurance benefits	92.9	105.0	116.3	119.8	121.5	123.8	127.1	138.7	140.2
17 LESS: Personal contributions for social insurance	55.6	61.3	69.6	70.2	71.8	78.7	79.8	81.2	83.0
18 EQUALS: Personal income	1,381.6	1,531.6	1,717.4	1,742.5	1,803.1	1,852.6	1,892.5	1,946.6	2,000.5
19 LESS: Personal tax and nontax payments	197.1	226.4	259.0	266.0	278.2	280.4	290.7	306.6	321.7
20 EQUALS: Disposable personal income	1,184.5	1,305.1	1,458.4	1,476.5	1,524.8	1,572.2	1,601.7	1,640.0	1,678.8
21 LESS: Personal outlays	1,115.9	1,240.2	1,386.4	1,405.6	1,453.4	1,493.0	1,515.8	1,569.7	1,622.9
22 EQUALS: Personal saving	68.6	65.0	72.0	70.9	71.5	79.2	85.9	70.3	55.9
MEMO: Per capita (1972 dollars)									
23 *Gross national product*	5,916	6,181	6,402	6,433	6,506	6,514	6,459	6,494	6,500
24 Personal consumption expenditures	3,813	3,974	4,121	4,138	4,197	4,197	4,155	4,195	4,226
25 Disposable personal income	4,144	4,285	4,449	4,462	4,522	4,536	4,510	4,501	4,489
26 Saving rate (percent)	5.8	5.0	4.9	4.8	4.7	5.0	5.4	4.3	3.3
GROSS SAVING									
27 **Gross private saving**	**271.9**	**295.6**	**324.9**	**330.4**	**336.1**	**345.2**	**360.5**	**352.1**	**n.a.**
28 Personal saving	68.6	65.0	72.0	70.9	71.5	79.2	85.9	70.3	55.9
29 Undistributed corporate profits[1]	25.5	35.2	36.0	40.0	40.1	36.1	35.6	34.0	n.a.
30 Corporate inventory valuation adjustment	-14.6	-15.2	-25.2	-23.0	-28.8	-39.9	-36.6	-44.0	-46.9
Capital consumption allowances									
31 Corporate	111.6	121.3	132.9	134.3	136.8	139.9	145.1	150.4	155.3
32 Noncorporate	66.1	74.1	84.0	85.2	87.7	89.9	93.9	97.5	99.8
33 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34 Government surplus, or deficit (−), national income and produce accounts	-35.7	-19.5	-.3	-2.3	10.8	15.8	12.7	14.0	n.a.
35 Federal	-53.6	-46.3	-27.7	-20.4	-16.3	-11.7	-7.0	-11.3	n.a.
36 State and local	17.9	26.8	27.4	22.7	27.1	27.6	19.7	25.3	n.a.
37 Capital grants received by the United States, net	....	....	....	....	....	1.1	1.1	1.1	1.1
38 Investment	242.3	283.6	327.9	336.5	351.0	362.8	373.1	375.6	360.4
39 Gross private domestic	243.0	303.3	351.5	356.2	370.5	373.8	395.4	392.3	383.3
40 Net foreign	-.1	-19.6	-23.5	-19.6	-19.4	-11.0	-22.3	-16.7	-22.8
41 Statistical discrepancy	6.1	7.5	3.3	3.9	4.1	.6	-1.3	8.3	n.a.

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1976	1977	1978	1978		1979		
				Q3	Q4	Q1	Q2	Q3
1 Balance on current account	4,605	-14,092	-13,478	-3,164	85	415	-1,056	762
2 Not seasonally adjusted	....	....	....	-5,892	1,120	1,731	-182	-3,080
3 Merchandise trade balance[2]	-9,306	-30,873	-33,770	-7,949	-5,971	-6,115	-7,716	-7,282
4 Merchandise exports	114,745	120,816	142,052	36,532	39,412	41,348	42,792	47,337
5 Merchandise imports	-124,051	-151,689	-175,822	-44,481	-45,383	-47,463	-50,508	-54,619
6 Military transactions, net	674	1,679	492	247	-239	34	-217	-384
7 Investment income, net[3]	15,975	17,989	21,645	4,952	6,599	6,864	7,465	8,794
8 Other service transactions, net	2,260	1,783	3,241	819	1,010	954	775	1,008
9 Memo: Balance on goods and services[3,4]	9,603	-9,423	-8,392	-1,931	1,399	1,737	307	2,136
10 Remittances, pensions, and other transfers	-1,851	-1,895	-1,934	-463	-524	-517	-466	-504
11 U.S. government grants (excluding military)	-3,146	-2,775	-3,152	-770	-790	-805	-897	-870
12 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-4,214	-3,693	-4,656	-1,390	-994	-1,094	-1,001	-756
13 Change in U.S. official reserve assets (increase, -)	-2,558	-375	732	115	182	3,585	343	2,779
14 Gold	0	-118	-65	0	-65	0	0	0
15 Special drawing rights (SDR)	-78	-121	1,249	-43	1,412	-1,142	6	0
16 Reserve position in International Monetary Fund	-2,212	-294	4,231	195	3,275	-86	-78	-52
17 Foreign currencies	-268	158	-4,683	-37	-4,440	-2,357	415	2,831
18 Change in U.S. private assets aboard (increase, -)[3]	-44,498	-31,725	-57,033	-8,774	-29,442	-2,958	-15,507	-25,348
19 Bank-reported claims	-21,368	-11,427	-33,023	-5,488	-21,980	6,572	-8,266	-15,956
20 Nonbank-reported claims	-2,296	-1,940	-3,853	-29	-1,898	-2,719	668	n.a.
21 U.S. purchase of foreign securities, net	-8,885	-5,460	-3,487	-475	-918	-1,056	-629	-2,111
22 U.S. direct investments abroad, net[3]	-11,949	-12,898	-16,670	-2,782	-4,646	-5,755	-7,280	-7,281
23 Change in foreign official assets in the United States (increase, +)	17,573	36,656	33,758	4,641	18,764	-9,391	-10,043	5,562
24 U.S. Treasury securities	9,319	30,230	23,542	3,029	13,422	-8,872	-12,859	5,030
25 Other U.S. government obligations	573	2,308	656	443	-115	-5	94	335
26 Other U.S. government liabilities[5]	4,507	1,240	2,754	122	2,045	-164	257	191
27 Other U.S. liabilities reported by U.S. banks	969	773	5,411	963	3,156	-563	2,321	-100
28 Other foreign official assets[6]	2,205	2,105	1,395	84	256	213	145	106
29 Change in foreign private assets in the United States (increase, +)[3]	18,826	14,167	29,956	10,717	10,475	10,868	16,100	17,497
30 U.S. bank-reported liabilities	10,990	6,719	16,975	7,958	7,556	7,157	12,067	13,009
31 U.S. nonbank-reported liabilities	-578	473	1,640	1,004	-177	-651	1,086	n.a.
32 Foreign private purchases of U.S. Treasury securities, net	2,783	534	2,180	-1,053	1,549	2,583	-239	1,579
33 Foreign purchases of other U.S. securities, net	1,284	2,713	2,867	528	540	790	1,161	591
34 Foreign direct investments in the United States, net[3]	4,347	3,728	6,294	2,280	1,008	989	2,025	2,317
35 Allocation of SDRs	0	0	0	0	0	1,139	0	0
36 Discrepancy	10,265	-937	10,722	-2,145	930	4,606	11,163	-495
37 Owing to seasonal adjustments	....	....	....	-2,716	1,301	985	737	-3,756
38 Statistical discrepancy in recorded data before seasonal adjustment	10,265	-937	10,722	571	-371	3,621	10,426	3,261
MEMO:								
Changes in offical assets								
39 U.S. official reserve assets (increase, -)	-2,558	-375	732	115	182	-3,585	343	2,779
40 Foreign offical assets in the United States (increase, +)	13,066	35,416	31,004	4,519	16,719	-9,227	-10,299	5,371
41 Change in Organization of Petroleum Exporting Countries offical assets in the United States (part of line 25 above)	9,581	6,351	-727	-1,794	1,803	-1,916	151	1,488
42 Transfers under military grant programs (excluded from lines 4, 6, and 11 above)	373	204	259	69	63	31	48	85

1. Seasonal factors are no longer calculated for lines 13 through 42.
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 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition makes various adjustments to merchandise trade and service transactions.
5. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
6. 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	1977	1978r	1979	1979 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	121,150	143,578	181,637	15,038	15,669	15,821	15,832	16,838	17,004	16,792
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	147,685	171,978	206,326	16,937	16,777	18,177	18,666	18,856	18,422	19,870
3 **Trade balance**	**−26,535**	**−23,400**	**−24,690**	**−1,900**	**−1,108**	**−2,357**	**−2,833**	**−2,018**	**−1,418**	**−3,078**

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. The international-accounts-basis data 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. FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1976	1977	1978	1979 July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total**[1]	**18,747**	**19,312**	**18,650**	**20,023**	**20,023**	**18,534**	**17,994**	**19,261**	**18,928r**	**20,962**
2 Gold stock, including exchange Stabilization Fund[1]	11,598	11,719	11,671	11,290	11,259	11,228	11,194	11,112	11,172	11,172
3 Special drawing rights[2,3]	2,395	2,629	1,558	2,690	2,689	2,725	2,659	2,705	2,724	3,871
4 Reserve position in International Monetary Fund[2]	4,434	4,946	1,047	1,200	1,277	1,280	1,238	1,322	1,253	1,251
5 Foreign Currencies[4]	320	18	4,374	4,843	4,798	3,301	2,903	4,122	3,779	4,668

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.22

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighed 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.

3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; and $1,139 million on Jan. 1, 1979; plus net transactions in SDRs.

