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Adjustable-Rate Financing in Mortgage and Consumer Credit Markets

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The variability of interest rates in recent years and the trend toward deregulation in financial markets have spawned a number of innovations in lending practices. Among the more prominent of these changes is the use of adjustable-rate loans in the home mortgage and consumer credit markets, where the fixed-rate, fixed-term contract had long been the dominant credit instrument.

Lenders have embraced the adjustable-rate loan as a means of shifting to borrowers part of the sharply increased risk to which higher and more widely fluctuating interest rates have exposed them. That risk was particularly acute in the mortgage market—mortgage loans were typically written with 25- to 30-year maturities, while for most creditors the cost of obtaining loanable funds was tied to liabilities with much shorter terms. Borrowers, meanwhile, have found that adjustable-rate loans possess several attractive features that can compensate for sharing the risk of higher interest costs. These features include the opportunity to benefit from possibly lower interest rates in the future, without resort to costly refinancing, as well as access to initial interest rates that are generally lower than prevailing fixed rates.

Adjustable-rate loans currently account for almost half of the home mortgages and perhaps as much as 20 percent of the consumer loans being made. This article describes the forces underlying the development of adjustable-rate lending in mortgage and consumer credit markets and compares typical lending practices in the two markets.

HOME MORTGAGE CREDIT

The emergence of the adjustable-rate mortgage (ARM) as a major form of home financing is one of the most significant developments in the residential mortgage market since the long-term, self-amortizing, fixed-rate loan was introduced in the 1930s. The share of ARMs in the market has grown from a negligible portion as recently as 1980 to approximately half of all home loans originated today. The sharply increased flow of these loans pushed their share of all home mortgage debt outstanding to almost one-fifth by mid-1985.

With ARMs, the U.S. housing credit market has been moving in the same direction as the market for commercial and industrial loans, in which the trend over the years has been toward variable rates (as discussed by Thomas Brady in a new Federal Reserve staff study summarized in this issue). And though ARMs are a fairly recent arrival on the U.S. home mortgage scene, mortgages with adjustable interest charges have long been the standard in some other industrialized countries, including Australia, Canada, and the United Kingdom.

Reasons for the Expansion of ARM Lending

The high and volatile interest rates of the late 1970s and early 1980s sparked the development of ARMs. Thrift institutions, the largest single source of home mortgage credit, were especially harmed by the unanticipated rise in interest rates during that period. The higher rates raised costs of relatively short-term deposits for those institutions more quickly than it increased returns on their portfolios of long-term, fixed-rate mortgage assets.

Before 1979, only state-chartered institutions in a handful of states were permitted to make adjustable-rate home loans; California accounted for most of such lending. But, by 1981, federally chartered savings and loan associations and savings banks, as well as national banks, were allowed to make adjustable-rate home loans. Unlike the earlier variable-rate loans, which were subject to state regulation, the ARMs authorized by the federal enabling laws and regulatory changes in 1981 carried few restrictions. In particular, a wide range of index rates and schemes for periodic rate adjustments were permitted.

The easing of regulations was an essential condition for ARM lending to grow, but did not guarantee that consumers would accept such loans. In principle, several kinds of homebuyers are apt to find ARMs an attractive alternative to fixed-rate mortgages. One group includes consumers who expect interest charges (and thus their loan payments) to be lower in the future with an ARM than with a fixed-rate loan. To be sure, ARMs have caught the attention of many consumers because initial interest rates typically have been below rates available on fixed-rate mortgages. But the relevant cost measure for borrowers is the average interest rate that they expect to pay over the entire term of indebtedness—an expectation dependent on changes in interest rates as well as on the duration of the indebtedness. A borrower likely will require a lower expected average rate on an ARM than on a fixed-rate loan to compensate for the risk of rate increases.

Others who may find ARMs attractive are homebuyers who expect to reside in their new home for only a short time. A low initial interest rate on an ARM, especially if combined with limits on periodic rate adjustments, can often guarantee a relatively low average rate for someone planning to move again within, say, three years. ARMs may also appeal to those who expect their incomes, and therefore their ability to make mortgage payments, to move closely in step with any rise in interest rates. Borrowers constrained by the income requirement for a fixed-rate loan also may find the ARM attractive because practices in loan underwriting have typically permitted homebuyers to qualify for a larger loan with an ARM than with a fixed-rate mortgage.

ARM Features and Pricing

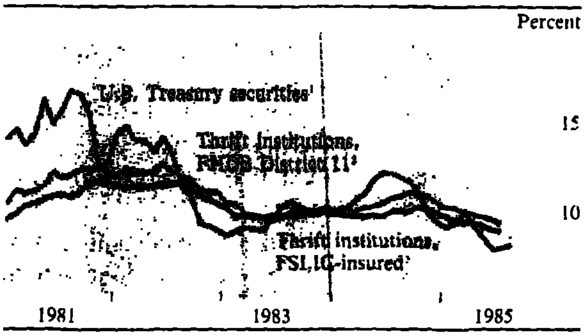
The interest rate on an adjustable-rate home loan is subject to changes that can result in higher or lower monthly mortgage payments. Some other types of mortgages, notably the graduated-payment mortgage, also have a variable monthly payment; however, an ARM differs from the graduated-payment mortgage in that increases or decreases in future payments are not scheduled or known in advance. The ARM is thus characterized by the transfer, from lenders to borrowers, of some of the risk of changes in market interest rates.

Several features govern the interest rates on ARMs:

- The *index* is the base rate from which the ARM rate is calculated. Typically, indexes are widely available measures not under the control of any single lender, such as interest rates on Treasury securities or the cost of funds at federally insured thrift institutions.
- The *adjustment period* is the length of time that the interest rate or loan payment on an ARM is scheduled to remain unchanged; at the end of this interval, the rate is reset and usually the monthly loan payment is recalculated accordingly.
- The *margin* is the markup that, when added to the index, establishes the scheduled rate, called the "program" rate, at each adjustment interval.
- *Initial discounts* are the interest rate concessions offered on the first year or more of the loan that reduce the interest rate below the program rate (that is, the index plus margin). Initial discounts are often offered as marketing aids on ARMs.
- *Caps* are limits on the extent to which either the interest rate or the monthly payment can be changed at the end of each adjustment period or over the life of the loan.

The mix of ARM features has varied considerably since 1981 as creditors have gained experience and consumer preferences have changed.

1. Commonly used ARM indexes



1. Yields on one-year securities.
2. Average cost of funds at thrift institutions in FHLB District 11 (California, Arizona, and Nevada).
3. Median cost of funds at FSLIC-insured thrift institutions.

Industry surveys indicate that immediately after ARMs were authorized nationally, they often featured either three- or five-year interest rate adjustment periods. By early 1985, however, the adjustment interval of the typical ARM had been cut to one year. As the interval has been reduced, more market-sensitive measures have been chosen as indexes. Formerly among the most common indexes were the cost of funds at federally insured thrift institutions nationwide or in the home loan bank district covering California, Arizona, and Nevada (chart 1); now the more variable one-year U.S. Treasury borrowing rate is more widely used.

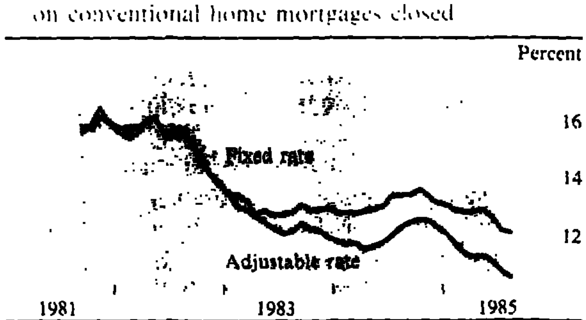
Two other important changes in the past few years relate to the magnitude of the initial rate discounts and the caps on adjustments to the interest rate. During 1983 and early 1984, some lenders were offering large promotional "teaser" discounts—3 to 6 percentage points below the scheduled ARM rate—in the initial period. In the case of new homes, the cost of the discount often was paid by the builder, who "bought down" the interest rate and added the cost back into the purchase price of the house. Recently, lenders and insurers have come to realize that large discounts usually render the loans unprofitable; also, lenders perceive the threat of regulation in reaction to consumer complaints of misleading lending practices. As a result, considerably fewer offerings of loans with large discounts seem to have been made during late 1984 and 1985. At the same time and for some of the same reasons, caps on annual and life-of-loan adjustments to interest rates have become more common. In early 1985, more than 95 percent of ARMs originated at thrift institutions featured annual or lifetime caps or both.

ARM lenders have faced several marketing questions in determining the combination of ARM features and rates that will maximize the profitability of their mortgage lending. Presumably, a lender will set ARM rates and terms to generate the same expected revenue as a fixed-rate mortgage over the anticipated life of the loan except for a concession in the ARM rate for lessened interest rate risk. In practice, a given expected yield can be generated from any one of several sets of ARM features. For example, the potential cost to a lender of setting caps on periodic adjustments to the interest rate can be offset by reducing the initial discounts, by raising margins, or both.

The variety of design options consequently has spurred a proliferation of ARM types. By one count, more than 400 distinct kinds of ARMs were being originated early in 1984. More recently, trade reports indicate some consolidation in the variety of ARMs, partly because trading in the secondary market requires a more standardized product. The most common type has become an ARM with annual interest rate adjustments tied to the yield on one-year Treasury securities; the adjustments are capped at 2 percentage points annually and at 5 to 7 percentage points over the life of the loan.

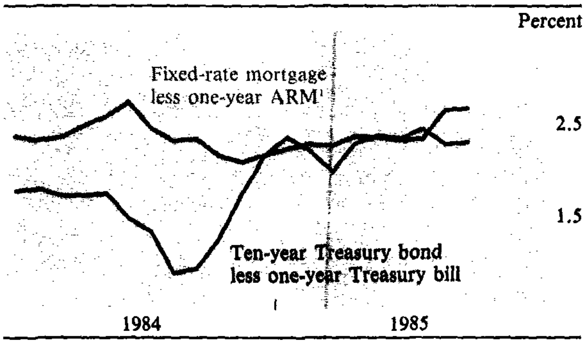
Changes over time in the average initial interest rate on ARM loans have been affected by the evolving mix of ARM features. As shown in

2. Effective initial interest rate on conventional home mortgages closed



Monthly data.
SOURCE. Federal Home Loan Bank Board.

3. Selected interest rate spreads



1. Rates on new loan commitments at savings and loans; initial rates in the case of ARMs.

chart 2, the spread between ARMs and fixed-rate mortgages has varied considerably during the past four years. At first, when short-term interest rates in general were unusually high relative to longer-term rates, the average adjustable rate actually exceeded the fixed rate; later the two rates occasionally moved in opposite directions. Generally, however, they have followed similar patterns of change.

Much of the first-year rate advantage of ARMs in 1984 apparently reflected special initial discounts because neither the index values nor the other features of ARMs being written at that time imply the relatively low initial rates. In 1985, by contrast, the initial interest rate advantage on ARMs appears to have reflected mainly the fact that rates on short-term securities in general were low relative to long rates. Throughout the first half of 1985, the spread between initial rates on one-year ARMs and rates on fixed-rate loans with an expected life of roughly 10 years has approximated the spread between Treasury securities of comparable maturities, as shown in chart 3.

Determinants of ARM Market Share

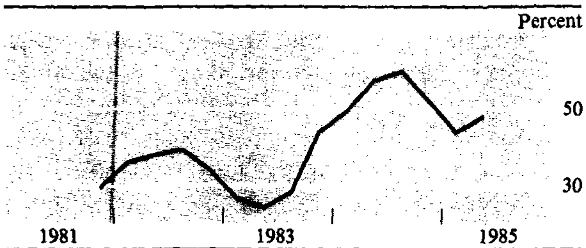
The volume of adjustable-rate mortgages in the marketplace demonstrates that many consumers have found them preferable to fixed-rate mortgages. The market share of ARMs, however, has varied substantially (see chart 4). Two factors that explain statistically much of the change in share are the general level of mortgage interest rates and the initial rate advantage on ARMs.

Other things equal, the ARM share of all home loan originations—including conventional loans as well as federally insured or guaranteed mortgages—has tended to be high during periods of relatively high interest rates and lower at other times. Of secondary importance is the initial rate advantage on ARMs; that is, for any given general level of rates, the ARM share usually has been higher when the initial rate advantage on ARMs has been larger. This pattern is consistent with a choice by consumers of a fixed-rate loan when interest rates are low enough for them to have both the security offered by the fixed-rate and the house they want. But even at low fixed-rates, some homebuyers can be won over to adjustable rates by larger initial rate advantages.

The consumers who used ARMs to borrow during the first half of 1982 and those who borrowed with ARMs in 1984 may have had different reasons. Housing activity was low in 1982 because of the high interest rates, reduced incomes, and lowered consumer confidence accompanying the business recession that continued through the end of the year. Mortgage borrowers in 1982, many of whom presumably had little flexibility in the timing of their changes of residence, were faced with an unattractive choice: a fixed-rate loan at an unusually high interest rate, or an ARM with an equally high initial rate but at least the possibility of a subsequent downward adjustment. More than one-third chose an ARM despite the lack of any initial rate advantage.

By 1984, total home mortgage lending was more than double the volume of 1982, and the ARM share rose further in the first half of the year. By that time, interest rates on fixed-rate loans had declined more than 2 percentage points from their 1982 peaks; but the initial rate on one-

4. ARM share of home loan originations



Quarterly data.
SOURCES. Federal Home Loan Bank Board, Federal Housing Administration, Veterans Administration.

year ARMs had fallen twice as much, and these loans were widely available at first-year rates of 11 percent or less, compared with 13 percent or more for fixed-rate mortgages. Consumers were apt to be attracted to ARMs if they expected the ARM rate not to rise significantly—whether because of their expectations of market developments, caps on their rate adjustments, or inadequate understanding of the terms of their loans. Also likely to choose an ARM during this period were homebuyers with short expected durations of residence or with a desire for a mortgage larger than the amount for which they could qualify with fixed-rate financing.

Impact of ARMs on Financial Institutions

A variety of institutions offer home mortgage loans. Thrift institutions (savings and loan associations and savings banks) originated more than half of the total dollar volume in 1984, a fairly typical year in this respect. Commercial banks and mortgage companies accounted for most of the rest (table 1). By last year, thrift institutions had become specialists in ARM lending. Savings and loans issued a disproportionately large share of all ARMs; their incentive to make ARMs has been greater than that for other lenders because of the wider gap between the average maturity of assets and liabilities at savings and loans. The largest of these institutions have shown the greatest tendency to make ARMs, and some of these institutions report that they no longer even offer fixed-rate home loans.

Although more than half of all conventional home loans made by thrift institutions since late 1981 have been ARMs, most of the mortgage holdings of these institutions carry the fixed rates prevalent in earlier years. Furthermore, some of the ARM holdings are not particularly rate sensitive compared with deposits and borrowings at thrift institutions. Sluggish indexes of the cost of funds and caps on rate adjustments keep returns on a portfolio of ARMs from adjusting fully to market rates, even annually. To date, therefore, the reduction in the exposure of savings and loans to interest rate risk has been limited.

Commercial banks, too, have increased their ARM lending. These institutions have had less incentive than their thrift counterparts to enhance the interest rate sensitivity of their assets because they have held relatively more short-term or variable-rate loans of other types.

1. Home mortgage originations, by lender type, 1984[1]

Percent of total dollar volume

Type of lender	All home loan originations	ARM originations
Savings and loan associations	48	60
Mortgage companies	24	14
Commercial banks	20	13
Savings banks	6	8
Other institutional lenders	3	6
Total	100	100

1. Data exclude home loans provided by individuals.

NOTE. Components do not add to totals because of rounding.

SOURCES. U.S. Department of Housing and Urban Development, Federal Home Loan Bank Board, Federal Reserve Board.

Mortgage companies have continued to concentrate on fixed-rate lending. One reason is that, more than other lenders, they specialize in home loans that are insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA). FHA and VA loans accounted for approximately 15 percent of the total dollar volume of home loans originated in 1984, but such loans made up nearly half of the volume originated by mortgage companies. Not until late 1984 did the FHA begin to insure adjustable-rate mortgages, and the volume of ARMs it has underwritten to date has been insignificant. The VA has no guaranty program for ARMs.

The Secondary Market for ARMs

A second reason for the relatively few ARMs originated by mortgage companies is that these companies usually sell the mortgages that they originate rather than hold them, and there have been relatively few buyers of ARMs. Mortgage companies have, however, sold some ARMs to thrift institutions that want to increase the proportion of ARMs in their portfolios.

The Federal National Mortgage Association (FNMA) has been the other major purchaser of ARMs from mortgage companies and other loan originators. FNMA has carried out its functions of enhancing the liquidity and stability of the mortgage and housing markets largely by buying mortgage loans from originators; it finances these purchases by issuing debt. FNMA suffered from the runup of interest rates in the late 1970s and early 1980s because, like the thrift institutions, it had a portfolio of mortgage loans with an average maturity longer than that of its liabilities. In an attempt to reduce its maturity gap as well as to generate fee income on its purchases, FNMA bought more than $9 billion of ARMs in 1983–84, roughly 5 percent of all ARMs originated during that period.

Few secondary market outlets for ARMs have emerged other than FNMA and thrift institutions. A market for pass-through securities issued against pools of adjustable-rate mortgages has developed only slowly. This is one reason that the Federal Home Loan Mortgage Corporation (FHLMC), a major issuer of fixed-rate mortgage pass-throughs, has not purchased a large volume of ARMs so far. The lack of ARM-backed securities stands in sharp contrast to the situation in the fixed-rate mortgage market, where "securitization" of mortgages mainly through the issuance of pass-throughs by FHLMC and FNMA or guarantees by the Government National Mortgage Association (GNMA) has been a prime source of capital for mortgage lending.

The slow pace at which ARM-backed mortgage securities have developed is in part a consequence of the diversity of the product. First, the variations in ARMs make it difficult to create a large pool of such loans with similar features, as traditionally required to back a marketable security issue. Second, potential investors in an ARM pass-through security can turn to alternative outlets that have many of the desirable traits of ARM pass-throughs but none of the uncertainty regarding the duration of the investment or the possibility that caps will limit interest rate increases. In this connection, the weak secondary market to date for the FHA-insured ARM in particular is attributable to investor coolness toward the comparatively restrictive annual cap of 1 percent on interest rate adjustments on these loans. Because most FHA-insured and VA-guaranteed loans are originated for sale in the secondary market via GNMA-guaranteed pass-through securities, the lack of investor demand for GNMA ARM securities has effectively blocked origination of FHA-insured ARMs in the primary market.

A final constraint on the growth of ARM-backed mortgage securities has been the inclination of many thrift institutions to hold ARM loans in their portfolios in order to narrow the maturity gap between their assets and liabilities. Because thrift institutions have been originating roughly 60 percent of all ARMs since the beginning of 1984, their retention of ARMs has significantly limited the potential flow of these instruments to the secondary market.

Underwriting and Insuring ARMs

The potential with adjustable-rate mortgages for increases in interest rates, and therefore in monthly payments, raises the chances that some homeowners will be unable to meet the payments on their ARM loans. Thus, while ARMs relieve lenders of some interest rate risk, they may expose lenders to greater credit risk—that is, the risk that borrowers will default on the loans.

Although a homeowner's cash-flow difficulties can lead to delinquency on mortgage payments, an owner's equity in his or her house is the most important determinant of default and eventual foreclosure on a loan. As long as the market value of a house exceeds the loan balance, an owner has an incentive to sell the property or to borrow additional funds needed to meet the payments rather than default. The possibility that ARMs will generate low or even negative owner's equity is, therefore, the prime reason for concern about increased risk of default with these loans. The average loan-to-value ratio on ARMs has been comparatively high: on conventional ARM home loans originated between January 1984 and July 1985, it was 78 percent; on conventional fixed-rate mortgages, it was 74 percent.

Another source of concern about owner's equity with ARMs is the scheduled or potential negative amortization on some of these loans. Graduated-payment ARMs and ARMs with caps on increases on loan payments but not on the underlying interest rate can cause the loan balance to build up over time, further shrinking the owner's equity; this can occur if the scheduled interest payment goes up more than the maximum allowable increase in payment. The resulting increase in loan principal may be repaid by higher future monthly payments or by extending the life of the loan. These forms of ARMs have accounted for only a small percentage of ARMs originated recently but were more common before this year.

Because ARMs are still new and because rates on which the ARM indexes are based have been falling during much of the period since 1981, reliable evidence has yet to emerge about the delinquencies and defaults on these loans. Experience with fixed-rate mortgages suggests that home loans are most likely to go bad in the third year after origination, and most ARMs are not yet that old. Delinquency and default rates on fixed-rate mortgages have reached postwar highs in the past year as the average annual rate of increase in property values slowed from 12 percent in the last half of the 1970s to about 3 percent since 1981. (In some locales, house prices have even been declining.) By restricting the buildup of equity, slower appreciation in prices may be expected to increase default rates for ARMs as well.

Private mortgage insurance companies have a heavy stake in the incidence of default on home loans whether with fixed or adjustable rates. These firms have insured roughly 30 percent of all home loans originated in recent years and a somewhat larger share of adjustable-rate loans. Insurance, usually required by lenders for all conventional mortgages with initial loan-to-value ratios greater than 80 percent, typically covers the top 20 to 25 percent of the mortgage amount. Private mortgage insurers have already decided that their risks of insuring ARMs exceed their risks on traditional fixed-rate business. In mid-1984, these companies raised their premiums on ARMs to a third or more above the premiums for fixed-rate mortgages and raised the ratio of income to initial loan payments required of new ARM borrowers.

The private mortgage insurance companies are not alone in their attempts to limit the potential for default on ARMs. Recently the Federal Home Loan Bank Board, its subsidiary, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association have all taken steps to restrict the origination and trading of those ARMs with the highest probability of default. These measures were taken in response both to market forces and to the threat of renewed regulation motivated by concerns for consumer protection.

The multitude of ARM forms and their novelty have made it difficult for consumers to assess the advantages and the risks of all the alternative kinds of loans available to them. Without adequate information, consumers face greater chances of entering credit agreements with more interest rate risk than they are prepared to bear. Since early 1984, a variety of private and public actions have been taken to educate mortgage borrowers about ARMs, including joint publication by the Federal Reserve Board and the Federal Home Loan Bank Board of a congressionally mandated booklet on ARMs, which is widely distributed to prospective mortgage borrowers. And, in cooperation with lender and consumer groups, the Federal Reserve Board continues to refine the information on rates required by law to be disclosed on certain mortgage contracts.

Effects of ARMs on Housing Demand

In theory the availability of ARMs might have stimulated aggregate housing demand during the past two years. That is, if the many home mortgage borrowers who chose ARMs viewed them as a less expensive alternative to fixed-rate financing, the perceived savings in credit costs might have been reflected in stronger housing demand than would have existed otherwise, as well as in the selection of ARMs over fixed-rate mortgages.

Furthermore, during much of the past three years, an individual or family could qualify for a larger mortgage if the loan carried an adjustable rate instead of a fixed rate. That was the case because qualifications were set with reference to the initial loan payment, which is typically lower on an ARM than on the corresponding fixed-rate loan.

Somewhat surprisingly, recent studies indicate that ARMs have generated little, if any, added housing demand (see, for example, the study by Howard Esaki and Judy A. Wachtenheim in the Winter 1984–85 issue of the Federal Reserve

Bank of New York's *Quarterly Review*). This research has suggested that the strong expansion of single-family housing construction since the recessionary low of late 1981 has coincided with the emergence of ARMs but has not resulted from it. Other factors—notably lower interest rates on fixed-rate mortgage loans, the larger number of potential homebuyers, and sustained growth in income and consumer confidence—explain most of the rise. Although conclusions can be only tentative at this early date, the anticipated savings with ARMs have apparently been sufficient to persuade consumers to switch forms of financing but not to alter substantially their choices of housing.

From another perspective, there is little evidence that ARMs have affected the degree to which housing production is sensitive to interest rates. Because of ARMs, the mode of home financing may now vary with the general level of interest rates, but the volume of mortgage borrowing and housing demand appears to vary inversely with interest rates about as much as it has in the past.

Consumer Credit

The movement toward adjustable-rate lending is less well documented in the consumer credit market than it is in the mortgage market. Adjustable-rate instruments for consumer loans clearly were developed later than the mortgage type and have spread more slowly. As a result, the ratio of adjustable-rate to fixed-rate loans made today is much smaller for consumer lending than for mortgage lending.

Among commercial banks with deposits of more than $500 million, which account for 60 percent of all consumer loans, fewer than half were making adjustable-rate consumer loans by the end of last year, according to the American Bankers Association, although as many as one-third reportedly planned to offer adjustable rates at some point (see table 2). Only about one-fourth of the smaller banks made adjustable-rate loans, and fewer than that expressed any intention to do so. At other financial institutions that lend to consumers, principally credit unions and thrift institutions, the incidence of adjustable-rate lending apparently is lower than it is at banks.

The Limited Appeal of Adjustable-Rate Consumer Loans

Multiyear fixed-rate lending in the consumer market, like that in the mortgage market, began to entail greater risks to lenders during the 1970s as market rates of interest rose to unprecedented levels and became more volatile as well. With the maturities of their liabilities typically shorter than those of their consumer loan assets, lenders faced an increasing risk that net yields on their consumer loan portfolios would shrink. In addition, the looser regulation of interest rates paid on consumer deposits and growing competition for funds among bank and nonbank entities intensified the risks to profitability associated with fixed-rate consumer lending by depository institutions. On the other side of the transaction, the availability of various adjustable-rate plans enabled credit seekers of widely differing expectations and risk tolerances to select loans tailored to their own specific tastes.

2. Consumer lending programs with adjustable rates at commercial banks, by size of bank

Percent of respondents

Size of bank (deposits in millions of dollars)	Currently offering adjustable-rate lending				Planning to offer adjustable-rate lending			
	1981	1982	1983	1984	1981	1982	1983	1984
Less than 25	4.3	4.0	13.8	24.0	24.3	17.8	3.1	12.0
25–50	4.5	4.0	14.0	22.6	28.0	40.0	11.3	15.2
50–100	4.2	4.9	14.1	29.5	40.4	34.3	17.9	15.5
100–500	5.1	12.4	17.3	31.4	51.8	46.9	38.7	30.2
More than 500	10.3	17.8	34.7	42.6	64.1	63.2	40.0	35.0

SOURCE. American Bankers Association, *Retail Bank Credit Report*, 1982, 1983, 1984, and 1985 editions.

Nevertheless, the movement toward adjustable-rate lending has been much less rapid for consumer loans than for home mortgages. Although the same basic stimulants to adjustable-rate lending have operated in both markets, they appear to be generally less critical in consumer lending for both creditors and borrowers.

To Creditors. From the viewpoint of the credit grantor, adjustable-rate consumer loans may be less appealing than ARMs because the interest rate risk is less acute on loans with two- to four-year maturities—the typical term for the bulk of consumer loans—than it is on mortgages with terms of twenty-five to thirty years. With the more rapid turnover of consumer loan portfolios and the ability of lenders to match maturities on at least some of their consumer loans with maturities on longer-term certificates of deposit or similar liabilities, net yields on consumer lending are simply less vulnerable than on mortgages to adverse movements in market interest rates. Also, the cost of making an adjustment, such as notifying the borrower of the change, is greater relative to the amount outstanding for a consumer loan than for a mortgage loan.

In addition, the leading suppliers of consumer credit (commercial banks) have been much less exposed to the risks of fixed-rate lending than have the leading suppliers of mortgage credit (savings and loan associations). Historically, long-term, fixed-rate mortgages have constituted the bulk of credit extended by savings and loans, whereas consumer loans typically have made up less than 20 percent of commercial bank loan portfolios. Moreover, a sizable portion of the assets of commercial banks other than consumer loans already carry adjustable rates (or were written for very short terms), and the broader asset powers of banks permit them to channel funds away from consumer loans as an alternative to establishing variable rates for such loans. Thus, commercial banks may have felt less incentive to adopt adjustable-rate financing than did their counterparts in the mortgage market.

On the other hand, originators of consumer loans do not enjoy the same access to a well-developed secondary market that mortgage originators do. For instance, the ability to package loans for sale through mortgage-backed securities allows mortgage originators to lighten their exposure to interest rate movements. In contrast, development of a market for securities backed by consumer loans is at a very early stage, limited so far to a few private placements. Although lenders sometimes sell portions of their consumer portfolios directly to other institutions, and some major consumer creditors have sold "participations" in consumer credit accounts on an ad hoc basis, regular channels for secondary market transactions in consumer loans are largely lacking—a situation that in itself may reflect the lesser vulnerability of consumer lenders to interest rate risk.

On balance, the forces motivating institutions to make adjustable-rate loans appear less compelling in the consumer market than in the mortgage market.

To Borrowers. From a credit seeker's point of view, the lower initial interest rates generally available under adjustable-rate plans afford smaller benefits on consumer loans than on mortgage loans. This situation reflects the smaller principal amounts typically involved in a consumer loan and the smaller proportion of the total payment that interest constitutes because of the much shorter amortization period. At current interest rate levels, for instance, an initial discount of 1 percentage point on a four-year, $10,000 new-car loan would reduce the monthly payment $5; a 1 point concession on a thirty-year, $80,000 home mortgage would lower the monthly payment $63 (table 3).

The potential impact of future rate adjustments on monthly and lifetime payments is likewise smaller for consumer loans than for mortgages. Expectations of future rate movements thus seem less crucial to borrowers contemplating an adjustable-rate consumer loan than to potential users of adjustable-rate mortgage credit. If borrowers expected rates to rise, they would tend to resist taking on adjustable-rate mortgages without a sizable rate concession or the anticipation of near-term liquidation. Accordingly, the much higher proportion of adjustable-rate lending observed in the mortgage market could, to some extent, reflect borrower expectations in recent years that rates will fall; or it could reflect stronger efforts by mortgage lenders than by

3. Impact of interest rates on monthly payments for typical loans

Dollars except as noted

Item	48-month new-car loan for $10,000	360-month home mortgage loan for $80,000
At 14 percent[1]		
Principal	10,000	80,000
Total interest	3,117	261,240
Total obligation	13,117	341,240
Monthly payment	273	948
At 13 percent[1]		
Principal	10,000	80,000
Total interest	2,877	238,584
Total obligation	12,877	318,584
Monthly payment	268	885
Difference in monthly payment between loans at 13 and 14 percent	−5	−63
Expressed in percent	−1.8	−6.6

1. Annual percentage rate.

consumer lenders to promote adjustable-rate loans through such inducements as annual or lifetime caps on rate movements and limits on payment increases.

Another consideration that pertains less critically to the consumer market than to the mortgage market is a borrower's ability to qualify for a loan. With a mortgage, the impact on the monthly payment of the difference between the prevailing fixed rate and the initially lower adjustable rate can be a crucial factor in determining whether a prospective homebuyer qualifies for a mortgage of given size. In contrast, because of the smaller impact of interest rate differentials on the size of monthly payments for consumer loans, the difference between fixed and adjustable rates is less likely to be a pivotal factor in a borrower's qualification for that type of loan.

Volume of Adjustable-Rate Lending

The proportion of banks making adjustable-rate consumer loans, according to a 1984 survey by the American Bankers Association, ranged from 25 percent for smaller banks to a bit more than 40 percent for the largest banks. A recent survey of large banks and thrift institutions by the Trans Data Corporation had similar results: 45 percent of respondents offered adjustable-rate consumer loans in mid-1985. This survey also found that, on average, about one-fifth of the loans held by institutions offering such plans actually carried an adjustable rate.

Pricing of Adjustable-Rate Loans

The terms that characterize consumer and mortgage loans differ in several ways. For instance, rate caps of some kind, now almost universally applicable to mortgage loans, are apparently a feature of only a little more than half of the adjustable-rate consumer loans originated recently.

The Index and the Initial Rate. According to the mid-1985 Trans Data survey, interest rates on Treasury bills are the most common base to which adjustable-rate consumer loans are indexed (table 4). In this they resemble ARMs. But the prime rate on business loans—hardly ever used as a reference rate for ARMs—is frequently employed in consumer lending. In fact, in consumer surveys sponsored by the Federal Reserve in 1983 and 1984, respondents having adjustable-rate loans cited the prime rate far more often than any other as their index. In some cases an

4. Features of adjustable-rate consumer loans at commercial banks and thrift institutions

Feature	Percent of institutions
Index rate	
Rate on Treasury bills	39.7
Prime rate	31.0
Own cost of funds	10.3
Federal Reserve discount rate	1.7
Other	26.7
Adjustment period	
Monthly	45.8
Quarterly	32.5
Semiannual	10.0
Annual	4.2
Other	20.0
Adjustment method	
Maturity change	79.0
Payment change	33.6
Balloon payment	22.7
Interest rate caps	
Lifetime	44.0
Annual	32.1
None	36.7
MEMO: Lifetime floor	31.2

SOURCE. Trans Data Corporation, 1985. Percentages do not add to 100 because some respondents provided more than one answer.

institution will use a measure of its own cost of funds as an index rate.

Initial rates on adjustable-rate consumer loans appear to range between ½ and 1½ percentage points below the corresponding fixed rate offered, with 1 point perhaps the most common differential.

Adjustment Period. Nearly half the lenders making adjustable-rate consumer loans specify monthly adjustments. Quarterly adjustments are also common. Fewer than 5 percent of the institutions making adjustable-rate consumer loans reprice them annually—the most widely followed practice in the mortgage market.

Adjustment Method. The most common method of accommodating a change in the interest rate on an outstanding consumer loan is to maintain a fixed size of payment and extend the maturity of the loan. When interest rates rise, this method generates extra loan payments at the end of the scheduled term; when interest rates fall, it reduces the number of scheduled payments. But rarely will such a method result in more than a couple of additional payments; for instance, even in the unusually adverse event that the rate on a three-year loan jumped immediately after it was made from 15 to 20 percent and remained at that level, only about three and one-half additional monthly payments would be required.

Maturities on mortgage loans seldom are extended in this manner. Given the high proportion of interest to principal in the early stages of repayment on a mortgage, upward rate adjustments of as little as 1 percentage point can create negative amortization when caps on annual increases in mortgage payments are employed, as is often the case. At some point the entire loan is rescheduled, usually with the original maturity date retained.

Rate Caps. Of the financial institutions making adjustable-rate consumer loans, nearly 40 percent provide no contractual limit on the extent to which interest rates may rise if an increase is warranted by the indexing formula. (In some cases, however, state laws establish ceiling rates for various types of consumer loans.) About 45 percent of the institutions specify caps on rate increases over the life of the loan, and about one-third place caps on the increase that can be made in any one year. (Some among these provide both types of caps.) Nearly one-third of the lenders in the Trans Data survey establish a floor for rate declines.

Economic Impact of Adjustable-Rate Consumer Loans

The innovation of adjustable-rate consumer lending could conceivably affect the overall supply of consumer credit and the quality of loan portfolios of lending institutions. Aggregate demand for consumer credit could be augmented by the availability of a wider choice of loan types.

Total Supply of Credit. The spread between the gross yield on a consumer loan portfolio and the cost of funds undoubtedly can be made more stable if adjustable rates are used, and this prospect may have expanded the aggregate supply of consumer credit somewhat in recent years. Still, as noted above, the mismatching of maturities on assets and liabilities is much less severe in consumer lending than in mortgage lending, so that the potential boost to the supply of consumer credit from adjustable-rate programs is probably quite limited.

The willingness of lenders to extend consumer credit has increased since the early 1980s, a trend that seems attributable more reasonably to factors other than adjustable rates. The widespread raising or removal of state ceilings on consumer interest rates was likely an important stimulant to supply. In 1979, when the sharp rise in market interest rates began, as many as 35 states were mandating ceilings of 13 percent or lower on new-car loans. Commercial banks, the largest suppliers of auto credit, retreated sharply from the auto loan market during the following three years. More recently, with the various rate ceilings liberalized, average auto loan rates at banks have fluctuated between 13 and 17 percent, and banks have returned in full force to the auto loan market.