4. Beginning November 1978, valued at current market exchange rates.

3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1976	1977	1978[1]	1979 May	June	July	Aug.	Sept.	Oct.	Nov.p
					All foreign countries					
1 **Total, all currencies**	**219,420**	**258,897**	**306,795**	**311,334**	**327,012**	**326,545**	**350,441**	**360,716r**	**358,320**	**365,767**
2 Claims on United States	7,889	11,623	17,340	24,624	29,293	26,605	41,917	37,685	34,880	37,836
3 Parent bank	4,323	7,806	12,811	18,014	22,641	19,734	35,203	29,931	28,046	31,133
4 Other	3,566	3,817	4,529	6,610	6,652	6,871	6,714	7,754	6,834	6,703
5 Claims on foreigners	204,486	238,848	278,135	274,384	284,595	286,590	295,011r	309,004r	309,652	313,358
6 Other branches of parent bank	45,955	55,772	70,338	65,967	69,608	70,124	74,749	80,106r	80,126	79,576
7 Banks	83,765	91,883	103,111	103,329	107,673	107,957	111,190r	117,994r	119,253	121,954
8 Public borrowers[2]	10,613	14,634	23,737	24,691	24,835	24,580	25,132r	25,777r	25,288	24,845
9 Nonbank foreigners	64,153	76,560	80,949	80,397	82,479	83,929	83,940r	85,127r	84,985	86,983
10 Other assets	7,045	8,425	11,320	12,326	13,124	13,350	13,513r	14,027r	13,788	14,573
11 **Total payable in U.S. dollars**	**167,695**	**193,764**	**224,940**	**228,587**	**238,298**	**234,445**	**259,035**	**263,557**	**263,094**	**266,724**
12 Claims on United States	7,595	11,049	16,382	23,676	28,223	25,536	40,799	36,454	33,638	36,592
13 Parent bank	4,264	7,692	12,625	17,832	22,387	19,478	34,939	29,700	27,674	30,652
14 Other	3,332	3,357	3,757	5,844	5,836	6,058	5,860	6,754	5,964	5,940
15 Claims on foreigners	156,896	178,896	203,498	198,717	203,729	202,426	211,663	220,665	222,543	223,150
16 Other branches of parent bank	37,909	44,256	55,408	50,790	53,136	53,629	58,255	62,058	61,918	60,897
17 Banks	66,331	70,786	78,686	79,089	81,392	79,951	83,466r	88,882r	90,911	92,680
18 Public borrowers[2]	9,022	12,632	19,567	20,816	20,553	20,188	20,988r	21,439r	20,909	20,437
19 Nonbank foreigners	43,634	51,222	49,837	48,022	48,648	48,658	48,954	48,286	48,805	49,136
20 Other assets	3,204	3,820	5,060	6,194	6,346	6,483	6,573	6,438	6,913	6,982
					United Kingdom					
21 **Total, all currencies**	**81,466**	**90,933**	**106,593**	**104,915**	**112,881**	**115,217**	**120,703**	**126,018**	**127,949**	**132,139**
22 Claims on United States	3,354	4,341	5,370	6,303	7,492	8,408	10,559	10,614	11,653	11,841
23 Parent bank	2,376	3,518	4,448	4,410	5,495	6,177	8,520	8,322	9,643	9,892
24 Other	978	823	922	1,893	1,997	2,231	2,039	2,292	2,010	1,949
25 Claims on foreigners	75,859	84,016	98,137	95,266	101,693	103,033	106,394	111,598	112,450	115,836
26 Other branches of parent bank	19,753	23,017	27,830	25,248	29,158	28,376	31,800	32,998	32,464	33,487
27 Banks	38,089	39,899	45,013	43,657	44,800	46,291	46,625	49,938	51,466	52,760
28 Public borrowers[2]	1,274	2,206	4,522	4,579	4,872	4,489	4,639	4,882	4,646	4,868
29 Nonbank foreigners	16,743	19,895	20,772	21,782	22,863	23,877	23,330	23,780	23,874	24,721
30 Other assets	2,253	2,576	3,086	3,346	3,696	3,776	3,750	3,806	3,846	4,462
31 **Total payable in U.S. dollars**	**61,587**	**66,635**	**75,860**	**73,480**	**78,155**	**79,211**	**85,380**	**88,959**	**91,485**	**93,682**
32 Claims on United States	3,375	4,100	5,113	5,981	7,033	7,956	10,146	10,096	11,164	11,352
33 Parent bank	2,374	3,431	4,386	4,374	5,386	6,060	8,443	8,270	9,485	9,697
34 Other	902	669	727	1,607	1,647	1,896	1,703	1,826	1,679	1,655
35 Claims on foreigners	57,488	61,408	69,416	65,968	65,451	69,496	73,503	77,145	78,428	80,307
36 Other branches of parent bank	17,249	18,947	22,838	20,505	23,999	23,481	26,983	26,631	27,092	27,993
37 Banks	28,983	28,530	31,482	30,211	29,803	30,626	31,318	34,276	36,183	36,784
38 Public borrowers[2]	846	1,669	3,317	3,331	3,396	3,166	3,210	3,336	3,206	3,311
39 Nonbank foreigners	10,410	12,263	11,779	11,921	12,253	12,223	11,992	11,902	11,947	12,219
40 Other assets	824	1,126	1,331	1,531	1,671	1,759	1,731	1,718	1,893	2,023
					Bahamas and Caymans					
41 **Total, all currencies**	**66,774**	**79,052**	**91,735**	**98,057**	**103,387**	**98,839**	**113,512**	**109,925**	**106,484**	**108,872**
42 Claims on United States	3,508	5,782	9,635	16,360	20,001	16,613	29,021	24,731	21,394	24,086
43 Parent block	1,141	3,051	6,429	12,244	15,956	12,566	24,929	19,919	17,131	19,868
44 Other	2,367	2,731	3,206	4,116	4,045	4,047	4,092	4,812	4,263	4,218
45 Claims on foreigners	62,048	71,671	79,774	78,869	80,579	79,476	81,370	82,296	82,086	81,728
46 Other branches of parent bank	8,144	11,120	12,904	11,886	11,295	11,760	10,745	10,834	10,514	9,354
47 Banks	25,354	27,939	33,677	34,063	36,542	35,053	37,261r	38,425r	38,820	39,820
48 Public borrowers[2]	7,105	9,109	11,514	12,703	12,445	12,301	12,619r	12,757r	12,355	11,935
49 Nonbank foreigners	21,445	23,503	21,679	20,217	20,297	20,362	20,745	20,280	20,379	20,619
50 Other assets	1,217	1,599	2,326	2,828	2,807	2,750	3,121	2,898	3,022	3,058
51 **Total payable in U.S. dollars**	**62,705**	**73,987**	**85,417**	**91,829**	**96,995**	**92,216**	**106,767**	**103,034**	**99,715**	**101,932**

For notes see opposite page.

3.13 Continued

Liability account	1976	1977	1978[1]	1979 May	June	July	Aug.	Sept.	Oct.	Nov.p
				All foreign countries						
52 **Total, all currencies**	**219,420**	**258,897**	**306,795**	**311,334**	**327,012**	**326,545**	**350,441**	**360,716r**	**358,320**	**365,767**
53 To United States	32,719	44,154	57,948	57,620	61,064	60,097	67,744	67,558	66,034	62,377
54 Parent bank	19,773	24,542	28,464	23,343	19,355	20,256	20,242	21,420	21,352	19,472
55 Other banks in United States	12,946	19,613	12,338	9,884	15,008	12,436	17,785	18,617r	14,740	13,855
56 Nonbanks			17,146	24,393	26,701	27,405	29,717	27,521r	29,942	29,050
57 To foreigners	179,954	206,579	238,912	242,513	254,050	253,785	270,328	280,246r	279,229	289,492
58 Other branches of parent bank	44,370	53,244	67,496	63,731	66,631	67,961	72,977	78,345r	78,068	77,170
59 Banks	83,880	94,140	97,711	101,936	109,295	105,296	117,794	118,250r	116,076	128,024
60 Official institutions	25,829	28,110	31,936	34,107	34,303	35,363	33,511	35,722r	35,920	34,958
61 Nonbank foreigners	25,877	31,085	41,769	42,739	43,821	45,165	46,046	47,929	49,165	49,340
62 Other liabilities	6,747	8,163	9,935	11,201	11,898	12,663	12,369	12,912	13,057	13,898
63 **Total payable in U.S. dollars**	**173,071**	**198,572**	**230,810**	**232,515**	**243,521**	**240,452**	**264,339**	**269,738r**	**268,769**	**272,346**
64 To United States	31,932	42,881	55,811	55,488	58,524	57,455	65,126	64,921	63,444	60,069
65 Parent bank	19,599	24,213	27,393	22,406	18,333	19,218	19,192	20,254	20,124	18,269
66 Other banks in United States	12,373	18,669	12,084	9,651	14,711	12,130	17,345	18,162r	14,402	13,656
67 Nonbanks			16,334	23,431	25,480	26,107	28,589	26,505r	28,918	28,144
68 To foreigners	137,612	151,363	169,927	170,847	178,631	176,613	192,481	197,890	198,291	204,684
69 Other branches of parent bank	37,098	43,268	53,396	49,442	51,101	52,048	56,840	60,588	60,476	59,429
70 Banks	60,619	64,872	63,000	65,404	71,041	65,945	78,006	76,443r	74,869	83,605
71 Official institutions	22,878	23,972	26,404	28,310	28,117	29,497	27,468	29,486r	29,653	28,521
72 Nonbank foreigners	17,017	19,251	27,127	27,691	28,372	29,123	30,167	31,373	33,293	33,129
73 Other liabilities	3,527	4,328	5,072	6,180	6,366	6,384	6,732	6,927r	7,034	7,593
				United Kingdom						
74 **Total, all currencies**	**81,466**	**90,933**	**106,593**	**104,915**	**112,881**	**115,217**	**120,703**	**126,018**	**127,949**	**132,139**
75 To United States	5,997	7,753	9,730	11,697	12,779	13,626	17,174	18,451	19,731	19,792
76 Parent bank	1,198	1,451	1,887	2,113	1,505	1,706	2,669	2,079	2,258	2,696
77 Other banks in Untied States	4,798	6,302	4,232	3,360	4,245	4,822	6,155	7,790r	8,031	7,381
78 Nonbanks			3,611	6,224	7,029	7,098	8,350	8,582r	9,442	9,715
79 To foreigners	73,228	80,736	93,202	88,796	95,385	96,258	98,557	102,520	103,092	106,766
80 Other branches of parent bank	7,092	9,376	12,786	10,931	11,353	11,193	11,507	13,045	13,139	12,463
81 Banks	36,259	37,893	39,917	38,417	42,297	41,336	46,256	45,346	44,458	49,299
82 Official institutions	17,273	18,318	20,963	21,312	23,140	24,017	21,825	24,015	24,437	23,060
83 Nonbank foreigners	12,605	15,149	19,536	18,136	18,595	19,712	18,969	20,114	21,058	21,944
84 Other liabilities	2,241	2,445	3,661	4,422	4,717	5,333	4,972	5,047	5,126	5,581
85 **Total payable in U.S. dollars**	**63,174**	**67,573**	**77,030**	**74,127**	**79,256**	**80,398**	**86,642**	**90,609**	**92,817**	**95,163**
86 To United States	5,849	7,480	9,328	11,200	12,199	13,077	16,572	17,817	19,188	19,318
87 Parent bank	1,182	1,416	1,836	2,047	1,460	1,637	2,613	1,975	2,196	2,647
88 Other banks in United States	4,667	6,064	4,144	3,301	4,174	4,757	6,068	7,715r	7,967	7,338
89 Nonbanks			3,348	5,852	6,565	6,683	7,891	8,127r	9,025	9,333
90 To foreigners	56,372	58,977	66,216	60,948	65,081	65,403	68,035	70,717	71,560	73,542
91 Other branches of parent bank	5,874	7,505	9,635	7,777	7,711	7,377	7,720	8,663	8,955	8,337
92 Banks	25,527	25,608	25,287	22,684	25,436	23,893	28,698	27,284	26,149	29,424
93 Official institutions	15,423	15,482	17,091	17,486	19,093	20,288	18,119	20,257	20,457	19,139
94 Nonbank foreigners	9,547	10,382	14,203	13,001	12,841	13,845	13,498	14,513	15,999	16,642
95 Other liabilities	953	1,116	1,486	1,979	1,976	1,918	2,035	2,075	2,069	2,303
				Bahamas and Caymans						
96 **Total, all currencies**	**66,774**	**79,052**	**91,735**	**98,057**	**103,387**	**98,839**	**113,512**	**109,925**	**106,484**	**108,872**
97 To United States	22,721	32,176	39,431	38,713	40,023	37,939	41,734	40,582	38,294	35,013
98 Parent bank	16,161	20,956	20,356	15,957	12,276	12,232	11,117	13,525	12,864	10,955
99 Other banks in United States	6,560	11,220	6,199	5,404	8,973	6,342	10,192	8,947	5,757	5,503
100 Nonbanks			12,876	17,352	18,774	19,365	20,425	18,110	19,673	18,555
101 To foreigners	42,899	45,292	50,447	57,184	61,216	58,724	69,373	67,017	65,920	71,271
102 Other branches of parent bank	13,801	12,816	16,094	15,997	17,104	18,223	20,246	20,730	19,304	21,060
103 Banks	21,760	24,717	23,104	28,599	31,662	28,204	35,121	32,799	32,266	36,498
104 Official institutions	3,573	3,000	4,208	4,970	4,074	4,375	4,751	4,418	4,712	5,176
105 Nonbank foreigners	3,765	4,759	7,041	7,618	8,376	7,922	9,255	9,070	9,638	8,537
106 Other liabilities	1,154	1,584	1,857	2,160	2,148	2,176	2,405	2,326	2,270	2,588
107 **Total payable in U.S. dollars**	**63,417**	**74,463**	**87,014**	**92,797**	**97,993**	**93,470**	**107,623**	**104,113**	**100,820**	**103,339**

1. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.
2. In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1976	1977	1978	1979						
				June r	July r	Aug. r	Sept. r	Oct.	Nov. p	Dec. p
1 **Total**[1]	**95,634**	**131,097**	**162,567**	**144,223**	**148,017**	**148,726**	**149,780**	**146,728**	**141,298**	**148,821**
By type										
2 Liabilities reported by banks in the United States[2]	17,231	18,003	23,274	25,535	25,809	25,398	25,619	24,951	26,635	29,843
3 U.S. Treasury bills and certificates[3]	37,725	47,820	67,671	46,304	49,425	50,146	50,842	49,411	43,921	47,668
U.S. Treasury bonds and notes										
4 Marketable	11,788	32,164	35,912	36,458	37,490	38,005	38,106	38,162	37,125	37,672
5 Nonmarketable[4]	20,648	20,443	20,970	20,697	19,797	19,547	19,547	18,497	17,837	17,387
6 U.S. securities other than U.S. Treasury securities[5]	8,242	12,667	14,740	15,229	15,496	15,630	15,666	15,707	15,780	16,251
By area										
7 Western Europe[1]	45,882	70,748	92,989	83,553	86,668	86,485	87,117	85,467	80,838	85,502
8 Canada	3,406	2,334	2,506	1,979	2,116	2,185	2,412	1,954	1,971	1,898
9 Latin America and Caribbean	4,926	4,649	5,045	4,610	5,397	4,497	4,890	4,559	4,579	6,322
10 Asia	37,767	50,693	58,858	50,767	50,537	51,928	52,414	51,782	51,143	52,205
11 Africa	1,893	1,742	2,423	2,597	2,613	3,219	2,513	2,583	2,215	2,412
12 Other countries[6]	1,760	931	746	717	686	412	434	383	552	482

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

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

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

Millions of dollars, end of period

Item	1976	1977	1978		1979		
			Sept.	Dec.	Mar.	June	Sept.
1 Banks' own liabilities	781	925	1,771	2,235	1,781	1,963	2,323
2 Banks' own claims[1]	1,834	2,356	2,950	3,504 r	2,602	2,519 r	2,607
3 Deposits	1,103	941	1,375	1,633 r	1,121	1,324 r	1,228
4 Other claims	731	1,415	1,575	1,871	1,481	1,196 r	1,379
5 Claims of banks' domestic customers[2]	....	....	446	367	476	520	612

1. Includes claims of banks' domestic customers through March 1978.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customeers.

NOTE: Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.16 LIABILITIES TO FOREIGNERS Reported by Banks in the United States Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1976	1977	1978	1979 June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.	Nov.[p]	Dec.[p]
1 **All foreigners**	**110,657**	**126,168**	**166,997**[r]	**168,082**	**168,992**	**191,719**	**185,695**	**180,656**	**184,259**	**186,958**
2 Banks' own liabilities	....	....	78,904[r]	100,054	97,262	117,880	111,716	107,873	117,075	116,817
3 Demand deposits	16,803	18,996	19,201	19,326	19,084	18,910	20,163	17,898	23,332	23,348
4 Time deposits[1]	11,347	11,521	12,473	12,666	12,577	12,747	13,048	12,260	12,556	13,383
5 Other[2]	....	....	9,702[r]	12,712	12,967	12,627	12,694	12,774	12,619	16,032
6 Own foreign offices[3]	....	....	37,563[r]	55,350	52,635	73,595	65,811	64,941	68,568	64,053
7 Banks' custody liabilities[4]	....	....	88,093[r]	68,028	71,730	73,839	73,978	72,783	67,184	70,141
8 U.S. Treasury bills and certificates[5]	40,744	48,906	68,202	47,545	51,467	52,258	52,429	50,452	45,005	48,575
9 Other negotiable and readily transferable instruments[6]	....	....	17,396	18,186	18,047	19,297	19,312	20,141	19,802	19,204
10 Other	....	....	2,495[r]	2,298	2,216	2,284	2,237	2,190	2,376	2,362
11 **Nonmonetary international and regional organizations**[7]	**5,714**	**3,274**	**2,607**[r]	**2,977**	**3,437**	**3,479**	**2,909**	**2,389**	**2,730**	**2,441**
12 Banks' own liabilities	....	....	906[r]	1,508	844	603	491	566	766	710
13 Demand deposits	290	231	330	264	216	154	161	143	214	260
14 Time deposits[1]	205	139	84[r]	94	69	77	82	82	80	152
15 Other[2]	....	....	492	1,150	559	372	248	342	472	298
16 Banks' custody liabilities[4]	....	....	1,701	1,469	2,593	2,876	2,418	1,823	1,964	1,732
17 U.S. Treasury bills and certificates	2,701	706	201	318	1,345	1,442	912	327	258	102
18 Other negotiable and readily transferable instruments[6]	....	....	1,499	1,151	1,247	1,433	1,505	1,494	1,605	1,627
19 Other	....	....	1	1	1	1	1	2	101	2
20 **Official institutions**[8]	**54,956**	**65,822**	**90,650**[r]	**71,840**	**75,235**	**75,545**	**76,460**	**74,362**	**70,556**	**77,512**
21 Banks' own liabilities	....	....	12,073[r]	13,490	14,382	12,945	13,488	11,981	14,168	17,728
22 Demand deposits	3,394	3,528	3,390	3,196	2,850	2,397	3,139	2,372	5,652	4,722
23 Time deposits[1]	2,321	1,797	2,531[r]	2,491	2,575	2,392	2,320	1,859	1,850	2,735
24 Other[2]	....	....	6,152[r]	7,803	8,957	8,155	8,029	7,749	6,666	10,270
25 Banks' custody liabilities[4]	....	....	78,577	58,350	60,853	62,600	62,972	62,381	56,388	59,784
26 U.S. Treasury bills and certificates[5]	37,725	47,820	67,415	46,304	49,425	50,146	50,842	49,411	43,921	47,668
27 Other negotiable and readily transferable instruments[6]	....	....	10,992	12,006	11,377	12,402	12,080	12,913	12,411	12,064
28 Other	....	....	170	40	50	52	51	57	56	52
29 **Banks**[9]	**37,174**	**42,335**	**57,720**[r]	**76,310**	**73,085**	**95,469**	**88,947**	**86,155**	**92,709**	**88,570**
30 Banks' own liabilities	....	....	52,935[r]	71,211	68,134	90,448	83,800	81,055	87,504	83,463
31 Unaffiliated foreign banks	....	....	15,372[r]	15,861	15,499	16,853	17,989	16,114	18,936	19,409
32 Demand deposits	9,104	10,933	11,239	11,138	11,357	11,757	12,425	10,603	12,872	13,252
33 Time deposits[1]	2,297	2,040	1,468[r]	1,372	1,197	1,525	1,752	1,551	1,627	1,736
34 Other[2]	....	....	2,664[r]	3,351	2,945	3,571	3,813	3,960	4,437	4,421
35 Own foreign offices[3]	....	....	37,563[r]	55,350	52,635	73,595	65,811	64,941	68,568	64,053
36 Banks' custody liabilities[4]	....	....	4,785	5,099	4,951	5,020	5,147	5,100	5,205	5,108
37 U.S. Treasury and certificates	119	141	300	407	347	384	406	400	451	422
38 Other negotiable and readily transferable instruments[6]	....	....	2,425	2,547	2,556	2,509	2,625	2,684	2,611	2,514
39 Other	....	....	2,060	2,145	2,048	2,127	2,116	2,017	2,143	2,172
40 **Other foreigners**	**12,814**	**14,736**	**16,020**[r]	**16,955**	**17,235**	**17,227**	**17,379**	**17,750**	**18,263**	**18,434**
41 Banks' own liabilities	....	....	12,990[r]	13,845	13,901	13,884	13,937	14,271	14,637	14,917
42 Demand deposits	4,015	4,304	4,242	4,729	4,661	4,602	4,439	4,779	4,594	5,114
43 Time deposits	6,524	7,546	8,353	8,708	8,735	8,753	8,894	8,769	8,999	8,760
44 Other[2]	....	....	394[r]	409	505	529	604	724	1,044	1,043
45 Banks'custody liabilites[4]	....	....	3,030	3,110	3,333	3,343	3,442	3,479	3,626	3,517
46 U.S. Treasury bills and certificates	198	240	285	516	350	285	269	315	375	382
47 Other negotiable and readily transferable instruments[6]	....	....	2,481[r]	2,482	2,867	2,953	3,103	3,050	3,175	2,999
48 Other	....	....	264	112	117	105	70	114	76	137
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	....	....	11,007	10,633	10,732	11,099	11,264	11,346	10,821	10,848

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits prior to April 1978 represent short-term only.
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.16 LIABILITIES TO FOREIGNERS Continued

Area and country	1976	1977	1978	1979 June	1979 July	1979 Aug.	1979 Sept.	1979 Oct.	1979 Nov.p	1979 Dec.p
1 **Total**	**110,657**	**126,168**	**166,997 r**	**168,082 r**	**168,992 r**	**191,719 r**	**185,695**	**180,656**	**184,259**	**186,958**
2 **Foreign countries**	**104,943**	**122,893**	**164,390 r**	**165,105 r**	**165,555 r**	**188,241 r**	**182,786**	**178,267**	**181,528**	**184,516**
3 Europe	47,076	60,295	85,382 r	79,509 r	81,497 r	86,112 r	88,584	88,008	87,499	91,317
4 Austria	346	318	513	449	444	446	444	426	404	413
5 Belgium-Luxembourg	2,187	2,531	2,552	2,419	2,493	2,714	2,920	2,710	2,786	2,364
6 Denmark	356	770	1,946	1,165	1,560	1,412	1,100	1,001	1,166	1,092
7 Finland	416	323	346	457	466	508	415	334	390	398
8 France	4,876	5,269	9,208	9,594	9,616	9,985	10,499	9,340	10,301	10,387
9 Germany	6,241	7,239	17,286	8,492	10,724	10,434	13,129	13,154	10,801	12,935
10 Greece	403	603	826	684	760	695	691	632	792	635
11 Italy	3,182	6,857	7,674	9,658 r	8,460 r	9,678 r	8,551	8,481	8,346	7,778
12 Netherlands	3,003	2,869	2,402	2,628	2,355	2,627	2,281	2,174	2,165	2,327
13 Norway	782	944	1,271	1,348	1,263	1,320	1,402	1,393	1,407	1,267
14 Portugal	239	273	330	353	303	411	554	620	595	557
15 Spain	559	619	870	1,211	1,107	1,060	1,133	1,103	1,184	1,259
16 Sweden	1,692	2,712	3,121	2,437	2,227	2,368	2,062	2,165	2,064	2,005
17 Switzerland	9,460	12,343	18,560 r	15,950 r	16,687 r	15,717 r	16,642	16,643	17,220	18,551
18 Turkey	166	130	157	156	193	160	135	150	145	119
19 United Kingdom	10,018	14,125	14,265	18,005 r	18,745 r	22,579	22,622	24,138	24,055	24,679
20 Yugoslavia	189	232	254	151	159	149	142	147	147	266
21 Other Western Europe[1]	2,673	1,804	3,393 r	4,011 r	3,610 r	3,504	3,493	3,087	3,233	3,931
22 U.S.S.R.	51	98	82	62	63	80	52	53	39	52
23 Other Eastern Europe[2]	236	236	325	277	260	265	317	259	261	302
24 Canada	4,659	4,607	6,966	6,674	7,610	8,376	8,319	8,644	7,280	7,357
25 Latin America and Caribbean	19,132	23,670	31,606 r	44,771 r	41,242 r	56,889 r	49,408	47,097	51,604	49,313
26 Argentina	1,534	1,416	1,484	1,896 r	1,697 r	1,761 r	1,935	1,693	1,573	1,582
27 Bahamas	2,770	3,596	6,752 r	16,458 r	13,107 r	24,085	18,372	15,377	18,533	15,300
28 Bermuda	218	321	428	402	339	415	392	399	404	435
29 Brazil	1,438	1,396	1,125	1,332	1,294	1,040	1,198	994	1,051	1,005
30 British West Indies	1,877	3,998	5,991	8,723 r	7,840 r	13,367	11,202	11,372	12,522	10,807
31 Chile	337	360	399	403	465	459	420	425	356	469
32 Colombia	1,021	1,221	1,756	2,402	2,292	2,378	2,188	2,243	2,377	2,617
33 Cuba	6	6	13	7	7	6	9	7	12	13
34 Ecuador	320	330	322	391	443	449	364	482	476	425
35 Guatemala[3]	....	....	416	319	319	320	335	361	374	413
36 Jamaica[3]	....	....	52	46	104	67	175	113	74	76
37 Mexico	2,870	2,876	3,417	3,392	3,632	3,658	3,549	3,528	3,666	4,094
38 Netherlands Antilles	158	196	308	414	422	366 r	359	609	460	499
39 Panama	1,167	2,331	2,968 r	3,148 r	3,070	3,049	3,336	3,926	4,290	4,483
40 Peru	257	287	363	382	425	391	477	388	417	383
41 Uruguay	245	243	231	248	231	222	217	217	185	202
42 Venezuela	3,118	2,929	3,821	2,982	3,920	3,180	2,903	3,168	3,014	4,192
43 Other Latin America and Carribbean	1,797	2,167	1,760	1,825	1,636	1,675	1,977	1,795	1,822	2,317
44 Asia	29,766	30,488	36,473 r	29,734 r	30,818 r	32,219 r	32,505	30,615	31,061	32,394
China										
45 Mainland	48	53	67	46	42	41	45	49	45	49
46 Taiwan	990	1,013	502	739	769	1,027	1,231	1,339	1,413	1,393
47 Hong Kong	894	1,094	1,256	1,555	1,452	1,571	1,634	1,542	1,624	1,667
48 India	638	961	790	940	873	704	674	496	582	527
49 Indonesia	340	410	449	409	509	317	463	555	478	504
50 Israel	392	559	674	708 r	624 r	627 r	626	621	574	663
51 Japan	14,363	14,616	21,927	12,572	13,104	13,094	13,292	10,885	7,867	8,930
52 Korea	438	602	795	809	816	825	938	950	951	995
53 Philippines	628	687	644	690	640	603 r	632	598	671	800
54 Thailand	277	264	427	413	307	330	421	304	415	281
55 Middle-East oil-exporting countries[4]	9,360	8,979	7,529 r	9,222 r	9,853 r	11,306 r	10,688	11,313	14,565	14,712
56 Other Asia	1,398	1,250	1,414	1,632	1,830	1,773	1,862	1,963	1,876	1,873
57 Africa	2,298	2,535	2,886	3,237	3,226	3,818	3,194	3,141	3,105	3,230
58 Egypt	333	404	404	306	378	302	245	294	380	475
59 Morocco	87	66	32	45	35	40	40	30	36	32
60 South Africa	141	174	168	316	196	174	235	194	213	184
61 Zaire	36	39	43	56	37	49	73	112	104	110
62 Oil-exporting countries[5]	1,116	1,155	1,525	1,566	1,699	2,441	1,832	1,711	1,513	1,627
63 Other Africa	585	698	715	948	881	811	768	800	859	803
64 Other countries	2,012	1,297	1,076	1,181	1,162	826	776	762	979	906
65 Australia	1,905	1,140	838	891	806	621	549	528	714	684
66 All other	107	158	239	290	355	205	227	234	266	222
67 Nonmonetary international and regional organizations	5,714	3,274	2,607 r	2,977 r	3,437	3,479	2,909	2,389	2,730	2,441
68 International	5,157	2,752	1,485	1,865 r	2,257	2,427	1,810	1,343	1,517	1,321
69 Latin American regional	267	278	808	829	917	793	824	755	790	813
70 Other regional	290	245	314 r	284	263	258 r	275	291	423	308