Consumer credit supply, whether through adjustable-rate or fixed-rate lending, has also been augmented by the removal of barriers to the participation of savings and loan associations in consumer credit markets. These institutions have been the fastest-growing segment of the market since 1982. Savings and loan portfolios have expanded at rates of 30 to 45 percent per year, advancing from an industry total of $16 billion at the end of 1982 to $36 billion by mid-1985. While some of this expansion undoubtedly represents substitution for other sources of credit, it seems likely that the presence of a new and aggressive entrant into the market has added to the overall supply of consumer credit.

Loan Quality. In the shifting of some portion of interest rate risk from lender to borrower through adjustable-rate lending, the lender may take on increased credit risk: the risk that the borrower may be unable or unwilling to make loan payments should the interest rate on the loan be adjusted upward.

Little information is available on delinquencies or defaults on adjustable-rate consumer loans. Collection experience on such loans has not been tested by a prolonged period of sharply rising interest rates. However, in view of the relatively small effect that even large rate changes would have on the size or the number of monthly payments, a high incidence of delinquencies due solely to adjustable rates does not seem likely. At the margin, a few borrowers may be unable to handle an increased loan payment, and slower amortization of a loan collateralized by a depreciating asset may lead a few borrowers with negative equity to stop repaying a loan. But defaults that hinge on the small changes in payments stemming from interest rate adjustments should be rare.

Rates of delinquency on consumer loans dropped during the current economic upswing to their lowest levels in more than 10 years, though they retraced part of their decline in the first half of 1985. However, the overall downtrend in delinquencies seems attributable mainly to the generally buoyant economic conditions since 1982 and to an unusually low level of consumer debt entering the recovery period rather than to any favorable impact of interest rate adjustments in a period of gradually declining rates.

Credit Demands. Adjustable-rate financing probably has had a minimal effect on credit demand as well. Some econometric studies have identified consumer interest rates as a factor of statistical significance in explaining observed levels of consumer credit, but the average effect of a change of 1 percentage point in rates—about the amount of the initial rate concession on an adjustable loan—generally is estimated to be rather small. Presumably, the chance to benefit from future rate reductions with an adjustable-rate loan could make individuals less reluctant to borrow at high rates; adjustable rates are, however, probably seldom the decisive factor behind a consumer's decision to borrow.

Outlook

Largely in response to the higher levels and greater volatility of interest rates in the late 1970s and early 1980s, adjustable-rate credit is appearing more often on the menu of financing choices available to households. Having become established, adjustable-rate credit arrangements now seem likely to retain a significant position in both home mortgage and consumer financing. There always will be some borrowers and lenders whose needs and preferences can be met best by adjustable-rate financing. At the same time, competitive pressures will continue to work toward maintaining the availability of fixed-rate credit because other borrowers will always be willing to pay what lenders require to provide the security of fixed-rate financing.

The shares of adjustable- and fixed-rate credit in the marketplace are likely to continue to change in response to the level and fluctuations in short- and long-term interest rates, much as the ARM share of home mortgages has varied during the past three years. And as lenders acquire more experience and sophistication with adjustable-rate financing, they may modify their pricing of these loans, even in the absence of any change in market interest rates. Consumers, too, can be expected to become more knowledgeable about adjustable-rate lending and therefore more fully informed in their choices. A greater number of informed borrowers will benefit both households and lenders by helping them avoid ill-advised financing decisions.

So far, adjustable-rate credit appears to have had more impact on the composition of household balance sheets than on aggregate demand for housing and consumer goods. As pointed out earlier, the favorable initial price of adjustable-rate credit appears to have had only a small impact on total demand. Rate adjustments as well have probably had only a small aggregate effect on demand, although the ability of a household sector with substantial adjustable-rate debts to maintain expenditure levels or to avoid financial strains during periods of rising interest rates has yet to be seriously tested. The household sector lends more than it borrows, however, and a sizable share of the sector's assets are in adjustable-rate instruments, such as money market deposit accounts and money market mutual funds. Any detrimental impact of rising interest rates on the sector as a whole should, therefore, be quite limited, although individual borrowers with relatively few financial assets—such as some first-time home buyers using ARMs—may experience difficulty.

Plainly, adjustable-rate credit enhances the ability of the financial system to accommodate large changes in market conditions. And finally, it should be noted that the growing prevalence of adjustable-rate financing is producing a broader constituency of consumers with a direct and immediate concern about financial market developments that affect interest rates. □

Profitability of Insured Commercial Banks in 1984

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The profitability of insured commercial banks declined again in 1984. Another sharp rise in loan-loss provisions cut the industry's return on average net assets to 0.64 percent and the return on equity to 10.5 percent, down substantially from the 1979 highs of 0.80 and 13.9 percent respectively. Deteriorating asset quality—manifested in higher delinquency rates, increased provisions for loan losses, and larger net charge-offs—was an important factor in the worsening condition of many banks. These and other difficulties in the banking system were underscored by the failure of 78 insured commercial banks, more than in any year since the founding of the Federal Deposit Insurance Corporation half a century earlier.

Toward the end of 1984, however, bank earnings began to show signs of improvement as some large banks reported higher profits and the midyear downturn in market interest rates lowered the cost of liabilities more rapidly than the return on assets for many banks. Nevertheless, the slowdown in economic growth in the second half of the year and continued financial distress in certain sectors of the economy left the outlook for asset quality clouded, raising questions about when any sustained upturn in banking industry profitability might occur.

Despite a decline late in the year, market interest rates were approximately 1 percentage point higher on average in 1984 than the year before. This rise was reflected in offsetting increases in commercial bank interest income and expense, which left the industry's interest margin only slightly changed on balance. The small increase in the interest margin apparent in table 1 did little to outweigh a large expansion in loan-loss provisions; but an improvement in the balance of other noninterest expenses and noninter-

1. Income and expense as percent of average net assets, all insured commercial banks, 1980–84[1]

Item	1980	1981	1982	1983	1984
Gross interest income	9.87	11.81	11.19	9.50	10.12
Gross interest expense	6.78	8.75	8.02	6.36	6.96
Net interest margin	3.09	3.07	3.17	3.15	3.16
Noninterest income	.89	.99	1.05	1.12	1.27
Loan-loss provision	.25	.26	.40	.47	.56
Other noninterest expense	2.63	2.76	2.91	2.95	3.05
Securities gains (−losses)	−.05	−.08	−.06	.00	−.01
Income before taxes	1.05	.96	.84	.84	.81
Taxes[2]	.26	.20	.14	.18	.19
Extraordinary items	.00	.00	.00	.00	.01
Net income	.79	.76	.71	.67	.64
Cash dividends declared	.29	.30	.31	.33	.32
Net retained earnings	.50	.46	.39	.34	.32
MEMO: Net interest margin, taxable equivalent[3]	3.45	3.44	3.54	3.50	3.53

1. Assets are fully consolidated and net of loan-loss reserves; averages are based on amounts outstanding at the beginning and end of each year.

2. Includes all taxes estimated to be due on income, extraordinary gains, and security gains.

3. For each bank with profits before tax greater than zero, income from state and local obligations was increased by $[1/(1-t)]$ times the lesser of profits before tax or interest earned on state and local obligations (t is the marginal federal income tax rate). This adjustment approximates the equivalent pretax return on state and local obligations.

est income helped bolster bank profits in 1984. The rise in noninterest income indicated that banks were moving more and more into fee-producing financial services, both by expanding into new product areas and by continuing the trend toward explicit pricing of traditional banking products. Moreover, the more moderate increase in noninterest expenses suggested that the industry was managing to generate that additional business in a generally profitable manner. (Detailed income and expense data for all insured commercial banks are displayed in appendix table A.1.)

The drop in profitability last year was especially sharp at small banks in general and at small agricultural banks in particular. Aggregate net income as a share of assets at small banks (those with consolidated assets of less than $100 million) declined 14 basis points, compared with the industry's overall decline of just 3 basis points. Profits at these banks eroded as their interest margin narrowed significantly, a development attributable in part to the large number of agricultural banks included in the small bank category. Deteriorating loan quality contributed to the weaker performance by agricultural banks in maintaining interest margins as more loans were placed on nonaccrual status. In addition, these banks charged off 1.4 percent of their loans, almost double the industry average, and their provisions for loan losses soared 50 percent above the 1983 figure. On balance, the return on net assets at agricultural banks declined a full 30 basis points, pulling them out of the ranks of the most profitable banks, a position they previously had occupied.

Interest Expense

During 1984, the higher average level of market interest rates translated into higher average rates paid on most bank liabilities (see table 2). In fact, interest rates on banks' money market liabilities rose more than those on many other types of obligations with, for example, the spread between rates on large certificates of deposit (CDs) and on U.S. Treasury bills widening 35 to 40 basis points as compared with 1983 averages. The higher relative rates on bank liabilities re-

2. Rates paid for fully consolidated liabilities, all insured commercial banks, 1980–84[1]

Percent

Item	1980	1981	1982	1983	1984
Interest-bearing deposits	10.66	13.42	12.10	9.32	10.04
Large certificates of deposit[2]	12.56	16.42	14.13	8.90	10.69
Deposits in foreign offices[2]	14.03	17.37	14.87	10.32	12.62
Other deposits	8.10	10.07	9.99	9.11	9.02
Gross federal funds purchased and repurchase agreements	14.69	17.53	12.84	9.69	11.27
Other liabilities for borrowed money[3]	11.01	13.84	12.81	11.88	13.42
Total	11.10	13.89	12.21	9.46	10.30

1. Calculated as described in the "Technical Note," Federal Reserve Bulletin, vol. 65 (September 1979), p. 704.

2. Series break after 1983. Reporting instructions classified international banking facilities as domestic offices through the end of 1983 and as foreign offices thereafter. Income data are not sufficiently detailed to allow construction of consistent series on the new basis for rates of return, as has been done with balance sheet data in other tables in this article.

3. Including subordinated notes and debentures.

flected the market's heightened concern about threats to the stability of financial institutions. These threats were dramatized by the loan quality and funding difficulties of the Continental Illinois Bank, which faced a liquidity crisis during May 1984. In addition to that situation, which was resolved later in the year with a permanent assistance plan put together by the regulatory authorities, the outlook for international debt repayments and other aspects of credit quality continued to concern many holders of bank obligations.

Despite the large rise in CD rates, the industry's average interest expense on deposits and borrowings increased only about half as much as average market rates in 1984, or about 60 basis points. Upward pressure on interest expense was moderated by the substitution of less expensive retail-type deposits for more costly money market liabilities; large CDs, federal funds purchased and, especially, the relatively expensive deposits at foreign offices all became smaller components of the aggregate balance sheet (see table 3). Also, the fixed-rate nature of a portion of deposits—owing both to the presence of long-term time deposits and to binding interest rate ceilings on demand deposits, passbook savings, and regular NOW accounts—limited the increase.

The change in bank liability structure in 1984 continued the pattern that had become evident in

3. Selected liabilities as a percent of total assets, all insured commercial banks, 1980–84[1]

Item	Domestic offices					Fully consolidated offices				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Deposit liabilities	76.93	76.09	74.95	74.99	75.60	79.56	78.61	77.61	77.68	78.06
In foreign offices	...	...	...	...	...	16.05	15.93	15.79	14.71	13.65
In domestic offices	...	...	...	...	...	63.50	62.68	61.82	62.97	64.41
Demand deposits	29.11	25.20	21.03	19.68	19.43	24.03	20.76	17.35	16.53	16.55
Other checkable deposits	1.16	2.95	4.16	4.80	5.12	.96	2.43	3.43	4.03	4.36
Large time deposits[2]	15.50	17.15	17.71	14.46	13.41	12.79	14.13	14.61	12.15	11.42
Other deposits[3]	31.17	30.79	32.05	36.04	37.64	25.73	25.37	26.43	30.26	32.07
Gross federal funds purchased and repurchase agreements	8.38	9.12	9.67	9.28	8.66	6.94	7.54	7.99	7.81	7.40
Other borrowings	2.27	2.18	2.24	2.47	2.41	2.63	2.62	2.64	2.84	2.80
MEMO										
Money market liabilities[4]	26.14	28.45	29.62	26.22	24.48	38.42	40.21	41.04	37.51	35.28
Average assets (billions of dollars)	1,459	1,598	1,733	1,897	2,043	1,767	1,939	2,101	2,259	2,398

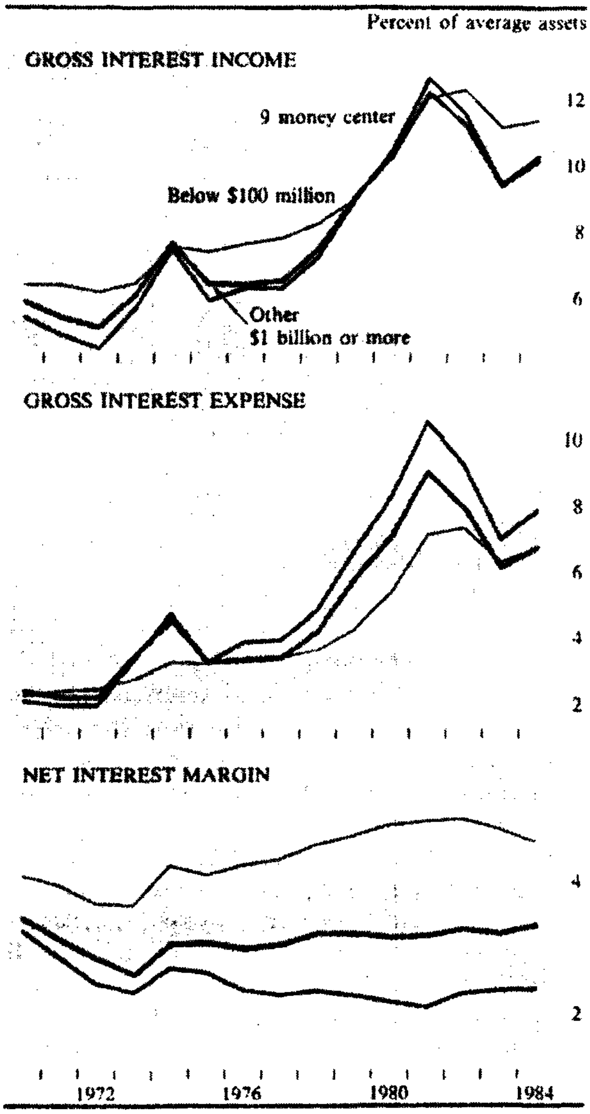
1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. The 1984 data are based on averages for call dates at the beginning and end of the year only.
2. Deposits of $100,000 and over.
3. Including savings, small time deposits, and MMDAs.
4. Large time deposits issued by domestic offices, deposits issued by foreign offices, subordinated notes and debentures, repurchase agreements, gross federal funds purchased, and other borrowings.

the preceding year when the upward trend in money market liabilities was reversed and retail-type accounts began to become substantially more important. The spur for the 1983 changes was largely regulatory: the introduction of Super NOWs and money market deposit accounts around the beginning of that year and the removal of interest rate ceilings on most small time deposits attracted funds into the retail-type accounts. Although regulation of deposits changed little during 1984, the pattern of liability shifts seen in the previous year continued, with the most growth occurring in other checkable deposits and the "other deposits" category of table 3, which consists of MMDAs, savings, and small time deposits.

As the middle panel of the chart demonstrates, both the levels of and the changes in interest expense varied according to bank size. The group containing the nine largest banks, at which money market liabilities account for the bulk of liabilities, had the highest level of interest expense as well as the largest increase of any group.[1] A favorable shift in the composition of liabilities at these money center banks kept the rise in overall interest expenses from being even larger. Specifically, money market liabilities declined markedly, to the equivalent of 58.4 from 61.5 percent of total assets at these banks, while retail-type accounts increased commensurately, and even demand deposits rose somewhat as a share of assets. At the small banks, by contrast, the share of money market liabilities grew; although most categories of retail-type deposits did show some increases, these were more than offset by the drop of almost 1 percentage point in demand deposits as a share of assets. Even with this unfavorable change in the structure of their liabilities, however, the small banks scored the smallest rise in interest expense, again demonstrating their still substantial insulation from fluctuations in market rates. Money market liabilities accounted for just 11.6 percent of total assets at these banks, and despite the increase in 1984, the relative unimportance of these liabilities kept interest expense from moving more promptly with market rates. Although the interest expense at medium-sized banks rose more rapidly than that at the small banks, the medium-sized banks continued to show the lowest average interest expense of any group. This cost containment was achieved through a combination of a liability mix more favorable than that at larger banks, along with average rates paid lower than those at smaller banks. (Data on liability and asset composition, earnings, and rates paid and earned are contained in appendix table A.2, disaggregated by bank size.)

1. The group of banks classified as the money center banks has been changed from previous years' articles to be the nine largest banks, ranked by total consolidated assets as of December 31, 1984.

Components of interest margin



Size categories are based on year-end consolidated assets of each bank.

Gross interest income is adjusted for taxable equivalence. Net interest margin is gross interest income adjusted for taxable equivalence minus gross interest expense.

Data are for domestic operations until 1976, when foreign office operations of U.S. banks were consolidated into the totals.

Interest Income

Interest income also rose in 1984, propelled by the higher average level of market interest rates and assisted by a shift in the composition of bank portfolios toward loans, which generally yield the highest gross rate of return of the major asset types (see tables 4 and 5). Compared with securities, loans also have a shorter average maturity or repricing interval and thus allow higher market rates to show through more quickly in interest income. Moreover, the most rapid growth occurred in consumer and mortgage lending, where rates tend to be higher than on, say, commercial and industrial loans. During the second year of the economic expansion, consumers remained willing to incur debt at the same time that low delinquency rates on that debt helped make banks willing to lend. In addition, a series of large corporate mergers and acquisitions was, at times, a significant factor influencing the growth of bank loans, especially during the first half of the year.

As with interest expense, interest income in 1984 rose more rapidly at the larger banks than at the smaller banks. This development stemmed primarily from the shorter effective maturity of the larger banks' assets. To illustrate, the share of loans in total assets was more than 62 percent at the nine money center banks, but was just 52 percent at the small banks. And loans at the money center banks were more concentrated in the relatively short-term commercial and industrial category, so that the average maturity of their loans at year-end was 13 months, compared with 19 months for loans at small banks. The contrast in portfolio composition is even more striking in holdings of securities, the average maturity of which was more than twice that of loans. In particular, the nine largest banks held just under 7 percent of their assets in investment-account securities, while for small banks as a group the comparable figure was more than 30 percent.

4. Rates of return on fully consolidated portfolios, all insured commercial banks, 1980–84[1]

Percent

Item	1980	1981	1982	1983	1984
Securities, total	7.87	9.28	9.96	9.83	9.95
State and local government	6.02	6.74	7.20	7.04	7.51
Loans, gross	13.71	16.38	15.20	12.70	13.64
Net of loan-loss provision	13.20	15.83	14.38	11.76	12.53
Taxable equivalent[2]					
Total securities	10.18	11.65	12.43	12.06	12.18
State and local government	11.01	11.96	12.81	12.58	13.45
Total securities and gross loans	12.87	15.24	14.56	12.55	13.29

1. Calculated as described in the "Technical Note," FEDERAL RESERVE BULLETIN, vol. 65 (September 1979), p. 704.

2. See table 1, note 3.

5. Selected portfolio items as a percent of total assets, all insured commercial banks, 1980–84[1]

Item	Domestic offices					Fully consolidated offices				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Interest-earning assets	80.40	80.78	82.06	81.91	81.83	83.11	83.83	85.10	85.22	84.94
Loans	55.02	54.27	54.44	53.46	54.51	55.34	55.15	56.06	55.73	56.80
Securities	20.09	20.09	19.58	20.31	20.17	17.06	17.00	16.56	17.47	17.64
U.S. government	10.12	10.45	10.40	11.65	11.63	8.38	8.63	8.59	9.79	9.91
State and local government	9.50	9.20	8.75	8.11	7.94	7.88	7.62	7.25	6.84	6.80
Other bonds and stocks	.67	.44	.43	.54	.60	.81	.75	.73	.83	.94
Gross federal funds sold and reverse repurchase agreements	4.43	4.81	5.30	5.13	4.88	3.68	3.99	4.41	4.34	4.18
Interest-bearing deposits	.86	1.61	2.75	3.01	2.28	7.03	7.69	8.06	7.69	6.32
MEMO: Average assets (billions of dollars)	1,459	1,598	1,733	1,897	2,043	1,767	1,939	2,101	2,259	2,398

1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. The 1984 data are based on averages for call dates at the beginning and end of the year only.

Despite the relatively low increase in interest income at small banks, that group continued to post the highest interest earnings of the four size classes (see the top panel of the chart). Their high earnings were not, as noted earlier, a function of a particularly favorable portfolio composition, but instead resulted from the high rates of return that small banks earned on both loans and securities—in each case outpacing the industry average by at least 50 basis points.

NET INTEREST MARGIN

In the aggregate, the interest margin of commercial banks increased slightly during 1984. All of the improvement, however, can be attributed to the widening of 8 basis points in the margin of those banks with consolidated assets of more than $1 billion, excluding the nine money center banks. This group of "other" large banks restrained interest expense, in part by a sizable shift in the structure of liabilities away from money market liabilities and toward retail-type deposits, while managing to record a significant increase in income.

By contrast, the interest margin of small banks deteriorated 10 basis points. Although the poor performance of agricultural banks, which constitute fully one-third of small banks, was an important cause, a marked narrowing of interest margins was evident among other small banks as well.[2] Nevertheless, the interest margin of small banks as a whole remained the highest of the four groups, and in fact was almost double that of the nine money center banks. So while the differences among sizes of banks lessened, they remained substantial (see the bottom panel of the chart).

A reversal in rank did occur, however, between agricultural banks and mortgage-oriented commercial banks, as a contraction in the interest margin of the former combined with a small increase in the margin at the latter.[3] Despite growing concern over the quality of the collateral backing real estate loans, the reversal in rank also was apparent in net income figures; aftertax profits edged higher at banks specializing in mortgages, to 0.84 percent of net assets, while profits of agricultural banks plunged to 0.71 percent.

LOAN LOSSES

For the third consecutive year, provisions for loan losses overshadowed interest or noninterest margins as factors determining the trend in overall profitability of insured commercial banks. With business bankruptcy rates in the United States still high and the outlook for growth in developing countries uncertain, the banking in-

2. Agricultural banks include commercial banks with at least one-quarter of loans at their domestic offices allocated to farm real estate mortgages and loans made to finance agricultural production; this group contained 3,899 banks in 1984.

3. The mortgage group includes commercial banks with at least one-quarter of their net assets in loans secured by real estate; in 1984, this group contained 3,525 banks.

6. Loan losses and recoveries, all insured commercial banks, 1980–84

Millions of dollars

Year and size of bank[1]	Losses charged	Recoveries	Net charge-offs		Loan-loss provision
			Amount	Percent of loans[2]	
1983					
All banks	10,456	2,056	8,401	.66	10,614
Less than $100 million	2,001	387	1,615	.84	1,895
$100 million to $1 billion	1,941	393	1,548	.64	1,927
$1 billion or more					
Money center banks	2,059	450	1,609	.45	2,057
Others	4,454	826	3,629	.77	4,736
1984					
All banks	12,564	2,038	10,471	.77	13,331
Less than $100 million	2,284	401	1,879	.94	2,344
$100 million to $1 billion	2,059	420	1,709	.65	2,197
$1 billion or more					
Money center banks	2,604	445	2,101	.57	2,925
Others	5,623	817	4,783	.91	5,866

1. Size categories are based on year-end fully consolidated assets.

2. Average of beginning- and end-of-year loan balances.

dustry increased additions to loan-loss reserves 9 basis points, bringing loan-loss provisions to a new high of 0.56 percent of net assets (see table 1). The rise paralleled that of loans charged off (net of recoveries), which jumped 11 basis points to 0.77 percent of average loans (see table 6). Since loan-loss reserves are counted as primary capital for regulatory purposes, improving capital-to-asset ratios may have been another motive for additions to these reserves.

Both the rate of loan charge-offs and provisions increased at all sizes of banks. Medium-sized banks, however, did significantly better than the others. The portion of their loan portfolio made up of delinquent and nonaccruing loans, as well as their charge-off rate, was well below the industry average. These banks increased their provisions and charge-offs just 1 or 2 basis points at the same time that the nine largest banks raised theirs on the order of 10 to 15 basis points. In the aggregate, the other two groups of banks incurred losses and added to reserves at rates similar to those at the nine money center banks. But the deterioration at the group of other large banks can be attributed entirely to the performance at Continental Illinois, and the deterioration at small banks was due primarily to the worsening situation at agricultural banks. As noted earlier, banks with at least one-quarter of their loan portfolios concentrated in loans to farmers wrote off more than 1.4 percent of their loans in 1984. In light of depressed commodity prices and falling farm asset values, the agricultural banks increased their provisions by a record 30 basis points to 0.89 percent of net assets.

International loans remained a source of asset quality problems for commercial banks in 1984. The proportion of foreign-office loan portfolios reported as delinquent was 1.5 percentage points higher than the 4.1 percent at domestic offices.[4] And as was the case in 1983, at money center banks the share of commercial and industrial loans to non-U.S. addressees in total net charge-offs was, at 29 percent, larger than the share of such loans in total loans, 26 percent. Provisions for losses on international loans (booked at either domestic or foreign offices) increased very little in 1984. At the nearly 200 banks with foreign offices, international loan-loss provisions remained at 0.13 percent of average assets, while provisions for loan losses attributable to the banks' domestic business jumped 11 basis points to 0.45 percent.

Other Noninterest Expenses and Noninterest Income

The margin between noninterest income and expenses as a share of net assets improved

4. Delinquent loans include those that are more than 30 days past due but still accruing, those placed on nonaccrual status, and renegotiated "troubled" debt, as defined for the Call Report.

5 basis points in 1984. This improvement was evident across the industry except at the large banks other than money center banks, where the margin was essentially unchanged. Although both components rose, the ratio of noninterest income to assets grew more sharply and outpaced its growth of recent years, rising 15 basis points to 1.27 percent. The growth in noninterest expense relative to assets was only slightly faster than the 1983 pace, increasing 10 basis points to 3.05 percent. The two groups of smaller banks improved their noninterest margins by increasing income and reducing expenses, while the larger banks showed higher levels of both components. The nine money center banks exhibited the most striking growth in both income and expenses, lifting noninterest income, for example, more than 25 percent.

In 1983 most of the differences among bank groups in the changes in noninterest expense were due to salaries and benefits. In 1984, however, wage expenses changed little, rising only slightly at large banks and decreasing marginally at other banks. Occupancy expense was also about the same in the aggregate and among banks of various sizes; only the money center banks showed a noticeable advance, up 5 basis points relative to net assets. Most of the growth in noninterest expense occurred in the "all other" category, and all of this rise was at banks with assets of more than $1 billion. Although no direct data are available, this increase may well have been due to heavier spending on marketing, automation, and new product development.

The growth of noninterest income relative to net assets rose markedly in 1984 over the pace in the past couple of years, both for the banking system as a whole and for banks in each size class. Service charges on deposit accounts were not an important factor in the increase, except at small banks, where a modest rise in these charges was the predominant contributor to the growth in noninterest income. Gains in income from trading account activity appeared only at the money center banks where this component contributed one-third of the total rise. By far the largest factor for the industry as a whole was the growth in other noninterest income. At the large banks the increase likely was due importantly to growth and development of off-balance-sheet products, such as loan participations, interest rate swaps and caps, and credit enhancement (primarily through the issuance of standby letters of credit).

Profitability, Dividends, and Capital

Insured commercial banks were less profitable in 1984 than at any time in the past 20 years. The return on average net assets dipped 3 basis points to 0.64 percent; similarly, the return on equity fell 72 basis points to 10.52 percent (see table 7). However, these trends were far from uniform across sizes of banks. In fact, much of the

7. Profit rates, all insured commercial banks, 1980–84

Percent

Type of return and size of bank[1]	1980	1981	1982	1983	1984
Return on assets[2]					
All banks	.79	.76	.71	.67	.64
Less than $100 million	1.18	1.14	1.06	.96	.82
$100 million to $1 billion	.91	.91	.83	.84	.88
$1 billion or more					
Money center banks	.56	.53	.53	.53	.52
Others	.65	.66	.66	.53	.51
Return on equity[3]					
All banks	13.67	13.11	12.09	11.24	10.52
Less than $100 million	14.19	13.45	12.50	11.18	9.65
$100 million to $1 billion	13.63	12.85	11.75	11.86	12.30
$1 billion or more					
Money center banks	14.57	13.58	13.22	12.53	11.42
Others	12.63	12.75	11.38	10.12	9.37

1. Size categories are based on year-end fully consolidated assets.
2. Net income as a percent of the average of beginning- and end-of-year fully consolidated assets net of loan-loss reserves.
3. Net income as a percent of the average of beginning- and end-of-year equity capital.

8. Sources of increases in total equity capital, all insured commercial banks, 1980–84

Millions of dollars, except as noted

Year	Retained income[1]		Net increase in equity capital		Percent of increase in equity capital from retained income	
	All banks	Large banks[2]	All banks	Large banks	All banks (column 1 ÷ column 3)	Large banks (column 2 ÷ column 4)
	(1)	(2)	(3)	(4)	(5)	(6)
1980	8,827	3,844	10,408	4,566	85	84
1981	8,847	4,104	11,162	5,465	79	75
1982	8,283	4,051	9,373	4,578	88	88
1983	7,651	3,621	10,738	5,625	71	64
1984	7,647	3,820	14,584	8,967	52	43

1. Net income less cash dividends declared on preferred and common stock.

2. Banks with fully consolidated assets of $1 billion or more at year-end.

deterioration was concentrated at small banks, which were affected in the aggregate by the poor performance of agricultural banks. The return on assets at agricultural banks fell 30 basis points to 0.71 percent, and their return on equity dropped 3.44 percentage points to 8.03 percent. The money center banks showed little change in profits relative to assets, but their return on equity fell more than 1 percentage point as they added to capital. In contrast to the national average, medium-sized banks and other large banks (excluding the money center banks and, in this case, Continental Illinois) showed some improvement in profitability. Banks with foreign offices posted a small drop in profitability, all of which they attributed to their international business.[5] Profits from international operations fell to 33 percent of total net profits at these banks, down from 37 percent in 1983.

The decline in overall banking profitability was reflected primarily in lower retained income (see table 8). Continuing the downward trend of recent years, banks retained approximately one-half of their aggregate net income in 1984, compared with the 63 percent retained in 1980, for example. The drop in retained earnings last year was concentrated at the small banks, where a decline of 14 basis points in the ratio of aftertax income to net assets translated into a drop of 15 basis points in retained income and a rise of 1 basis point in dividends declared. For the industry as a whole, dividends fell slightly as a ratio to net assets, but continued to increase in dollar terms (table A.1). The only group to cut their cash dividends was the money center banks.

The industry's primary capital-to-assets ratio rose in 1984, ending the year at just over 7 percent; banks with $1 billion or more in assets raised their ratio to about 6¼ percent. Large banks made a concerted effort to bring their capital-to-assets ratios in line with new regulatory guidelines both by reducing assets (such as selling loan participations and emphasizing other off-balance-sheet activity) and by issuing stock (primarily mandatory convertible debt) and building up loan-loss reserves.

The industry further increased its capital during the first half of 1985, lifting the aggregate primary capital-to-assets ratio to about 7¼ percent. Some of this rise stemmed from expanded flows of retained income as the industry posted higher profits; its aftertax return on assets reached 0.74 percent, up from 0.64 during the first half of the preceding year. The improvement in profitability was very narrowly distributed, however, as three out of four size groups saw their profitability decline. Only large banks (excluding money center banks) recorded an increase, and much of that owed to Continental Illinois' return to profitability.

5. The usual discussion of insured U.S. commercial banks with foreign offices is not included in this article because reporting changes effective with the 1984 Call Report made comparisons with previous years not meaningful.