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

3.17 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1976	1977	1978	1979						
				June	July	Aug.	Sept.	Oct.	Nov.p	Dec.p
1 **Total**	**79,301**	**90,206**	**115,307**	**115,134r**	**113,502r**	**125,633r**	**127,247**	**121,086r**	**124,368**	**134,338**
2 **Foreign countries**	**79,261**	**90,163**	**115,251r**	**115,088r**	**113,455r**	**125,582r**	**127,196**	**121,049r**	**124,324**	**134,306**
3 Europe	14,776	18,114	24,230r	24,370r	24,138r	25,774	28,380	26,178r	26,044	28,354
4 Austria	63	65	140	151	188	223	191	190r	167	285
5 Belgium-Luxembourg	482	561	1,200	1,696r	1,669r	1,483	1,737	1,559r	1,420	1,327
6 Denmark	133	173	254	140	137	141	166	116	149	147
7 Finland	199	172	305	186	220	247	227	230	182	202
8 France	1,549	2,082	3,742	3,545r	3,237r	3,260	3,766	2,736	3,305	3,303
9 Germany	509	644	895r	838r	939r	883r	1,840	1,309	1,409	1,168
10 Greece	279	206	164	167	130	267	194	282	171	154
11 Italy	993	1,334	1,508	1,332	1,196	1,474	1,566	1,424	1,262	1,591
12 Netherlands	315	338	675r	506r	792	559	631	618	603	514
13 Norway	136	162	299	200	181	227	238	236	257	276
14 Portugal	88	175	171	172	235	297	325	349	352	333
15 Spain	745	722	1,110	994	999	969	1,126	1,117	1,050	1,061
16 Sweden	206	218	537	247	401	482	459	603	548	542
17 Switzerland	379	564	1,283	1,071	1,027	714	1,179	1,171	1,232	1,163
18 Turkey	249	360	283	135	118	148	119	141	151	149
19 United Kingdom	7,033	8,964	10,156	11,259r	10,693r	12,347	12,394	11,839r	11,546	13,787
20 Yugoslavia	234	311	363	535	541	571	584	578	582	611
21 Other Western Europe[1]	85	86	122	187	199	216	247	154	185	175
22 U.S.S.R.	485	413	366	300	282	292	326	349	311	290
23 Other Eastern Europe[2]	613	566	657r	709r	955r	974r	1,064	1,175r	1,160	1,277
24 Canada	3,319	3,355	5.152	4,900r	5,063	5,017	4,787	4,335r	4,367	5,562
25 Latin America and Caribbean	38,879	45,850	57,166	57,131r	53,941r	62,932r	62,465	59,225r	62,080	67,057
26 Argentina	1,192	1,478	2,281	3,202r	3,341r	3,259r	3,285	3,653	4,157	4,225
27 Bahamas	15,464	19,858	21,515	19,113	16,769r	19,931	19,146	17,393r	16,030	18,681
28 Bermuda	150	232	184	128r	179r	167	172	485	458	469
29 Brazil	4,901	4,629	6,251	6,121	6,168r	6,548	7,286	7,567	7,499	7,754
30 British West Indies	5,082	6,481	9,391	9,001r	6,244r	10,723r	9,176	6,742r	8,913	9,685
31 Chile	597	675	972	1,089	1,120	1,173	1,323	1,396	1,348	1,423
32 Colombia	675	671	1,012	1,089	1,196	1,220	1,259	1,451	1,522	1,611
33 Cuba	13	10	*	4	4	6	4	4	4	6
34 Ecuador	375	517	705	908	916	921	943	1,000	1,007	1,025
35 Guatemala[3]	....	....	94	95	98	100	103	110	115	136
36 Jamaica[3]	....	....	40	40	47	30	32	29	34	247
37 Mexico	4,822	4,909	5,423	6,428r	7,172r	7,699	8,430	8,416	8,336	8,925
38 Netherlands Antilles	140	224	273	280	392	342	301	230	227	246
39 Panama	1,372	1,410	3,094	3,603r	4,212r	4,400	4,523	4,268	5,774	5,983
40 Peru	933	962	918	720	727	730	716	607	604	652
41 Uruguay	42	80	52	58	56	66	60	72	71	112
42 Venezuela	1,828	2,318	3,474	3,803r	3,817r	4,040r	4,176	4,349r	4,392	4,477
43 Other Latin America and Caribbean	1,293	1,394	1,487	1,447	1,483	1,577r	1,531	1,455	1,587	1,600
44 Asia	19,204	19,236	25,494r	25,576r	27,217r	28,963r	28,546	28,457r	29,054	30,692
China										
45 Mainland	3	10	4	9	35	29	25	55	31	86
46 Taiwan	1,344	1,719	1,499	1,884r	1,876r	1,970	1,935	1,930	1,805	1,833
47 Hong Kong	316	543	1,579r	1,863r	1,978	1,788	1,859	1,737	1,794	1,803
48 India	69	53	54	82	43	75	74	68	69	93
49 Indonesia	218	232	143	138	131	156	140	147	138	131
50 Israel	755	584	870	842	865	857	882	891	842	1,004
51 Japan	11,040	9,839	12,686	12,764r	13,950r	15,050r	14,656	14,983r	16,149	16,971
52 Korea	1,978	2,336	2,282	3,388r	3,469r	3,612	3,750	3,839	3,732	3,795
53 Philippines	719	594	680	678	743	793	638	724	642	745
54 Thailand	442	633	758	895	925	919	1,036	956	971	937
55 Middle East oil-exporting countries[4]	1,459	1,746	3,135	1,595r	1,807r	1,689	1,914	1,190	1,107	1,489
56 Other Asia	863	947	1,804	1,437r	1,395r	2,026	1,637	1,939	1,775	1,805
57 Africa	2,311	2,518	2,221	2,128	2,082r	1,969	2,101	1,926	1,865	1,785
58 Egypt	126	119	107	178	115	126	120	122	91	112
59 Morocco	27	43	82	37	34	31	23	66	73	103
60 South Africa	957	1,066	860	745	745	730	704	602	565	445
61 Zaire	112	98	164	151	189	151	149	135	135	142
62 Oil-Exporting Countries[5]	524	510	452	478	491r	398	563	435	442	391
63 Other	565	682	556	539	508	533	542	566	559	593
64 Other Countries	772	1,090	988	984	1,013	926	916	928	915	856
65 Australia	597	905	877	779	765	756	744	748	740	677
66 All other	175	186	111	205	248	170	172	180	175	179
67 Nonmonetary international and regional organizations[6]	40	43	56	45	47	51	50	36	44	32

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

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

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

Millions of dollars, end of period

Type of claim	1976	1977	1978r	1979						
				June r	July r	Aug. r	Sept.	Oct. r	Nov.	Dec. p
1 **Total**	**79,301**	**90,206**	**126,485**	**129,027**	....	....	**145,975** r	....	....	....
2 Banks' own claims on foreigners	....	....	115,307	115,134	113,502	125,633	127,247	121,086	124,368	134,338
3 Foreign public borrowers	....	....	10,130	11,324	11,891	12,510	13,808	14,103	13,639	14,911
4 Own foreign offices[1]	....	....	41,471	37,164	36,213	40,237	39,493	38,164	43,546	48,104
5 Unaffiliated foreign banks	....	....	40,420	41,489	38,793	45,048	46,010	39,799	37,903	40,800
6 Deposits	....	....	5,458	7,304	6,973	7,549	7,394	6,745	5,710	6,276
7 Other	....	....	34,962	34,185	31,820	37,498	38,616	33,054	32,193	34,523
8 All other foreigners	....	....	23,286	25,157	26,605	27,838	27,935	29,021	29,280	30,523
9 Claims of banks' domestic customers[2]	....	....	11,178	13,893	....	....	18,729 r	....	....	....
10 Deposits	....	....	480	683	....	....	975 r	....	....	....
11 Negotiable and readily transferable instruments[3]	....	....	5,344	7,312	....	....	11,580 r	....	....	....
12 Outstanding collections and other claims[4]	5,756	6,176	5,353	5,899	....	....	6,174 r	....	....	....
13 MEMO: Customer liability on acceptances	....	....	14,919	16,864	....	....	19,733 r	....	....	
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	....	....	12,804	17,326	20,537	20,808	18,734	21,615	20,060	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period prior to that are outstanding collections only.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE: Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

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

Millions of dollars, end of period

Maturity; by borrower and area	1978			1979		
	June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**55,902**	**60,096**	**73,632** r	**71,528**	**77,662** r	**87,233**
By borrower						
2 Maturity of 1 year or less[1]	44,558	47,230	58,363 r	55,363 r	60,014 r	67,877
3 Foreign public borrowers	3,128	3,709	4,589 r	4,643 r	4,594 r	5,949
4 All other foreigners	41,430	43,521	53,774 r	50,720	55,420 r	61,928
5 Maturity of over 1 year[1]	11,343	12,866	15,269 r	16,165 r	17,648 r	19,356
6 Foreign public borrowers	3,243	4,230	5,343 r	5,944 r	6,427 r	7,637
7 All other foreigners	8,101	8,635	9,926 r	10,221 r	11,221 r	11,719
By area						
Maturity of 1 year or less[1]						
8 Europe	9,710	10,513	15,126 r	12,376	14,019 r	16,754
9 Canada	1,598	1,953	2,670	2,512	2,703 r	2,462
10 Latin American and Caribbean	17,439	18,624	20,927 r	21,651 r	23,090 r	25,556
11 Asia	13,831	14,014	17,575 r	16,993	18,199 r	21,182
12 Africa	1,457	1,535	1,496	1,290	1,438	1,400
13 All other[2]	523	591	569	541	565	523
Maturity of over 1 year[1]						
14 Europe	2,920	3,102	3,142 r	3,103 r	3,484 r	3,667
15 Canada	344	794	1,426	1,456	1,221	1,371
16 Latin America and Caribbean	5,900	6,877	8,452 r	9,325 r	10,265 r	11,794
17 Asia	1,297	1,303	1,399	1,471	1,881 r	1,713
18 Africa	631	580	636	629	614	622
19 All other[2]	252	211	214	180	183	189

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

NOTE. The first available data are for June 1978.

3.20 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or Country	1975	1976	1977		1978				1979		
			Sept.	Dec.	Mar.	June[2]	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**167.0**	**207.7**	**226.7**	**239.4**	**247.2**	**245.7**	**246.7**	**265.4**	**263.6**	**274.4**	**293.8**
2 G–10 countries and Switzerland	88.0	100.1	108.8	115.3	116.6	112.8	113.7	124.9	118.9	125.0	135.8r
3 Belgium-Luxembourg	5.3	6.1	7.1	8.4	8.3	8.3	8.4	9.0	9.4	9.7	10.7
4 France	8.5	10.0	10.5	11.0	11.4	11.4	11.7	12.2	11.7	12.7	12.0
5 Germany	7.8	8.7	8.6	9.6	9.0	9.1	9.7	11.4	10.5	10.8	12.9
6 Italy	5.2	5.8	6.0	6.5	6.0	6.4	6.0	6.6	5.7	6.1	6.1
7 Netherlands	2.8	2.8	3.0	3.5	3.4	3.4	3.5	4.4	3.8	4.0	4.7
8 Sweden	1.0	1.2	1.9	1.9	2.0	2.1	2.2	2.1	2.0	2.0	2.3
9 Switzerland	2.4	3.0	3.3	3.3	4.0	4.1	4.3	5.4	4.5	4.8	5.0
10 United Kingdom	36.3	41.5	44.1	46.5	46.5	45.0	44.4	47.2	46.5	50.3	53.8r
11 Canada	3.8	5.1	6.6	5.8	6.9	5.1	4.9	5.9	5.8	5.5	6.0
12 Japan	14.9	15.9	17.6	18.8	19.1	17.9	18.6	20.7	19.0	19.1	22.3
13 Other developed countries	10.7	15.1	18.1	18.6	20.5	19.3	18.7	19.4	18.3	18.4	19.7
14 Austria	.7	1.2	1.3	1.3	1.5	1.5	1.5	1.7	1.7	1.8	2.0
15 Denmark	.6	1.0	1.5	1.6	1.6	1.7	1.9	2.0	2.0	2.0	2.0
16 Finland	.9	1.1	1.2	1.2	1.2	1.1	1.0	1.2	1.1	1.1	1.2
17 Greece	1.4	1.7	2.0	2.2	2.7	2.3	2.2	2.3	2.3	2.2	2.3
18 Norway	1.4	1.5	1.8	1.9	1.9	2.1	2.1	2.1	2.1	2.1	2.3
19 Portugal	.3	.4	.6	.6	.7	.6	.5	.6	.6	.5	.7
20 Spain	1.9	2.8	3.5	3.6	3.6	3.6	3.5	3.4	3.0	3.0	3.3
21 Turkey	.6	1.3	1.4	1.5	1.5	1.4	1.5	1.5	1.4	1.4	1.4
22 Other Western Europe	.6	.7	1.2	.9	1.4	1.2	1.0	1.2	1.1	1.2	1.5
23 South Africa	1.2	2.2	2.3	2.4	2.5	2.4	2.2	2.0	1.7	1.8	1.7
24 Australia	1.3	1.2	1.5	1.4	1.9	1.4	1.3	1.4	1.3	1.3	1.3
25 Oil-exporting countries[3]	6.9	12.6	16.5	17.6	19.2	19.1	20.4	22.7	22.6	22.7	23.3
26 Ecuador	.4	.7	1.1	1.1	1.3	1.4	1.6	1.6	1.5	1.6	1.6
27 Venezuela	2.3	4.1	5.1	5.5	5.5	5.6	6.2	7.2	7.2	7.5	7.9
28 Indonesia	1.6	2.2	2.2	2.2	2.1	1.9	1.9	2.0	1.9	1.9	1.9
29 Middle East countries	1.6	4.2	6.3	6.9	8.3	8.3	8.7	9.4	9.4	9.1	9.1
30 African countries	1.0	1.4	1.9	1.9	2.0	1.9	2.0	2.5	2.6	2.6	2.8
31 Non-oil developing countries	34.2	43.1	47.6	50.0	49.9	48.9	49.5	52.4	53.8	56.1	59.2r
Latin America											
32 Argentina	1.7	1.9	2.4	2.9	3.0	3.0	2.9	3.0	2.9	3.5	4.1
33 Brazil	8.0	11.1	11.8	12.7	13.0	13.3	14.0	14.9	15.2	15.0	15.1
34 Chile	.5	.8	.8	.9	1.1	1.3	1.3	1.6	1.7	1.8	2.2
35 Colombia	1.2	1.3	1.2	1.3	1.3	1.3	1.3	1.4	1.5	1.5	1.7
36 Mexico	9.0	11.7	12.6	11.9	11.2	11.0	10.7	10.8	10.9	11.0	11.6
37 Peru	1.4	1.8	1.9	1.9	1.7	1.8	1.8	1.7	1.6	1.4	1.4
38 Other Latin America	2.6	2.7	2.5	2.7	3.5	3.3	3.4	3.6	3.5	3.3	3.7
Asia											
China											
39 Mainland	*	*	*	*	*	*	*	*	.1	.1	.1
40 Taiwan	1.7	2.3	2.9	3.1	2.5	2.4	2.4	2.9	3.1	3.3	3.5
41 India	.2	.2	.3	.3	.3	.2	.3	.2	.2	.2	.2
42 Israel	.9	1.0	.7	.9	.8	.7	.7	1.0	1.0	.9	1.0
43 Korea (South)	2.4	3.1	3.6	3.9	3.7	3.6	3.5	3.9	4.2	5.0	5.3
44 Malaysia[4]	.3	.5	.7	.7	.6	.6	.6	.6	.6	.7	.7
45 Philippines	1.7	2.2	2.4	2.5	2.6	2.7	2.8	2.8	3.2	3.7	3.7
46 Thailand	.7	.7	.9	1.7	1.1	1.1	1.1	1.2	1.2	1.4	1.6
47 Other Asia	.4	.4	.4	.3	.4	.3	.3	.2	.3	.4	.3
Africa											
48 Egypt	.4	.4	.4	.3	.3	.3	.4	.4	.4	.7	.6r
49 Morocco	.1	.2	.4	.5	.4	.5	.5	.6	.6	.5	.5
50 Zaire	.3	.2	.3	.3	.3	.2	.2	.2	.2	.2	.2
51 Other Africa[5]	.5	.6	1.2	1.2	1.4	1.2	1.3	1.4	1.4	1.5	1.7
52 Eastern Europe	3.7	5.2	5.5	6.5	6.3	6.4	6.6	6.9	6.7	6.7	7.3
53 U.S.S.R.	1.0	1.5	1.5	1.6	1.4	1.4	1.4	1.3	1.1	.9	.9
54 Yugoslavia	.6	.8	1.0	1.1	1.2	1.3	1.3	1.5	1.6	1.7	1.8
55 Other	2.1	2.8	3.0	3.8	3.7	3.7	3.9	4.1	4.0	4.1	4.6
56 Offshore banking centers	19.4	26.2	25.3	26.1	29.0	31.1	29.2	30.0	33.8	35.6	37.9
57 Bahamas	7.3	11.8	9.9	9.8	11.3	11.8	11.1	9.9	12.9	13.3	13.0
58 Bermuda	.5	.5	.5	.6	.6	.7	.7	.7	.6	.7	.7
59 Cayman Islands and other British West Indies	2.5	3.8	4.3	3.8	4.5	6.3	6.2	6.9	6.7	7.2	9.1
60 Netherlands Antilles	.6	.6	.6	.7	.7	.6	.6	.8	.8	1.0	1.1
61 Panama	2.6	2.7	2.8	3.1	3.2	3.2	3.1	2.9	3.3	3.5	3.0
62 Lebanon	.2	.1	.1	.2	.2	.1	.1	.1	.1	.1	.2
63 Hong Kong	1.6	2.3	3.1	3.7	4.0	4.1	4.0	4.3	4.7	5.2	5.5
64 Singapore	3.8	4.4	3.9	3.7	4.0	3.8	2.9	3.9	4.2	4.2	4.9
65 Others[6]	.1	*	.1	.5	.5	.5	.5	.5	.5	.4	.4
66 *Miscellaneous and unallocated*[7]	4.1	5.4	5.0	5.3	5.7	8.1	8.6	9.1	9.5	9.9	10.6

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) *foreign subsidiaries of U.S. banks. To minimize duplication*, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.13 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.17 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also *footnote* 2.

2. For June 1978 and subsequent dates, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

3. Includes Algeria, Bahrain, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, and United Arab Emirates in addition to countries shown individually.

4. Foreign branch claims only through December 1976.

5. Excludes Liberia.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.21 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1977	1978	1979	1979						
			Jan.-Dec.^{p}	June	July	Aug.	Sept.	Oct.	Nov.^{p}	Dec.^{p}
	Holdings (end of period)[1]									
1 **Estimated total**[2]	**38,640**	**44,938**	....	**47,494**	**48,991**	**49,575**	**50,257**	**50,888**	**49,779**	**50,306**
2 Foreign countries[2]	33,894	39,817	....	43,454	44,544	44,979	45,060	45,206	44,276	44,875
3 Europe[2]	13,936	17,072	....	21,047	22,213	22,558	22,599	22,692	21,910	23,705
4 Belgium-Luxembourg	19	19	....	24	24	24	65	65	60	60
5 Germany[2]	3,168	8,705	....	10,751	10,781	10,952	10,953	11,082	11,337	12,937
6 Netherlands	911	1,358	....	1,695	1,655	1,577	1,667	1,660	1,490	1,466
7 Sweden	100	285	....	484	481	525	588	600	593	647
8 Switzerland	497	977	....	1,582	1,843	2,048	2,496	2,427	1,961	1,868
9 United Kingdom	8,888	5,373	....	6,016	6,938	6,895	6,193	6,191	5,955	6,236
10 Other Western Europe	349	354	....	496	491	538	637	666	513	491
11 Eastern Europe	4	....	....	....	....	....	....	....	....	....
12 Canada	288	152	....	227	232	233	233	235	234	232
13 Latin America and Caribbean	551	416	....	387	537	539	539	541	539	546
14 Venezuela	199	144	....	183	183	183	183	183	183	183
15 Other Latin American and Caribbean	183	110	....	42	192	192	192	194	192	200
16 Netherlands Antilles	170	162	....	162	162	165	165	164	164	163
17 Asia	18,745	21,488	....	21,103	20,874	20,960	21,000	21,050	21,005	19,804
18 Japan	6,860	11,528	....	13,040	13,090	12,818	12,789	12,591	12,502	11,175
19 Africa	362	691	....	691	691	691	691	691	591	591
20 All other	11	−3	....	−3	−3	−3	−3	−3	−3	−3
21 Nonmonetary international and regional organizations	4,746	5,121	....	4,040	4,447	4,596	5,197	5,682	5,503	5,431
22 International	4,646	5,089	....	3,993	4,400	4,551	5,150	5,636	5,463	5,388
23 Latin American regional	100	33	....	48	48	46	46	46	40	40
	Transactions (net purchases, or sales (−), during period)									
24 **Total**[2]	**22,843**	**6,297**	**5,368**	**277**	**1,497**	**584**	**681**	**632**	**−1,110**	**527**
25 Foreign countries[2]	21,130	5,921	5,058	399	1,090	435	81	146	−930	600
26 Official institutions	20,377	3,727^r	1,781	298	1,033	515	101	56	−1,037	547
27 Other foreign[2]	753	2,195^r	3,277	101	57	−81	−20	89	108	53
28 Nonmonetary international and regional organizations	1,713	375	311	−121	407	149	600	487	−180	−73
MEMO: Oil-exporting countries										
29 Middle East[3]	4,451	−1,785	−1,015	8	−193	394	72	299	64	168
30 Africa[4]	−181	329	−100	....	....	....	....	....	−100	....

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.22 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1976	1977	1978	1979						1980
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.^{p}
1 Deposits	352	424	367	372	325	347	351	490	429	439
Assets held in custody										
2 U.S. Treasury securities[1]	66,532	91,962	117,126	99,004	98,794	100,383	97,965	90,874	95,075	97,116
3 Earmarked gold[2]	16,414	15,988	15,463	15,322	15,296	15,294	15,253	15,230	15,169	15,138