A.1. Report of income, all insured commercial banks, 1980–84

Millions of dollars, except as noted

Item	1980	1981	1982	1983	1984
Operating income, total	**190,020**	**247,568**	**257,283**	**239,255**	**271,376**
Interest, total	174,350	228,394	235,242	214,089	241,055
Loans	126,601	162,964	166,672	151,356	174,018
Balances with banks	16,037	23,904	23,866	16,738	16,493
Gross federal funds sold and reverse repurchase agreements	8,726	12,182	11,308	9,198	10,403
Securities (excluding trading accounts)	22,986	29,345	33,396	36,796	40,141
U.S. government	13,394	18,019	21,028	24,204	...
State and local government	8,167	9,704	10,647	10,618	...
Other[1]	1,425	1,622	1,721	1,974	...
Service charges on deposits	3,162	3,891	4,583	5,399	6,486
Other operating income	12,508	15,283	17,458	19,767	23,835
Operating expense, total	**171,474**	**229,079**	**239,548**	**220,259**	**251,980**
Interest, total	119,746	169,074	168,646	143,210	165,860
Deposits	98,115	138,826	141,180	119,840	138,465
Large certificates of deposits	24,746	38,895	37,365	22,523	25,288
Deposits in foreign offices	34,942	46,696	41,754	29,022	35,687
Other deposits	38,427	53,235	62,061	68,295	77,490
Gross federal funds purchased and repurchase agreements	16,718	23,752	20,628	16,438	18,957
Other borrowed money[2]	4,913	6,496	6,838	6,933	8,438
Salaries, wages, and employee benefits	24,540	27,900	31,244	33,636	36,332
Occupancy expense[3]	7,318	8,558	9,975	11,100	12,029
Loan-loss provision	4,474	5,079	8,429	10,614	13,331
Other operating expense	14,540	16,872	19,975	21,669	24,291
Securities gains or losses (−)	−857	−1,595	−1,282	−30	−138
Income before tax	18,546	18,488	17,735	18,996	19,397
Applicable income taxes	4,644	3,859	2,975	4,076	4,427
Extraordinary items	19	57	64	70	215
Net income	13,921	14,687	14,824	14,989	15,184
Cash dividends declared	5,094	5,840	6,541	7,338	7,536

1. Includes interest income from other bonds, notes and debentures, and dividends from stocks.
2. Includes interest paid on U.S. Treasury tax and loan account balances and on subordinated notes and debentures.
3. Occupancy expense for bank premises net of any rental income plus furniture and equipment expenses.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1980–84[1]

A. All banks

Item	1980	1981	1982	1983	1984
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	83.11	83.83	85.10	85.22	84.94
Loans	55.34	55.15	56.06	55.73	56.80
Commercial and industrial	20.77	21.54	22.81	22.54	22.50
Real estate	14.57	14.37	14.24	14.13	14.82
Personal	10.61	9.64	9.20	9.17	9.73
Securities	17.06	17.00	16.56	17.47	17.64
U.S. government	8.38	8.63	8.59	9.79	9.91
State and local government	7.88	7.62	7.25	6.84	6.80
Other bonds and stock	.81	.75	.73	.83	.94
Gross federal funds sold and reverse repurchase agreements	3.68	3.99	4.41	4.34	4.18
Interest-bearing deposits	7.03	7.69	8.06	7.69	6.32
Deposit liabilities	79.56	78.61	77.61	77.68	78.06
In foreign offices	16.05	15.93	15.79	14.71	13.65
In domestic offices	63.50	62.68	61.82	62.97	64.41
Demand deposits	24.03	20.76	17.35	16.53	16.55
Other checkable deposits	.96	2.43	3.43	4.03	4.36
Large time deposits	12.79	14.13	14.61	12.15	11.42
Other deposits	25.73	25.37	26.43	30.26	32.07
Gross federal funds purchased and repurchase agreements	6.94	7.54	7.99	7.81	7.04
Other borrowings	2.63	2.62	2.64	2.84	2.80
MEMO: Money market liabilities	38.42	40.21	41.04	37.51	35.28
	Effective interest rate (percent)				
Rates earned					
Securities	7.87	9.28	9.96	9.83	9.95
State and local government	6.02	6.74	7.20	7.04	7.51
Loans, gross	13.71	16.38	15.20	12.70	13.64
Net of loan-loss provision	13.20	15.83	14.38	11.76	12.53
Taxable equivalent					
Securities	10.18	11.65	12.43	12.06	12.18
Securities and gross loans	12.87	15.24	12.81	12.58	13.29
Rates paid					
Interest-bearing deposits	10.66	13.42	12.10	9.32	10.04
Large certificates of deposit	12.56	16.42	14.13	8.90	10.69
Deposits in foreign offices	14.03	17.37	14.87	10.32	12.62
Other deposits	8.10	10.07	9.99	9.11	9.02
All interest-bearing liabilities	11.10	13.89	12.21	9.46	10.30
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	9.87	11.81	11.19	9.50	10.12
Gross interest expense	6.78	8.75	8.02	6.36	6.96
Net interest margin	3.09	3.07	3.17	3.15	3.16
Taxable equivalent	3.45	3.44	3.54	3.50	3.53
Noninterest income	.89	.99	1.05	1.12	1.27
Loan-loss provision	.25	.26	.40	.47	.56
Other noninterest expense	2.63	2.76	2.91	2.95	3.05
Income before tax	1.05	.96	.84	.84	.81
Taxes	.26	.20	.14	.18	.19
Extraordinary items	.00	.00	.00	.00	.01
Net income	.79	.76	.71	.67	.64
Cash dividends declared	.29	.30	.31	.33	.32
Net retained income	.50	.46	.39	.34	.32
MEMO					
Average assets (billions of dollars)	1,767	1,939	2,101	2,259	2,398
Number of banks	14,219	14,207	14,122	14,074	13,953

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1980–84—Continued[1]

B. Banks with less than $100 million in assets

Item	1980	1981	1982	1983	1984
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	90.39	90.76	91.02	90.92	90.64
Loans	55.90	53.64	52.47	51.39	52.14
Commercial and industrial	11.86	12.26	12.91	12.88	12.91
Real estate	20.83	19.60	12.91	17.98	18.88
Personal	15.54	13.97	18.37	12.28	12.37
Securities	27.83	29.35	29.61	31.00	30.39
U.S. government	15.48	17.38	18.26	20.53	20.85
State and local government	11.87	11.50	10.94	10.01	9.01
Other bonds and stock	.49	.46	.41	.46	.54
Gross federal funds sold and reverse repurchase agreements	5.49	5.87	6.35	5.96	5.53
Interest-bearing deposits	1.18	1.90	2.60	2.57	2.58
Deposit liabilities	88.16	87.56	87.17	87.83	88.09
Demand deposits	26.68	22.52	19.03	17.01	16.11
Other checkable deposits	.85	4.01	6.14	7.55	8.14
Large time deposits	9.43	10.03	10.67	9.80	10.21
Other deposits	51.20	51.00	51.32	53.46	53.62
Gross federal funds purchased and repurchase agreements	1.03	1.41	1.68	1.21	1.01
Other borrowings	.61	.52	.48	.41	.35
MEMO: Money market liabilities	11.07	11.96	12.83	11.42	11.58
	Effective interest rate (percent)				
Rates earned					
Securities	7.88	9.69	10.82	10.58	10.66
State and local government	5.80	6.45	7.24	7.47	7.84
Loans, gross	12.43	14.91	15.34	13.70	14.16
Net of loan-loss provision	11.90	14.29	14.42	12.58	12.83
Taxable equivalent					
Securities	9.96	11.70	12.95	12.53	12.24
Securities and gross loans	11.60	13.76	14.47	13.26	13.45
Rates paid					
Interest-bearing deposits	8.82	11.21	10.96	9.15	9.55
Large certificates of deposit	11.69	15.14	13.74	9.20	10.83
Other deposits	8.37	10.56	10.51	9.15	9.35
All interest-bearing liabilities	8.89	11.31	11.01	9.11	9.55
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	9.68	11.49	11.70	10.57	10.88
Gross interest expense	5.37	7.13	7.33	6.31	6.72
Net interest margin	4.31	4.36	4.37	4.26	4.16
Taxable equivalent	4.85	4.90	4.94	4.80	4.64
Noninterest income	.64	.69	.68	.70	.75
Loan-loss provision	.27	.29	.42	.51	.62
Other noninterest expense	3.11	3.23	3.31	3.28	3.27
Income before tax	1.52	1.44	1.31	1.18	1.01
Taxes	.34	.31	.24	.23	.20
Extraordinary items	.00	.00	.00	.00	.01
Net income	1.18	1.14	1.06	.96	.82
Cash dividends declared	.32	.35	.39	.38	.39
Net retained income	.86	.79	.67	.58	.43
MEMO					
Average assets (billions of dollars)	337	352	365	373	383
Number of banks	12,528	12,352	12,080	11,810	11,558

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1980–84—Continued[1]

C. Banks with $100 million to $1 billion in assets

Item	1980	1981	1982	1983	1984
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	87.35	87.99	89.01	89.37	89.27
Loans	55.34	54.03	53.38	52.70	54.09
Commercial and industrial	15.90	16.34	16.88	16.84	17.55
Real estate	20.54	20.02	19.38	18.89	19.64
Personal	15.43	14.00	13.16	12.86	13.04
Securities	25.25	25.68	25.30	26.51	26.22
U.S. government	12.29	13.15	13.48	15.34	15.49
State and local government	12.34	11.88	11.16	10.29	9.78
Other bonds and stock	.61	.65	.66	.87	.95
Gross federal funds sold and reverse repurchase agreements	5.35	5.46	5.91	5.59	5.40
Interest-bearing deposits	1.41	2.84	4.42	4.58	3.56
Deposit liabilities	83.92	83.18	82.89	84.34	85.00
In foreign offices	.18	.24	.24	.22	.37
In domestic offices	83.74	82.94	82.66	84.12	84.64
Demand deposits	28.75	24.97	21.31	19.51	18.73
Other checkable deposits	1.44	3.62	5.21	6.10	6.45
Large time deposits	14.37	14.98	15.35	12.94	12.84
Other deposits	39.17	39.37	40.79	45.57	46.61
Gross federal funds purchased and repurchase agreements	5.43	6.08	6.47	5.21	4.60
Other borrowings	1.37	1.28	1.15	1.21	.97
MEMO: Money market liabilities	21.34	22.58	23.20	19.57	18.77
	Effective interest rate (percent)				
Rates earned					
Securities	7.65	9.15	9.96	9.89	9.96
U.S. government	9.41	11.55	12.41	11.86	10.34
State and local government	5.84	6.52	7.03	7.03	7.43
Other bonds and stock	9.11	10.15	10.52	11.31	10.34
Loans, gross	12.79	15.23	14.70	12.78	13.60
Net of loan-loss provision	12.26	14.67	13.81	11.88	12.65
Taxable equivalent					
Securities	9.97	11.37	12.27	12.08	12.14
Securities and gross loans	11.90	13.97	13.91	12.55	13.12
Rates paid					
Interest-bearing deposits	9.06	11.47	10.67	8.83	9.37
Large certificates of deposit	12.13	16.05	13.91	8.90	10.90
Deposits in foreign offices	12.99	15.84	14.48	9.23	15.39
Other deposits	8.06	9.99	9.71	8.82	9.01
All interest-bearing liabilities	9.50	11.98	12.85	8.80	9.43
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	9.47	11.25	11.06	9.85	10.35
Gross interest expense	5.62	7.39	7.14	6.00	6.50
Net interest margin	3.85	3.86	3.92	3.85	3.85
Taxable equivalent	4.39	4.38	4.45	4.37	4.38
Noninterest income	.81	.87	.90	.94	1.00
Loan-loss provision	.26	.27	.42	.43	.45
Other noninterest expense	3.20	3.34	3.43	3.38	3.33
Income before tax	1.15	1.02	.92	.97	1.06
Taxes	.20	.13	.09	.14	.19
Extraordinary items	.01	.01	.00	.00	.01
Net income	.96	.91	.83	.84	.88
Cash dividends declared	.37	.39	.40	.42	.43
Net retained income	.59	.52	.43	.42	.45
MEMO					
Average assets (billions of dollars)	347	382	413	453	487
Number of banks	1,501	1,651	1,813	2,012	2,130

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1980–84—Continued[1]

D. Nine money center banks

Item	1980	1981	1982	1983	1984
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	77.80	79.40	80.94	80.35	80.12
Loans	55.94	57.91	61.03	61.72	62.64
Commercial and industrial	29.09	30.21	32.34	32.31	31.78
Real estate	7.89	8.62	9.16	9.22	9.82
Personal	4.63	4.50	4.61	4.72	5.28
Securities	6.90	6.48	5.96	6.39	6.68
U.S. government	3.06	2.77	2.37	2.60	2.33
State and local government	2.41	2.39	2.37	2.49	2.90
Other bonds and stock	1.43	1.32	1.23	1.30	1.45
Gross federal funds sold and reverse repurchase agreements	1.53	2.11	2.50	2.52	2.51
Interest-bearing deposits	13.44	12.90	11.45	9.72	8.29
Deposit liabilities	76.42	75.37	73.69	72.18	72.08
In foreign offices	40.68	39.86	39.99	37.93	36.79
In domestic offices	35.74	35.51	33.70	34.25	35.30
Demand deposits	17.94	15.06	11.28	11.43	11.83
Other checkable deposits	.55	.83	1.06	1.19	1.24
Large time deposits	10.58	12.95	13.75	10.55	8.81
Other deposits	6.68	6.68	7.61	11.08	13.42
Gross federal funds purchased and repurchase agreements	6.85	7.23	7.27	7.86	7.42
Other borrowings	4.52	4.54	4.75	5.12	5.34
MEMO: Money market liabilities	62.63	64.58	65.76	61.46	58.36
	Effective interest rate (percent)				
Rates earned					
Securities	8.58	9.89	9.73	9.56	9.72
U.S. government	9.03	10.97	10.81	11.92	11.58
State and local government	6.75	7.55	7.46	6.33	7.61
Other bonds and stock	10.76	11.99	11.93	11.46	11.10
Loans, gross	14.81	17.41	15.53	12.63	13.80
Net of loan-loss provision	14.43	17.00	14.96	11.99	12.90
Taxable equivalent					
Securities	10.70	12.46	12.36	11.86	12.58
Securities and gross loans	14.35	14.44	15.24	12.56	13.68
Rates paid					
Interest-bearing deposits	12.79	15.94	13.95	10.23	11.39
Large certificates of deposit	13.67	16.64	14.47	8.96	10.70
Deposits in foreign offices	13.74	17.12	14.89	10.77	12.90
Other deposits	8.12	9.97	9.66	10.02	8.64
All interest-bearing liabilities	12.80	16.06	12.28	10.56	11.81
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	10.27	12.45	11.40	9.23	10.06
Gross interest expense	8.21	10.49	9.22	6.99	7.84
Net interest margin	2.06	1.96	2.17	2.24	2.22
Taxable equivalent	2.19	2.11	2.32	2.37	2.39
Noninterest income	.98	1.14	1.19	1.27	1.59
Loan-loss provision	.19	.21	.30	.36	.50
Other noninterest expense	1.88	2.00	2.23	2.33	2.54
Income before tax	.94	.84	.76	.84	.78
Taxes	.37	.31	.24	.30	.26
Extraordinary items	.00	.00	.01	.00	.00
Net income	.56	.53	.53	.53	.52
Cash dividends declared	.22	.22	.23	.27	.24
Net retained income	.37	.31	.30	.26	.29
MEMO					
Average assets (billions of dollars)	498	538	564	582	594
Number of banks	9	9	9	9	9

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1980–84—Continued[1]

E. Large banks other than money center banks

Item	1980	1981	1982	1983	1984
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	80.90	81.36	83.21	83.84	83.41
Loans	54.50	54.35	55.54	55.15	56.40
Commercial and industrial	21.72	22.42	23.70	23.15	23.25
Real estate	13.12	13.02	13.25	13.25	13.81
Personal	9.98	9.02	8.68	8.88	9.74
Securities	14.64	14.00	13.43	14.28	14.91
U.S. government	6.48	6.14	5.91	7.04	7.34
State and local government	7.58	7.35	6.97	6.58	6.81
Other bonds and stock	.58	.51	.54	.66	.76
Gross federal funds sold and reverse repurchase agreements	3.49	3.68	4.09	4.20	4.05
Interest-bearing deposits	8.28	9.32	10.15	10.21	8.05
Deposit liabilities	74.68	73.89	73.07	73.43	74.11
In foreign offices	13.78	14.01	13.85	13.03	11.47
In domestic offices	60.90	59.89	59.22	60.40	62.64
Demand deposits	24.87	22.02	18.89	18.21	18.61
Other checkable deposits	1.07	2.21	2.92	3.33	3.71
Large time deposits	15.67	16.75	16.75	13.84	12.83
Other deposits	19.29	18.90	20.66	25.02	27.49
Gross federal funds purchased and repurchase agreements	11.33	11.84	12.39	12.05	11.48
Other borrowings	2.94	2.94	2.92	3.23	3.16
MEMO: Money market liabilities	43.72	45.53	45.91	42.16	38.94
	Effective interest rate (percent)				
Rates earned					
Securities	7.82	8.74	9.17	9.16	9.41
U.S. government	9.42	10.64	11.12	11.18	11.13
State and local government	6.20	6.96	7.24	6.95	7.36
Other bonds and stock	11.84	12.11	12.66	10.84	11.49
Loans, gross	14.09	16.90	15.13	12.31	13.35
Net of loan-loss provision	13.48	16.29	14.19	11.19	12.10
Taxable equivalent					
Securities	10.45	11.60	12.09	11.66	12.06
Securities and gross loans	13.31	15.79	14.52	11.57	13.08
Rates paid					
Interest-bearing deposits	11.02	13.92	12.20	9.09	9.84
Large certificates of deposit	12.57	16.88	14.47	8.83	10.54
Deposits in foreign offices	14.79	17.98	14.84	9.48	12.04
Other deposits	7.79	9.54	9.66	9.08	8.88
All interest-bearing liabilities	11.78	14.55	12.28	9.24	10.14
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	9.88	11.80	10.87	9.03	9.73
Gross interest expense	7.07	8.98	7.94	6.13	6.75
Net interest margin	2.81	2.82	2.92	2.90	2.98
Taxable equivalent	3.17	3.19	3.28	3.22	3.35
Noninterest income	1.00	1.10	1.19	1.29	1.43
Loan-loss provision	.29	.29	.46	.56	.63
Other noninterest expense	2.64	2.78	2.95	2.99	3.14
Income before tax	.81	.76	.64	.63	.62
Taxes	.16	.10	.05	.10	.13
Extraordinary items	.00	.00	.00	.00	.01
Net income	.65	.66	.60	.53	.51
Cash dividends declared	.28	.29	.29	.29	.28
Net retained income	.37	.36	.31	.25	.23
MEMO					
Average assets (billions of dollars)	586	668	759	850	934
Number of banks	181	195	220	243	256

1. See notes to tables in the text.

Treasury and Federal Reserve Foreign Exchange Operations

This 47th joint report reflects the Treasury–Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Sam Y. Cross, Manager of Foreign Operations for the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. Officers of the Foreign Exchange Function, together with Richard F. Alford, Elizabeth A. Goldstein, Thaddeus D. Russell, and Elisabeth S. Klebanoff, contributed to its preparation. It covers the period February 1985 through July 1985. Previous reports have been published in the March and September (October 1982) BULLETINS *of each year beginning with September 1962 and in the May and November* BULLETINS *beginning with May 1985.*

During the period under review, many observers of the foreign exchange markets were uncertain about the sustainability of the global economic expansion, now into its third year. The vigorous upswing in the United States had faltered in the third quarter of 1984, and market participants were anxious for evidence of whether domestic demand would remain strong enough to support renewed increases in production and employment in 1985. Doubts developed about other countries' ability to continue to expand should U.S. growth remain subdued, since exports to the United States had been the major source of stimulus abroad. Meanwhile, inflation had decelerated in almost all of the industrial countries, but the scope for making further progress in the fight against inflation was seen as more limited at this stage of the business cycle. At the same time, market attention was focused on concerns about the imbalances in the structure of the current recovery—imbalances reflected in a large U.S. fiscal deficit, unprecedented disparities in the current account positions of the largest industrialized countries, interest rates at levels that appeared high relative to current inflation rates, and persistent unemployment problems abroad.

With the major money and capital markets of the world increasingly integrated through progressive liberalization of exchange controls and other regulations, shifts in sentiment about these uncertainties were associated with sizable movements in dollar rates. During the six months from February through July, the dollar briefly continued its climb of four and one-half years, advancing strongly to hit record levels in the floating-rate period. Thereafter it depreciated, at times quickly, to close the period much lower.

THE DOLLAR'S CONTINUED RISE: FEBRUARY TO EARLY MARCH

The dollar was buoyed early in the period by an improving outlook for the U.S. economy and the implications for U.S. monetary policy. Data being published at the time pointed to a significant rebound in the fourth quarter that had been unanticipated just months before, and economic forecasters were beginning to present reassuring projections of moderate growth for 1985. An accelerating expansion of monetary aggregates was seen as limiting the scope for any further easing of U.S. monetary policy and might even suggest some tightening. As a result, there was a perception in the market that the decline of U.S. interest rates, which had brought short-term deposit rates down more than 3 percentage points in about six months and was marked by two cuts of ½ percentage point each in Federal Reserve discount rates, was not likely to continue. As this shift in expectations occurred, market rates for long-term as well as short-term instruments backed up somewhat during February and into early March.

The economic outlook abroad was more guarded. The performance of many of the European economies had not been sufficient to dispel concerns about their longer-term growth potential. Industrial production statistics for the first quarter, while hard to interpret because of temporary disruptions associated either with labor disputes or an unusually severe winter, pointed to declines in output in many large countries. Also, business opinions and press commentary appeared to reflect a lack of confidence in most countries that domestic demand could revive sufficiently to ensure a continued expansion should U.S. growth be subdued. Fiscal policies abroad were regarded as being almost universally restrictive, as the authorities sought further progress in achieving their medium-term goal of reducing fiscal deficits as a proportion of national income. Monetary policies were also generally restrained.

Thus, few market observers thought that foreign central banks would welcome pressures emanating from either a renewed firming of interest rates in the United States or a continuing decline in their currencies to tighten monetary policy any more. Yet the impact on domestic prices of the progressive decline of these countries' currencies against the dollar was showing through, at least in Germany where import prices were rising more quickly. Market participants therefore became wary of the possibility that the authorities there, as well as in other countries, might use intervention in an effort to stop the currency depreciations.

The full range of these international issues had already been discussed at a G-5 meeting late in January. Moreover, the May 1983 Williamsburg agreement to undertake coordinated intervention as necessary was reaffirmed at that meeting, and visible foreign exchange market operations had subsequently been undertaken by the authorities of several countries. Market participants perceived the central banks to be more willing to intervene than before. But they were uncertain about the circumstances in which the central banks would judge intervention to be appropriate.

At the same time dealers remained impressed by the strength of demand for dollars in the exchange market. Enthusiasm spread about the degree of interest coming from abroad in the Treasury's February refunding operations. Commercial entities were frequently seen as buyers of dollars, presumably to hedge future commitments in light of the improving outlook for the dollar. As sentiment toward the dollar became increasingly bullish, the dollar rose through levels at which, in earlier months, some central banks had intervened and previously provided resistance. The dollar's rise then gained momentum, markets became one-sided, and dollar rates moved quickly to successive highs against several European currencies. By February 26, the dollar had risen nearly 10 percent against major European currencies while rising 3 percent against the Japanese yen. At this point the dollar was at its highest level of the six-month period under review, trading around DM3.48 and $1.03 against the German mark and British pound respectively.

On three occasions during the first three weeks of February, the U.S. authorities intervened, selling a total of $242.6 million against marks, $48.8 million against yen, and $16.4 million against sterling, to counter disorderly market conditions in operations coordinated with foreign central banks. Between February 27 and March 1, the U.S. authorities sold another $257.4 million against marks in the New York market in a concerted intervention. These operations brought the total of U.S intervention sales of dollars, between the January 21 G-5 meeting and March 1, to $659 million.

As for the central banks of most other G-10 countries, they intervened much more heavily between February 27 and March 1 than before, selling dollars, buying German marks and other currencies, or doing both. For all G-10 countries as a group, the total of dollars sold during the five weeks between January 21 and March 1 was about $10 billion. This series of operations constituted one of the biggest dollar interventions during the floating-rate period. The sales of dollars by G-10 countries other than the United States was large enough to cause a sizable drop in their official foreign currency reserves.

THE DECLINE: MID-MARCH TO THE END OF JULY

Even after the large interventions of late February to early March, the dollar traded close to its late-February highs for about two weeks. But the intervention had resulted in an accumulation of dollar-denominated assets in private hands. Talk had begun to spread earlier that portfolio managers were gearing up to provide more currency diversification to customers' portfolios, taking advantage of assets that appeared undervalued at current exchange rates and capitalizing on the possibility of future currency appreciation. Then, around mid-March, a more pessimistic reassessment of the outlook for the U.S. economy and a shift of view about interest rates began to weigh on the currency.

By mid-March, a variety of statistics were indicating that economic activity in the United States was proceeding only at a relatively slow pace. While final demand remained buoyant, the demand for labor and growth of production in the manufacturing sector were much weaker than had been assumed in most forecasts earlier in the year. Market participants came to realize the extent that demand was being diverted away

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

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

from U.S.-produced goods, thereby jeopardizing the sustainability of economic expansion here.

At the same time, signs of strain in U.S. financial markets became more prominent, raising the risk that financial as well as economic dislocations would intensify. The failure of three secondary government securities dealers, though constituting a very small part of the market, imposed losses for a number of customers, including several local governments and thrift institutions. The repercussions of these incidents revealed weaknesses in private deposit insurance systems and led to large deposit outflows from state-insured thrift institutions, particularly in Ohio, before the governor of that state temporarily closed the affected institutions. Pictures displayed prominently by the media of queues of depositors unable to withdraw their funds heightened concern about the authorities' ability to deal adequately with problem situations. Since difficulties had already been identified in energy, real estate, and agricultural portfolios, this weakness was perceived as having potentially far-reaching implications.

Against this background, market participants adjusted their assessments of the outlook for U.S. monetary policy and interest rates. Dealers were sensitive to the implications of the imbalances in the economy for the industrial sector and the prospects for sustained growth. Money, as measured by M1, though remaining well above target, was growing somewhat more slowly on a month-to-month basis. Inflation rates were still low, a renewed weakness in oil prices helped keep inflationary expectations at bay, and signs of congressional action to reduce the fiscal deficit lent some relief to the bond market.

Thus most observers came to expect the Federal Reserve to give priority to supporting the economy and providing assistance to the domestic financial system. Market interest rates of all maturities started to decline in a trend that was to last about three months, while expectations developed that the Federal Reserve would announce a series of cuts in its discount rates. By mid-June, short-term interest rates had fallen 2 percentage points or more, with the Federal Reserve lowering its official rates just once—by ½ percentage point, effective May 20. Long-term rates also declined, but more slowly. As a result

2. Drawings and repayments by the Argentine Central Bank under special swap arrangements with the U.S. Treasury

Millions of dollars, drawings or repayments (−)

Drawings on the U.S. Treasury	Outstanding September 31, 1984	1984:4	1985:1	1985:2	Outstanding July 31, 1985
500 million	...	500	−230 −270	0	0
150 million	...	...	...	75 68	143

Data are on a value-data basis.

of these declines, most U.S. interest rates were below levels prevailing at the depth of the 1982 recession.

As these developments began to unfold, the dollar fell substantially in the exchange markets. Many market participants were concerned for a time about the magnitude of any drop in the dollar if foreign investors tried to liquidate dollar assets accumulated during previous years. Indeed, investors acted to protect the value of their portfolios, mostly by selling dollars in the forward market but also by shifting into assets denominated in other currencies. Commercial customers postponed dollar purchases in the expectation of being able to buy later at more attractive rates. Bank dealers and speculators on organized exchanges also sought to sell the dollar and to establish short positions. Under these circumstances the dollar moved lower. As it fell through levels at which resistance had previously been expected, the pace of the decline quickened. From its peak in late February to the middle of April, the dollar dropped 20 percent against sterling, 15 percent against the continental currencies, as well as 6½ and 4 percent against the Japanese yen and Canadian dollar respectively.

Late in April, however, the dollar firmed and then traded relatively steadily through the end of June. Market participants perceived that foreign investors had not liquidated their dollar holdings in large scale so that fears of an early and precipitous fall in the dollar faded. Instead, inflows of new funds were continuing, especially from Japan at the beginning of that country's new fiscal year in April, as well as from countries suffering from serious inflation problems. Also, persistent strains in the U.S. financial sector were being well contained. Interest yields on dollar investments were still relatively attractive. The scope for hedging the currency risk, should the dollar decline, had been demonstrated. And profits realized from earlier hedging operations increased the overall rate of return on dollar portfolios sufficiently to protect against even significant future declines in the dollar. In effect, the dollar retained its stature as the principal medium for investment.

Meanwhile, the currencies that traditionally benefit from a shift of investor preference out of dollars, the German mark and Japanese yen, had appreciated relatively modestly as the dollar had declined. The U.S. economy had still outperformed those of most other industrialized countries, and talk continued of a renewed acceleration of U.S. growth in the second half of 1985. The only currency to challenge the dollar as an investment alternative was pound sterling. With the outlook for economic growth in the United Kingdom brighter than for most other countries and interest rate levels there comparatively high, sterling-denominated assets provided an attractive outlet for investors reluctant to accept declines in yields elsewhere. Thus by the end of June, the dollar was trading above its mid-April lows against all currencies except sterling.

Many market observers had supposed that the authorities abroad would have taken advantage of the decline in U.S interest rates that occurred during the spring to ease their own monetary policies. But in Germany and Japan the authorities appeared reluctant to cut short-term interest rates until they were more confident about the exchange market situation. In the other countries, the authorities were cautious about letting interest rates at home get too far out of line with those of their closest trading partners. To varying degrees, foreign central banks took advantage of the decline in the dollar instead to rebuild their foreign currency reserves. The authorities in several countries acquired sizable amounts of both dollars and German marks, currencies that could be used in future intervention operations to support their own currencies. By the end of June the G-10 countries as a group had largely recovered the reserves lost in the early months of the year.

In July the dollar resumed its decline. During the spring, the gap had continued between strong growth of U.S. domestic demand and weak expansion of domestic production. As a result, the regular flow of economic statistics had presented conflicting signals. By early July, however, it again became clear that U.S. economic activity had not increased as much as most observers had expected. An acceleration of real growth of gross national product in the second quarter was more moderate than anticipated, and anecdotal information for July suggested that the third quarter was getting off to no better a start. The mounting U.S. trade and current account deficits were increasingly perceived by market participants as a drag on the domestic economy. Noting an increase in protectionist pressures, they considered the possibility that the administration might welcome a further decline in the dollar to help restore external balance. At the same time, disappointment developed over the prospects for meaningful reduction of the fiscal deficit, as efforts in the Congress to adopt a compromise budget resolution appeared to falter.

During the month, interest rate developments tended to move in the dollar's favor. In the United States, interest rates started to firm. Market participants here came to expect that the Federal Reserve would not be more accommodative until it could assess more fully the implications of the drop in interest rates that had already occurred and of a renewed acceleration in M1 growth. In Europe, interest rates began to ease more rapidly. The central bank in Germany began to provide liquidity at progressively lower interest rates and, at least for a time, central banks in other continental countries moved in a similar direction. Thus, interest differentials actually moved in favor of the dollar during the month.

Nonetheless, sentiment toward the dollar had become cautious. Market professionals had already begun to set up positions in anticipation that the dollar might resume its decline. Thus, when others came into the market to sell, dollar rates moved down through the end of the month, dropping well below the lows of mid-April. Sterling continued to lead the rise of foreign currencies against the dollar. After mid-July, however, when a realignment within the European Monetary System (EMS) drew attention to the mark's potential for revaluation in that arrangement, the German currency also began to strengthen more rapidly than before. During the entire February–July period under review, the dollar had fallen on balance 20 percent against sterling to $1.4135, 12 percent against the mark to DM2.7850, by approximately similar magnitudes relative to most other continental currencies, and 8 percent against the Japanese yen to ¥236.

Meanwhile, during late June and July, progress was being made in some of the largest Latin American countries to deal with the serious imbalances in their economies. In Argentina, the government came to an agreement with the International Monetary Fund (IMF) on a stabilization program that entailed currency and wage–price reform designed to brake the country's rapidly accelerating inflation. Upon completion of an agreement by the IMF to provide a standby, the U.S. Treasury and 11 other monetary authorities acted to facilitate the provision of a bridge financing facility of $483 million for Argentina, of which the U.S. portion was $150 million. Argentina made two drawings of roughly equal size on this facility, on June 19 and on June 24, for a total of $460 million. The Treasury's portion of these drawings was $143 million. Argentina is scheduled to repay the drawings in two installments after the period. In Mexico, the government tightened fiscal policy, liberalized trade policy, and made major changes in the structure of its exchange market. These actions were undertaken in order to align Mexico's cost and price structure more closely with world markets and aid in bringing inflation down to targeted levels.

In the period from February through July, the Federal Reserve and the Exchange Stabilization Fund (ESF) realized no profits or losses from exchange transactions. As of July 31, cumulative bookkeeping or valuation losses on outstanding

3. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations

Millions of dollars

Period	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
February 1–July 31, 1985...	0	0
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1985	−871.1	−578.3

Data are on a value-date basis.

foreign currency balances were $871 million for the Federal Reserve and $578 million for the Treasury's Exchange Stabilization Fund. These valuation losses represent the decrease in the dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF invest foreign currency balances acquired in the market as a result of their foreign operations in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. Under the authority provided by the Monetary Control Act of 1980, the Federal Reserve had invested $1,009.2 million equivalent of its foreign currency holdings in securities issued by foreign governments as of July 31. In addition, the Treasury held the equivalent of $1,756.0 million in such securities as of the end of July.

European Currencies

Coming into the six-month period, progress appeared to stall in resolving the economic problems facing European countries. During the months of severe winter weather, growth in several countries slowed, unemployment in some continued to drift upward, and a deceleration in inflation petered out. At the same time the trend toward greater convergence of economic performances started to dissipate, notwithstanding the fact that governments in almost all of these countries continued to be committed to common goals for economic policy: reducing government deficits and containing inflation. Under these circumstances, there were some adjustments among the relationships of all European currencies as they declined and then rose against the dollar.

Early in the period, with the dollar strengthening across the board, the continental currencies as a group fell about 10 percent. The Swiss franc dropped to SF2.9405, the lowest level in more than 10 years, and the German mark posted a low for the floating-rate period at DM3.4780. The Dutch guilder, the French and Belgian francs, and the Italian lira dropped to record lows of NG3.9430, FF10.6300, BF69.90, and LIT2167 respectively. Sterling, which had been the target of especially heavy selling pressure just before the period, declined somewhat more slowly against the dollar during February. Nevertheless, by February 26 it had declined nearly 9 percent and also recorded a record low of $1.0370.

Meanwhile, authorities in Germany and the United Kingdom were concerned that inflation was picking up as a result, at least in part, of the impact on import prices of the continuing strength of the dollar. In the United Kingdom, inflationary expectations were also stimulated by concerns over the priorities of the government's economic policy and above-target growth of money. But the British authorities had acted to address these concerns before the period by permitting an abrupt and sharp increase in short-term interest rates. In Germany, where the pressures were far less acute, market rates also tended to firm. But market participants perceived the German authorities to be resisting the rise out of concern that significant increases in interest rates were not appropriate to the domestic economic situation. These developments had disappointing implications for other countries that had been maintaining favorable interest rate differentials relative to Germany. The central banks in France, Italy, and Belgium, for example, saw the opportunity for them to lower interest rates in response to earlier improvements in their price performance as quickly slipping away.

Following the G-5 meeting in January, most European central banks participated in the coordinated interventions that took place through early March. All of those participating sold dollars, at times in sizable amounts. Some supplemented their dollar sales with purchases of marks and a couple of other currencies, either against dollars or their own currencies.

From mid-March, when the dollar began to decline, to the end of June, sterling was the currency that rebounded most strongly to lead the rise of European currencies against the dollar. The Swiss franc also benefited more than many others, while the German mark was not particularly buoyant.

This pattern of exchange rate changes surprised market observers who had anticipated that, once the dollar started to fall, the mark would reassert itself as the principal alternative for investment. But as it turned out, the currencies to benefit most from the dollar's initial decline were, for the most part, those with assets yielding relatively high interest rates. Foreign capital was drawn into sterling, enticed by high yields on gilts and other fixed-income securities as well as the breadth and liquidity of London's financial markets. Residents in countries with high interest rates borrowed abroad where the cost of funds was lower to finance trade and domestic expenditures. The Swiss franc firmed against many other currencies, even though Swiss interest rates remained relatively low because the impression spread in the markets that monetary policy in Switzerland was not likely to be eased. In Germany, interest rates were also lower than in most other countries, and economic indicators for the first quarter were being interpreted in the market as disappointing. Expectations developed that the Bundesbank would cut interest rates as soon as exchange market conditions permitted and U.S. interest rates declined.

Although the upward pressure on European interest rates subsided as the dollar declined during the spring, the European monetary authorities were slower to lower interest rates than many market observers had expected.

In the United Kingdom, the authorities were intent on reassuring markets of their commitment to strict financial policies. A cautious budget, presented in March, called for both a drop in the public sector borrowing requirement and reductions of growth targets for Britain's two monetary target variables, M0 and M3. As interest rates in the United States declined and capital inflows into sterling exerted upward pressure on the pound, the Bank of England allowed interest rates to ease somewhat. But the authorities were perceived as acting to slow the decline—an approach that appeared reasonable as long as the economic outlook for the United Kingdom was more optimistic than for most other countries. By late June, short-term interest rates were still above 12 percent and differentials vis-à-vis dollar interest rates were even wider than they had been in early February.

In Germany, also, the Bundesbank did not judge the domestic situation as warranting a change in the course of monetary policy. The central bank saw the underlying trend of economic activity still pointing upward. Central bank money stock was growing close to the top of its target path, buoyed by an acceleration of domestic credit growth early in the year. The public sector in particular was temporarily having an expansionary impact on monetary growth. And by late spring a public debate had emerged over accelerating proposed tax cuts. The Bundesbank did not wish to suggest that an easing of policy was appropriate by announcing reductions of its official rates. But it was willing to provide sufficient liquidity to the banking system mainly through repurchase agreements. These operations reduced banks' use of Lombard credit and guided day-to-day money rates cautiously lower. By the end of June, three-month money rates had eased 75 basis points from levels at the end of February, less than half the decline for comparable rates in the United States.

The relative stability of interest rates in Germany was a factor limiting the scope for interest rate declines in other European countries. The authorities there had accepted that domestic interest rates would remain considerably higher than those in Germany because inflation rates were higher and current account positions were not as strong. Yet their currencies were being buoyed relative to the mark by the inflow of interest-sensitive capital. Under the circumstances, these central banks also looked to relatively subtle techniques to ease money market rates gradually, so as not to suggest that a change in policy was under way. The Bank of France, for example, lowered its money market intervention rate, acting cautiously by moving in several small steps. In this way, short-term interest rates in France declined somewhat more than in Germany. A more substantial change in technique occurred in Belgium where the National Bank decided to adopt a more flexible and market-related practice for fixing the discount rate. Henceforth the discount rate was to be linked to the rate on three-month Treasury certificates. As a result, a decline that had already occurred in market rates was acknowledged, and rates continued to ease modestly through the end of June.

Against this background, the authorities in many European countries also chose to respond to the favorable exchange market environment for their currencies by acquiring foreign currency reserves. During the second quarter, a number of central banks were active buyers of dollars either in the market or from customers. They also purchased substantial amounts of other currencies, especially the German mark, because it is a currency frequently used for intervention within the EMS and is of increasing importance in the reserve holdings of other European countries. As a result of these operations, many countries restored the reserves lost during their intervention operations in late January through early March. France and Italy had among the largest increases in reserves. Germany's increase was the greatest, even though it refrained from intervening for much of the period.

Meanwhile, the Italian lira had broken stride with the other European currencies. During February it had risen against the dollar more slowly than the others. As a result, it had moved from the top to the bottom of the narrow EMS band between early February and mid-March; it then traded consistently about 1½ percent below the bottom-most currency in the narrow band during the second quarter. Fiscal policy in Italy had been expansionary, with the government deficit expected to grow to 17 percent of gross domestic product in 1985. Moreover, Italy's inflation remained high relative to that of other countries, and successive increases in wage settlements eroded the country's competitiveness all the more. Accordingly, the current account had deteriorated, with imports of capital goods quickening. Under these circumstances, market participants came to anticipate that the Italian authorities might welcome a decline in their currency.