1. Marketable U.S. Treasury bills, 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.

3.23 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1977	1978	1979 Jan.-Dec.p	1979 June	July	Aug.	Sept.	Oct.	Nov.p	Dec.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	14,155	20,142	22,593	1,861r	1,768r	2,382	2,074	2,385	1,876	2,359
2 Foreign sales	11,479	17,723	20,974	1,794	1,775r	2,224	2,023	2,372	1,687	2,182
3 **Net purchases, or sales (−)**	**2,676**	**2,420**	**1,619**	**66**	**−7r**	**158**	**51**	**13**	**189**	**177**
4 **Foreign countries**	**2,661**	**2,466**	**1,604**	**67**	**−7r**	**156**	**58**	**13**	**192**	**173**
5 Europe	1,006	1,283	216	11	−42	−48	−107	−34	77	75
6 France	40	47	122	41	18	19	−20	−48	−18	8
7 Germany	291	620	−221	−16	−19	−30	−37	−32	−18	−10
8 Netherlands	22	−22	−71	−15	8	−3	*	38	12	−25
9 Switzerland	152	−585	−519	−3	−52	−87	−64	−68	−148	−68
10 United Kingdom	613	1,230	964	5	−12	97	19	83	278	155
11 Canada	65	74	550	33	30	78	145	67	14	47
12 Latin America and Caribbean	127	151	−18	−28	−17	45	−8	−93	−7	40
13 Middle East[1]	1,390	781	656	15	−7	44	41	59	133	32
14 Other Asia	59	187	207	39	32	34	−12	18	−29	−21
15 Africa	5	−13	−14	−3	−3r	−4	−2	−1	1	−3
16 Other countries	8	3	7	−1	1	7	1	−3	2	2
17 **Nonmonetary international and regional organizations**	**15**	**−46**	**15**	**−1**	*	**2**	**−7**	*	**−3**	**4**
BONDS[2]										
18 Foreign purchases	7,739	7,975	8,790	1,131r	869	729	398	827	732	964
19 Foreign sales	3,560	5,517	7,544	793	648	673	288	639	913	550
20 **Net purchases, or sales (−)**	**4,179**	**2,458**	**1,246**	**338r**	**221**	**56**	**110**	**188**	**−181**	**414**
21 **Foreign countries**	**4,083**	**2,049**	**1,348**	**304r**	**222**	**71**	**23**	**48**	**−118**	**429**
22 Europe	1,850	908	675	163	159	−5	19	88	−205	33
23 France	−34	30	11	8	−34	−3	−1	1	11	1
24 Germany	−20	68	83	24	−11	−10	−1	−7	2	2
25 Netherlands	72	12	−202	−32	−9	−19	−2	−7	−15	−20
26 Switzerland	94	−100	−61	−1	−4	−8	4	*	−53	7
27 United Kingdom	1,690	930	816	169	232	24	23	103	−124	36
28 Canada	141	102	90	*	8	9	17	8	−1	−16
29 Latin America and Caribbean	64	98	112	−10	11	10	−4	6	12	15
30 Middle East[1]	1,695	810	374	102r	40	50	−7	−39	71	406
31 Other Asia	338	131	94	48	5	7	−4	−16	5	−10
32 Africa	−6	−1	1	*	*	*	1	*	*	*
33 Other countries	*	1	1	*	*	*	*	1	*	*
34 **Nonmonetary international and regional organizations**	**96**	**409**	**−102**	**34**	**−1**	**−14**	**87**	**140**	**−63**	**−14**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−410	527	−993	−18	−132r	−117r	−338	−198	−84	−130
36 Foreign purchases	2,255	3,666	4,512	402r	327r	377	420	466	365	406
37 Foreign sales	2,665	3,139	5,504	421	459r	494r	758	663	449	536
38 Bonds, net purchases, or sales (−)	−5,096	−4,052r	−3,916	−693r	−373r	−543	−725	−75	−335	−222
39 Foreign purchases	8,040	11,043r	12,374	1,011	984	1,575	829	1,081	1,080	1,124
40 Foreign sales	13,136	15,094r	16,290	1,704r	1,357r	2,118	1,554	1,156	1,415	1,346
41 **Net purchases, or sales (−) of stocks and bonds**	**−5,506**	**−3,525r**	**−4,908**	**−711r**	**−505r**	**−660r**	**−1,063**	**−273**	**−420**	**−352**
42 **Foreign countries**	**−3,949**	**−3,338r**	**−4,149**	**−429r**	**−529r**	**−577r**	**−914**	**−277**	**−301**	**−490**
43 Europe	−1,100	−64r	−1,734	−148r	−397r	−290	−120	−38	−119	−282
44 Canada	−2,404	−3,238r	−2,614	−221	−178	−128	−891	−358	−97	−80
45 Latin America and Caribbean	−82	201	399	53	30	12r	*	11	29	−5
46 Asia	−97	350	−212	−114	16	−172	92	112	−118	−128
47 Africa	2	−441	−13	4	−2r	−1	*	−6	1	3
48 Other countries	−267	−146	25	−4	2	2	5	2	3	3
49 **Nonmonetary international and regional organizations**	**−1,557**	**−187**	**−760**	**−282**	**24**	**−83**	**−150**	**4**	**−118**	**138**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad

3.24 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1976	1977	1978	1978		1979			
				June	Sept.	Mar.	June r	Sept. p	Dec.
1 **Total**	**10,099**	**11,085**	**14,468r**	**11,870**	**12,786**	**13,953r**	**15,164**	**15,372**	....
2 Payable in dollars	9,390	10,284	11,412r	11,044	11,955	11,254r	12,415	12,477	....
3 Payable in foreign currencies[2]	709	801	3,056	825	831	2,699	2,749	2,895	....
By type									
4 Financial liabilities	....	....	6,011r	....	....	5,775r	5,781	5,881	....
5 Payable in dollars	....	....	3,745r	....	....	3,703r	3,735	3,738	....
6 Payable in foreign currencies	....	....	2,265	....	....	2,072	2,046	2,143	....
7 Commercial liabilities	....	....	8,458	....	....	8,178	9,384	9,491	....
8 Trade payables	....	....	3,929	....	....	3,445	4,244	4,015	....
9 Advance receipts and other liabilities	....	....	4,529	....	....	4,733	5,140	5,476	....
10 Payable in dollars	....	....	7,667	....	....	7,551	8,680	8,739	....
11 Payable in foreign currencies	....	....	791	....	....	627	703	753	....
By area or country									
Financial liabilities									
12 Europe	....	....	3,772	....	....	3,528	3,394	3,426	....
13 Belgium-Luxembourg	....	....	287	....	....	264	313	276	....
14 France	....	....	162	....	....	138	134	125	....
15 Germany	....	....	371	....	....	329	271	370	....
16 Netherlands	....	....	364	....	....	396	378	407	....
17 Switzerland	....	....	204	....	....	190	231	185	....
18 United Kingdom	....	....	2,064	....	....	2,009	1,852	1,866	....
19 Canada	....	....	203	....	....	224	292	311	....
20 Latin America and Caribbean	....	....	1,272r	....	....	1,267r	1,325	1,381	....
21 Bahamas	....	....	422	....	....	407	442	345	....
22 Bermuda	....	....	56	....	....	41	37	37	....
23 Brazil	....	....	10	....	....	13	19	14	....
24 British West Indies	....	....	122	....	....	132	127	139	....
25 Mexico	....	....	102	....	....	101	131	121	....
26 Venezuela	....	....	46	....	....	52	65	68	....
27 Asia	....	....	754	....	....	745	759	752	....
28 Japan	....	....	671	....	....	667	706	700	....
29 Middle East oil-exporting countries[3]	....	....	48	....	....	36	19	19	....
30 Africa	....	....	5	....	....	5	6	5	....
31 Oil-exporting countries[4]	....	....	2	....	....	1	2	1	....
32 All other[5]	....	....	5	....	....	5	5	5	....
Commercial liabilities									
33 Europe	....	....	2,930	....	....	2,804	3,255	3,343	....
34 Belgium-Luxembourg	....	....	75	....	....	70	81	103	....
35 France	....	....	317	....	....	339	339	379	....
36 Germany	....	....	529	....	....	394	481	553	....
37 Netherlands	....	....	208	....	....	194	202	178	....
38 Switzerland	....	....	314	....	....	329	439	348	....
39 United Kingdom	....	....	760	....	....	804	979	992	....
40 Canada	....	....	663	....	....	612	651	715	....
41 Latin America	....	....	990	....	....	1,138	1,319	1,384	....
42 Bahamas	....	....	25	....	....	16	65	89	....
43 Bermuda	....	....	95	....	....	40	80	45	....
44 Brazil	....	....	74	....	....	61	165	186	....
45 British West Indies	....	....	53	....	....	89	121	21	....
46 Mexico	....	....	105	....	....	236	203	256	....
47 Venezuela	....	....	303	....	....	356	323	359	....
48 Asia	....	....	2,946	....	....	2,632	3,021	2,985	....
49 Japan	....	....	431	....	....	412	499	516	....
50 Middle East oil-exporting countries[3]	....	....	1,543	....	....	1,117	1,216	1,039	....
51 Africa	....	....	724	....	....	754	891	775	....
52 Oil-exporting countries[4]	....	....	313	....	....	345	410	385	....
53 All other[5]	....	....	205	....	....	239	246	290	....

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.25 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1976	1977	1978	1978		1979			
				June	Sept.	Mar.	June[r]	Sept.[p]	Dec.
1 **Total**	**19,350**	**21,298**	**27,194**	**23,229**	**23,260**	**29,714**	**29,138**	**29,808**	....
2 Payable in dollars	18,300	19,880	24,223	21,665	21,292	26,939	26,235	27,109	....
3 Payable in foreign currencies[2]	1,050	1,418	2,971	1,564	1,968	2,775	2,904	2,699	....
By type									
4 Financial claims	....	....	15,885	....	....	18,995	18,122	18,034	....
5 *Deposits*	....	....	10,770	....	....	13,899	12,807	12,661	....
6 Payable in dollars	....	....	9,707	....	....	12,991	11,871	11,759	....
7 Payable in foreign currencies	....	....	1,063	....	....	908	936	901	....
8 Other financial claims	....	....	5,115	....	....	5,096	5,315	5,373	....
9 Payable in dollars	....	....	3,541	....	....	3,567	3,752	3,984	....
10 Payable in foreign countries	....	....	1,574	....	....	1,529	1,563	1,389	....
11 Commercial claims	....	....	11,309	....	....	10,719	11,016	11,774	....
12 Trade receivables	....	....	10,662	....	....	9,963	10,311	10,965	....
13 Advance payments and other claims	....	....	647	....	....	756	705	809	....
14 Payable in dollars	....	....	10,976	....	....	10,381	10,612	11,366	....
15 Payable in foreign currencies	....	....	333	....	....	338	404	408	....
By area or country									
Financial claims									
16 Europe	....	....	5,010	....	....	5,191	5,458	6,387	....
17 Belgium-Luxembourg	....	....	48	....	....	63	54	33	....
18 France	....	....	174	....	....	170	183	191	....
19 Germany	....	....	530	....	....	266	361	391	....
20 Netherlands	....	....	103	....	....	86	62	51	....
21 Switzerland	....	....	98	....	....	96	81	85	....
22 United Kingdom	....	....	3,814	....	....	4,283	4,478	5,357	....
23 Canada	....	....	4,463	....	....	5,137	5,066	4,538	....
24 Latin America and Carribbean	....	....	5,271	....	....	7,598	6,512	5,943	....
25 Bahamas	....	....	2,857	....	....	4,098	3,173	2,773	....
26 Bermuda	....	....	80	....	....	62	57	61	....
27 Brazil	....	....	151	....	....	137	122	114	....
28 British West Indies	....	....	1,275	....	....	2,438	2,278	1,711	....
29 Mexico	....	....	168	....	....	166	158	155	....
30 Venezuela	....	....	148	....	....	141	148	137	....
31 Asia	....	....	918	....	....	826	800	818	....
32 Japan	....	....	306	....	....	206	216	222	....
33 Middle East oil-exporting countries[3]	....	....	18	....	....	17	17	21	
34 Africa	....	....	182	....	....	204	227	278	....
35 Oil-exporting countries[4]	....	....	10	....	....	26	23	41	
36 All other[5]	....	....	41	....	....	39	61	69	....
Commercial claims									
37 Europe	....	....	3,940	....	....	3,818	3,842	4,170	....
38 Belgium-Luxembourg	....	....	143	....	....	172	174	184	....
39 France	....	....	609	....	....	490	473	549	....
40 Germany	....	....	395	....	....	501	435	467	....
41 Netherlands	....	....	257	....	....	271	306	262	....
42 Switzerland	....	....	208	....	....	248	232	224	
43 United Kingdom	....	....	803	....	....	681	724	815	....
44 Canada	....	....	1,105	....	....	1,113	1,127	1,174	....
45 Latin America and Caribbean	....	....	2,535	....	....	2,382	2,403	2,562	....
46 Bahamas	....	....	109	....	....	117	98	16	....
47 Bermuda	....	....	215	....	....	241	118	152	....
48 Brazil	....	....	625	....	....	490	499	565	....
49 British West Indies	....	....	9	....	....	10	25	13	....
50 Mexico	....	....	506	....	....	488	584	647	....
51 Venezuela	....	....	292	....	....	273	296	345	....
52 Asia	....	....	3,090	....	....	2,757	2,969	3,106	....
53 Japan	....	....	977	....	....	895	1,003	1,129	....
54 Middle East oil-exporting countries[3]	....	....	712	....	....	670	685	661	....
55 Africa	....	....	451	....	....	466	487	548	....
56 Oil-exporting countries[4]	....	....	137	....	....	132	139	139	....
57 All other[5]	....	....	188	....	....	203	189	213	....