Sentiment toward the lira was briefly buoyed in May and June when the government's position strengthened with a defeat of a referendum reinstating wage indexation and a smooth transition to a new presidency. But by July the lira had resumed its slide toward its lower EMS limit. This depreciation helped to offset the competitive disadvantage resulting from accumulated inflation differentials but removed room for movement of the exchange rate within the wide band available to the lira in the EMS arrangement. The Italian authorities therefore decided to seek a realignment of the lira's central rates. Thus, after the lira dropped to its existing lower limit in hectic trading on Friday, July 19, the authorities closed the foreign exchange markets in Italy after the fixing. That weekend the EMS countries agreed to a realignment that took the form of a devaluation of 7.8 percent of the lira's bilateral central rates against all other active EMS members. As a result, the lira's European currency unit central rate fell 7.7 percent while the others rose 0.15 percent.

The July realignment of the EMS served to focus market attention on the risks of further adjustments in the exchange rate relationships among European currencies. Market operators began to hedge their borrowings in currencies of countries with low interest rates and their investments in currencies of countries with high interest rates. The monetary authorities in countries like France and Belgium found the scope for letting interest rates ease or for adding to official reserves more circumscribed than before. At the same time the Bundesbank found that the exchange rate environment, together with a reaffirmation of the government's policy of fiscal consolidation, afforded an opportunity to let short-term interest rates decline more quickly. A similar development occurred in the Netherlands.

At about the same time in July, sentiment toward sterling began to soften as well. The pound had risen progressively against the mark to levels that brought into question Britain's competitive position vis-à-vis its European trading partners. Moreover, the earlier optimistic assessment of the country's economic prospects gave way to a more guarded outlook in the face of a weakening flow of new orders and a flattening of output growth. Market participants came therefore to expect the Bank of England to permit a more rapid decline in interest rates, even if the pound were to weaken as a consequence. Indeed, during the month, money market rates in London declined toward the 11 percent level, and favorable interest rate differentials relative to the dollar narrowed about 1½ percentage points. In response, sterling gave up some of its gains vis-à-vis the mark late in the month.

Thus, the decline of the dollar in July came to be reflected in a somewhat more rapid rise in the German mark than had occurred previously. Even so, at the end of the six-month period under review, the pound had still risen from the February lows against the dollar more than the other European currencies. It closed the period at $1.4350, up 38 percent from lows at the end of February. The mark rose 25 percent during the same period to DM2.7800, with the Swiss franc and most EMS currencies moving roughly in line with the mark. The lira rose 18 percent to LIT1872.

JAPANESE YEN

The yen generally moved in line with European currencies against the dollar during the six-month period, but its fluctuations were narrower. As the period opened, market sentiment toward the yen was relatively positive. An annualized rise of 9 percent in GNP in the fourth quarter of 1984 and optimistic projections for calendar year 1985 compared favorably with the experience and outlook of other countries. Inflation remained low, with the effect of the yen's depreciation against the dollar offset by its rise against other currencies and by the weakness of world commodity prices, particularly petroleum. Japan's current account surplus had grown to a record $35 billion in 1984. Thus the yen did not fall as rapidly against the dollar as the European currencies during February.

Japanese fiscal policy continued to be one of gradually reducing the government's fiscal deficit as a proportion of GNP. The Bank of Japan maintained its accommodative monetary stance, but the central bank refrained from reducing its official lending rates, citing as its main reason the need to support the yen in the exchange markets.

After March the yen did not rise as rapidly as other currencies against the dollar. Attention was often focused on Japan's huge long-term capital outflows—which had reached $50 billion in 1984—as a major potential source of unpredictable pressure against the yen. At times during the period, the yen's performance in the exchange market—as well as credit market developments in both Japan and the United States—was influenced temporarily by reports and rumors about possible changes in rules or preferences governing Japanese investment abroad. In any case, the yen did not benefit, as did the European currencies, from a favorable shift of capital flows late in the period under review. Long-term capital outflows, as measured in Japanese net purchases of foreign bonds, actually grew larger to set new records in June and July. But since a greater proportion of the outward investment by Japanese residents was thought to be hedged through forward foreign exchange transactions and short-term dollar borrowings, the resulting pressures against the yen were substantially mitigated.

Rising foreign protectionist threats against Japan and demands that the Japanese government step up its actions to reduce the trade imbalance also attracted attention in exchange markets at times as a potentially negative background factor for the yen. Generally, however, such pressures did not have immediate exchange rate influences. Announcements in April and June of new Japanese government programs to open domestic markets by reduced tariffs, liberalized investment rules, and administrative reforms had little apparent impact on the yen rate at the time.

By the end of the period, Japanese foreign currency reserves had risen almost $1.2 billion to $2.38 billion, largely reflecting interest earnings.

CANADIAN DOLLAR

The Canadian dollar, like other currencies, weakened considerably against the U.S. dollar early in the period. The rise in U.S. interest rates during January and February fanned renewed debate over priorities for monetary and fiscal policies in Canada. Inflation in Canada had stabilized at less than 4 percent on a year-on-year basis, but the unemployment rate had recently moved up to more than 11 percent. Market participants, noting that Canada's traditional interest rate advantage had dwindled to about 1 percentage point by early February, questioned the willingness of Canadian authorities to permit increases in interest rates comparable with those in the United States. Moreover, uncertainty developed as to whether Canada's newly elected government would deal decisively with its plan to reduce the budget deficit and improve the investment climate. At the same time, unease developed surrounding potential capital outflows related to the acquisition by Canadians of foreign-owned assets in the petroleum sector.

Against this background, sentiment toward the Canadian dollar deteriorated sharply. Speculative selling and an adverse shift in commercial leads and lags put pressure on the exchange rate, which fell to an all-time low of Can.$1.4070 ($0.7107) early in March, a decline of 6 percent from the end of January. The authorities intervened heavily to moderate the decline, financing their dollar sales by drawing on the government's credit lines with commercial banks and borrowing in the Eurodollar market. Moreover, the Bank of Canada allowed interest rates to rise more sharply than U.S. rates, and the currency's interest rate advantage widened to 2½ percentage points.

These developments helped to convince market participants that the authorities' approach to the exchange rate had not been changed. In addition, the Canadian government announced plans for tax increases and expenditure cuts to reduce the fiscal deficit together with legislation to remove impediments to foreign investment in Canada, thereby reducing uncertainty further. Moreover, a strong external performance, signs of a pickup in the domestic economy, and low wage settlements provided a more encouraging outlook for the currency.

Thus, after mid-March the Canadian dollar recovered most of the ground it had lost earlier in the period to close at Can.$1.3539 ($0.7386), down only 2 percent on balance over the six months. Under these circumstances, interest differentials eased back to fluctuate around 1½ percentage points over the remainder of the period. The Bank of Canada made net dollar purchases as its currency rose, which it used to repay debt on its commercial bank credit lines and to bolster reserves. Also, a further U.S. dollar borrowing in the U.S. market also served to boost the level of foreign exchange reserves. By the end of July, foreign exchange reserves had risen $498 million over the period to $2.1 billion.

Selected Latin American Currencies

During the six months under review, two major Latin American countries, Mexico and Argentina, introduced new economic packages that included, among other measures, reforms to their respective foreign exchange systems. In the case of Mexico, this package was designed to get its stabilization efforts of the past three years back on track. In the case of Argentina, the task was to embark on major reforms to reverse long-festering economic imbalances that were being reflected in spiraling inflation rates.

Mexico

Mexico had posted a significant improvement in its trade account, which had swung from a deep deficit into surplus in 1983 and 1984. However, the surplus had subsequently narrowed. During the first four months of this year, the weakening of Mexico's external position was being accentuated by a fall of nearly 10 percent in total exports. Oil shipments dropped in the face of weakening prices elsewhere, the competitiveness of non-oil exports declined with a real appreciation of the "controlled" exchange rate, and the pressures of increasing internal demand deflected production to the home market. Under these circumstances, Mexico's current account surplus for all of 1985 was also expected to diminish, notwithstanding the reduction of interest payments stemming from declining interest rates.

Meanwhile, Mexico's fiscal deficit through June rose to well above target levels. The budget overrun reflected oil revenues that were lower than anticipated and increased government spending resulting partly from inflation that was higher than expected and greater internal interest payments.

In response to these pressures, beginning in late May the discounts widened between Mexico's "controlled" exchange rate for licensed transactions and the two free market rates—the internal "free" rate and the "super-free" rate across the Mexican border. Thus, the improvement in the foreign exchange position of the Mexican peso, which had occurred in late March and in April after announcement of new understandings with the IMF on 1985 economic policies and the signing of the first phase of Mexico's multi-year rescheduling, quickly dissipated. By late spring the external market was subject to recurring rumors of an impending peso devaluation, an increase in the daily rate by which the authorities adjusted the crawling "controlled" rate, and cuts in oil export prices. By mid-July, the gaps between exchange rates for the peso were increasingly large. Exporters had the incentive to delay or divert revenues required to be converted in the "controlled" market to either the domestic "free" market or the external "super-free" market. Also, the volume of trading in the internal "free market" diminished substantially. Thus, the widening gap of peso rates was a source of growing concern to the authorities.

To deal with this situation, the Mexican authorities adopted a series of measures, starting in mid-June. Under Mexico's procedures for licensing imports, exporters were granted certificates of importation rights (called "DIMEX"), permitting them to import without license a range of raw materials and inputs to make their operations more efficient. Effective June 28, Mexican banks were allowed to operate in the foreign exchange market at the "super-free" rate by establishing trading houses designed for this purpose. After the Mexican banks were able to participate in the "super-free" market via their trading houses, they became major intermediaries in that market. Then, on July 11, the Mexican banks, supported by the monetary authorities, decided to stop trading at the internal "free" rate. As a result, transactions were switched from the "free" market, where the peso was trading at 247.3 pesos per dollar the day before, to the "super-free" market, where the peso was at 312.0 pesos per dollar before the announcement of this change. This switch constituted a devaluation of 26 percent for transactions not eligible for the "controlled" rate. Then on July 25, the Mexican government announced additional economic reforms including the following:

- A devaluation of the "controlled" exchange rate of 17 percent, from 232 to 279 pesos per dollar.
- The introduction of a "regulated float" to replace the earlier crawling system involving a fixed, daily slide of the peso against the dollar for the "controlled" market.
- Elimination of import permits on goods accounting for about 37 percent of its imports, thereby making a total of more than 60 percent of Mexican imports subject to tariffs rather than nontariff barriers, and a further enlargement of the "DIMEX" arrangements.
- A cut in current government expenditures, amounting to 150 billion Mexican pesos during 1985, that entailed a 20 percent cut in budgeted expenditures on goods, the elimination of several highly visible government positions, and major cutbacks in expenditures by public enterprises.

The purpose of these reforms was twofold. First, they were expected to relieve demand pressures in the economy coming from the public sector. Second, they were intended to improve competitiveness by adjusting the exchange rate and by opening the domestic market to lower-priced imports for raw materials, intermediate products, and capital goods.

During the period between the announcement of the abolition of the internal "free" market and the rest of the economic reforms, the peso weakened sharply as Mexican residents rushed to buy dollars in anticipation of a further devaluation. By July 24, the market rate in Mexico and abroad had fallen a further 20 percent to 374 pesos per dollar, and the discount relative to the "controlled" rate widened to more than 60 percent. But by the end of July, the peso recovered to 354.50 pesos per dollar, and the discount from the "controlled" rate narrowed to about 27 percent.

Argentina

In Argentina a newly constituted democratic government had been attempting to grapple with a debilitating wage–price spiral without jeopardizing promised increases in real incomes. But the domestic economy was in severe disequilibrium. The central bank had monetized years of oversized fiscal deficits. It found that, with public sector wage increases and fiscal policy stimulating demand, efforts to restrict excessive bank lending through interest rate ceilings and credit allocation schemes led to a diversion of financing to an informal inter-company market.

Argentine officials had repeatedly spoken of the need for programs to stabilize the economy over time by tightening monetary and fiscal policies. As recently as December 1984, Argentina had announced a 15-month standby arrangement with the IMF. But from the start the country was not in compliance with the standby provisions, and the rise in Argentina's inflation rate continued to accelerate. In the process, the strategy of gradual adjustment had lost credibility. By early 1985 the internal chaos wrought by an economy reeling toward hyperinflation provoked political demands for a new approach that promised quicker results, even if the approach involved immediate sacrifice.

Thus, in March President Alfonsin, with a new economic team, began to adopt a series of new measures to achieve rapid adjustment and a radical restructuring of the economy. First, regulated deposit rates were raised to levels comparable with the monthly inflation rate. Interest rates were deregulated on some bank liabilities to attract funds back into the banking system where the authorities could exert more control on credit creation. Public utilities also raised prices significantly to increase revenue.

On June 11, the government announced a devaluation of 18 percent for the Argentine peso in the official market. Previously, the government had implemented "mini-devaluations" rarely exceeding 4 percent, and averaging about 1 percent per day to adjust for the inflation differentials between Argentina and other countries. Following this action, and amid rumors of dramatic economic measures, the premium that Argentine residents had to pay for dollars in the parallel market widened to 35 percent.

Then on June 14, President Alfonsin announced a package of bold economic reforms, centering on a further, substantial cut in the fiscal deficit and a pledge to stop monetizing the deficit. The deficit, which had fluctuated in the range of 10 to 12 percent of GDP since the end of 1983, was to be slashed to only 2.5 percent for the second half of this year. In support of this plan, price and wage ceilings were frozen—actions described as interim steps toward eliminating the country's price and wage indexation system that was perpetuating Argentina's inflation problem.

In addition, currency reform was instituted to replace the Argentine peso with a new currency, the austral, at a rate of 1,000 pesos to 1 austral. Effective June 16, the austral was given a fixed parity of 80 austral cents to the U.S. dollar.

On the basis of these measures the government was able to shore up Argentina's external financing position and reduce cash flow problems. It completed negotiations for reactivating the IMF program, which was approved on August 9. It also took steps to reduce interest arrears on public sector debt, using funds from official reserves and drawing upon a multilateral bridge financing facility backed by the monetary authorities of the United States and 11 other participating countries. The government's actions also set the stage for completion of a rescheduling agreement and a new lending program with commercial banks.

The announcement of the government's adjustment program was generally well received in Argentina. In the exchange market, too, the Argentine currency appeared to have gained a steadier footing by late July. Capital inflows began to materialize, taking the form, at least in part, of a reversal of commercial leads and lags.

Staff Studies

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

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

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

STUDY SUMMARY

THE ROLE OF THE PRIME RATE IN THE PRICING OF BUSINESS LOANS BY COMMERCIAL BANKS, 1977–84

Thomas F. Brady—Staff, Board of Governors

Prepared as a staff study in the spring of 1985

This study investigates the shift in the pricing of large business loans that began in the late 1970s. The shift has been away from the prime rate—traditionally considered the rate offered by banks to their most creditworthy business customers—toward market rates measuring the cost of funding large loans. Typically, large loans with prices based on funding costs have rates below the prime. The study also examines changes in the cost of these loans compared to other business loans and the implications of the pricing shift for the behavior of the prime rate.

Using information on business loan pricing from the Board's quarterly Survey of Terms of Bank Lending (STBL) for the 1977–84 period, the study compares the main characteristics of loans extended at rates of prime or above with those of loans made at rates below prime for four maturities: three short-term (overnight; one month or less, excluding overnight; and more than one month and less than one year) and one year or more. Below-prime lending first emerged in the market for large business loans of very short maturity (and today dominates this market), but by the second half of 1982 this practice had become commonplace at longer maturities, including one year or more. By that time, about 90 percent of the dollar volume of gross short-term loan extensions and an estimated 70 percent or so of outstanding short-term loans at 48 large banks had rates below prime.

In examining pricing patterns by size of loan, the study compares rates on small and medium-sized loans with rates on large loans (those made in amounts of $1 million or more). Smaller loans are priced mainly at rates of prime or above, and large loans generally have market-related rates. The spread between the average rates of these two classes of loans rose on balance over the 1977–84 period. This increase in the relative cost of smaller loans is due to a narrowing of markups of rates for large loans over their market-related base rates and to a widening on balance of the spread of the prime rate over market rates.

The study models the prime rate and compares estimates of its behavior based on data for recent years to its behavior in the period preceding substantial volumes of below-prime lending. This comparison suggests that the widespread use of market rates in place of the prime rate to price large business loans has contributed to the tendency for the prime to lag declines in market rates and has increased its sensitivity to perceived risk. These findings are consistent with the comparatively high level of the prime in recent years.

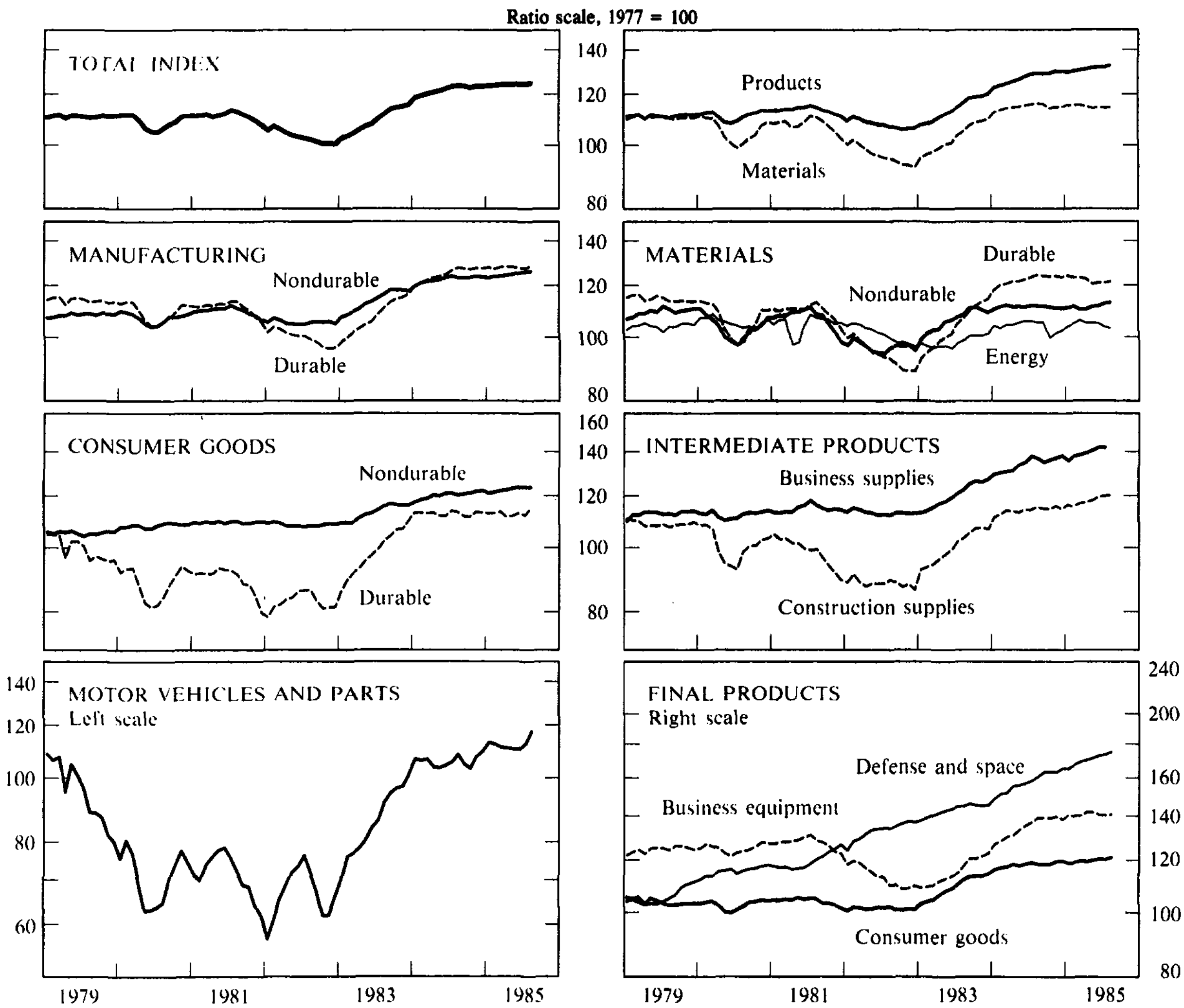
Using the thirty-two quarterly observations of gross business loan extensions and average loan rates available from the STBL over the 1977–84 period, the study estimates demand functions for eight categories of loans, disaggregated by fixed and floating rate and by maturity. The econometric evidence suggests that the price elasticity of loan demand increases with loan size and that rate-based substitution occurs between several categories of large loans and between large loans and bonds. Little evidence was found, however, for rate-based substitution between business loans and commercial paper issued by nonfinancial firms. □

Industrial Production

Released for publication September 13

Industrial production increased an estimated 0.3 percent in August. The level of output was revised downward for the three previous months, and the index now shows no change in industrial output in May, an increase of 0.3 percent in June, and no change in July. August gains in output were largest in durable consumer goods and in defense and space equipment. At 124.8 percent of the 1977 average, the index of industrial production in August was 1.0 percent higher than that of a year earlier.

In market groups, production of consumer goods increased 0.7 percent, reflecting mainly a sharp gain in automotive products. Autos were



All series are seasonally adjusted. Latest figures: August.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Aug. 1984 to Aug. 1985
	1985		1985					
	July	Aug.	Apr.	May	June	July	Aug.	
	Major market groups							
Total industrial production	**124.4**	**124.8**	**.1**	**.0**	**.3**	**.0**	**.3**	**1.0**
Products, total	131.7	132.3	.4	.4	.3	.0	.4	2.6
Final products	131.7	132.4	.4	.3	.1	.0	.5	2.1
Consumer goods	120.4	121.3	−.2	.4	.5	−.2	.7	2.4
Durable	112.1	115.1	−1.8	.3	1.0	−.7	2.7	1.6
Nondurable	123.5	123.5	.3	.5	.4	.0	.0	2.8
Business equipment	140.4	140.7	1.3	−.1	−.9	−.1	.2	1.1
Defense and space	173.5	175.0	.6	.6	.9	.4	.9	8.9
Intermediate products	131.9	132.2	.5	.8	1.2	.1	.2	4.2
Construction supplies	120.1	120.2	.4	.7	1.3	.4	.1	4.2
Materials	114.3	114.5	−.4	−.7	.3	−.1	.1	−1.4
	Major industry groups							
Manufacturing	126.8	127.5	.2	.0	.1	.0	.5	1.3
Durable	127.5	128.4	.2	−.2	−.2	−.2	.7	.6
Nondurable	125.8	126.1	.3	.3	.5	.3	.2	2.4
Mining	109.6	108.9	−.8	.2	.5	−.7	−.6	−3.6
Utilities	113.3	112.9	−.2	.1	.1	−.4	−.3	2.7

NOTE. Indexes are seasonally adjusted.

assembled at the same annual rate as in July—8.3 million units—but output of light trucks, in large part produced for the consumer market, surged during August. Output of home goods also increased in August; this rise follows a sharp decline in July, which largely reflected cutbacks in the production of appliances. Output of home goods remains more than 3 percent below year-earlier levels. In nondurable consumer goods, production was unchanged again. Output of business equipment edged upward in August following declines in the preceding three months. Production of construction and business supplies increased further. Total materials output was almost unchanged again, with the output of durable and nondurable materials up, but with production of energy materials reduced further.

In industry groups, manufacturing output increased 0.5 percent in August, with gains of 0.7 percent in durables and 0.2 percent in nondurables. However, mining activity declined 0.6 percent, and output at utilities was off 0.3 percent.

Statements to Congress

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, September 11, 1985.

I appreciate the opportunity to be here today to comment on proposals for reforming the federal deposit insurance system and to review some other elements of the appropriate federal approach toward depository institutions.

In the light of recent and current problems in banking and thrift institutions, such a review is natural. At the same time, as proposals for changing deposit insurance and supervisory arrangements for depository institutions are reviewed, we should not lose sight of their successes, both in the past and in coping with the present strains.

For many years, the number of failed depository institutions was minuscule relative to the number of such businesses. Recently, there has been a significant increase in actual, or near, failures, and the financial system as a whole has been under greater strain. But the points of particular pressure have been dealt with in a manner that has avoided contagious chain reactions, and the health of other financial institutions and of the economy has not been undermined. As intended by the Congress, no small depositor of any federally insured institution has lost money because of a bank failure, and losses to larger depositors and to other creditors of banking organizations have been very limited, without calling upon support of the general taxpayer.

As we review this experience, it is also natural and appropriate that you consider whether improvements need to be made in the functioning of our deposit insurance and supervisory systems. We have indeed seen a number of organizations, including some larger ones, fail or be forced into merger or reorganization in the past few years. And, while that number has remained comparatively small, the reports of our federal and state examiners reveal that a sizable number of additional institutions have serious problems. Considerations of how to deal with these problems and, indeed, how to turn around the recent trends, are thus in order.

In part these problems are traceable to the heightened degree of competition to which institutions are now subject, a development fostered in large part by technological and financial innovations both at home and abroad. Those innovations, in turn, have been accompanied by and, in good part, forced by greatly relaxed regulation of interest rates paid on deposits. Some institutions have importantly expanded asset powers.

The economic environment has also changed in a way that has increased the risks in highly aggressive banking practices. That change was punctuated by a major recession in the early 1980s, which itself strained the finances of many businesses and individuals. But we also had a vigorous recovery and expansion, and ordinarily credit quality would be expected to show marked improvement after the first year or so of recovery. That has not happened so far during the current expansion.

In significant part, that is because the nation has also been going through the more fundamental process of moving from a condition of accelerating and anticipated inflation to one of much more moderate price pressures generally. In fact, downward price pressures in some previously inflated sectors of the economy have been evident, and real interest rates have been unusually high. Many ventures thought likely to be profitable by financial institutions and their customers during an inflationary period have turned out not to be so. The energy, shipping, agricultural, and real estate areas are replete with examples.

Moreover, patterns of thinking shaped during inflationary times are hard to dispel. Thus, some projects undertaken by entrepreneurs and financed by depository institutions—and sometimes those roles are combined—still seem to depend importantly for their success on increased prices, particularly with respect to some kinds of real estate development.

The strength of the dollar in international currency markets has also been a factor adding to pressures on the manufacturing, mining, and agricultural sectors, even as the economy as a whole has grown substantially. A number of important foreign borrowers in Latin America and elsewhere, who were favored lending outlets during the highly inflationary period, have found themselves in an overextended position in the current economic climate.

I believe that a third major source of our current problems can be traced to certain changes in banking and public attitudes that emerged gradually as memories of earlier difficulties faded from consciousness and the postwar economy and financial markets displayed remarkable—indeed virtually unprecedented—growth and stability. Banks ended World War II with unusually high liquidity and strong capital positions. It was natural and healthy that these funds would be more actively employed over time and that the extreme caution bred by depression would be dissipated. In the absence of signs of real difficulty for several decades, a new generation of managers, directors, and regulators, basing their judgments on postwar experience, shifted the focus of bank policies away from concerns with safety and toward greater risk-taking in a quest for larger profits in a highly competitive environment. In time, and further induced by the inflationary expectations bred in the 1970s, these tendencies were carried beyond prudent limits in a few institutions.

These risks have been aggravated more recently by the reactions of some managers, particularly in the thrift industry, to a prolonged period of extreme earnings pressures in their traditional lines of business. Implicitly or explicitly, they decided, in effect, to "roll the dice" by undertaking particularly risky activities generating immediate profits or the hope for large gains over time. From the standpoint of managers or owners, the chance of failure of the institution was already large, and should sizable losses rather than gains materialize, depositors would, in any event, be protected, in whole or in part, by deposit insurance.

One general question before you is the extent to which these changes in attitude and behavior have been inadvertently encouraged by the federal "safety net"—indeed the extent to which the very success of those arrangements in protecting individual depositors and the financial and economic stability generally has also encouraged some depository organizations to assume inordinate risks for both the institutions and the insurance system.

One aspect of the dilemma for the authorities is that institutions may, consciously or unconsciously, build into their decisionmaking the view that deposit insurance and the availability of discount window credit will give added time and leeway to deal with unforeseen problem situations that may arise, thus making institutions less self-reliant and less concerned about risk despite the vulnerability of equity owners. Depositors and creditors of banking organizations themselves, because of the safety net, may anticipate that the "government," in the last analysis, will take actions to protect them against loss, so that they can be relatively indifferent to the risk exposure of depository institutions. That is obviously the case for insured depositors who, by design, rely on the federal insurance backing their deposits rather than on the financial health of their banking institution for the return of their money.

The other side of the dilemma is that the "safety net" provides an essential public service, not only in protecting small depositors but also in avoiding the spread of fear among depositors generally, thus undermining the stability of the system as a whole. Instilling discipline at the expense of a financial debacle would be a Pyrrhic victory.

Clearly, part of the challenge is to maintain a strong and effective safety net while minimizing adverse side effects on excessive risk-taking. One important means of maintaining such balance is that management and owners of failed and distressed institutions are not, and should not be, immunized from the consequences of bad decisionmaking and excessive risk-taking. Stockholders lose when a bank has failed or gotten into trouble; management has lost jobs and reputations. Moreover, recent events confirm that uninsured depositors and creditors do not feel entirely free of potential risk, and some recent events have alerted managements to the importance of maintaining confidence.

There is one aberrant situation that has been of strong and understandable concern to the insuring agencies. I touched earlier on the apparent temptation of some thrift institutions, finding themselves with negative earnings and impaired capital and concerned about their ability to restore profitability through adherence to normal business practices, to channel funds into risky financial ventures. In some cases, these practices are directly aided and abetted by the fact that the institution is able to obtain more sizable funds than would otherwise be possible by issuing insured deposits at relatively high rates, quite often through the auspices of a broker. Such insured deposits have been highly attractive because they have provided interest returns above the general market level, and because they are fully insured and free of risk regardless of the condition and the activities of the issuing institution. Given this potential for abuse, we have supported the concept of strict limitations on certain insured-deposit brokerage activities.

In sum, the burden of my remarks is that the insurance system, the safety net, and the processes of banking supervision, faced with the strongest challenge in decades, have functioned with remarkable effectiveness to protect the stability of the banking system. We must not impair that effectiveness. At the same time, we want to learn all that we can from recent experience to encourage a still stronger, self-reliant system, to deal with the sources of strain, and to speed a return to a situation in which active use of the safety net is reduced. In that process, we want to build on the existing strengths of the system, and to encourage the efforts already strongly under way among many depository institutions to improve their own positions. Perhaps it is also worth emphasizing that this is no time for overreaction—for encouraging the pendulum of attitudes and policies by either managements or officials to swing to the point that reasonable innovation, risk-taking, and growth is stifled by unwarranted fear and uncertainty.

MARKET DISCIPLINE

One approach toward maintaining a balance between stability and risk-taking would involve reinforcing, or duplicating by other means, disciplines inherent in the market process. Ideas along this line run from more frequent disclosure of information about the condition of banking and thrift institutions to increasing the frequency and the certainty of loss that large depositors and other creditors would suffer in the event of failed institutions. The concept is that, by intensifying the consequences of bad decisionmaking, depository institutions—their managements, directors, shareholders, and depositors and creditors—will be more sensitive to risk, promoting safer and sounder practices.

Obviously, the sensitivity of depository institutions and their customers to the consequences of risk-taking is fundamental to prudent banking. Any manager blinded to that fact by years of tranquility has been forcibly reminded by recent events. But our financial history demonstrates unambiguously the dangers of relying on market discipline alone. Before the 1930s, market discipline did not prevent bank failures or systematically discourage excessive risk-taking—until after periodic crises had occurred, at great expense to the economy generally. Indeed, the entire rationale for the establishment of the Federal Reserve System and for the Federal Deposit Insurance Corporation (FDIC) lay in the realization that institutions at the core of our payments and financial systems have a unique importance for the stability of the economy generally.

Recent years have seen considerably more public disclosure of loan concentrations and other matters. Normally, the presumption should be in favor of wide disclosure in the interest of full market information to investors, within limits imposed by customer or competitive confidentiality. But such disclosure provides limited protection at best against imprudent lending or other risks that are usually not apparent in simple listings of concentrations and that, indeed, often are exposed after the fact.

The question remains of striking an appropriate balance. Experience suggests strongly that creditors and investors find it difficult or impossible in practice to make reliable incremental appraisals of the degree to which institutions are taking excessive risks before the time the consequences of such activities become readily apparent. To take one example, the Continental Illinois Bank was an investment favorite, praised for aggressive expansion, virtually until the eve of the exposure of massive problems in its loan portfolio. Those problems were initially centered in the energy area. But aggressive energy lending, in the environment of the 1970s and the early 1980s, was considered appropriate and desirable in the marketplace for many banks, and those banks were generally characterized by high earnings, stock prices, and growth. Investors and depositors detected and reacted to the problems only *after* it was clear that a highly aggressive lending posture in the energy area had yielded bitter fruit. Then, left untempered, the reactions would have been so strong as to undermine a number of banks' prospects for viability, with widespread secondary repercussions. A similar pattern of years of complacency, even when the general nature and the size of the lending is well known, could be cited in the growing loan exposures of multinational banks to developing countries. Similarly, the exposure of thousands of small, agriculturally oriented banks is today viewed very differently than it was only a few years ago.

In other words, in an inherently uncertain world, subject to changes in objective circumstances and fashion, the prescience of market forces is necessarily limited and sentiment quickly reversible. Once it becomes reasonably clear that an institution has difficulties, sharp swings in attitude can undercut orderly solutions, posing risks to other banks and to the financial system in general.

There is no doubt that market forces ultimately are capable of imposing, and do impose, a severe discipline. We want to take advantage of that. But we would also like those disciplines, to the extent feasible, to work consistently with constructive solutions to problems, which takes time, rather than to exact its lesson at the expense of economic stability generally.

In striking that balance, the Federal Reserve has not favored proposals that would have the federal agencies themselves, *as a general rule,* disclose detailed cease and desist orders or other disciplinary action that they have issued against banking organizations. Such routine disclosure may at times exacerbate an already delicate situation and make more difficult the task of federal regulators seeking an orderly and appropriate resolution of problems that are, in fact, "curable." Larger banking organizations with widespread public ownership are already required to disclose material changes in circumstances, including the official enforcement orders bearing on their outlook. There are situations in which detailed disclosure by a banking agency itself might serve a useful or a necessary purpose, particularly when the management is not actively and wholeheartedly moving to deal with its problems. But that is not ordinarily the case. Rather, the entire procedure will often become more, and unnecessarily, adversarial, making it more difficult for examiners to obtain information or engage in a frank exchange of views, and tying up limited supervisory and enforcement manpower in legal proceedings.

Risk-Based Insurance

One proposal that has been set forth, as a kind of substitute for direct market discipline, to achieve greater control over risk-taking by depository institutions—and also to make the depository insurance system more equitable—is to shift from the present flat-rate premium system of deposit insurance to a risk-based system. In concept, institutions taking a significantly riskier position would be required to pay higher premiums than conservatively managed organizations.

In principle, the proposal appears logical and attractive. It seems undeniably fair to require those institutions exposing the insurance fund to greater risk to pay higher premiums to compensate for that risk, an approach long followed by private companies in all areas of insurance.

But there is reason to question the practical benefits of such an approach. If differential insurance premiums are to effectively deter excessive risk-taking, the range between premiums charged institutions exposed to relatively great risk and those operating more conservatively would have to be fairly wide. But such a wide range for premiums implies more precision in gauging the risk exposure of different institutions or different types of lending than may be objectively possible, or that is widely perceived as fair. We do not, for instance, want to indiscriminately place a drag on commercial lending, or agricultural lending, or energy lending. The size of the insurance premiums might be interpreted as a kind of credit rating, but it would be too crude to bear that burden. And I do not see, in practice, how the premiums could be "fine-tuned" before problems in fact emerge.

It may be possible, for instance, to get general agreement as to the relative riskiness of broad categories of balance sheet positions. All would agree, for example, that private loans are more risky than Treasury securities; that a low liquid asset ratio, particularly if accompanied by heavy reliance on purchased money, is more risky than a high ratio; that a marked imbalance between asset and liability maturities is more risky than a close balance. But once past those relatively broad concepts, consensus becomes much more difficult to achieve.

There are many less tangible factors—such as the quality of an institution's management, its internal controls, and its credit standards, whatever the lending area—that affect the riskiness of an operation and should be taken into account. The principal differences in the quality and the relative riskiness of loan portfolios lies within broad loan categories, as much or more than between them.

Bank examiners, of course, make such judgments. But there would be great drawbacks to basing premiums on the already difficult, and inherently qualitative, judgments contained in bank examinations. Such judgments are fallible and our forecasting ability is limited. To reflect those judgments routinely in large changes in insurance premiums, involving both public notice and higher costs, could well diminish prospects for effective remedial action.

Some have suggested that the problems inherent in ex ante identification of risk could be dealt with by levying premiums on an ex post basis—that is, to charge higher premiums to institutions experiencing losses. But does it really make sense to levy punitive premiums under such conditions, placing an added drain on the earnings of an institution with substantial problems, and, in effect, announcing that added burden to the world? Rather, would it not often work at cross purposes with the efforts that federal regulators would be making at such times to restore the institution to health?

I recognize that, even if the possibility of using *sharply* differentiated insurance premiums as an effective deterrent to excessive risk is limited, some distinctions based upon the general characteristics of a bank or a thrift institution may appear more equitable in terms of relative contributions to the insurance funds. Moreover, there may be certain types of loan and investment situations that are clearly so risky relative to the "norm" that a sharply higher insurance premium could be clearly justified. That might be the case, for example, with real estate development activities of the kind that some institutions are actively developing, as permitted by some states. But I would have to question, if the risks are so evident, whether such activities are appropriate for depository institutions at all.

As I have emphasized to this committee before in this connection, I am deeply concerned about the increasing tendency of states to provide powers for state-chartered institutions operating under the protection of the federal safety net that may be inconsistent with prudent banking or thrift operations. That, indeed, seems to me an area in which action is urgently needed.

Other Reforms in Deposit Insurance

I should like to comment briefly on several other proposals for reforming the deposit insurance system that have been advanced in recent years. One such proposal is to move the deposit insurance limit back down to a significantly lower level. It is reasoned that this will result in a larger proportion of deposits being subject to loss should an institution fail, and, by increasing risk exposure, encourage depositors to be more selective in placing their funds with institutions.

The precise level for assured insurance protection is, of course, arbitrary, and I have myself resisted the large increases enacted in the past. But we are not dealing with a blank sheet of paper. Depositors and financial markets generally are accustomed to, and presume maintenance of, the present $100,000 level.

It seems likely that, if insurance coverage were reduced somewhat, the main effect would be that most smaller depositors with amounts to place that exceed the cutoff would simply channel them into two or more deposit accounts with different institutions. Accordingly, costs to depositors and to the banking system would be raised. If the insurance level were to be sharply lowered, the proportion of "runable" deposits at all institutions would increase, thus increasing the potential instabilities of the system at a time of strain.

In concept, looking further into the future, there may be some merit to increasing, in a careful and limited way, the effective risk exposure of larger depositors, inducing them to make a more careful assessment of the conditions of organizations in which they are placing funds and working in a marginal way to encourage more prudent banking practices. But those depositors are not entirely without risk today, and I do not believe this is the time to inject more uncertainty into the system. Any changes in this respect should be made, in my judgment, only in more settled circumstances, and with long lead times.

I believe that a fair description of the present approach in operating the "safety net" is to provide full protection for depositors within the insurance limits but also to protect all depositors when that is practically feasible at reasonable cost through mergers or otherwise, taking account of the costs of alternatives, including the effects on the community and on banking stability more generally. The number of cases in which that protection has not been possible and feasible in practice has been very small, for banks large or small. That approach seems to me to remain broadly appropriate. It does not commit the FDIC or the Federal Savings and Loan Insurance Corporation (FSLIC) to full protection in every circumstance—such as when some combination of huge potential losses, unknown contingent liabilities, and possibilities of fraud could clearly impose excessive costs relative to practical alternatives. In a few cases, a full payout to insured depositors alone has been necessary.

As the committee knows, there has been some testing by the FDIC of a modified payoff technique. This technique involves deriving an estimate of the proportionate amounts of the uninsured depositor claims that are likely to be recovered from the liquidation of a closed institution's assets and then paying that amount to the depositor immediately rather than waiting until the liquidation is completed. Any recovery above that minimum is to be passed through after it is realized. That approach, I believe, could be an improvement over the delayed payoff approach that is routine in general bankruptcy proceedings, since it helps reduce the side effects of uncertainty and reduced liquidity to which depositors are otherwise exposed. But I do not envisage such an approach as a satisfactory substitute for the so-called purchase and assumption technique or other forms of assistance when those alternatives are feasible and costs reasonable.

In considering that or other new approaches, careful consideration must be given to the uncertainties that are inherent in change at a particularly sensitive time. In that spirit, proposals that might partially insure larger depositors, but at the same time increase the risk of loss or illiquidity of an uninsured fraction, could be debated. But any change in that respect should be announced far in advance and be implemented with great care.

Proposals to require institutions to pay the same premiums on their deposit liabilities at overseas branches and at International Banking Facilities as they do on all other deposits booked in the United States, deserve careful review. These depositors benefit from the greater stability of financial conditions that results from the deposit insurance system as much as do other large depositors. Thus, it seems fair that banking organizations choosing to fund part of their operations overseas—and that proportion can be "managed"—should be subject to the same insurance costs as those that rely on domestic sources of funds.

At the same time, extending insurance costs to foreign branch deposits changes the relative cost burdens among our depository institutions, affects incentives to branch abroad, and raises some competitive questions vis-à-vis banks abroad. A fuller assessment of the pros and cons appears to me in order before proceeding definitively, and if a decision is made to implement the proposal, it should probably be phased in over a period of years.

Proposals also have been advanced for merging the FDIC and the FSLIC insurance funds. In principle, this would appear appropriate if, and as, these depository institutions are required to adhere to equivalent regulatory and supervisory standards, and particularly if their powers broadly coincide. There has been some movement in those directions, but there also remains a long way to go.

Whether one would want to proceed more

immediately to merge the funds would appear to depend on how the advantages are weighed, in current circumstances, of bringing the larger resources of the FDIC fund to the support of the savings and loan industry. Against that advantage there is a legitimate question as to whether monies contributed by commercial banks and mutual savings banks should now be made available to protect the depositors of savings and loan associations. At the least, the importance of bringing the regulatory and supervisory standards of the two industries into alignment promptly would be greatly reinforced. But, in addition, I believe that the Congress, in addressing such a proposal, should consider possible means for bolstering the size of the FSLIC fund or the relative contribution of the savings and loan industry should it decide to authorize such a merger.

OTHER INITIATIVES

Apart from the initiatives in the deposit insurance area that I have just reviewed, I believe that there are other actions—indeed more important actions—that are being taken and that can be taken to strengthen further our depository system and achieve greater assurance that it will continue to function safely and efficiently.

Federal insurance and other elements of the federal "safety net" necessarily imply a clear federal interest in how the protected funds are employed and managed. To some degree, strong supervision can minimize the need for, and demands upon, the "safety net." And no insurer can afford to be indifferent to the behavior of the insured.

All the federal agencies, individually and in cooperation, have taken steps to strengthen the supervisory and, where necessary, the regulatory process. I can speak directly here only of the Federal Reserve, where a number of steps are under way to implement a comprehensive program for further strengthening our supervisory and regulatory activities.

As you may recall, in conjunction with the other bank regulatory agencies, we have, over the past few years, tightened significantly our capital standards applicable to banks and bank holding companies. These standards were first put in place on a formal basis in the early 1980s and have helped to reverse the earlier downtrend in capital asset ratios.

We now have under active review, as do the other federal bank supervisors, proposals for supplementing the existing standards. One objective is to take account of the rapid growth in "off-balance-sheet" risk exposures and declines in liquidity, particularly at larger banking organizations. To some degree, the simple capital–asset ratios that are at the center of our current guidelines contribute to those developments; institutions work to improve those ratios by holding down asset growth partly by limiting liquid asset holdings and by assuming off-balance-sheet commitments in lieu of direct lending.

We can approach, and are approaching, the problem in part through strengthening the crucial process of examination, emphasizing that existing standards are minimums that can, and should, be exceeded depending upon the risk profile of an institution. We are also carefully considering several variants of proposals for quantifying a risk-related capital measure to supplement the present approach. I anticipate that one or more approaches will be set out for public comment before the end of the year.

In adopting such an approach, we face some of the same difficulties that I outlined in connection with risk-based deposit insurance, particularly the difficulty of assigning appropriate weights to different broad asset categories. But these standards potentially can be applied, and bank performance monitored, in the context of a detailed examination process, and the approach has the further potential advantage of contributing to international comparability.

The chairman of the FDIC has proposed phasing in an increase in the minimum capital requirement for banks to 9 percent, permitting the increase to be in the form of subordinated debt. That is another initiative that I find attractive in concept and worthy of study. The idea is that market discipline would be reinforced at the margin without further jeopardizing depositors—indeed, consistent with stronger depositor protections—by requiring banks to find a larger market for debt (or equity) that would have no insurance protection. At least as important in my view, the added capital would provide an extra cushion of protection against the possibility of loss to depositors and to the deposit insurance fund.

The Federal Reserve also has under active review other proposals for modifying the structure of regulations and guidelines in place to see that banking organizations meet appropriate standards in conducting their business activities. Specifically, we are preparing standards to guide a bank holding company with respect to appropriate policies toward cutting or eliminating the payment of dividends when, and if, the organization is experiencing significant problems. We are also actively considering, within our present authority, appropriate limitations on bank holding companies undertaking particularly risky activities that may be sanctioned by state law but that appear to extend beyond the intent and framework of federal legislation.

Meanwhile, we have under way a number of significant steps to enhance our ability to identify, and seek correction of, problem situations at individual banking organizations. The frequency and the intensity of examinations and inspections of larger banking organizations is being increased, while at the same time we seek to increase cooperation and coordination in the examination of smaller organizations with other federal agencies and state banking authorities. Indeed, if states are willing and have the required resources, we would plan to increase our reliance on their examinations of smaller banking organizations.

Communications with the boards of directors of large organizations with problems are being upgraded in content and official participation. Where warranted, we will make full use of our statutory powers to see that banking organizations cease activities that are causing them harm and adopt policies that will restore their financial health.

CONCLUSION

At a time in which the domestic and the world economies are subject to many imbalances and distortions, banking systems here and abroad have been burdened more heavily than in many years, and we have seen some unaccustomed failures and reliance on the "safety net." That alone justifies a review of steps to ensure that our banking institutions, and their supervisory agencies, are following policies and practices consistent with the earliest possible return to robust health and full self-reliance.

But, in making that review, let us not overlook the many continuing elements of strength in the banking system that enable it to deal with points of pressure. The vast majority of our depository institutions have absorbed and adjusted to a less favorable financial and economic environment in a way that retains, and even reinforces, their resiliency. Capital ratios are improving, profitability has generally been maintained, well-run thrift institutions, at present interest rates, have the potential for rebuilding capital, and I sense that managements of most institutions have acted to review lending standards and control systems. It is these factors that support confidence and prospects for the future. At the same time, the "safety net" has operated with great effectiveness; it has done what it is supposed to do and what the American public has expected. It will continue to do so.

The issues you are reviewing are as complex as they are important. There is a need to proceed—but to proceed with all due caution—so that any changes will in fact contribute to reinforcing solutions to our current difficulties and to a stronger banking system, not the reverse. I have indicated that the Federal Reserve has been moving to improve its regulatory standards and to strengthen its supervisory capabilities. As you know, the other federal agencies responsible for supervising depository institutions are taking steps.

Our problems have been manageable. They should remain so. We welcome the cooperation of the Congress in that effort, not simply with respect to the questions under review today, but more importantly and fundamentally in dealing with the underlying sources of the imbalances and distortions in our economy and financial system. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance, of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, September 11, 1985.

I am pleased to appear before the subcommittee today to present the Board's views on the so-called South Dakota loophole. This loophole, which is based on a recent South Dakota law authorizing out-of-state bank holding companies to acquire state-chartered banks in South Dakota and to engage through these banks in all facets of the insurance business, primarily outside the state, conflicts with prevailing federal law and regulation. Indeed, there has been a proliferation in recent years of state laws authorizing federally insured banks and thrift institutions to engage in a broad range of nonbanking activities not previously deemed appropriate for depository institutions, including securities and real estate investment and development activities as well as insurance sales and underwriting.

This trend is of special concern because certain of these state laws do not appear to be motivated in any substantial measure by considerations relating to improving the banking or thrift structure or by any local need for the services authorized, but rather by a desire to attract new business and tax revenues to the states through the liberal use of a bank franchise.

A competitive race among the states to expand nonbanking powers would substantially increase the level of risk in the banking system. For example, the recently enacted Ohio law allows a state bank to invest as much as 50 percent of its assets in real estate. An Ohio bank could thus effectively transform itself from a banking institution into a real estate investment company of the type and with the potential for the problems that have occurred in Maryland recently. The same is true for the statutes that permit investment in equity securities. Similarly, so-called wildcard statutes or leeway provisions authorize investment of substantial amounts of banking assets in any activity not otherwise prohibited, thus allowing state banks to invest in nonbanking ventures of every type and description.

The Congress has not authorized these activities for national banks or for bank holding companies and indeed has specifically banned many of them as unsafe and unsound. For example, the Glass–Steagall Act prohibits national banks and state member banks from engaging in, or being affiliated with a company engaged principally in, dealing or underwriting most types of securities. Title VI of the Garn–St Germain Depository Institutions Deregulation Act of 1982 prohibits bank holding companies from underwriting insurance. Real estate development activities are not permissible for national banks and have not been determined by the Federal Reserve to be closely related to banking and thus permissible for bank holding companies.

The proliferation of state laws authorizing new nonbanking activities appears to have developed in part in response to pressures from banking institutions that have turned to state law as a means of engaging in new nonbanking activities foreclosed to them by federal law. The states enacting these laws in turn are motivated in many cases by a desire to attract new employment and revenues by offering bank holding companies a means of exploiting ambiguities or "loopholes" in federal law. There is no gain in this offering for the economy as a whole, and there could well be heavy costs to bear for the federal government and for the users of the financial system.

The legislation in South Dakota stands out as an example of state efforts to expand jobs and revenues at the expense of other considerations. The preamble to the South Dakota statute indicates that its purpose is to secure new employment and revenue for the state by enabling out-of-state bank holding companies to take advantage of a "unique opportunity" afforded by perceived loopholes in the national banking laws. South Dakota has, however, insulated its own domestic financial and insurance institutions against the competitive and other effects of these activities by specifically providing that a new South Dakota bank acquired by an out-of-state holding company must conduct its banking and insurance activities at a location and in a manner so as not to attract customers from the general public to the detriment of existing banks or insurance companies in the state. South Dakota thus has authorized its banks to engage, in every state other than South Dakota, in activities expressly prohibited under federal law and indeed under many state laws.

The Board's main concern with statutes such as this is that they are not appropriately balanced by considerations relating to the safety and soundness of the nation's banking system. We recognize, of course, the interest of the states in regulating banking within their borders. The dual banking system has contributed on balance to the flexibility and the resiliency of our banking system, and has helped make it more responsive to the needs of both business and consumers. Nevertheless, serious questions must be raised about an undermining of the carefully established federal framework of authorized nonbanking powers for banks and thrift institutions through the actions of individual states, motivated not by concerns for safety and soundness but by other parochial objectives. In view of the expansion of powers in South Dakota and other states and the likelihood that this example could well be emulated elsewhere, we believe that the Congress should enact legislation on banking and thrift powers that reconciles the states' legitimate need for flexibility with the federal government's concern about the problems of excessive risks for the banking and thrift system and for the federal financial safety net.

The new state laws, and the South Dakota statute in particular, are premised in great part on lack of clarity in the Bank Holding Company Act as to its application to the direct activities of subsidiary banks of bank holding companies. The act embodies the national policy against the commingling of banking and commerce by precluding bank holding companies from engaging in or acquiring companies engaged in activities that are not closely related to banking. The Board has long held that the provisions of the act apply to acquisitions by holding company banks of voting shares of a nonbanking company. In 1971, with the expansion of the act to cover one-bank holding companies, the Board adopted a regulatory provision that allows wholly owned operating subsidiaries of bank holding company banks to engage in activities that the bank itself may engage in directly pursuant to state law. This provision was adopted to promote competitive equity between holding company banks and independent banks in the absence of evidence of abuse or evasion by bank holding companies of the nonbanking provisions of the act.

In adopting this regulation, however, the Board expressly noted that a potential conflict could arise between the nonbanking restrictions of the act and state law if state law was interpreted to permit nonbanking activities that were impermissible for a bank holding company under the act. In a statement issued with the regulation, the Board specifically noted that it would review the provision from time to time to ensure that it was not being used to frustrate the act's purposes.

Since 1971, holding company banks, relying on this regulatory provision, have engaged in a limited variety of nonbanking activities authorized by state law, for example, insurance agency and travel agency activities. Until the South Dakota statute, the Board did not feel that there had been significant abuse of this provision. State-authorized activities generally had been of a limited nature, had not been authorized on a large scale, had generally been conducted instate without the types of operating limitations in the South Dakota law, and, most importantly, had not posed significant risks to the banking system.

The application by Citicorp to acquire a South Dakota state bank for the purpose of engaging in broad insurance activities pursuant to the South Dakota law, in the Board's view, was inconsistent with the regulatory provision adopted by the Board in 1971. Citicorp's application, and the prospect of numerous similar applications as other states enacted new nonbanking powers for state banks, carried the potential for widespread evasion of the Bank Holding Company Act. Accordingly, the Board in January 1984 suspended the processing of the application, as well as similar applications filed by BankAmerica Corporation and First Interstate Bancorp, noting its tentative judgment that it could not approve the proposals in view of existing law and expressions of congressional intent. After Citicorp had reactivated its application, the Board proceeded to reach a final decision on the case and denied the application as a circumvention of the provisions in the Bank Holding Company Act that sharply limit the scope of bank holding company insurance activities. The Board concluded that the overall effect of the South Dakota law on the proposed nationwide insurance activities of the state bank to be acquired by Citicorp would be that the bank would act as an insurance company in direct contravention of the act's restrictions.

While the Board believes that it has authority under the act to regulate the activities of nonbanking subsidiaries of bank holding companies, the additional question of whether the nonbanking restrictions of the act apply to activities engaged in directly by a subsidiary bank has been raised in a number of contexts, including petitions to the Board and litigation. The Board has under consideration this question, as well as whether to revise its existing regulatory provision for operating subsidiaries of holding company banks.

In recognition of the serious risks posed by the expansion of nonbanking powers of state banks and thrift institutions, both the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Bank Board (FHLBB) have undertaken regulatory initiatives that would set limits on the scope of nonbanking powers authorized by state law. The FDIC has proposed to establish operating and investment limitations on certain nonbanking activities of FDIC-insured banks. The FHLBB has promulgated regulations that would establish a review procedure by the Federal Home Loan Banks on a case-by-case basis for direct investment by thrift institutions in certain nonbanking activities over a threshold amount.

Notwithstanding these actions, we would concur in the view that legislation is needed to provide a uniform national policy with respect to the proper scope of state-authorized nonbanking activities consistent with a safe and sound financial structure. H.R. 1513 addresses the problem of South Dakota type statutes by limiting the ability of state banks to engage in activities not permissible for national banks or bank holding companies outside the authorizing state. Similarly, savings and loan associations and savings banks would be prohibited from engaging outside the authorizing state in activities not permissible for federal thrift institutions or multiple savings and loan holding companies. In addition, the bill applies the prohibitions on bank holding company insurance activities enacted in Title VI of the Garn–St Germain Depository Institutions Deregulation Act to bank subsidiaries of bank holding companies.

H.R. 1513 goes some distance toward dealing with the dangers posed by the broad, state-authorized activities for banking and thrift organizations. The bill is based on the premise that a state should not be able to insulate itself from the competitive and other effects of wide-ranging and potentially damaging nonbanking activities that it authorizes for institutions it charters but that operate predominantly in other states.

In view of the proliferation of state laws authorizing extensive securities, insurance, equity investment, and real estate activities, however, and the increased risks that these activities pose for the federal safety net and the nation's banking system, the Board strongly believes that the limitations contained in H.R. 1513 should be expanded to cover activities even when conducted within the authorizing state if it is determined that they threaten safety and soundness. As I have stressed, it is not desirable, even within their own borders, for states to expose the banking system to the increased risks of nonbanking activities that the Congress has determined are unsafe and unsound for federal institutions and bank holding companies.

It does seem desirable, however, to allow the states to retain flexibility to experiment with new initiatives in local banking and thrift services by authorizing nonbanking activities within state borders if such activities are not determined to be unsafe or unsound. For example, many state banks have operated insurance agencies and travel bureaus pursuant to state law for many years. These activities do not pose threats to the stability of the banking system because the risks associated with such activities are rather minimal. Indeed, the Congress has allowed savings and loan holding companies to own and operate insurance agencies for many years, and federal savings and loan associations also are permitted to operate insurance agencies through service corporations. National banks similarly have been authorized to operate insurance agencies in small localities.

We thus would favor retaining flexibility to allow the states to continue to authorize such activities. A provision such as in section 2 of H.R. 1513 that would apply all of the Title VI insurance prohibitions to subsidiary banks of bank holding companies is undesirable because it would limit the procompetitive aspect of insurance sales activities by banks. The Board has previously testified in favor of an appropriate expansion of bank holding company powers to accommodate the evolution of the financial services industry, and we would prefer to see a legislative solution along the lines of H.R. 1513 that still allows flexibility in this area, but with authority to limit risks that cause concerns for safety and soundness. □

Statement by William Taylor, Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance, of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, September 11, 1985.

I appreciate the opportunity to appear before this subcommittee to discuss the financial condition of the institutions under the supervision of the Federal Reserve. As indicated by the data provided in the text of this testimony, there are a number of financial institutions that continue to experience a variety of difficulties. Problems in the farm, energy, international, and shipping sectors are evident, and the number of bank failures and problem banks remains high by historical standards. On the positive side there has been an improvement in capital ratios (especially of larger banks), and the majority of the banks are profitable and have good asset quality and sound operations. The subcommittee may wish to refer to related data previously provided on state member banks and bank holding companies in response to Chairman St Germain's letter of August 1, 1985. I would now like to address the specific questions raised in your letter of September 3.

QUESTION 1—CAPITAL

After declining steadily during the 1970s, bank capital ratios have increased in recent years. Improvement is apparent throughout the range of institutions, as state member banks and bank holding companies have shown higher capital ratios during each of the past four years. This upward trend is also evident when capital is adjusted for classified assets and standby letters of credit.

From 1980 to 1984, the ratio of equity and loan-loss reserves to total assets has risen from 5.37 percent to 6.15 percent for all state member banks, and from 5.30 percent to 6.33 percent for all bank holding companies with assets of more than $100 million. These increases are largely attributable to higher levels of capital at institutions with assets of more than $1 billion. Capital ratios at smaller state member banks have remained about level during the 1980s, while bank holding companies with less than $1 billion in assets have shown moderately improved ratios.

Besides the calculation of capital ratios, the evaluation of capital adequacy must also take into consideration the quality of assets and the level of off-balance-sheet risk. While classified assets have risen significantly at state member banks since 1980, capital ratios adjusted for classified assets still show increases for all size classes of state member banks and bank holding companies. If standby letters of credit were to be added to total assets in computing capital ratios, the results would still show an increasing trend.

Multinational banking institutions have also exhibited improvement in the ratio of equity and loan-loss reserves to total assets in recent years. Capital ratios for these banks have risen since 1980, and are at their highest levels since the early 1970s, even though the capital ratios of these large banks are generally below the levels of smaller institutions. Improvement is also evident in capital ratios adjusted for classified assets and for standby letters of credit. One is less sanguine about the improvement in large bank capital ratios when capital is measured against loans or risk assets.

One major reason for increased levels of bank and bank holding company capital has been the adoption of capital adequacy guidelines in December 1981. These guidelines established minimum capital levels and have continued to provide state member banks and bank holding companies with targets or objectives to be reached over time. Recent amendments to the guidelines, in conjunction with the capital maintenance regulations of the Office of the Controller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), raised the minimum guidelines for large banking organizations and established uniform minimum capital levels for all federally supervised banking organizations.

Bank and bank holding company capital are not deemed to be adequate simply because an organization meets the minimum capital requirements. Banking organizations whose operations involve degrees of risk that are higher than normal are expected to hold additional capital. Areas that merit particular attention in analyzing risk profiles are the loan and investment portfolios, the level of liquid assets in relation to total assets, the volume and nature of all off-balance-sheet risk (particularly standby letters of credit), the level and specific character of intangible assets, and the extent and the nature of all nonbanking activities. Institutions that are deemed to have inadequate levels of capital are required to submit an acceptable plan for achieving compliance and may be subject to appropriate supervisory and regulatory actions.

Are capital levels adequate? From a supervisor's viewpoint it is hard to imagine that a bank could be too well capitalized, and it is even more difficult to determine what amount of capital is adequate to cover the ever changing risk profiles. And so the best answer seems to be that capital levels are stronger than they have been but are not at such a level that would cause us to moderate our encouragement to the banks for continued improvement.

QUESTION 2—ASSET QUALITY

Asset quality is generally sensitive to national and international economic conditions. As the financial strength of certain borrowers deteriorates during periods of recession, their ability to satisfy their loan obligations is impaired. After a lag, banks are forced to write off an increasing percentage of loans due to nonpayment.

The typical pattern has been for net charge-offs to increase sharply during a recession, to continue to increase in the year after a recession, then to decline as economic conditions improve. The present period has not conformed to this general pattern. Credit quality, as measured by the charge-off ratio, has not improved during the present economic recovery.

Part of the explanation for this phenomenon has to do with the particular conditions of the past few years that have adversely affected credit quality for the nation's businesses. These conditions include back-to-back recessions and the transition to a period of lower inflation and inflationary expectations.

In addition, part of the explanation concerns problems endemic to particular sectors: agricultural, international, energy, and real estate. The obvious problems in the agricultural and energy sectors, the difficulties that developing countries have had repaying debt, and the overbuilding in certain sectors of the real estate business have all contributed to a worsening of credit quality problems in recent years. In contrast, credits in the agricultural, energy, and international sectors were relatively unaffected by the 1973–74 recession (although there were some international credit problems in industrialized countries). In the late 1970s and the early 1980s these credits were not considered to be major problem areas. Although the real estate industry suffered setbacks in the mid-1970s, by the end of the decade (helped by the rapid inflation of the period) it too was faring relatively well.

Since 1982, credit quality has deteriorated more at the largest and at the smallest banks than at those of moderate size. Data for all insured commercial banks since 1982 indicate that the greatest increase in the ratio of net charge-offs to equity and loan-loss reserves has been for banks with more than \$1 billion in assets and for those with less than \$300 million in assets. For banks with more than \$1 billion in assets, net charge-offs to equity and reserves have increased from 7.93 percent in 1982 to 10.25 percent in 1984; banks with less than \$300 million have also shown a significant increase during this period, with the ratio increasing from 5.58 percent to 7.04 percent. For state member banks, the ratio of classified assets to total assets also has increased sharply since 1982 for banks in these two size groups, whereas for banks with assets of $300 million to $1 billion, this ratio has actually declined.

Off-balance-sheet activity is growing rapidly and the risks associated with these activities need to be closely monitored. For the 25 largest bank holding companies, which are responsible for the preponderance of these off-balance-sheet items, standby letters of credit have approximately tripled since the beginning of the decade. During 1984, the nation's 100 top issuers increased their standby letters of credit 25 percent. Other off-balance-sheet instruments, such as financial futures, forwards and options, interest rate swaps, and the like have also increased.

Much of the off-balance-sheet activity is a response to heightened demands for more sophisticated financial services generated by such factors as improved technology, the increasing integration of international financial markets, and more volatile interest rates. Pressures for stronger capital ratios have to some degree contributed to the growth of off-balance-sheet business. By creating contingent rather than direct obligations, banks generate fee income but avoid increasing their reported assets. When measured relative to assets, leverage is reduced and profitability increased.

Although off-balance-sheet activities are not now quantitatively included in the capital guidelines of the Federal Reserve Board, its policy statement on capital adequacy states that these items will be considered in assessing a bank's capital adequacy. The Federal Reserve is currently studying methods whereby certain items (for example, standby letters of credit) would be specifically included in the calculation of bank capital ratios.

Question 3—Earnings

In 1984, state member banks earned a return of 0.62 percent on year-end assets (ROA) and a 11.58 percent return on year-end equity (ROE). During the same period, all bank holding companies (BHCs) with assets of more than $100 million earned returns of 0.55 percent and 9.95 percent respectively.

In terms of the period since 1970, the ROAs and the ROEs achieved by state member banks in 1984 can be considered only fair. At 0.62 percent, the 1984 ROA figure is consistent with the range achieved throughout the 1980s, above the range achieved throughout the second half of the 1970s (during which period the ROA never exceeded 0.58 percent), but below the levels recorded during the first half of the 1970s. (In 1970 and 1971, the ROA for state member banks was 0.73 percent and 0.71 percent respectively.)

The ROE for state member banks in 1984, at 11.58 percent, equalled the 1983 mark and remained well within the fairly narrow band of 10.04 percent (1976) to 12.87 percent (1980) that was registered from 1970 to 1984.

In 1984, state member banks within the smaller size classes once again outperformed the larger banks with assets of $1 billion and more in terms of the ROA: 0.77 percent for banks smaller than $300 million; 0.88 percent for banks between $300 million and $1 billion; and 0.59 percent for banks with more than $1 billion. In a reversal of past years, banks in the middle size class outstripped those in the smallest one, presumably due to the performance of agricultural loans that are concentrated in the smallest bank size class.

The ROE, like the ROA, was generally true to form in 1984. The largest banks, due to their greater use of leverage, compensated somewhat for lower ROAs. At 11.96 percent, the ROE for the banks with $1 billion and more surpassed the 9.43 percent mark for the banks with less than $300 million, but fell short of the 12.36 percent mark for the banks with $300 million to $1 billion. In short, 1984 was not a premier year for bank earnings, nor have the past several years been particularly robust.

Question 4—Bank Liquidity

While several indicators of bank liquidity exist, this concept is often difficult to measure, and the structure of liabilities, as well as of assets, must be considered. Recent reporting changes provide more information about the frequency with which banks can reprice their assets and liabilities; that data base is useful for evaluating the exposure of banks to interest rate movements. These figures, however, do not address directly the extent to which banks have matched the maturities of their assets and liabilities or the ability of the banks to raise additional funds when needed.

As clearly demonstrated in recent years, the liquidity of any financial institution rests heavily on depositor confidence. Funds can quickly flow out of an institution if confidence wanes. Perceived liquidity provided by large amounts of "short-term" loans may also be misleading if, as with some customers, the loans must constantly be renewed. And, of course, it remains true that banks that depend heavily on the professional financial markets for funding remain more vulnerable to liquidity problems than banks with a broader base of consumer and business deposits.

These data show that purchased funds (large CDs, foreign office deposits, and the like) as a percentage of total assets of state member banks increased each year from 1976 through 1982 and have declined in 1983 and 1984. Large banks were, of course, much more dependent on these funds than smaller banks.

Data on the volume of brokered deposits have been collected only since 1983 and are not significant, in the aggregate, for state member banks. At year-end 1984, these deposits funded only 0.34 percent of the assets of all state member banks and a much smaller share for banks with assets of less than $1 billion. Moreover, the use of these deposits has declined since year-end 1983, when state members funded 0.43 percent of their assets with brokered deposits.

While these deposits are significant for a few state member banks, the amounts involved in these cases are relatively small. Only 12 state member banks held more that $20 million in brokered deposits at year-end 1984, and virtually all of them were major banking institutions. Several of the relatively heavy users of brokered deposits were Delaware subsidiaries of major New York City banks, which are prevented by law from dealing with local customers.

Question 5—Problem Institutions

As of June 30, 1985, there were 64 state member banks with composite ratings of 4 or 5 under the Uniform Interagency Rating System. These 64 banks had total assets of $3.9 billion.

As of June 30, 1985, there were 251 bank holding companies with composite 4 or 5 ratings under the Bank Holding Company Rating System. These 251 companies had total assets of $153 billion.

The number of problem banks and bank holding companies under Board supervision is larger than we would normally expect at this stage of the economic cycle. As discussed in the response to Question 2, the distinguishing feature for the current business cycle is that the energy and the agricultural sectors of the economy have not improved as much as the overall economy and many private-sector loans to developing countries continue to be problematical. Domestic agriculture, in particular, has been deteriorating since 1980. Problems in agriculture are inevitably transmitted to farm banks, which previously had strong records of profitability.

Of the 64 state member banks rated composite 4 or 5, 19 are farm banks. All but one of these farm banks have become problem institutions since 1983. It is also noted that 40 of the 145 banks with composite 3 ratings are farm banks. Thus, nearly 30 percent of the financial institutions subject to special supervisory attention are banks with farm loan concentrations. The increase in the number of problem banks in recent years can be related to a variety of factors including the effects of two recessions, a shift in inflationary expectations, increased competition brought on at least in part by interest rate deregulation, poor business judgment, and, in some cases, misuse of the public trust, such as fraud, insider abuse, and self dealing.

Although the increase in the number of problem banks has caused us to seek ways to strengthen our ability to uncover difficulties at an earlier stage, thereby increasing the chances of successful recovery, we would like to think that the rigor of our supervision has been consistent throughout the period. While it seems essential that we make every effort to improve our supervision of banks, we must be careful not to overreact. Ours is a business of wise selection among unhappy choices, something that must be done with great care.

As to actions being taken in response to the trend in the number of problem institutions, the Federal Reserve System has undertaken a comprehensive review of the supervision of state member banks and bank holding companies. Teams comprised of Reserve Bank and Board staff are reviewing the supervisory methodology and the analytic techniques and have made proposals designed to enhance our effectiveness. A number of these initiatives have been adopted or are under active review. The principal components of this effort are as follows:

- Instituting measures to strengthen the surveillance function to identify more promptly emerging supervisory problems.
- Improving the communication of examination findings, including the format of the written report of examination and the oral presentations to boards of directors.
- Strengthening of prudential standards to help prevent problems (leveraging, liquidity, dividend policy).
- Stressing the continuing importance of maintaining adequate capital and of holding appropriate loan-loss reserves.
- Increasing the frequency and the scope of the on-site examinations.
- Upgrading coordination and cooperation with other banking supervisory agencies, both state and federal, to improve efficiency and resource utilization.
- Sharpening the analytic approach to deal with issues such as bank holding company funding and liquidity, risk and leverage considerations in nonbank activities, and the like.
- Increasing staff and enhancing training.

QUESTION 6—HISTORY AND PERSPECTIVE ON EMERGENCY ACTIONS

The Bank Holding Company Act and the Bank Merger Act contain a number of special provisions to authorize expedited action on mergers and acquisitions in situations involving troubled banks. These statutes allow the Federal Reserve to shorten or suspend the comment period and to eliminate the publication requirement of the *Federal Register* for applications designed to prevent the probable failure of a bank or a bank holding company. Thus, the Board, at the request of the financial institution's chartering authority, can permit the acquisition of a troubled institution either immediately or on the fifth calendar day after the expiration of the comment period, depending upon the severity of the financial institution's problems.

So far this year, the System has approved 12 bank holding company applications involving troubled banks. Also, there have been in 1985 three emergency actions processed under the Change in Bank Control Act to prevent the probable failure of bank holding companies. This number compares with 16 expedited actions in 1984 and 14 such actions in 1983. At this stage of the cycle we would normally expect the number of such actions to decline. However, continued difficulties in certain sectors of bank lending must be factored into any judgment about the number of such actions that might be necessary.

Announcements

REGULATION K: REVISIONS

The Federal Reserve Board published on September 30, 1985, revisions to its Regulation K (International Banking Operations) that will permit Edge corporations to enlarge the scope of their activities. The revisions became effective October 24, 1985, with one exception. The provisions that pertain to investment procedures are effective immediately.

The International Banking Act requires the Board to review and to revise Regulation K every five years to ensure that the purposes of the Edge Act are being served in light of prevailing economic conditions and banking practices. Edge corporations are chartered to engage in international or foreign banking or other international or foreign operations.

The major revisions to the regulation pertain to the following: activities of Edge corporations in the United States, changes in control of Edge corporations, and investment procedures. Certain other technical and clarifying revisions have been made to Regulation K as well. The Board has deferred making any changes in the capital requirements for banking Edge corporations.

The revised regulation will allow Edge corporations to provide full banking services to a limited class of companies, such as foreign airlines and shipping companies, that are restricted by their charters or licenses to international business. The Board may consider whether procedures can be developed to identify other companies engaged in international business that could qualify for full banking services from Edge corporations.

In terms of changes in control of Edge corporations, the Board adopted changes to Regulation K that would require any party purchasing 25 percent or more of the voting shares of an Edge corporation to give the Board 60 days' notice before acquisition.

The Board also revised the investment procedures applicable to Edge corporations. The regulation had permitted Edge corporations to invest the lesser of $2 million or 5 percent of their capital and surplus without prior notice to or approval by the Federal Reserve. The Board increased the dollar investment amount to $15 million.

A certain amount of leeway was granted by the Board in the permissible activities of subsidiaries. In order to provide some flexibility to U.S. banking organizations in acquiring controlling interests in existing companies engaged in impermissible activities, the Board has liberalized its standards to allow such companies to derive up to 5 percent of assets and revenues from impermissible activities.

Also, the Board took action on some technical provisions of the regulation regarding U.S. nonbanking activities of foreign banks. These changes are outlined in the Board's document.

PUBLICATION OF ANNUAL STATISTICAL DIGEST, 1984

The *Annual Statistical Digest, 1984,* is now available. This one-year *Digest* is designed as a compact source of economic, and especially financial, data. The *Digest* provides a single source of historical continuations of the statistics carried regularly in the FEDERAL RESERVE BULLETIN. The *Digest* also offers a continuation of series that formerly appeared regularly in the BULLETIN, as well as certain special, irregular tables that the BULLETIN also once carried.

This issue of the *Digest* covers only 1984 unless data were revised for earlier years. It serves to maintain the historical series first published in *Banking and Monetary Statistics, 1941–1970,* and the *Digest* for 1970–79 and yearly issues thereafter. A *Concordance of Statistics* will be included with all orders. The *Concordance* provides a guide to tables that cover the same material in the current and the previous year's *Digest,* the ten-year *Digest* for 1970–79, and the BULLETIN.

Copies of the *Digest* are available from Publications Services, Mail Stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is $12.50 per copy.

System Membership: Admission of State Banks

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

Alabama

Grand Bay .... Mobile County Bank

Colorado

Denver....... American Bank of Commerce

Texas

Houston .... Interstate Bank North

Virginia

Virginia Beach .. Princess Anne Commercial Bank

Legal Developments

REVISIONS OF REGULATION K

The Board of Governors of the Federal Reserve System has reviewed and revised its regulations governing the operations of Edge corporations. The revisions concern certain U.S. activities of Edge corporations, lending limits and investment and change in control procedures applicable to Edge corporations. Some proposals dealing with foreign banking organizations operating in the United States have also been adopted.

Effective October 24, 1985, as set forth below, the Board hereby amends 12 C.F.R. Part 211, except in the case of the provisions in section 211.5(c), which are effective immediately:

Part 211—Regulation K; International Banking Operations

1. The authority citation for Part 211 continues to read as follows:

Authority: Federal Reserve Act (12 U.S.C. 211 *et seq.*); Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*); the International Banking Act of 1978 (Pub. L. 95-369; 92 Stat. 607; 12 U.S.C. 3101 *et seq.*); the Bank Export Services Act (Title II, Pub. L. 97-290, 96 Stat. 1235); and the International Lending Supervision Act (Title IX, Pub. L. 98-181, 97 Stat. 1153).

2. 12 C.F.R. Part 211 is revised to read as follows:

Part 211—International Banking Operations

Subpart A—International Operations of United States Banking Organizations

Subpart B—Foreign Banking Organizations

Subpart C—Export Trading Companies

Subpart D—International Lending Supervision

INTERPRETATIONS

Subpart A—International Operations of United States Banking Organizations

Section 211.1—Authority, Purpose, and Scope

(a) *Authority.* This subpart is issued by the Board of Governors of the Federal Reserve System ("Board") under the authority of the Federal Reserve Act ("FRA") (12 U.S.C. 221 *et seq.*); the Bank Holding

Company Act of 1956 ("BHC Act") (12 U.S.C. 1841 *et seq.*); and the International Banking Act of 1978 ("IBA") (92 Stat. 607; 12 U.S.C. 3101 *et seq.*). Requirements for the collection of information contained in this regulation have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. 3501, *et seq.* and have been assigned OMB Nos. 7100–0107; 7100–0109; 7100–0110; 7100–0069; 7100–0086, and 7100–0073.

(b) *Purpose.* This subpart sets out rules governing the international and foreign activities of U.S. banking organizations, including procedures for establishing foreign branches and Edge corporations to engage in international banking and for investments in foreign organizations.

(c) *Scope.* This subpart applies to corporations organized under section 25(a) of the FRA (12 U.S.C. 611–631), "Edge corporations"; to corporations having an agreement or undertaking with the Board under section 25 of the FRA (12 U.S.C. 601–604a), "Agreement corporations"; to member banks with respect to their foreign branches and investments in foreign banks under section 25 of the FRA (12 U.S.C. 601–604a);[1] and to bank holding companies with respect to the exemption from the nonbanking prohibitions of the BHC Act afforded by section 4(c)(13) of the BHC Act (12 U.S.C. 1843(c)(13)).

Section 211.2—Definitions

Unless otherwise specified, for the purposes of this subpart:

(a) An "affiliate" of an organization means;

(1) any entity of which the organization is a direct or indirect subsidiary; or

(2) any direct or indirect subsidiary of the organization or such entity.

(b) "Capital and surplus" means paid-in and unimpaired capital and surplus, and includes undivided profits but does not include the proceeds of capital notes or debentures.

(c) "Directly or indirectly" when used in reference to activities or investments of an organization means activities or investments of the organization or of any subsidiary of the organization.

1. Section 25 of the FRA, which refers to national banking associations, also applies to state member banks of the Federal Reserve System by virtue of section 9 of the FRA (12 U.S.C. 321).

(d) An Edge corporation is "engaged in banking" if it is ordinarily engaged in the business of accepting deposits in the United States from nonaffiliated persons.

(e) "Engaged in business" or "engaged in activities" in the United States means maintaining and operating an office (other than a representative office) or subsidiary in the United States.

(f) "Foreign" or "foreign country" refers to one or more foreign nations, and includes the overseas territories, dependencies, and insular possessions of those nations and of the United States, and the Commonwealth of Puerto Rico.

(g) "Foreign bank" means an organization that: is organized under the laws of a foreign country; engages in the business of banking; is recognized as a bank by the bank supervisory or monetary authority of the country of its organization or principal banking operations; receives deposits to a substantial extent in the regular course of its business; and has the power to accept demand deposits.

(h) "Foreign branch" means an office of an organization (other than a representative office) that is located outside the country under the laws of which the organization is established, at which a banking or financing business is conducted.

(i) "Investment" means the ownership or control of shares (including partnership interests and other interests evidencing ownership), binding commitments to acquire shares, contributions to the capital and surplus of an organization, and the holding of an organization's subordinated debt when shares of the organization are also held by the investor or the investor's affiliate.

(j) "Investor" means an Edge corporation, Agreement corporation, bank holding company, or member bank.

(k) "Joint venture" means an organization that has 20 per cent or more of its voting shares held directly or indirectly by the investor or by an affiliate of the investor, but which is not a subsidiary of the investor.

(l) "Organization" means a corporation, government, partnership, association, or any other entity.

(m) "Person" means an individual or an organization.

(n) "Portfolio investment" means an investment in an organization other than a subsidiary or joint venture.

(o) "Representative office" means an office that engages solely in representational and administrative functions such as solicitation of new business for or liaison between the organization's head office and customers in the United States, and does not have authority to make business decisions for the account of the organization represented.

(p) "Subsidiary" means an organization more than 50 per cent of the voting shares of which is held directly or indirectly by the investor, or which is otherwise controlled or capable of being controlled by the investor or an affiliate of the investor.

Section 211.3—Foreign Branches of U.S. Banking Organizations

(a) *Establishment of foreign branches.*

(1) *Right to establish branches.* Foreign branches may be established by any member bank having capital and surplus of $1,000,000 or more, an Edge corporation, an Agreement corporation, or a subsidiary held pursuant to this Subpart. Unless otherwise provided in this section, the establishment of a foreign branch requires the specific prior approval of the Board.

(2) *Branching within a foreign country.* Unless the organization has been notified otherwise, no prior Board approval is required for an organization to establish additional branches in any foreign country where it operates one or more branches.[2]

(3) *Branching into additional foreign countries.* After giving the Board 45 days' prior written notice, an organization that operates branches in two or more foreign countries may establish a branch in an additional foreign country, unless notified otherwise by the Board.[2]

(4) *Expiration of branching authority.* Authority to establish branches through prior approval or prior notice shall expire one year from the earliest date on which the authority could have been exercised, unless the Board extends the period.

(5) *Reporting.* Any organization that opens, closes, or relocates a branch shall report such change in a manner prescribed by the Board.

(b) *Further powers of foreign branches of member banks.* In addition to its general banking powers, and to the extent consistent with its charter, a foreign branch of a member bank may engage in the following activities so far as usual in connection with the business of banking in the country where it transacts business:

(1) *Guarantees.* Guarantee debts, or otherwise agree to make payments on the occurrence of readily ascertainable events,[3] if the guarantee or agreement specifies a maximum monetary liability; but except to the extent that the member bank is fully secured, it may not have liabilities outstanding for any person on account of such guarantees or agreements which when aggregated with other unsecured obligations of the same person exceed the limit contained in paragraph (a)(1) of section 5200 of the Revised Statutes (12 U.S.C. 84) for loans and extensions of credit;

(2) *Investments.* Invest in:

(i) the securities of the central bank, clearing houses, governmental entities, and government-sponsored development banks of the country in which the foreign branch is located;

(ii) other debt securities eligible to meet local reserve or similar requirements; and

(iii) shares of professional societies, schools, and the like necessary to the business of the branch; however, the total investments of the bank's branches in that country under this paragraph (exclusive of securities held as required by the law of that country or as authorized under section 5136 of the Revised Statutes (12 U.S.C. 24, Seventh)) may not exceed one per cent of the total deposits of the bank's branches in that country on the preceding year-end call report date (or on the date of acquisition of the branch in the case of a branch that has not so reported);

(3) *Government obligations.* Underwrite, distribute, buy, and sell obligations of:

(i) the national government of the country in which the branch is located;

(ii) an agency or instrumentality of the national government; and

(iii) a municipality or other local or regional governmental entity of the country; however, no member bank may hold, or be under commitment with respect to, such obligations for its own account in an aggregate amount exceeding 10 per cent of its capital and surplus;

(4) *Credit extensions to bank's officers.* Extend credit to an officer of the bank residing in the country in which the foreign branch is located to finance the acquisition or construction of living quarters to be used as the officer's residence abroad, provided the credit extension is reported promptly to the branch's home office and any extension of

2. For the purpose of this paragraph, a subsidiary other than a bank or an Edge or Agreement corporation is considered to be operating a branch in a foreign country if it has an affiliate that operates an office (other than a representative office) in that country.

3. "Readily ascertainable events" include, but are not limited to, events such as nonpayment of taxes, rentals, customs duties, or costs of transport and loss or nonconformance of shipping documents.

credit exceeding $100,000 (or the equivalent in local currency) is reported also to the bank's board of directors;

(5) *Real estate loans.* Take liens or other encumbrances on foreign real estate in connection with its extensions of credit, whether or not of first priority and whether or not the real estate has been improved.

(6) *Insurance.* Act as insurance agent or broker;

(7) *Employee benefits program.* Pay to an employee of the branch, as part of an employee benefits program, a greater rate of interest than that paid to other depositors of the branch;

(8) *Repurchase agreements.* Engage in repurchase agreements involving securities and commodities that are the functional equivalents of extensions of credit;

(9) *Investment in subsidiaries.* With the Board's prior approval, establish or invest in a wholly-owned subsidiary to engage solely in activities in which the member bank is permitted to engage or in activities that are incidental to the activities of the foreign branch, where required by local law or regulation; and

(10) *Other activities.* With the Board's prior approval, engage in other activities that the Board determines are usual in connection with the transaction of the business of banking in the places where the member bank's branches transact business.

(c) *Reserves of foreign branches of member banks.* Reserves shall be maintained against foreign branch deposits when required by Part 204 of this chapter (Regulation D).

Section 211.4—Edge and Agreement corporations

(a) *Organization.*

(1) *Permit.* A proposed Edge corporation shall become a body corporate when the Board issues a permit approving its proposed name, articles of association, and organization certificate.

(2) *Name.* The name shall include "international," "foreign," "overseas," or some similar word, but may not resemble the name of another organization to an extent that might mislead or deceive the public.

(3) *Federal Register notice.* The Board will publish in the *Federal Register* notice of any proposal to organize an Edge corporation and will give interested persons an opportunity to express their views on the proposal.

(4) *Factors considered by the Board.* The factors considered by the Board in acting on a proposal to organize an Edge corporation include:

(i) the financial condition and history of the applicant;

(ii) the general character of its management;

(iii) the convenience and needs of the community to be served with respect to international banking and financing services; and

(iv) the effects of the proposal on competition.

(5) *Authority to commence business.* After the Board issues a permit, the Edge corporation may elect officers and otherwise complete its organization, invest in obligations of the United States Government, and maintain deposits with depository institutions, but it may not exercise any other powers until at least 25 per cent of the authorized capital stock specified in the articles of association has been paid in cash, and each shareholder has paid in cash at least 25 per cent of that shareholder's stock subscription. Unexercised authority to commence business as an Edge corporation shall expire one year after issuance of the permit, unless the Board extends the period.

(6) *Amendments to articles of association.* No amendment to the articles of association shall become effective until approved by the Board.

(b) *Nature and ownership of shares.*

(1) *Shares.* Shares of stock in an Edge corporation may not include no-par value shares and shall be issued and transferred only on its books and in compliance with section 25(a) of the FRA and this subpart. The share certificates of an Edge corporation shall:

(i) name and describe each class of shares indicating its character and any unusual attributes such as preferred status or lack of voting rights; and

(ii) conspicuously set forth the substance of:

(A) limitations upon the rights of ownership and transfer of shares imposed by section 25(a) of the FRA; and

(B) rules that the Edge corporation prescribes in its by-laws to ensure compliance with this paragraph. Any change in status of a shareholder that causes a violation of section 25(a) of the FRA shall be reported to the Board as soon as possible, and the Edge corporation shall take such action as the Board may direct.

(2) *Ownership of Edge corporations by foreign institutions.*

(i) *Prior Board approval.* One or more foreign or foreign-controlled domestic institutions referred to in paragraph 13 of section 25(a) of the FRA (12 U.S.C. 619) may apply for the Board's prior approval to acquire directly or indirectly a majority of the shares of the capital stock of an Edge corporation.

(ii) *Conditions and requirements.* Such an institution shall:

(A) provide the Board information related to its financial condition and activities and such other information as may be required by the Board;

(B) ensure that any transaction by an Edge corporation with an affiliate[4] is on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions by the Edge corporation with nonaffiliated persons, and does not involve more than the normal risk of repayment or present other unfavorable features;

(C) ensure that the Edge corporation will not provide funding on a continual or substantial basis to any affiliate or office of the foreign institution through transactions that would be inconsistent with the international and foreign business purposes for which Edge corporations are organized;

(D) in the case of a foreign institution not subject to section 4 of the BHC Act:

(i) comply with any conditions that the Board may impose that are necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices in the United States; and

(ii) give the Board 45 days' prior written notice, in a form to be prescribed by the Board, before engaging in any nonbanking activity in the United States, or making any initial or additional investments in another organization, that would require prior Board approval or notice by an organization subject to section 4 of the BHC Act; in connection with such notice, the Board may impose conditions necessary to prevent adverse effects that may result from such activity or investment; and

(E) invest in Edge corporations no more than 10 per cent of the institution's capital and surplus.

(3) *Change in control.*

(i) *Prior notice.* Any person shall give the Board 60 days' prior written notice, in a form to be prescribed by the Board, before acquiring, directly or indirectly, 25 per cent or more of the voting shares, or otherwise acquiring control, of an Edge corporation; the Board may extend the 60-day period for an additional 30 days by notifying the acquiring party.

(ii) *Board review.* In reviewing a notice filed under this paragraph, the Board shall consider the factors set forth in paragraph (a)(4) of this section and may disapprove a notice or impose any conditions that it finds necessary to assure the safe and sound operation of the Edge corporation, to assure the international character of its operation, and to prevent adverse effects such as decreased or unfair competition, conflicts of interest, or undue concentration of resources.

(c) *Domestic branches.* An Edge corporation may establish branches in the United States 45 days after the Edge corporation has given notice to its Reserve Bank, unless the Edge corporation is notified to the contrary within that time. The notice to the Reserve Bank shall include a copy of the notice of the proposal published in a newspaper of general circulation in the communities to be served by the branch and may appear no earlier than 90 calendar days prior to submission of notice of the proposal to the Reserve Bank. The newspaper notice must provide an opportunity for the public to give written comment on the proposal to the appropriate Federal Reserve Bank for at least 30 days after the date of publication. The factors considered in acting upon a proposal to establish a branch are enumerated in paragraph (a)(4) of this section. Authority to open a branch under prior notice shall expire one year from the earliest date on which that authority could have been exercised, unless the Board extends the period.

(d) *Reserve requirements and interest rate limitations.* The deposits of an Edge or Agreement corporation are subject to Parts 204 and 217 of this chapter (Regulations D and Q) in the same manner and to the same extent as if the Edge or Agreement corporation were a member bank.

(e) *Permissible activities in the United States.* An Edge corporation may engage directly or indirectly in activities in the United States that are permitted by the sixth paragraph of section 25(a) of the FRA and are incidental to international or foreign business, and in such other activities as the Board determines are incidental to international or foreign business. The following activities will ordinarily be considered incidental to an Edge corporation's international or foreign business:

(1) *Deposit activities.*

(i) *Deposits from foreign governments and foreign persons.* An Edge corporation may receive in the United States transaction accounts, savings, and time deposits (including issuing negotiable certificates of deposits) from foreign governments and their agencies and instrumentalities; offices or establishments located, and individuals residing, outside the United States.

(ii) *Deposits from other persons.* An Edge corporation may receive from any other person in the

4. For purposes of this paragraph, "affiliate" means any organization that would be an "affiliate" under section 23A of the FRA (12 U.S.C. 371c) if the Edge corporation were a member bank.

United States transaction accounts, savings, and time deposits (including issuing negotiable certificates of deposit) if such deposits:

(A) are to be transmitted abroad;

(B) consist of funds to be used for payment of obligations to the Edge corporation or collateral securing such obligations;

(C) consist of the proceeds of collections abroad that are to be used to pay for exported or imported goods or for other costs of exporting or importing or that are to be periodically transferred to the depositor's account at another financial institution;

(D) consist of the proceeds of extensions of credit by the Edge corporation;

(E) represent compensation to the Edge corporation for extensions of credit or services to the customer;

(F) are received from Edge or Agreement corporations, foreign banks and other depository institutions (as described in Part 204 of this chapter (Regulation D));

(G) are received from an organization that by its charter, license or enabling law is limited to business that is of an international character, including Foreign Sales Corporations (26 U.S.C. 921); transportation organizations engaged exclusively in the international transportation of passengers or in the movement of goods, wares, commodities or merchandise in international or foreign commerce; and export trading companies that are exclusively engaged in activities related to international trade.

(2) *Liquid funds*. Funds of an Edge or Agreement corporation not currently employed in its international or foreign business, if held or invested in the United States, shall be in the form of cash, deposits with depository institutions, as described in Part 204 of this chapter (Regulation D), and other Edge and Agreement corporations, and money market instruments (including repurchase agreements with respect to such instruments) such as bankers' acceptances, obligations of or fully guaranteed by federal, state, and local governments and their instrumentalities, federal funds sold, and commercial paper.

(3) *Borrowings*. An Edge corporation may:

(i) Borrow from offices of other Edge and Agreement corporations, foreign banks, and depository institutions (as described in Part 204 of this chapter, Regulation D) or issue obligations to the United States or any of its agencies or instrumentalities;

(ii) Incur indebtedness from a transfer of direct obligations of, or obligations that are fully guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof that the Edge corporation is obligated to repurchase;

(iii) Issue long-term subordinated debt that does not qualify as a "deposit" under Part 204 of this chapter (Regulation D).

(4) *Credit activities*. An Edge corporation may:

(i) Finance the following:

(A) contracts, projects, or activities performed substantially abroad;

(B) the importation into or exportation from the United States of goods, whether direct or through brokers or other intermediaries;

(C) the domestic shipment of temporary storage of goods being imported or exported (or accumulated for export); and

(D) the assembly or repackaging of goods imported or to be exported;

(ii) Finance the costs of production of goods and services for which export orders have been received or which are identifiable as being directly for export;

(iii) Assume or acquire participations in extensions of credit, or acquire obligations arising from transactions the Edge corporation could have financed;

(iv) Guarantee debts, or otherwise agree to make payments on the occurrence of readily ascertainable events,[5] if the guarantee or agreement specifies the maximum monetary liability thereunder and is related to a type of transaction described in paragraphs (e)(4)(i) and (ii) of this section; and

(v) Provide credit and other banking services for domestic and foreign purposes to organizations of the type described in section 211.4(e)(1)(ii)(G) of this part.

(5) *Payments and collections*. An Edge corporation may receive checks, bills, drafts, acceptances, notes, bonds, coupons, and other instruments for collection abroad, and collect such instruments in the United States for a customer abroad; and may transmit and receive wire transfers of funds and securities for depositors.

(6) *Foreign exchange*. An Edge corporation may engage in foreign exchange activities.

(7) *Fiduciary and investment advisory activities*. An Edge corporation may:

(i) Hold securities in safekeeping for, or buy and sell securities upon the order and for the account and risk of, a person, provided such services for

5. "Readily ascertainable events" include, but are not limited to, events such as nonpayment of taxes, rentals, customs duties, or cost of transport and loss or nonconformance of shipping documents.

U.S. persons shall be with respect to foreign securities only;
(ii) Act as paying agent for securities issued by foreign governments or other entities organized under foreign law;
(iii) Act as trustee, registrar, conversion agent, or paying agent with respect to any class of securities issued to finance foreign activities and distributed solely outside the United States;
(iv) Make private placements of participations in its investments and extensions of credit; however, except to the extent permissible for member banks under section 5136 of the Revised Statutes (12 U.S.C. 24, Seventh), no Edge corporation may otherwise engage in the business of underwriting, distributing, or buying or selling securities in the United States;
(v) Act as investment or financial adviser by providing portfolio investment advice and portfolio management with respect to securities, other financial instruments, real property interests and other investment assets,[6] and by providing advice on mergers and acquisitions, provided such services for U.S. persons shall be with respect to foreign assets only; and
(vi) Provide general economic information and advice, general economic statistical forecasting services and industry studies, provided such services for U.S. persons shall be with respect to foreign economies and industries only.

(8) *Banking services for employees.* Provide banking services, including deposit services, to the officers and employees of the Edge corportion and its affiliates; however, extensions of credit to such persons shall be subject to the restrictions of Part 215 of this chapter (Regulation O) as if the Edge corporation were a member bank.

(9) *Other activities.* With the Board's prior approval, engage in other activities in the United States that the Board determines are incidental to the international or foreign business of Edge corporations.

(f) *Agreement corporations.* With the prior approval of the Board, a member bank or bank holding company may invest in a federally- or state-chartered corporation that has entered into an agreement or undertaking with the Board that it will not exercise any power that is impermissible for an Edge corporation under this subpart.

6. For purposes of this section, management of an investment portfolio does not include operational management of real property, or industrial or commercial assets.

Section 211.5—Investments and Activities Abroad

(a) *General policy.* Activities abroad, whether conducted directly or indirectly, shall be confined to those of a banking or financial nature and those that are necessary to carry on such activities. In doing so, investors shall at all times act in accordance with high standards of banking or financial prudence, having due regard for diversification of risks, suitable liquidity, and adequacy of capital. Subject to these considerations and the other provisions of this section, it is the Board's policy to allow activities abroad to be organized and operated as best meets corporate policies.

(b) *Investment requirements.*

(1) *Eligible investments.*

(i) An investor may directly or indirectly:

(A) invest in a subsidiary that engages solely in activities listed in paragraph (d) of this section or in such other activities as the Board has determined in the circumstances of a particular case are permissible except that, in the case of an acquisition of a going concern, existing activities that are not otherwise permissible for a subsidiary may account for not more than five per cent of either the consolidated assets or revenues of the acquired organization;
(B) invest in a joint venture provided that, unless otherwise permitted by the Board, not more than 10 per cent of the joint venture's consolidated assets or revenues shall be attributable to activities not listed in paragraph (d) of this section; and
(C) make portfolio investments (including securities held in trading or dealing accounts) in an organization if the total direct and indirect portfolio investments in organizations engaged in activities that are not permissible for joint ventures does not at any time exceed 100 per cent of the investor's capital and surplus.[7]

(ii) A member bank's direct investments under section 25 of the FRA shall be limited to foreign banks and to foreign organizations formed for the sole purpose of either holding shares of a foreign bank or performing nominee, fiduciary, or other banking services incidental to the activities of a foreign branch or foreign bank affiliate of the member bank.

(2) *Investment limit.* In computing the amount that may be invested in any organization under this

7. For this purpose, a direct subsidiary of a member bank is deemed to be an investor.

section, there shall be included any unpaid amount for which the investor is liable and any investments by affiliates.

(3) *Divestiture.* An investor shall dispose of an investment promptly (unless the Board authorizes retention) if:

(i) the organization invested in:

(A) engages in the general business of buying or selling goods, wares, merchandise, or commodities in the United States;

(B) engages directly or indirectly in other business in the United States that is not permitted to an Edge corporation in the United States except that an investor may hold up to five per cent of the shares of a foreign company that engages directly or indirectly in business in the United States that is not permitted to an Edge corporation; or

(C) engages in impermissible activities to an extent not permitted under paragraph (b)(1) of this section; or

(ii) after notice and opportunity for hearing, the investor is advised by the Board that its investment is inappropriate under the FRA, the BHC Act, or this subpart.

(c) *Investment procedures.*[8] Direct and indirect investments shall be made in accordance with the general consent, prior notice, or specific consent procedures contained in this paragraph. The Board may at any time, upon notice, suspend the general consent and prior notice procedures with respect to any investor or with respect to the acquisition of shares of organizations engaged in particular kinds of activities. An investor shall apply for and receive the prior specific consent of the Board for its initial investment in its first subsidiary or joint venture unless an affiliate has made such an investment. Authority to make investments under prior notice or specific consent shall expire one year from the earliest date on which the authority could have been exercised, unless the Board extends the period.

(1) *General consent.* Subject to the other limitations of this section, the Board grants its general consent for the following:

(i) any investment in a joint venture or subsidiary, and any portfolio investment, if the total amount invested (in one transaction or in a series of transactions) does not exceed the lesser of:

(A) $15 million; or

(B) 5 per cent of the investor's capital and surplus in the case of a member bank, bank holding company, or Edge corporation engaged in banking, or 25 per cent of the investor's capital and surplus in the case of an Edge corporation not engaged in banking;

(ii) any additional investment in an organization in any calendar year so long as:

(A) the total amount invested in that calendar year does not exceed 10 per cent of the investor's capital and surplus; and

(B) the total amount invested under section 211.5 (including investments made pursuant to specific consent or prior notice) in that calendar year does not exceed cash dividends reinvested under paragraph (c)(1)(iii) of this section plus 10 per cent of the investor's direct and indirect historical cost[9] in the organization, which investment authority, to the extent unexercised, may be carried forward and accumulated for up to five consecutive years;

(iii) any additional investment in an organization in an amount equal to cash dividends received from that organization during the preceding 12 calendar months; or

(iv) any investment that is acquired from an affiliate at net asset value.

(2) *Prior notice.* An investment that does not qualify under the general consent procedure may be made after the investor has given 45 days' prior written notice to the Board if the total amount to be invested does not exceed 10 per cent of the investor's capital and surplus. The Board may waive the 45-day period if it finds immediate action is required by the circumstances presented. The notice period shall commence at the time the notice is accepted. The Board may suspend the period or act on the investment under the Board's specific consent procedures.

(3) *Specific consent.* Any investment that does not qualify for either the general consent or the prior notice procedure shall not be consummated without the specific consent of the Board.

(d) *Permissible activities.* The Board has determined that the following activities are usual in connection with the transaction of banking or other financial operations abroad:

8. When necessary, the general consent and prior notice provisions of this section constitute the Board's approval under the eighth paragraph of section 25(a) of the FRA for investments in excess of the limitations therein based on capital and surplus.

9. The "historical cost" of an investment consists of the actual amounts paid for shares or otherwise contributed to the capital accounts, as measured in dollars at the exchange rate in effect at the time each investment was made. It does not include subordinated debt or unpaid commitments to invest even though these may be considered investments for other purposes of this part. For investments acquired indirectly as a result of acquiring a subsidiary, the historical cost to the investor is measured as of the date of acquisition of the subsidiary at the net asset value of the equity interest in the case of subsidiaries and joint ventures, and in the case of portfolio investments, at the book carrying value.

(1) commercial and other banking activities;
(2) financing, including commercial financing, consumer financing, mortgage banking, and factoring;
(3) leasing real or personal property, or acting as agent, broker, or advisor in leasing real or personal property, if the lease serves as the functional equivalent of an extension of credit to the lessee of the property;
(4) acting as fiduciary;
(5) underwriting credit life insurance and credit accident and health insurance;
(6) performing services for other direct or indirect operations of a United States banking organization, including representative functions, sale of long-term debt, name saving, holding assets acquired to prevent loss on a debt previously contracted in good faith, and other activities that are permissible domestically for a bank holding company under sections 4(a)(2)(A) and 4(c)(1)(C) of the BHC Act;
(7) holding the premises of a branch of an Edge corporation or member bank or the premises of a direct or indirect subsidiary, or holding or leasing the residence of an officer or employee of a branch or subsidiary;
(8) providing investment, financial, or economic advisory services;
(9) general insurance agency and brokerage;
(10) data processing;
(11) managing a mutual fund if the fund's shares are not sold or distributed in the United States or to United States residents and the fund does not exercise managerial control over the firms in which it invests;
(12) performing management consulting services provided that such services when rendered with respect to the United States market shall be restricted to the initial entry;
(13) underwriting, distributing, and dealing in debt and equity securities outside the United States, provided that no underwriting commitment by a subsidiary of an investor for shares of an issuer may exceed $2 million or represent 20 per cent of the capital and surplus or voting shares of an issuer unless the underwriter is covered by binding commitments from subunderwriters or other purchasers;
(14) operating a travel agency provided that the travel agency is operated in connection with financial services offered abroad by the investor or others;
(15) engaging in activities that the Board has determined by regulation in 12 C.F.R. 225.25(b) are closely related to banking under section 4(c)(8) of the BHC Act; and
(16) with the Board's specific approval, engaging in other activities that the Board determines are usual in connection with the transaction of the business of banking or other financial operations abroad and are consistent with the FRA or the BHC Act.

(e) *Debts previously contracted.* Shares or other ownership interests acquired to prevent a loss upon a debt previously contracted in good faith shall not be subject to the limitations or procedures of this section; however, they shall be disposed of promptly but in no event later than two years after their acquisition, unless the Board authorizes retention for a longer period.

Section 211.6—Lending Limits and Capital Requirements

(a) *Acceptances of Edge corporations.*
(1) *Limitations.* An Edge corporation shall be and remain fully secured for:
(i) all acceptances outstanding in excess of 200 per cent of its capital and surplus;
(ii) all acceptances outstanding for any one person in excess of 10 per cent of its capital and surplus. These limitations apply only to acceptances of the types described in paragraph 7 of section 13 of the FRA (12 U.S.C. 372).
(2) *Exceptions.* These limitations do not apply if the excess represents the international shipment of goods and the Edge corporation
(i) is fully covered by primary obligations to reimburse it that are guaranteed by banks or bankers, or
(ii) is covered by participation agreements from other banks, as such agreements are described in section 250.165 of this chapter.

(b) *Loans and extensions of credit to one person.*
(1) *Limitations.* Except as the Board may otherwise specify:
(i) the total loans and extensions of credit outstanding to any person by an Edge corporation engaged in banking and its direct or indirect subsidiaries may not exceed 15 per cent of the Edge corporation's capital and surplus;[10] and
(ii) the total loans and extensions of credit to any person by a foreign bank or Edge corporation subsidiary of a member bank, and by majority-owned subsidiaries of a foreign bank or Edge corporation, when combined with the total loans and extensions of credit to the same person by the member bank and its majority-owned subsidiaries, may not exceed the member bank's limitation on loans and extensions of credit to one person.

10. For purposes of this subsection, "subsidiary" includes subsidiaries controlled by the Edge corporation but does not include companies otherwise controlled by affiliates of the Edge corporation.

(2) *"Loans and extensions of credit"* means all direct or indirect advances of funds to a person[11] made on the basis of any obligation of that person to repay the funds. These shall include acceptances outstanding not of the types described in paragraph 7 of section 13 of the FRA (12 U.S.C. 372); any liability of the lender to advance funds to or on behalf of a person pursuant to a guarantee, standby letter of credit, or similar agreements; investments in the securities of another organization except where the organization is a subsidiary, and any underwriting commitments to an issuer of securities where no binding commitments have been secured from subunderwriters or other purchasers.

(3) *Exceptions.* The limitations of paragraph (b)(1) of this section do not apply to:

(i) deposits with banks and federal funds sold;

(ii) bills or drafts drawn in good faith against actual goods and on which two or more unrelated parties are liable;

(iii) any bankers' acceptance of the kind described in paragraph 7 of section 13 of the FRA that is issued and outstanding;

(iv) obligations to the extent secured by cash collateral or by bonds, notes, certificates of indebtedness, or Treasury bills of the United States;

(v) loans and extensions of credit that are covered by bona fide participation agreements; or

(vi) obligations to the extent supported by the full faith and credit of the following:

(A) the United States or any of its departments, agencies, establishments, or wholly-owned corporations (including obligations to the extent insured against foreign political and credit risks by the Export-Import Bank of the United States or the Foreign Credit Insurance Association), the International Bank for Reconstruction and Development, the International Finance Corporation, the International Development Association, the Inter-American Development Bank, the African Development Bank, or the Asian Development Bank;

(B) any organization if at least 25 per cent of such an obligation or of the total credit is also supported by the full faith and credit of, or participated in by, any institution designated in paragraph (b)(3)(v)(A) of this section in such manner that default to the lender will necessarily include default to that entity. The total loans and extensions of credit under this subparagraph to any person shall at no time exceed 100 per cent of the capital and surplus of the Edge corporation.

(c) *Capitalization.* An Edge corporation shall at all times be capitalized in an amount that is adequate in relation to the scope and character of its activities. In the case of an Edge corporation engaged in banking, its capital and surplus shall be not less than 7 per cent of risk assets. For this purpose, subordinated capital notes or debentures, in an amount not to exceed 50 per cent of non-debt capital, may be included for determining capital adequacy in the same manner as for a member bank; risk assets shall be deemed to be all assets on a consolidated basis other than cash, amounts due from banking institutions in the United States, United States Government securities, and Federal funds sold.

Section 211.7—Supervision and Reporting

(a) *Supervision.*

(1) *Foreign branches and subsidiaries.* Organizations conducting international banking operations under this Subpart shall supervise and administer their foreign branches and subsidiaries in such a manner as to ensure that their operations conform to high standards of banking and financial prudence. Effective systems of records, controls, and reports shall be maintained to keep management informed of their activities and condition. Such systems should provide, in particular, information on risk assets, liquidity management, and operations of controls and conformance to management policies. Reports on risk assets should be sufficient to permit an appraisal of credit quality and assessment of exposure to loss, and for this purpose provide full information on the condition of material borrowers. Reports on the operations of controls should include internal and external audits of the branch or subsidiary.

(2) *Joint ventures.* Investors shall maintain sufficient information with respect to joint ventures to keep informed of their activities and condition. Such information shall include audits and other reports on financial performance, risk exposure, management policies, and operations of controls. Complete information shall be maintained on all transactions with the joint venture by the investor and its affiliates.

(3) *Availability of reports to examiners.* The reports and information specified in paragraphs (a)(1) and (2) of this section shall be made available to examiners of the appropriate bank supervisory agencies.

11. In the case of a foreign government, these include loans and extensions of credit to the foreign government's departments or agencies deriving their current funds principally from general tax revenues. In the case of a partnership or firm, these include loans and extensions of credit to its members and, in the case of a corporation, these include loans and extensions of credit to the corporation's affiliates where the affiliate incurs the liability for the benefit of the corporation.

(b) *Examinations.* Examiners appointed by the Board shall examine each Edge corporation once a year. An Edge corporation shall make available to examiners sufficient information to assess its condition and operations and the condition and activities of any organization whose shares it holds.

(c) *Reports.*

(1) *Reports of condition.* Each Edge corporation shall make reports of condition to the Board at such times and in such form as the Board may prescribe. The Board may require that statements of condition or other reports be published or made available for public inspection.

(2) *Foreign operations.* Edge and Agreement corporations, member banks, and bank holding companies shall file such reports on their foreign operations as the Board may require.

(3) *Acquisition or disposition of shares.* A member bank, Edge or Agreement corporation or a bank holding company shall report in a manner prescribed by the Board any acquisition or disposition of shares.

(d) *Filing and processing procedures.*

(1) Unless otherwise directed by the Board, applications, notifications, and reports required by this part shall be filed with the Federal Reserve Bank of the district in which the parent bank or bank holding company is located or, if none, the Federal Reserve Bank of the district in which the applying or reporting institution is located. Instructions and forms for such applications, notifications and reports are available from the Federal Reserve Banks.

(2) The Board shall act on an application or notification under this Subpart within 60 calendar days after the Reserve Bank has accepted the application or notification unless the Board notifies the investor that the 60-day period is being extended and states the reasons for the extension.

3. Subpart B of 12 C.F.R. Part 211 is amended by revising sections 211.23(b) and 211.23(f) to read as follows:

Subpart B—Foreign Banking Organizations

* * * * *

Section 211.23—Nonbanking Activities of Foreign Banking Organizations

(a) * * *

(b) *Qualifying foreign banking organizations.* Unless specifically made eligible for the exemptions by the Board, a foreign banking organization shall qualify for the exemptions afforded by this section only if, disregarding its United States banking, more than half of its worldwide business is banking; and more than half of its banking business is outside the United States.[1] In order to qualify, a foreign banking organization shall:

(1) meet at least two of the following requirements:

(i) banking assets held outside the United States exceed total worldwide nonbanking assets;

(ii) revenues derived from the business of banking outside the United States exceed total revenues derived from its worldwide nonbanking business; or

(iii) net income derived from the business of banking outside the United States exceeds total net income derived from its worldwide nonbanking business; and

(2) meet at least two of the following requirements:

(i) banking assets held outside the United States exceed banking assets held in the United States;

(ii) revenues derived from the business of banking outside the United States exceed revenues derived from the business of banking in the United States; or

(iii) net income derived from the business of banking outside the United States exceeds net income derived from the business of banking in the United States.

* * * * *

(c) * * *

(d) * * *

(e) * * *

(f) *Permissible activities and investments.* A foreign banking organization that qualifies under paragraph (b) of this section may:

* * * * *

(5) Own or control voting shares of a foreign company that is engaged directly or indirectly in business in the United States other than that which is incidental to its international or foreign business, subject to the following limitations:

(i) more than 50 per cent of the foreign company's consolidated assets shall be located, and consolidated revenues derived from, outside the United States;

1. None of the assets, revenues, or net income, whether held or derived directly or indirectly, of a subsidiary bank, branch, agency, commercial lending company, or other company engaged in the business of banking in the United States (including any territory of the United States, Puerto Rico, Guam, American Samoa, or the Virgin Islands) shall be considered held or derived from the business of banking "outside the United States."

(ii) the foreign company shall not directly underwrite, sell, or distribute, nor own or control more than 5 per cent of the voting shares of a company that underwrites, sells, or distributes securities in the United States except to the extent permitted bank holding companies;
(iii) if the foreign company is a subsidiary of the foreign banking organization, the foreign company must be, or control, an operating company and its direct or indirect activities in the United States shall be subject to the following limitations:

* * * * *

Amendments to Rules Regarding Delegation of Authority

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to delegate to the Federal Reserve Banks authority to act on applications by U.S. banking organizations to establish Edge corporations. It is anticipated that this delegation of authority will aid in the expeditious processing of applications to establish Edge corporations.

Effective September 27, 1985, the Board hereby amends 12 C.F.R. 265 as follows:

1. The authority citation for Part 265 continues to read as follows:

Authority: Sec. 11, 38 Stat. 261; 12 U.S.C. 248.

2. § 265.2(f) is amended by adding paragraph (47) to read as follows:

Section 265.2—Specific Functions Delegated to Board Employees and to Federal Reserve Banks

(f)* * *
(47) Under section 25(a) of the Federal Reserve Act and Subpart A of the Board's Regulation K, to approve applications by a United States banking organization to establish an Edge corporation if all the following criteria are met:
(i) The U.S. banking organization meets capital adequacy guidelines and is otherwise in satisfactory condition;
(ii) The proposed Edge corporation will be a wholly-owned subsidiary of a single banking organization; and
(iii) No other significant policy issue is raised on which the Board has not previously expressed its view.

* * * * *

Orders Issued under Bank Holding Company Act, Bank Merger Act, Bank Service Corporation Act, and Federal Reserve Act

Orders Issued Under Section 3 of Bank Holding Company Act

Central Wisconsin Bankshares, Inc. Wausau, Wisconsin

Order Approving the Acquisition of a Bank

Central Wisconsin Bankshares, Inc., Wausau, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire at least 80 percent of the outstanding voting shares of Central National Bank of Wausau, Wausau, Wisconsin ("Bank").

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

Applicant, the eighth largest commercial banking organization in Wisconsin, controls nine subsidiary banks with total deposits of $481.6 million, representing 1.6 percent of the total deposits in commercial banks in Wisconsin.[1] Bank, which is one of the smaller banking organizations in Wisconsin, controls deposits of $16.4 million, which represents approximately 0.1 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would control 1.7 percent of the total deposits in commercial banks in the state and Applicant's rank among commercial banking organizations would be unchanged. Consummation of this proposal would not have any significant effect on the concentration of banking resources in Wisconsin.

This application represents the third attempt by Applicant to acquire Bank. The Board denied Applicant's application to acquire Bank in 1966[2] and again in 1976.[3] The Board's earlier denials were based on the competitive effects of the acquisition of Bank by

1. Banking data are as of December 31, 1984.
2. *Central Wisconsin Bankshares, Inc.*, 52 Federal Reserve Bulletin 29 (1966).
3. *Central Wisconsin Bankshares, Inc.*, 62 Federal Reserve Bulletin 538 (1976).

Applicant in the Wausau area, where Applicant already controlled two banks. Applicant has asserted that the competitive circumstances have changed in the relevant banking market such that consummation of the proposal would not have substantially anticompetitive effects in any relevant banking market.

The Board has considered the record of this case and has determined that the effect of the proposed acquisition is not likely substantially to lessen competition in any relevant banking market. This conclusion is based on the following facts and circumstances.

Relevant Market

In its consideration of Applicant's proposal to acquire Bank in 1976, the Board determined that the relevant market consisted of the Wausau Ranally Metro Area ("RMA"), which included those portions of Marathon County near the cities of Wausau, Schofield and Rothschild, but did not include any portion of Lincoln County. Upon examination of all current relevant economic information, however, the Board believes that the relevant market within which to evaluate the pending application is larger than the Wausau RMA.

In the nine years since the Board's previous denial, the Wausau area has undergone significant changes, and the area served by Applicant's subsidiary banks in the Wausau area and Bank has expanded. The record indicates that a significant number of the residents in the southern portion of Lincoln County commute into Marathon County. This commuting pattern is assisted by the existence of a four-lane limited access highway between the city of Wausau and the city of Merrill, which is in the center of Lincoln County. The record also shows that there is significantly less commuting from north of Merrill into the southern portion of Lincoln County and Marathon County. Based on these and other facts of record, the Board has determined that the relevant market within which to evaluate the competitive effects of this proposal consists of Marathon County (less the townships of Holton, Hull, Brighton, Spencer, McMillan and Day) and the southern half of Lincoln County.

Competitive Factors

Applicant is the largest of 15 commercial banking organizations in the Wausau banking market, controlling two banks with deposits of $217 million, representing 32.7 percent of the total deposits in commercial banks in the market.[4] Bank, which was formed in 1965 by principals of Applicant, is the 13th largest banking organization in the relevant market with deposits of $16.4 million, representing 2.5 percent of the total deposits in commercial banks therein. Upon consummation of the transaction, Applicant would control 35.2 percent of the total deposits in commercial banks in the relevant banking market.

The four largest commercial banks in the Wausau banking market control 59.1 percent of the total deposits in commercial banks in the market, which would increase to 61.6 upon consummation of the proposal. The Herfindahl-Hirchsman Index (HHI) of the market is 1479 and would increase by 164 points to 1643 upon consummation of the proposal.[5] Thus, the market is not highly concentrated and would not become highly concentrated upon consummation of the transaction.

Although the proposed acquisition would eliminate some existing competition between Applicant and Bank in the Wausau banking market, the Board has considered the fact that Bank was formed *de novo* by Applicant's principals in 1965. The record also shows that shareholders of Applicant control 77 percent of the voting stock of Bank. In the Board's view, this ownership structure limits the amount of competition that exists between Applicant and Bank. Moreover, the Board believes that the competitive effects of the transaction are mitigated by a number of other facts of record including the following.

First, the record shows that thrift institutions are significant competitors of commercial banks in the Wausau banking market.[6] Four thrift institutions compete in the Wausau banking market, two of which are the second and third largest financial institutions in the market. These institutions hold deposits of $213.6 million, representing 25.9 percent of the total deposits in the market. All of the thrift institutions offer transaction accounts, including NOW and Super NOW accounts and money market accounts, in addition to their traditional time and savings deposit services. The thrift institutions also offer commercial real estate loans, other commercial loans and commercial checking accounts. In view of these facts, the Board believes that thrift institutions should be accorded signif-

4. Market data are as of December 31, 1984.

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

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

icant weight when evaluating the competitive effects of this proposal.[7] In further mitigation of the anticompetitive effects of this proposal, the Board has considered the relatively small size of Bank, and the fact that 13 commercial banking organizations would remain in the market upon consummation of the proposal.

Finally, the Board notes that in its previous denials of Applicant's acquisition of Bank, the Board emphasized Applicant's dominant position in what was then a highly concentrated market. In 1976, Applicant controlled 53 percent of the total deposits in commercial banks in the market, and the three-firm concentration ratio in the market was 77 percent. Approval of the acquisition at that time would have increased the three-firm concentration ratio to 79 percent and solidified Applicant's dominance of the market. As noted, the record shows that the share of the commercial bank deposits in the Wausau RMA held by Applicant has declined steadily since 1964.[8] In addition, as discussed above, the relevant market has expanded and is no longer considered highly concentrated. Thus, it does not appear that approval of the application would have the effect of solidifying Applicant in a dominant position in a highly concentrated market.

In view of the facts discussed above, with particular reference to the changes in the definition of the market and the competition afforded by thrift institutions, the Board has determined that consummation of this proposal is not likely to have a significant adverse effect on existing competition in any relevant market.

The Board has considered the comments of Protestant in opposition to the proposed transaction. Protestant asserts that consummation of the transaction would have substantial adverse effects on existing competition in the Wausau banking market. Protestant also requests that the Board hold a hearing on the application.

With regard to Protestant's request for a hearing, section 3(b) of the Act does not require the Board to hold a hearing concerning an application unless the appropriate banking authority makes a timely written recommendation of denial of the application. In this case, no such recommendation of denial has been received from the Comptroller of the Currency and thus no hearing is required. Under the Board's Rules of Procedure, however, the Board may order a hearing in its discretion. In order to determine whether a hearing would be appropriate and to avoid undue regulatory delays in the processing of applications under the Act, the Board's Rules require that a hearing request include a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute and summarizing the evidence that would be presented at a hearing. 12 C.F.R. § 262.3(e).

Protestant's submissions do not identify any questions of fact in dispute or summarize or indicate the evidence that they would present at a hearing. Rather, Protestant's hearing request is based solely on the Board's previous denials of Applicant's applications to acquire Bank and has not been augmented with any facts or other evidence. The Board has reviewed the submissions of Protestant and Applicant, and other material in the record, and, based on this review, the Board does not believe that a hearing is warranted or appropriate. Accordingly, the Board hereby denies Protestant's request for a hearing.

Protestant asserts that the competitive issues concerning this application "are almost identical to the issues presented at the times of the previous applications," and asserts that approval of the application would have a chilling effect on the development of bank competition in the relevant market. However, as discussed above, the Board has evaluated the significant changes that have occurred in the competitive environment of the relevant market and has concluded that the competitive effects of the proposal would not warrant denial of the application. Protestant has offered no facts or other evidence that would alter this conclusion. Thus, the Board has determined that Protestant's objections are without merit.

The financial and managerial resources of Applicant and Bank are satisfactory and their prospects appear favorable. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

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

By order of the Board of Governors, effective September 16, 1985.

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

WILLIAM W. WILES
Secretary of the Board

[SEAL]

7. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, the pre-acquisition four-firm concentration ratio would be 50.7 percent and the HHI would be 1154. Applicant's and Bank's market shares would be 27.9 and 2.1 percent, respectively. Upon consummation, the four-firm concentration ratio would be 52.8 percent and the HHI would increase 117 points to 1269.

8. Applicant controlled 65.1 percent of the deposits in the Wausau RMA in 1964, 53.0 percent in 1974, and 45.3 percent in 1984.

First Security Corporation of Kentucky
Lexington, Kentucky

Order Approving Acquisition of a Bank Holding Company

First Security Corporation of Kentucky, Lexington, Kentucky, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. §§ 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of the successor by merger to Clark County Bancorporation, Inc., Winchester, Kentucky ("Company"), a bank holding company within the meaning of the Act, and thereby indirectly to acquire Clark County Bank, Inc., Winchester, Kentucky ("Bank").[1]

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

Applicant is the fourth largest banking organization in Kentucky, controlling one bank with deposits of $603.1 million, representing 3.2 percent of the total deposits in commercial banks in the state.[2] Company, the 56th largest banking organization in the state, controls deposits of $68.6 million, representing 0.3 percent of the total deposits in commercial banks in Kentucky. Upon consummation of the proposed acquisition, Applicant would control total deposits of $671.7 million, representing 3.6 percent of the total deposits in commercial banks in Kentucky, and would remain the state's fourth largest commercial banking organization. The proposed transaction would have no significant effect on the concentration of banking resources in Kentucky.

Applicant's subsidiary bank competes with Bank in the Lexington banking market.[3] Applicant is the largest banking organization in the Lexington market, controlling 27.3 percent of the total deposits in commercial banks in the market. Company is the ninth largest commercial banking organization in the market and controls 3.1 percent of the total deposits in commercial banks in the market. Upon acquisition of Company, Applicant would remain the largest banking organization in the Lexington market, and would control 30.4 percent of the deposits in commercial banks in the market. The share of deposits held by the four largest commercial banking organizations in the Lexington banking market is 56 percent and would increase to 59.1 percent upon consummation of the proposed transaction. The market's Herfindahl–Hirschman Index ("HHI") is 1181 and would increase by 169 points to 1350.[4]

Although the proposed acquisition would eliminate existing competition between Applicant and Company, the Board notes that the market would not become highly concentrated as a result of this transaction and that 20 commercial banking organizations would remain in the market as alternative providers of banking services. In addition, the facts of record indicate that the concentration of banking resources in the Lexington market and Applicant's share of the market's commercial bank deposits have declined significantly since 1980.[5]

The effect of this transaction on competition in the Lexington market is further mitigated by the competition offered by thrift institutions.[6] The ten thrift institutions in the market hold deposits of $406.5 million, representing 15.9 percent of the total deposits in the market. Almost all of these institutions provide NOW accounts and make consumer loans, and four of the institutions are actively engaged in commercial lending. In view of these facts, the Board considers the presence of thrift institutions as a factor in assessing the competitive effects of the proposed transaction, and has determined that consummation of the proposed transaction is not likely to have a significant

1. Applicant has also applied under section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) for approval to merge its wholly-owned subsidiary, New Clark County Bancorporation, Inc. ("New Clark"), with Company, thereby causing New Clark to become a bank holding company. New Clark is of no significance except as a means to facilitate the acquisition of Bank.

2. Banking data are as of March 31, 1985. State deposit rankings are based on deposit data as of December 31, 1984.

3. The Lexington banking market comprises Fayette, Scott, Woodford, Jessamine, Bourbon, and Clark Counties, all in Kentucky.

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

The Department has not indicated any objection to this proposal.

5. The HHI decreased from 1400 to 1181 and Applicant's share of deposits fell from 31.7 percent to 27.3 percent between June 30, 1980, and March 31, 1985.

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

adverse effect on existing competition in the Lexington market.[7]

The financial and managerial resources and future prospects of Applicant, its subsidiary bank, and Bank are consistent with approval of the applications. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

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

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

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

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

Hastings Bancorp, Inc.
Omaha, Nebraska

Order Approving Formation of a Bank Holding Company

Hastings Bancorp, Inc., Omaha, Nebraska, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("Act") to become a bank holding company by acquiring 96.7 percent of the voting shares of Hastings State Bank, Hastings, Nebraska ("Bank").

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

Applicant, a non-operating corporation with no subsidiaries, was organized under the laws of Nebraska for the purpose of becoming a bank holding company by acquiring Bank, which holds aggregate deposits of $31.3 million.[1] Upon acquisition of Bank, Applicant would control one of the smaller commercial banking organizations in Nebraska with approximately 0.2 percent of the total deposits in commercial banks in the state.

Bank is the third largest of five commercial banking organizations in the Adams County banking market[2] and holds approximately 9.7 percent of the total deposits in commercial banks therein. Neither Applicant nor any of its principals is associated with any other banking organization in the market. Consummation of this transaction would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area.

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

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

By order of the Board of Governors, effective September 23, 1985.

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

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

Moore Financial Group Incorporated
Boise, Idaho

Order Approving the Acquisition of a Bank

Moore Financial Group Incorporated, Boise, Idaho, a bank holding company within the meaning of the Bank

7. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Applicant's post-acquisition share of the market's deposits would be 27.9 percent. Upon consummation of the proposed acquisition, the four-firm concentration ratio would increase from 51.3 to 54.2 percent and the HHI would increase by 143 points to 1149.

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

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

Holding Company Act of 1956, as amended ("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 100 percent of the voting shares of Continental Bank and Trust Company, Salt Lake City, Utah ("Bank").[1]

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

Applicant has banking subsidiaries in Idaho and Oregon with consolidated assets of $2.9 billion and total domestic deposits of $2.5 billion.[2] Upon acquisition of Bank, Applicant would control the seventh largest banking organization in Utah with 2.8 percent of the total deposits in commercial banks in the state.[3]

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

Utah law expressly allows reciprocal acquisitions between Utah depository institutions and depository institutions whose operations are principally conducted in 11 other states, provided that the terms and conditions imposed by the other states are substantially comparable to those imposed by the Utah statute.[4] Applicant's banking subsidiaries conduct their business principally in Idaho, one of the 11 states expressly set forth in the Utah statute. It appears that under the Idaho statute a Utah banking organization may acquire an Idaho banking organization under substantially comparable terms and conditions as those imposed by the Utah statute.[5] By Order dated June 12, 1985, the Commissioner of the Utah Department of Financial Institutions determined that the Idaho law satisfies the substantial comparability requirement of the Utah law. Accordingly, the Board has determined that the proposed acquisition conforms with Utah law and is expressly authorized by the statute laws of Utah.

Bank operates in the Salt Lake City Metropolitan banking market.[6] It is the seventh largest of 28 commercial banking organizations in the market, controlling $200 million in deposits, representing 5.6 percent of total deposits in commercial banks in the market. Applicant owns an industrial loan company, Moore Financial of Utah, which has deposits of approximately $62 million in the market. Applicant is also represented in the market by two nonbanking subsidiaries, Moore Financial Services ("MFS") and Moore Trust Company ("MTC"), which provide commercial loan and trust services, respectively. The market shares of MFS and MTC are *de minimis*. Accordingly, the Board concludes that consummation of the proposed acquisition would not result in any adverse effects upon competition or increase the concentration of resources in any relevant area.

The financial and managerial resources of Applicant and Bank are considered satisfactory and their prospects appear favorable. The Board has also determined that considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. Affiliation with Applicant would enable Bank to expand the scope and array of its services. Accordingly, it is the Board's judgment that the proposed transactions would be in the public interest and that the applications should be approved.

Based on the foregoing and other facts of record, the Board has determined that the applications should be and hereby are approved for the reasons set forth above. The transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective September 27, 1985.

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

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

1. Applicant has also applied for approval to merge its wholly-owned subsidiary, Continental Interim Bank, with and into Bank. Continental Interim Bank is being organized solely as a means to facilitate the acquisition of voting shares of Bank by Applicant.
2. Banking data are as of March 31, 1985.
3. Banking data are as of September 30, 1984.
4. Utah Code Ann. §§ 7-1-102, *et seq.*
5. Idaho Code, § 26-2601, *et seq.*
6. The Salt Lake City Metropolitan banking market is approximated by the Salt Lake City, Utah Metropolitan area. Market data are as of June 30, 1983.

Orders Issued Under Section 4 of the Bank Holding Company Act

Baltimore Bancorp
Baltimore, Maryland

Order Approving Acquisition of a Stock Savings and Loan Association

Baltimore Bancorp, Baltimore, Maryland, a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(3)), to acquire all of the voting shares of Charles Street Savings and Loan Association, Inc. (in organization) ("Charles Street"), a Maryland chartered stock savings and loan association.

Charles Street would be the successor by merger to Municipal Savings and Loan Association, Inc. ("Municipal"), Baltimore, Maryland, a state chartered mutual savings and loan association formerly privately insured by the Maryland Savings-Share Insurance Corporation ("MSSIC").[1] Baltimore Bancorp would thereby engage in the activity of operating a savings and loan association within Maryland. By virtue of this proposal, Applicant also would acquire Municipal's real estate development subsidiary, Towson Service Corporation, Towson, Maryland. Although the Board has not added the operation of a thrift institution to the list of activities specified in section 225.25(b) of Regulation Y as generally permissible for bank holding companies, the Board has determined in several individual cases that the operation of a thrift institution is closely related to banking.[2]

As a result of amendments to the BHC Act contained in the Garn–St Germain Depository Institutions Act of 1982, section 4(c)(8) of the BHC Act provides that the Board may dispense with the notice and hearing requirements of section 4(c)(8) with regard to the acquisition of a thrift institution if the Board finds that an emergency exists that requires immediate action and the primary federal regulator of the institution concurs in this finding. (12 U.S.C. § 1843(c)(8); 12 C.F.R. § 225.23(i)). Municipal is a thrift institution as that term is defined in section 2(i) of the BHC Act, and Municipal does not have a federal regulator.

By letter dated September 24, 1985, the Director of the Maryland Deposit Insurance Fund Corporation requested that the Board act expeditiously on this application in light of the recent events in Maryland and the financial condition of Municipal. In this regard, the Board notes that MSSIC-insured institutions have experienced severe problems at least since mid-May of this year. On May 9, 1985, the Attorney General of Maryland announced that, because of "management problems" at Old Court Savings and Loan of Baltimore, one of the largest savings and loan associations privately insured by the Maryland Savings-Share Insurance Corporation, a new managing officer was being installed and an investigation was being instituted. This announcement and the publicity that followed created a severe liquidity crisis at several MSSIC-insured institutions, and within four days after the announcement conservators had been appointed to manage the affairs of two MSSIC-insured institutions and the Governor of Maryland had imposed withdrawal limitations of $1,000 per month on the remaining 100 MSSIC-insured institutions, including Municipal.

On May 17, 1985, the Maryland General Assembly, meeting in emergency session, passed legislation which, among other things, abolished MSSIC and merged it into the state-funded Maryland Deposit Insurance Fund Corporation ("MDIFC") and required all institutions previously insured by MSSIC to apply for insurance from the Federal Savings and Loan Insurance Corporation ("FSLIC"). Institutions with assets over $40,000,000 were required to apply for FSLIC insurance before June 1, 1985, in order to retain insurance coverage from MDIFC and were required to receive FSLIC insurance before December 31, 1985.

As of September 23, 1985, 79 of the 101 Maryland S&Ls formerly insured by MSSIC were open on a full service basis. Twenty-four of these S&Ls, with combined assets of $4.6 billion, have received final approval for FSLIC insurance. Sixteen S&Ls, with assets of $514 million, have received conditional FSLIC approval.

The remaining 18 institutions, with combined assets of $3 billion, remain subject to the Governor's executive order limiting withdrawals and are not open for full service. Municipal, with assets of $95 million as of July 31, 1985, currently operates under these withdrawal limitations and is not open on a full service basis. Despite these individual account withdrawal limitations, Municipal continues to experience substantial deposit outflows. In the event it would be

1. Charles Street has been organized solely to facilitate the acquisition of Municipal, which heretofore had been a mutual association. Upon consummation of the proposed acquisition and the fulfillment of certain regulatory requirements, Charles Street will resume operations under its original name of Municipal Savings and Loan Association, Inc., and operate as a state-chartered federally insured stock savings and loan association.

2. *See e.g., D.H. Baldwin & Co.*, 63 FEDERAL RESERVE BULLETIN 280 (1977); *Interstate Financial Corp.*, 68 FEDERAL RESERVE BULLETIN 316 (1982); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 656 (1982); *Old Stone Corporation;* 69 FEDERAL RESERVE BULLETIN 812 (1983).

required to write off its capital deposit in MSSIC, Municipal would possess a negative net worth of at least $1.6 million based upon the results of an examination conducted by the Federal Home Loan Bank Board ("FHLBB"). Municipal has applied for FSLIC insurance and has been informed that it must raise additional regulatory net worth equal to 5 percent of its deposit liabilities in order to qualify for FSLIC insurance. Conditional approval for FSLIC insurance will not be granted until Municipal demonstrates that it has a commitment to provide the necessary capital. If Municipal does not receive federal insurance by December 31, 1985, it will be forced to liquidate by the terms of Maryland General Assembly's recent legislation. Applicant, with total consolidated assets of approximately $1.8 billion as of June 30, 1985, has committed to provide the necessary capital in order to allow Municipal to qualify for FSLIC insurance and avoid Municipal's liquidation.

Consummation of Applicant's proposal will remove the threat of financial loss to the MDIFC with respect to this institution, and will ensure the viability of Municipal and its continued service to the convenience and needs of its community. Moreover, the Director of the MDIFC has indicated that Applicant's acquisition of Municipal is part of an overall effort to restore full public confidence in the former MSSIC thrift institutions.

In view of these and other facts of record, the Board believes that an emergency exists that requires expeditious action: to prevent Municipal's liquidation; to assure its restoration to permanent full service operation as soon as possible; and to contribute to the process of achieving a resolution to the problems faced by former MSSIC institutions generally. Accordingly, the Board has determined that it is appropriate in this instance to shorten the period for interested persons to submit comments regarding this application. In this regard, the Board promptly caused to be published notice of the application in the *Federal Register* and in a newspaper of general circulation in Baltimore City and County, Maryland (the principal places of business of Applicant and Municipal), and announced its acceptance of the application in a press statement released by the Board in Washington, D.C. These notices provided interested persons until September 26, 1985, to comment on the application. Upon a review of the comments received and in light of the circumstances outlined above, the Board has determined to dispense with a hearing in this case.

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

Municipal is, and will continue to be after the proposed acquisition, a "thrift institution" as that term is defined in section 2(i) of the BHC Act. (12 U.S.C. § 1841(i)). Prior to obtaining FSLIC insurance, Municipal will not make commercial loans, and subsequent to obtaining such insurance, will exercise only those powers permitted to federally chartered savings and loan associations. Thus, the acquisition of Municipal qualifies as a nonbanking acquisition, and after Municipal has obtained FSLIC insurance, it may be retained by Applicant as a nonbanking institution under the provisions of the Garn–St Germain Act, which provide that any institution that is insured by FSLIC is exempt from the definition of bank in the BHC Act.

Applicant, with deposits of $1.3 billion as of December 31, 1984, is the seventh largest banking organization in Maryland, representing 6.3 percent of aggregate bank deposits in the state. Both Applicant and Company (with total deposits of $95.0 million as of December 31, 1984)[3] operate in the Baltimore Ranally Metro Area ("Baltimore RMA").[4] Applicant is the fourth largest depository institution among banks and thrift institutions in the Baltimore RMA with total deposits of $1.1 billion, representing 6.7 percent of deposits in the market. Municipal ranks thirty-first among the 162 depository institutions in the market, with total deposits of $92.0 million representing approximately 0.5 percent of market deposits in banks and thrift institutions. In the Board's view, consummation of this proposal would not substantially lessen competition in the market.[5] Indeed, the proposed acquisition would have a substantial beneficial effect on competition by ensuring the continued operation of Municipal as an effective competitor.

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

3. Deposit outflows precipitated by Municipal's financial difficulties reduced total deposits to an estimated $90.4 million as of May 31, 1985.

4. The Baltimore RMA is defined as the City of Baltimore, Baltimore County, the northern tip of Anne Arundel County, the northern part of Howard County, most of Carroll County, and the southwest part of Harford County, all in Maryland. Market data are as of June 30, 1984.

5. If thrifts were accorded full weight in the competitive analysis, acquisition of Municipal by Applicant would raise the market's Herfindahl–Hirschman Index only 7 points to 510.

Board has determined previously that the operation of a thrift institution is closely related to banking, and reaffirms that determination in this Order.

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

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

Because of the considerations elaborated in *D.H. Baldwin*, the Board has not been prepared to permit bank holding companies to acquire thrift institutions on a general basis. However, the Board has consistently regarded the BHC Act as authorizing the Board to permit such an acquisition, and the Board has approved several such proposals involving failing thrift institutions on the basis that any adverse effects of bank/thrift affiliations would be overcome by the public benefits of preserving the failing thrift institutions.[6] In addition, Congress has recognized the need to allow bank holding companies to acquire failing federally insured thrift institutions in the Garn–St Germain Act.

The Board has reexamined, in the context of this application, the general adverse factors cited in the Board's 1977 *D.H. Baldwin* decision, including regulatory conflict, erosion of institutional rivalry, and the potential for undermining interstate banking prohibitions. The Board has also considered the adverse factors that might be associated with this particular application,[7] including the potential for unfair competition, conflicts of interests, financial risks, diversion of funds, and participation in impermissible activities.

6. *See e.g., F.N.B. Corporation*, 71 FEDERAL RESERVE BULLETIN 340 (1985); *The Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 462 (1985); *Interstate Financial Corp., supra;* and *Citicorp, supra.*

7. As stated above, the Board has examined the competitive effects associated with this particular application and has concluded that there are no significant adverse effects associated with the proposed acquisition.

In view of the unique circumstances that led to the suspension of and subsequent restrictions on withdrawals at Municipal and other privately insured institutions by the Governor of Maryland, the emergency legislation recently enacted by the Maryland General Assembly in an attempt to remedy the problems faced by these institutions and their depositors, the need for a prompt solution in this case, and the other considerations detailed below, the Board has determined that there are substantial benefits to the public associated with preserving Municipal as a thrift competitor sufficient to outweigh the generalized adverse effects found by the Board in the *D.H. Baldwin* case.

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

The affiliation of Applicant and Municipal is not likely to result in unfair competition. To guard against possible adverse effects of affiliation in this case between a banking organization and a savings and loan association, including the potential for unfair competition and diversion of funds, the Board has determined to condition its approval as follows:

1. Applicant will operate Municipal as a savings and loan association having as its primary purpose the provision of residential housing credit. Municipal will limit its activities to those currently permitted to federal savings and loan associations under the Home Owners' Loan Act, but shall not engage in any activity prohibited to bank holding companies and their subsidiaries under section 4(c)(8) of the Bank Holding Company Act. As discussed below, these limitations will apply to Municipal's wholly-owned service corporation.
2. Municipal will not establish or operate a remote service unit at any location outside Maryland.
3. Municipal will not establish or operate branches at locations not permissible for national or state banks located in Maryland.[8]

8. The Federal Reserve Bank of Richmond is hereby delegated authority to act on applications by Applicant to open additional offices of Municipal under section 225.23(b)(1) of Regulation Y. (12 C.F.R. § 225.23(b)(1)).

4. Municipal will be operated as a separate, independent, profit-oriented corporate entity and shall not be operated in tandem with any other subsidiary of Applicant. Applicant and Municipal will limit their operations to effect this condition, and will observe the following conditions:

a. No banking or other subsidiary of Applicant will link its deposit-taking activities to accounts at Municipal in a sweeping arrangement or similar arrangement.

b. Neither Applicant nor any of its subsidiaries will solicit deposits or loans for Municipal nor shall Municipal solicit deposits or loans for any other subsidiary of Applicant.

5. Applicant will not change Municipal's name in any manner that might confuse the public regarding Municipal's status as a nonbank thrift institution.

6. Municipal will not convert its charter to that of a national or state commercial bank without the Board's prior approval.

7. To the extent necessary to insure independent operation of Municipal and prevent the improper diversion of funds, there shall be no transactions between Municipal and Applicant or any of its subsidiaries without the prior approval of the Federal Reserve Bank of Richmond. This limitation encompasses the transfer, purchase, sale or loan of any assets or liabilities, but does not include infusions of capital from Applicant, the payment of dividends by Municipal to Applicant, or the sale of residential real estate loans from Municipal to any subsidiary of Applicant.

8. Baltimore Bancorp will cooperate with Municipal in applying for and obtaining FSLIC insurance.

By virtue of this proposal, Applicant also will acquire Municipal's sole subsidiary, Towson Service Corporation ("Service Corporation"), Towson, Maryland. Service Corporation engages in impermissible real estate development activities through equity interests in 10 joint ventures.[9] In any application by a bank holding company to acquire a nonbanking organization, the nonbanking organization ordinarily would be required to divest any impermissible assets, or to cease to engage in any impermissible activities, prior to consummation of the acquisition. In view of the emergency nature of this acquisition and the compelling public benefits provided thereby, the Board has determined to grant Applicant's request to retain Service Corporation's interest in certain real estate development joint ventures for a two-year period.[10] This will allow for an orderly divestiture of these assets without further loss to financially troubled Municipal and also will avoid possible adverse consequences to the MDIFC, the recently formed state insurance fund which currently insures Municipal's deposits.

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

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

The Board's decision is further subject to the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder. The transaction shall be made not later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond pursuant to authority hereby delegated.

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

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

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

9. In this regard, the Board has received a written comment on this application from counsel for several of Service Corporation's joint venture partners. The Board has carefully reviewed the comment and has determined that it does not relate to, or appear to warrant denial under, any of the factors specified in section 4 of the Bank Holding Company Act.

10. This is consistent with the provisions of section 4 of the BHC Act relating to the time for compliance by bank holding companies with the nonbanking provisions of that act.

The Chase Manhattan Corporation
New York, New York

Chase Manhattan National Corporation
New York, New York

Order Approving the Issuance of and Sale of Payment Instruments; the Sale of U.S. Savings Bonds; and the Issuance and Sale of Traveler's Checks

The Chase Manhattan Corporation and Chase Manhattan National Corporation, both of New York, New York (together, known as "Chase Manhattan"), bank holding companies within the meaning of the Bank Holding Company Act ("Act"), have applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and sections 225.23 and 225.25(b)(12) of the Board's Regulation Y (12 C.F.R. §§ 225.23 and 225.25(b)(12)) to engage *de novo* directly or through a subsidiary, in the issuance and sale of variably denominated payment instruments with a maximum face value of $10,000; the issuance and sale of traveler's checks, and the sale of U.S. savings bonds. The instruments will be sold by both affiliated and unaffiliated institutions throughout the United States.

Notice of the applications, affording interested persons an opportunity to submit comments on the balance of public interest factors regarding the applications, has been published (50 *Federal Register* 31,427 (1985)). The time for filing comments 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.

Chase Manhattan controls total consolidated assets of $86.4 billion, and is the second largest bank holding company in the state of New York, based on total domestic deposits.[1] Chase Manhattan operates four commercial banks and also engages in a variety of nonbanking activities, including mortgage banking and futures commission merchant activities.

Chase Manhattan proposes to engage *de novo* in the issuance and sale of variably denominated payment instruments with a face value of up to $10,000. These instruments will include money orders and will be issued on a nationwide basis. Regulation Y includes on the list of permissible nonbanking activities[2] the issuance and sale of money orders and other similar consumer-type payment instruments with a face value not exceeding $1,000. The Board has previously approved applications to engage in the issuance of payment instruments with a maximum face value of $10,000. In its Orders, the Board found that an increase in the denomination of such instruments would not affect the fundamental nature of the payment instruments, and the Board concluded that the issuance and sale of the proposed instruments is closely related to banking.[3]

In order to approve this application, the Board must also find that the performance of the proposed activity by a nonbank affiliate of Chase Manhattan "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

Consumer-type payment instruments, such as traditional money orders, are marketed nationally on the wholesale level by a few large organizations and locally on the retail level by a wide variety of financial and nonfinancial institutions. On the national scale, the market is concentrated, being dominated by only a few large organizations.[4] Entry into this business on a national scale involves overcoming significant barriers because a potential entrant must possess the capability for managing the extensive sales and servicing operation necessary for handling a low unit-price, high-volume product. Such capabilities frequently are associated with banking organizations of significant size, such as Chase Manhattan. Chase Manhattan's entry into this market would result in increased competition in this industry and may be expected ultimately to result in increased prospects for some deconcentration of the industry in the future. Accordingly, the Board views Chase Manhattan's proposal as procompetitive and in the public interest insofar as it relates to the issuance of instruments that are intended primarily for use by consumers.

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

1. Asset datum is as of March 31, 1985, and deposit datum is as of December 31, 1984.
2. 12 C.F.R. § 225.25(b)(12).

3. *BankAmerica Corporation*, 70 FEDERAL RESERVE BULLETIN 364 (1984); *See also, RepublicBank Corporation*, 71 FEDERAL RESERVE BULLETIN 724 (1985); *Citicorp*, 71 FEDERAL RESERVE BULLETIN 58 (1985).
4. Money orders are primarily used to transmit money by members of the consumer public who do not or cannot maintain checking accounts. Traditionally, money orders have a maximum face value printed on the instrument, which is generally at or lower than the limit set by Regulation Y.

result in adverse effects due to the erosion of the reservable deposits of the banking system.

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

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

Chase Manhattan also proposes to engage in the sale and issuance of traveler's checks and the sale of U.S. savings bonds. The activities are permissible for bank holding companies under the Board's Regulation Y, 12 C.F.R. § 225.25(b)(12). Chase Manhattan's entry into these activities will provide greater convenience and, in the case of traveler's checks, provide an additional source of competition in a field in which a limited number of independent organizations are active. Moreover, there is no evidence in the record that consummation of this proposal would result in adverse effects, such as unsound banking practices, unfair competition, conflicts of interests, or an undue concentration of resources.

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

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

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

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

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

IntraWest Financial Corporation
Denver, Colorado

Order Approving Acquisition of Shares of IntraWest Insurance Company

IntraWest Financial Corporation, Denver, Colorado, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(1)), to acquire 75.1 percent of the voting shares of IntraWest Insurance Company ("Company"), Northglenn, Colorado, a *de novo* joint venture. The remaining 24.9 percent of Company's voting shares would be acquired by American Bankers Life Assurance Company ("American Bankers"), Miami, Florida. Company proposes to engage in the activity of underwriting, as reinsurer, credit life and credit accident and health insurance written in connection with extensions of credit by Applicant and its lending subsidiaries. Company's activities initially will be conducted at the Colorado offices of Applicant and its subsidiaries.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (50 *Federal Register* 26,269 (1985)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, through Company, proposes to engage in insurance underwriting activities to the extent those activities are generally permissible for bank holding companies in the Board's Regulation Y, 12 C.F.R. § 225.25(b)(9). Section 225.25(b)(9) of Regulation Y authorizes bank holding companies to underwrite credit life insurance and credit accident and health insurance that is directly related to extensions of credit by the bank holding company system. The regulation requires that an applicant must offer premium rate reductions or equivalent public benefits in order to engage in this activity. (12 C.F.R. § 225.25(b)(9) n.7.) Applicant has committed to offer the required rate reductions.

Applicant, with consolidated assets of $1.1 billion as of June 30, 1985, controls 15 banking subsidiaries throughout Colorado. Applicant also controls 3 nonbank subsidiaries engaged in leasing, mortgage lending and credit-related insurance agency activities. American Bankers, a direct insurance writer, offers credit life and disability policies in 49 states through 6,000 agents, most of which are financial institutions.

Under the proposed joint venture arrangement, American Bankers will have a management/servicing agreement with Company, as is common among bank holding company credit reinsurance subsidiaries and direct insurance writers. American Bankers will provide Company with necessary actuarial expertise, specialized assistance in filings with state insurance regulators and tax preparation, in return for a service fee and dividends proportional to its investment.

Because this proposal involves the use of a joint venture between a bank holding company and a nonbanking company, the Board has analyzed the proposal with respect to its effects on existing and potential competition between Applicant and American Bankers in the relevant market for the underwriting of credit life and credit accident and health insurance.[1] The *de novo* joint venture proposed by Applicant and American Bankers is designed to take advantage of recently enacted tax laws that may accord favorable tax treatment to such insurance co-ventures, and not to incur any competitive advantage or preclude competition. Applicant will redeem its co-venturer's share interest in Company should that tax advantage not materialize. Moreover, given the structure of the industry, in which credit insurance is almost invariably provided directly by the lender to its customers, it is unlikely that American Bankers would compete independently to offer credit insurance to Applicant's customers. Accordingly, the Board concludes that consummation of the proposed joint venture would not have any significant adverse effects on probable future competition in any relevant market. As the activity is to be commenced *de novo*, no existing competition would be eliminated as a result of this proposal. Competitive considerations, therefore, are consistent with approval of the application.

Furthermore, the Board is satisfied that approval of this application does not inherently present the opportunity or potential for conflicts of interest or other anticompetitive practices. In this regard, Applicant has committed to abide by the anti-tying and disclosure provisions of the Bank Holding Company Act Amendments of 1970, the Truth in Lending Act, and the Board's Regulation Z, in its provision of insurance services in connection with extensions of credit.[2]

The Board also notes that the proposed activities are limited in scope and that there are no other joint ventures between Applicant and American Bankers. Additionally, the subject of this joint venture represents a relatively minor portion of the business of each joint venturer. Consequently, the Board has no reason to believe that Applicant or its subsidiaries would favor American Bankers in the provision of credit or other services.

Consummation of the proposal may be expected to result in public benefits inasmuch as an additional source of credit insurance will be available to Applicant's customers. Moreover, Applicant has committed to maintain its premium rates below any state *prima facie* rates for such insurance in conformance with the Board's regulation.

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

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

1. The Board has previously indicated its concerns regarding the potential for undue concentration of resources that could result from the combination in a joint venture of banking and nonbanking institutions. The Board also is concerned that joint ventures not lead to a matrix of relationships that could undermine the legally mandated separation of banking and commerce. *See, e.g.*, *Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984); *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449 (1981); and *Maryland National Corporation*, 65 FEDERAL RESERVE BULLETIN 271 (1979).

2. These provisions are found at (12 U.S.C. § 1971 *et seq.*,) (15 U.S.C. § 1601 *et seq.*,) and 12 C.F.R. Part 226, respectively.

and orders issued thereunder, or to prevent evasion thereof.[3]

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

By order of the Board of Governors, effective September 27, 1985.

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

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

3. In that regard, the Board has sought public comment regarding the proposed elimination of the rate reduction requirement from this activity. 48 *Federal Register* 53,125 (1983). Any final action taken by the Board with respect to this rule would be applicable to Applicant and Company.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
American Bancorp of Edmond, Inc., Edmond, Oklahoma	American Bank and Trust, Edmond, Oklahoma	Kansas City	September 18, 1985
Cameron Bancshares, Inc., Cameron, West Virginia	The First National Bank of Cameron, Cameron, West Virginia	Cleveland	September 11, 1985
Centra Financial Inc., West Allis, Wisconsin	Central Bank, West Allis, Wisconsin	Chicago	September 13, 1985
Central Fidelity Banks, Inc., Richmond, Virginia	Central Fidelity Bank, N.A., Richmond, Virginia	Richmond	September 4, 1985
Century Bancshares, Inc., Washington, D.C.	Century National Bank, Washington, D.C.	Richmond	August 30, 1985
Citizens Fidelity Corporation, Louisville, Kentucky	Central Kentucky Bancorp, Inc., Elizabethtown, Kentucky	St. Louis	September 16, 1985
Citizens Trust Bancorp, Inc., Ann Arbor, Michigan	Citizens Trust, Ann Arbor, Michigan	Chicago	September 5, 1985
City Holding Company, Charleston, West Virginia	The Bank of Cross Lanes, Cross Lanes, West Virginia	Richmond	September 20, 1985
Claiborne Holding Company, Inc., Tazewell, Tennessee	Claiborne County Bank, Tazewell, Tennessee	Atlanta	August 28, 1985
Commercial Bancshares, Inc., Jersey City, New Jersey	Lenape State Bank, West Deptford, New Jersey	New York	September 4, 1985
Crosby Bancshares, Inc., Crosby, Texas	Crosby State Bank, Crosby, Texas	Dallas	August 21, 1985
DN Bankshares Inc., Nashua, New Hampshire Indian Head Banks Inc., Nashua, New Hampshire	Dartmouth National Corporation, Hanover, New Hampshire	Boston	September 20, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Elkhorn Bankshares Corporation, Elkhorn, Wisconsin	State Bank of Elkhorn, Elkhorn, Wisconsin	Chicago	September 19, 1985
F & M Banchsares, Inc., Trezevant, Tennessee	Farmers & Merchants Bank, Trezevant, Tennessee	St. Louis	September 19, 1985
F & M Merger Corporation, Kaukauna, Wisconsin	Winnebago County Bank, Omro, Wisconsin	Chicago	September 17, 1985
First Atlanta Bancshares, Inc., Atlanta, Texas	The First National Bank of Atlanta, Atlanta, Texas	Dallas	September 3, 1985
First Bancorp, Indianapolis, Indiana	First Bank and Trust Company, Speedway, Indiana	Chicago	September 6, 1985
1st Columbia Corp., Columbus, Wisconsin	Rio-Fall River Union Bank, Fall River, Wisconsin	Chicago	September 11, 1985
First Dalhart Bancshares, Inc., Dalhart, Texas	First National Bank in Dalhart, Dalhart, Texas	Dallas	September 4, 1985
First Indiana Bancshares, Inc., Charlestown, Indiana	First National Bank of Clark County, Charlestown, Indiana The First National Bank of Scottsburg, Scottsburg, Indiana	St. Louis	August 29, 1985
First Leesport Bancorp, Inc., Leesport, Pennsylvania	The First National Bank of Leesport, Leesport, Pennsylvania	Philadelphia	September 17, 1985
First Polk Bankshares, Inc., Cedartown, Georgia	First National Bank of Polk County, Cedartown, Georgia	Atlanta	August 28, 1985
First Sarasota Bancorporation, Tampa, Florida	City Commercial Bank, Sarasota, Florida	Atlanta	September 6, 1985
Freedom Valley Bancshares, Ltd., West Chester, Pennsylvania	Freedom Valley Bank, West Chester, Pennsylvania	Philadelphia	September 13, 1985
General Bancshares Corporation, St. Louis, Missouri	The Hillsboro National Bank, Hillsboro, Illinois	St. Louis	September 9, 1985
Hi-Bancorp., Inc., Highwood, Illinois	New Century Bank, Mundelein, Illinois	Chicago	September 17, 1985
Hillsboro Financial Corporation, Wichita, Kansas	The First National Bank of Hillsboro, Hillsboro, Kansas	Kansas City	September 20, 1985
IB Bancshares, Inc., Plano, Texas	Independence Bank, Plano, Texas	Dallas	September 6, 1985
The Indiana National Corporation, Indianapolis, Indiana	Lafayette National Corporation, Lafayette, Indiana	Chicago	September 17, 1985
J. Carl H. Bancorporation, Earling, Iowa	Farmers Trust & Savings Bank, Earling, Iowa	Chicago	September 4, 1985
Lena Bancorp, Inc., Lena, Illinois	Lena State Bank, Lena, Illinois	Chicago	September 23, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Liberty Bay Financial Corporation, Poulsbo, Washington	North Sound Bank, Poulsbo, Washington	San Francisco	September 20, 1985
Lowndes Bancshares, Inc., Hahira, Georgia	Commercial Banking Company, Hahira, Georgia	Atlanta	August 28, 1985
Mid-South Bancorp, Inc., Franklin, Kentucky	Adairville Banking Company, Adairville, Kentucky	St. Louis	August 28, 1985
MNet Corp, Dallas, Texas	MBank USA, Wilmington, Delaware	Dallas	September 9, 1985
The Nashville Holding Company, Nashville, Georgia	Adel Banking Company, Adel, Georgia	Atlanta	September 6, 1985
National Banc of Commerce Company, Charleston, West Virginia	The First National Bank of Belle, Belle, West Virginia	Richmond	September 13, 1985
The National Bancorp of Kentucky, Inc., Lexington, Kentucky	The National Bank of Cynthiana, Cynthiana, Kentucky The First National Bank of Falmouth, Falmouth, Kentucky	Cleveland	September 18, 1985
New East Bancshares, Inc., Livingston, Texas	First National Bank of Jasper, Jasper, Texas East Texas Bancshares, Inc., Livingston, Texas	Dallas	August 30, 1985
Peoples First Corporation, Paducah, Kentucky	First Liberty Bank of Calvert City, Calvert City, Kentucky	St. Louis	September 11, 1985
Pioneer Bank Shares, Inc., Duluth, Minnesota	Pioneer National Bank of Duluth, Duluth, Minnesota	Minneapolis	August 29, 1985
Pilot Point Bancorp, Inc., Pilot Point, Texas	Pilot Point Bancshares Corporation, Pilot Point, Texas	Dallas	September 3, 1985
Republic National Bancorp, Inc., Phoenix, Arizona	Republic National Bank, Phoenix, Arizona	San Francisco	September 6, 1985
Rhea County Financial Corporation, Spring City, Tennessee	First Bank of Rhea County, Spring City, Tennessee	Atlanta	September 18, 1985
Richmond Bank Holding Co., Richmond, Minnesota	State Bank of Richmond, Richmond, Minnesota	Minneapolis	September 13, 1985
Rock Financial Corporation, North Plainfield, New Jersey	North Plainfield State Bank, North Plainfield, New Jersey	New York	September 13, 1985
Scott Bancshares, Inc., Bethany, Illinois	State Bank of Niantic, Niantic, Illinois	Chicago	September 23, 1985
SJNB Financial Corp., San Jose, California	Tri-Valley Bancorp, Dublin, California	San Francisco	September 19, 1985
Southwest Financial Corporation, Evergreen Park, Illinois	Orland Park Plaza Bank, Orland Park, Illinois	Chicago	September 18, 1985
St. Charles Bancshares, Inc., St. Charles, Minnesota	First National Bank of Blooming Prairie, Blooming Prairie, Minnesota	Minneapolis	September 18, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
The Stockmen's Bancorp, Kingman, Arizona	The Stockmen's Bank, Kingman, Arizona	San Francisco	September 12, 1985
Town & Country Financial, Inc., Dundee, Kentucky	The Bank of Dundee, Dundee, Kentucky	St. Louis	September 20, 1985
United Bancshares, Inc., Columbus Grove, Ohio	The Union Bank Company, Columbus Grove, Ohio	Cleveland	September 4, 1985
University State Bank Corporation, Tampa, Florida	University State Bank, Tampa, Florida	Atlanta	September 6, 1985
USBANCORP, Inc., Johnstown, Pennsylvania	McKeesport National Corporation, McKeesport, Pennsylvania	Philadelphia	September 4, 1985
Watford City Bancshares, Inc., Watford, North Dakota	First International Bank of Watford City, Watford City, North Dakota	Minneapolis	September 6, 1985
West Bancorp, Inc., Westmont, Illinois	Bank of Westmont, Westmont, Illinois	Chicago	September 6, 1985

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Chase County Bankshares, Inc., Strong City, Kansas	sale of general insurance	Kansas City	September 3, 1985
Commerce Bancshares, Inc., Kansas City, Missouri	Commerce Brokerage Services, Inc., Kansas City, Missouri	Kansas City	September 13, 1985
MCorp, Dallas, Texas MCorp Financial, Inc., Wilmington, Delaware	First Chicago Data Corporation, Chicago, Illinois	Dallas	August 30, 1985
MCorp, Dallas, Texas MCorp Financial, Inc., Wilmington, Delaware	General Electric Information Services Company, Rockville, Maryland	Dallas	August 30, 1985

Section 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Cidadel Bankshares, Inc., Wichita, Kansas Augusta Bank and Trust Company, Augusta, Kansas	Montgomery County Financial Corp., Independence, Kansas credit-related insurance activities	Kansas City	August 30, 1985

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

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

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

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

Populist Party of Iowa v. Federal Reserve Board, No. 85–626-B (S.D. Iowa, filed Aug. 2, 1985).

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

Broad Street National Bank of Trenton v. Board of Governors, No. 85–3387 (3d Cir., filed July 17, 1985).

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

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

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

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

The Committee For Monetary Reform, et al. v. Board of Governors, No. 84–5067 (D.D.C., filed June 16, 1983).

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

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1984		1985		1985				
	Q3	Q4	Q1	Q2	Apr.	May	June	July	Aug.
Reserves of depository institutions[2]									
1 Total	6.9	3.8	17.4	12.2	7.1	18.1	24.8	12.2	16.7
2 Required	6.7	3.0	16.9	12.3	8.1	16.4	22.3	13.9	17.6
3 Nonborrowed	−44.7	36.3	57.3	14.1	15.7	18.3	29.5	15.4	18.1
4 Monetary base[3]	7.1	4.7	8.2	7.5	3.6	10.6	13.5	6.8	13.8
Concepts of money, liquid assets, and debt[4]									
5 M1	4.5	3.2	10.6	10.2	5.9	14.0	19.8	9.3	20.5
6 M2	6.8	9.1	12.0	5.3	−1.0	8.6	13.8r	8.5r	11.2
7 M3	9.5	11.0	10.7	5.2	.3	7.6r	10.5r	4.2	8.6
8 L	11.6	9.6	10.0	n.a.	1.0	6.0	n.a.	n.a.	n.a.
9 Debt	13.4r	13.9r	13.5r	11.7r	11.9r	12.3r	11.8r	11.9r	n.a.
Nontransaction components									
10 In M2[5]	7.6	10.9	12.5	3.7	−3.0	6.9	11.9	8.2	8.2
11 In M3 only[6]	20.5	18.7	5.5	4.8r	5.0	4.0r	−1.9r	−12.6r	−1.3
Time and savings deposits									
Commercial banks									
12 Savings[7]	−5.6	−10.4	−8.7	−1.7	−7.0	8.0	14.9	12.8	9.7
13 Small-denomination time[8]	13.4	6.9	−1.8	6.5	15.0	7.4	2.2	−7.1	−13.3
14 Large-denomination time[9,10]	19.3	12.2	2.6	8.3	16.0	−4.0	−19.4	−7.6	9.0
Thrift institutions									
15 Savings[7]	−6.5	−6.6	2.2	3.1	−.7	4.3	9.2	18.3	22.9
16 Small-denomination time	17.1	15.2	1.7	3.9	4.8	10.4r	3.3r	−7.9r	−13.9
17 Large-denomination time[9]	37.8	29.8	21.0	2.6	1.6	13.2	2.3	−16.9	−3.9
Debt components[4]									
18 Federal	15.5r	16.0r	15.3r	12.6r	12.1r	15.8r	13.9r	16.0	n.a.
19 Nonfederal	12.8r	13.3r	13.0r	11.5r	11.9r	11.2	11.1	10.7	n.a.
20 Total loans and securities at commercial banks[11]	9.1	9.2r	9.9	9.6	4.7	13.3	9.3	10.1r	6.9

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1985			1985						
	June	July	Aug.	July 17	July 24	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**188,651**	**191,521**	**190,759**	**193,595**	**190,640**	**189,176**	**190,535**	**191,539**	**190,147**	**189,887**
2 U.S. government securities[1]	166,584	168,803	168,440	170,858	168,347	166,630	167,740	168,361	168,551	168,429
3 Bought outright	166,451	168,183	165,378	169,555	168,347	166,630	167,740	168,361	168,551	168,154
4 Held under repurchase agreements	133	620	62	1,303	0	0	0	0	0	275
5 Federal agency obligations	8,325	8,448	8,249	8,546	8,303	8,296	8,257	8,244	8,227	8,278
6 Bought outright	8,321	8,302	8,238	8,303	8,303	8,296	8,257	8,244	8,227	8,227
7 Held under repurchase agreements	4	146	11	243	0	0	0	0	0	51
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,227	1,180	1,109	1,171	884	950	835	1,144	1,079	1,096
10 Float	600	703	488	662	658	620	589	572	659	148
11 Other Federal Reserve assets	11,915	12,387	12,473	12,357	12,448	12,679	13,114	13,219	11,631	11,935
12 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	16,749	16,794	16,843	16,791	16,801	16,811	16,819	16,833	16,847	16,861
ABSORBING RESERVE FUNDS										
15 Currency in circulation	185,414	187,579	187,860	188,057	187,037	186,560	187,683	188,337	187,902	187,245
16 Treasury cash holdings	596	577	552	577	574	574	556	553	550	550
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	2,874	3,918	2,925	3,219	3,582	3,725	2,798	3,032	3,182	2,436
18 Foreign	229	228	204	203	240	204	200	209	202	198
19 Service-related balances and adjustments	1,657	1,660	1,661	1,641	1,845	1,723	1,617	1,607	1,650	1,654
20 Other	470	367	485	513	353	298	510	413	661	394
21 Other Federal Reserve liabilities and capital	6,301	6,243	6,238	6,297	6,214	6,211	6,429	6,216	6,165	6,150
22 Reserve balances with Federal Reserve Banks[2]	23,568	23,451	23,386	25,588	23,303	22,399	23,270	23,712	22,389	23,829

Factors	End-of-month figures			Wednesday figures						
	1985			1985						
	June	July	Aug.	July 17	July 24	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**191,442**	**190,923**	**192,693**	**194,850**	**189,160**	**190,923**	**190,800**	**194,358**	**190,009**	**191,952**
24 U.S. government securities[1]	169,110	167,095	170,109	169,595	166,394	167,095	167,580	169,474	167,837	169,862
25 Bought outright	169,110	167,095	170,109	169,595	166,394	167,095	167,580	169,474	167,837	167,934
26 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	1,928
27 Federal agency obligations	8,303	8,257	8,227	8,303	8,303	8,257	8,257	8,227	8,227	8,581
28 Bought outright	8,303	8,257	8,227	8,303	8,303	8,257	8,257	8,227	8,227	8,227
29 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	354
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	1,338	1,567	2,068	4,128	915	1,567	861	2,397	1,441	1,098
32 Float	262	−571	−152	395	1,018	−571	892	282	517	172
33 Other Federal Reserve assets	12,429	14,575	12,441	12,429	12,530	14,575	13,210	13,978	11,987	12,239
34 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	16,770	16,817	16,873	16,800	16,810	16,820	16,831	16,845	16,859	16,873
ABSORBING RESERVE FUNDS										
37 Currency in circulation	185,886	187,040	188,553	187,626	186,687	187,042	188,231	188,331	187,601	187,635
38 Treasury cash holdings	588	577	548	574	574	577	551	550	550	548
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	3,288	2,656	3,656	3,150	2,882	2,656	3,847	2,754	4,172	2,561
40 Foreign	310	274	223	189	217	274	259	215	198	188
41 Service-related balances and adjustments	1,348	1,395	1,435	1,361	1,395	1,395	1,407	1,407	1,421	1,421
42 Other	321	323	389	531	294	323	418	346	413	423
43 Other Federal Reserve liabilities and capital	6,291	6,325	6,240	6,065	6,031	6,325	6,007	6,024	5,987	5,994
44 Reserve balances with Federal Reserve Banks[2]	25,888	24,858	24,230	27,861	23,597	24,858	22,619	27,284	22,235	25,763

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1982	1983	1984	1985						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 Reserve balances with Reserve Banks[1]	24,939	21,138	21,738	21,577	20,416	22,065	23,217	22,385	23,367	23,503
2 Total vault cash[2]	20,392	20,755	22,316	23,044	23,927	21,863	21,567	21,898	22,180	22,530
3 Vault cash used to satisfy reserve requirements[3]	17,049	17,908	18,958	19,547	19,857	18,429	18,435	18,666	18,985	19,300
4 Surplus vault cash[4]	3,343	2,847	3,358	3,497	4,070	3,434	3,132	3,231	3,196	3,230
5 Total reserves[5]	41,853	38,894	40,696	41,125	40,273	40,494	41,652	41,051	42,352	42,803
6 Required reserves	41,353	38,333	39,843	40,380	39,370	39,728	40,914	40,247	41,447	41,948
7 Excess reserve balances at Reserve Banks[6]	500	561	853	745	903	766	738	804	905	855
8 Total borrowings at Reserve Banks	697	774	3,186	1,395	1,289	1,593	1,323	1,334	1,205	1,107
9 Seasonal borrowings at Reserve Banks	33	96	113	62	71	88	135	165	151	167
10 Extended credit at Reserve Banks[7]	187	2	2,604	1,050	803	1,059	868	534	665	507
	Biweekly averages of daily figures for weeks ending									
	1985									
	Apr. 24	May 8	May 22	June 5	June 19	July 3[r]	July 17	July 31	Aug. 14	Aug. 28[p]
11 Reserve balances with Reserve Banks[1]	23,520	22,751	22,032	22,610	23,861	23,084	24,256	22,840	23,468	23,127
12 Total vault cash[2]	21,880	21,327	22,357	21,692	21,688	23,029	22,019	22,935	22,829	23,052
13 Vault cash used to satisfy reserve requirements[3]	18,764	18,181[r]	19,068	18,472[r]	18,724	19,550	19,043	19,505	19,550	19,686
14 Surplus vault cash[4]	3,116	3,145	3,289	3,220	2,964	3,480	2,977	3,431	3,280	3,366
15 Total reserves[5]	42,284	40,933	41,100	41,082	42,585	42,633	43,298	42,344	43,018	42,813
16 Required reserves	41,400	40,234	40,248	40,260	41,861	41,461	42,608	41,392	42,280	41,842
17 Excess reserve balances at Reserve Banks[6]	884	699	852	823	724	1,172	690	953	738	971
18 Total borrowings at Reserve Banks	1,158	953	1,434	1,518	1,123	1,167	1,284	917	990	1,088
19 Seasonal borrowings at Reserve Banks	131	169	160	171	142[r]	153	152	185	224	225
20 Extended credit at Reserve Banks[7]	766	396	369	914	612[r]	620	483	506	509	610

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

2. *Dates refer to the maintenance periods in which the vault cash can be used to* satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.

3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.

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

6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.

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

8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1985 week ending Monday								
	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	Sept. 2	Sept. 9	Sept. 16
One day and continuing contract									
1 Commercial banks in United States	61,686	57,442	64,462	63,640[r]	63,841	58,282	58,562	68,597	65,553
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	31,360	28,774	28,305	29,230[r]	29,258	28,111	28,068	26,700	27,636
3 Nonbank securities dealers	9,753	8,963	9,332	8,766	10,776	10,228	8,754	10,060	9,738
4 All other	25,188	26,228	26,057[r]	26,034[r]	25,572	25,649	26,307	25,236	25,193
All other maturities									
5 Commercial banks in United States	8,900	8,943	8,851	9,010	8,693	9,308	9,759	9,402	9,751
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,600	7,489	7,644	7,527	7,544	7,693	7,701	7,822	7,735
7 Nonbank securities dealers	8,288	8,682	9,037	9,470	9,602	9,290	10,563	9,801	10,172
8 All other	7,281	7,094	6,690[r]	7,086[r]	7,368	7,574	8,325	8,079	7,901
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	30,133	26,750	30,197	28,062[r]	29,686	27,009	29,438	31,030	30,163
10 Nonbank securities dealers	7,504	7,513[r]	7,756[r]	7,056[r]	7,357	7,578	6,728	8,126	8,286

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit[1]			Extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 9/25/85	Effective date	Previous rate	Rate on 9/25/85	Previous rate	Rate on 9/25/85	Previous rate	Rate on 9/25/85	Previous rate	
Boston	7½	5/20/85	8	7½	8	8½	9	9½	10	5/20/85
New York		5/20/85								5/20/85
Philadelphia		5/24/85								5/24/85
Cleveland		5/21/85								5/21/85
Richmond		5/20/85								5/20/85
Atlanta		5/20/85								5/20/85
Chicago		5/20/85								5/20/85
St. Louis		5/21/85								5/21/85
Minneapolis		5/20/85								5/20/85
Kansas City		5/20/85								5/20/85
Dallas		5/20/85								5/20/85
San Francisco	7½	5/21/85	8	7½	8	8½	9	9½	10	5/21/85

Range of rates in recent years[3]

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

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981— May 8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985— May 20	7½–8	7½
24	7½	7½
In effect Sept. 25, 1985	7½	7½

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

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

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
$0–$29.8 million	3	1/1/85
Over $29.8 million	12	1/1/85
Nonpersonal time deposits[9]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect Sept. 30, 1985		In effect Sept. 30, 1985	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	5¼	12/31/80	5¼	12/31/80
3 Negotiable order of withdrawal accounts of $1,000 or more[2]	....	1/5/83	....	1/5/83
4 Money market deposit account[2]	(3)	12/14/82	(3)	12/14/82
Time accounts				
5 7–31 days of less than $1,000[4]	5½	1/1/84	5½	9/1/82
6 7–31 days of $1,000 or more[2]	....	1/5/83	....	1/5/83
7 More than 31 days	....	10/1/83	....	10/1/83

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

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

3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average maintenance balance requirements was lowered to $1,000. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals. When the average balance is less than $1,000, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS
Millions of dollars

Type of transaction	1982	1983	1984	1985						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,067	18,888	20,036	0	2,976	916	6,026	274	2,099	0
2 Gross sales	8,369	3,420	8,557	2,668	214	554	0	417	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,000	2,400	7,700	1,600	400	500	0	800	0	200
Others within 1 year										
5 Gross purchases	312	484	1,126	0	0	961	245	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	17,295	18,887	16,354	596	1,987	1,299	1,129	2,443	1,312	1,238
8 Exchange	−14,164	−16,553	−20,840	−625	−2,739	0	−1,463	−2,945	0	−1,778
9 Redemptions	0	87	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,797	1,896	1,638	0	0	465	846	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−14,524	−15,533	−13,709	−596	−1,902	−1,299	−1,114	−2,101	−1,312	−1,153
13 Exchange	11,804	11,641	16,039	625	1,645	0	1,463	1,940	0	1,778
5 to 10 years										
14 Gross purchases	388	890	536	0	0	0	108	0	0	0
15 Gross sales	0	0	300	100	0	0	0	0	0	0
16 Maturity shift	−2,172	−2,450	−2,371	0	−54	0	−16	42	0	−85
17 Exchange	2,128	2,950	2,750	0	600	0	0	600	0	0
Over 10 years										
18 Gross purchases	307	383	441	0	0	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−601	−904	−275	0	−30	0	0	−384	0	0
21 Exchange	234	1,962	2,052	0	493	0	0	405	0	0
All maturities										
22 Gross purchases	19,870	22,540	23,476	0	2,976	2,343	7,321	274	2,099	0
23 Gross sales	8,369	3,420	7,553	2,768	214	554	0	417	0	0
24 Redemptions	3,000	2,487	7,700	1,600	400	500	0	800	0	200
Matched transactions										
25 Gross sales	543,804	578,591	808,986	66,668	57,076	54,718	65,845	78,870	81,016	60,980
26 Gross purchases	543,173	576,908	810,432	66,367	57,283	57,288	64,001	77,597	83,782	59,165
Repurchase agreements										
27 Gross purchases	130,774	105,971	139,441	20,225	19,584	4,922	11,540	21,716	2,801	10,486
28 Gross sales	130,286	108,291	139,019	21,852	17,077	7,429	4,088	29,168	2,801	10,486
29 Net change in U.S. government securities	8,358	12,631	8,908	−6,295	5,077	1,351	12,931	−9,668	4,865	−2,015
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	189	292	256	0	17	0	0	8	60	46
Repurchase agreements										
33 Gross purchases	18,957	8,833	1,205	1,463	2,428	445	983	1,336	120	2,439
34 Gross sales	18,638	9,213	817	1,851	2,048	825	452	1,867	120	2,439
35 Net change in federal agency obligations	130	−672	132	388	363	−380	531	−540	−60	−46
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	1,285	−1,062	−418	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	**9,773**	**10,897**	**6,116**	**−6,683**	**5,440**	**971**	**13,462**	**−10,208**	**4,805**	**−2,061**

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1985					1985		
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	June	July	Aug.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	486	486	488	491	487	474	486	484
Loans								
4 To depository institutions	1,567	861	2,397	1,441	1,098	1,338	1,567	2,068
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	8,257	8,257	8,227	8,227	8,227	8,303	8,257	8,227
8 *Held under repurchase agreements*	0	0	0	0	354	0	0	0
U.S. government securities								
Bought outright								
9 Bills	76,286	76,759	78,653	77,016	77,113	78,301	76,286	79,288
10 Notes	67,066	67,072	67,072	66,422	66,422	67,066	67,066	66,422
11 Bonds	23,743	23,749	23,749	24,399	24,399	23,743	23,743	24,399
12 Total bought outright[1]	167,095	167,580	169,474	167,837	167,934	169,110	167,095	170,109
13 Held under repurchase agreements	0	0	0	0	1,928	0	0	0
14 Total U.S. government securities	167,095	167,580	169,474	167,837	169,862	169,110	167,095	170,109
15 Total loans and securities	**176,919**	**176,698**	**180,098**	**177,505**	**179,541**	**178,751**	**176,919**	**180,404**
16 Cash items in process of collection	7,394	6,838	6,234	6,342	5,835	6,277	7,394	5,445
17 Bank premises	588	589	589	589	590	585	588	590
Other assets								
18 Denominated in foreign currencies[2]	4,493	4,496	4,499	4,502	4,508	4,149	4,493	4,591
19 All other[3]	9,494	8,125	8,890	6,896	7,141	7,695	9,494	7,260
20 Total assets	**215,082**	**212,940**	**216,506**	**212,033**	**213,810**	**213,639**	**215,082**	**214,482**
LIABILITIES								
21 Federal Reserve notes	171,286	172,437	172,524	171,782	171,797	170,178	171,286	172,712
Deposits								
22 To depository institutions	26,253	24,026	28,691	23,656	27,184	27,236	26,253	25,665
23 U.S. Treasury—General account	2,656	3,847	2,754	4,172	2,561	3,288	2,656	3,656
24 Foreign—Official accounts	274	259	215	198	188	310	274	223
25 Other	323	418