1. For a description of the changes in the International Statistics tables, see July 1979, BULLETIN, p. 550.
2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Jan. 31, 1980		Country	Rate on Jan. 31, 1980		Country	Rate on Jan. 31, 1980	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	9.0	Nov.1979
Austria	5.25	Jan. 1980	Germany, Fed. Rep. of	6.0	Nov. 1979	Sweden	10.0	Jan. 1980
Belgium	10.5	Dec. 1979	Italy	15.0	Dec. 1979	Switzerland	2.0	Nov. 1979
Brazil	33.0	Nov. 1978	Japan	6.25	Nov. 1979	United Kingdom	17.0	Nov. 1979
Canada	14.0	Oct. 1979	Mexico	4.5	June 1942	Venezuela	8.5	May 1979
Denmark	11.0	Sept. 1979	Netherlands	9.5	Nov. 1979			

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or governments 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.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1977	1978	1979	1979					1980
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Eurodollars	6.03	8.74	11.96	11.53	12.61	14.59	15.00	14.51	14.33
2 United Kingdom	8.07	9.18	13.60	14.06	14.11	14.12	16.09	16.71	17.30
3 Canada	7.47	8.52	11.91	11.78	11.89	13.34	14.19	14.02	13.93
4 Germany	4.30	3.67	6.64	7.04	7.82	8.84	9.57	9.54	8.79
5 Switzerland	2.56	0.74	2.04	1.67	1.94	2.57	3.97	5.67	5.45
6 Netherlands	4.73	6.53	9.33	9.51	9.82	10.09	11.86	14.56	11.85
7 France	9.20	8.10	9.44	10.85	11.67	12.14	12.72	12.55	12.31
8 Italy	14.26	11.40	11.85	11.50	11.51	12.71	13.12	16.01	17.00
9 Belgium	6.95	7.14	10.48	11.42	11.88	12.99	14.17	14.49	14.38
10 Japan	6.22	4.75	6.10	7.00	7.00	7.01	8.13	8.42	8.44

NOTE. Rates are for 3-month interbank loans except for the following: 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.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1977	1978	1979	1979					1980
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Australia/dollar	110.82	114.41	111.77	112.83	112.63	111.31	109.34	110.30	110.97
2 Austria/schilling	6.0494	6.8958	7.4799	7.4786	7.7211	7.7570	7.8345	8.0039	8.0689
3 Belgium/franc	2.7911	3.1809	3.4098	3.4140	3.4684	3.4656	3.4822	3.5423	3.5688
4 Canada/dollar	94.112	87.729	85.386	85.425	85.814	85.084	84.771	85.471	85.912
5 Denmark/krone	16.658	18.156	19.010	18.964	19.279	19.110	19.034	18.618	18.568
6 Finland/markka	24.913	24.337	27.732	26.075	26.242	26.483	26.428	26.830	27.082
7 France/franc	20.344	22.218	23.504	23.491	23.826	23.809	24.065	24.614	24.750
8 Germany/deutsche mark	43.079	49.867	54.561	54.666	55.758	55.884	56.470	57.671	57.986
9 India/rupee	11.406	12.207	12.265	12.484	12.289	12.159	12.209	12.350	12.519
10 Ireland/pound	174.49	191.84	204.65	205.79	209.18	208.28	208.70	212.76	214.31
11 Italy/lira	.11328	.11782	.12035	.12219	.12326	.12112	.12112	.12329	.12427
12 Japan/yen	.37342	.47981	.45834	.45890	.44963	.43405	.40834	.41613	.42041
13 Malaysia/ringgit	40.620	43.210	45.720	46.363	46.382	46.074	45.661	45.931	45.868
14 Mexico/peso	4.4239	4.3896	4.3826	4.3804	4.3858	4.3825	4.3726	4.3768	4.3780
15 Netherlands/guilder	40.752	46.284	49.843	49.805	50.635	50.379	50.686	52.092	52.527
16 New Zealand/dollar	96.893	103.64	102.23	101.40	100.28	98.564	96.813	98.100	98.690
17 Norway/krone	18.789	19.079	19.747	19.877	20.080	20.143	19.928	20.092	20.373
18 Portugal/escudo	2.6234	2.2782	2.0437	2.0332	2.0297	1.9992	1.9852	2.0036	2.0051
19 South Africa/rand	114.99	115.01	118.72	119.38	119.91	120.79	120.32	120.79	121.64
20 Spain/peseta	1.3287	1.3073	1.4896	1.5132	1.5135	1.5117	1.5051	1.5039	1.5124
21 Sri Lanka/rupee	11.964	6.3834	6.4226	6.4174	6.4126	6.4000	6.4053	6.4300	6.4323
22 Sweden/krona	22.383	22.139	23.323	23.693	23.860	23.747	23.677	23.935	24.112
23 Switzerland/franc	41.714	56.283	60.121	60.349	62.087	61.350	60.870	62.542	62.693
24 United Kingdom/pound	174.49	191.84	212.24	223.68	219.66	214.38	213.52	220.07	226.41
MEMO:									
25 United States/dollar[1]	103.31	92.39	88.09	87.24	86.73	87.67	88.12	86.32	85.52

1. Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when more than half of figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
......	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

	Issue	*Page*
Anticipated schedule of release dates for individual releases	December 1979	A-76

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AN ASSESSMENT OF BANK HOLDING COMPANIES, by Robert J. Lawrence and Samuel H. Talley. January 1976.

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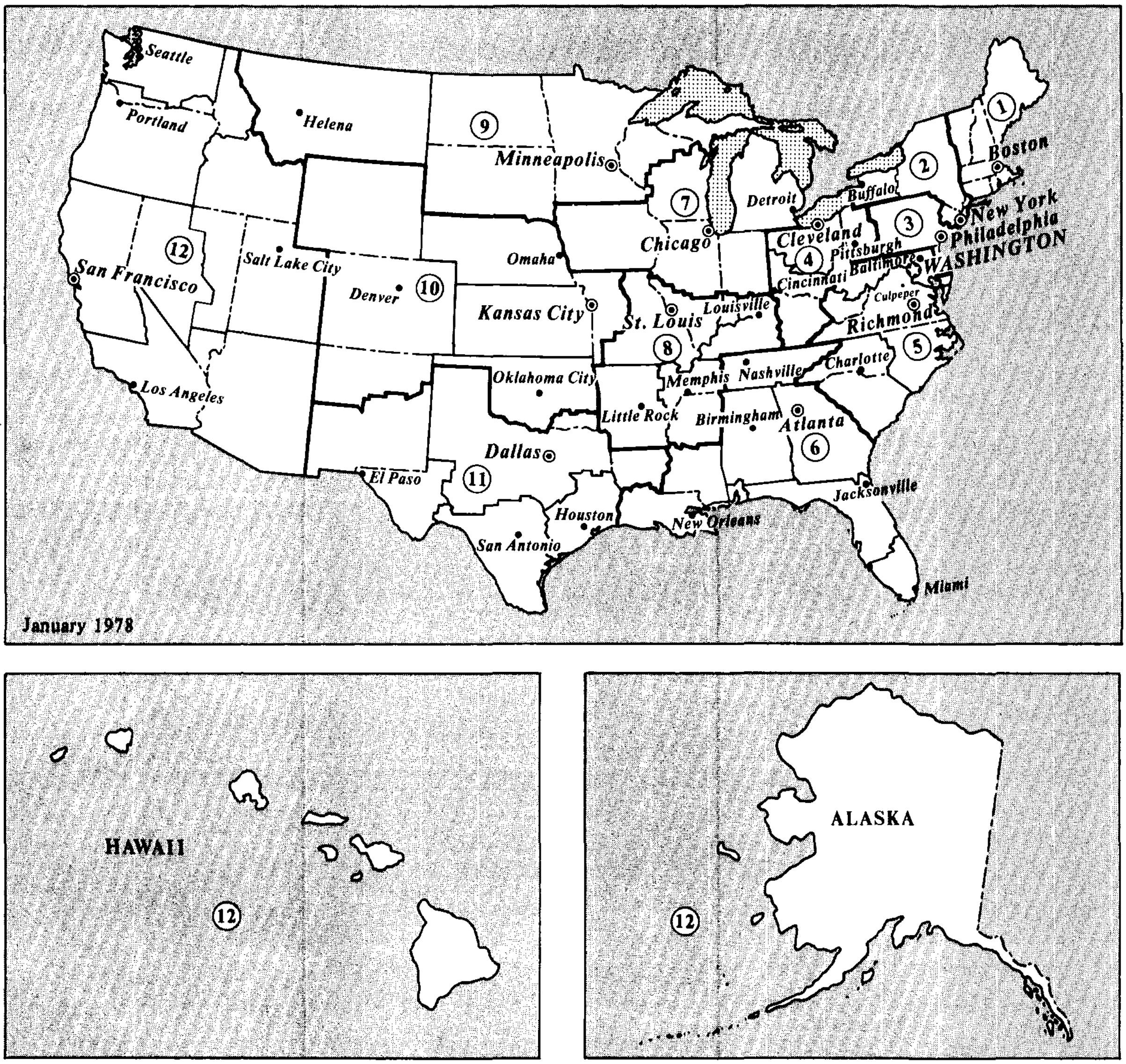
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility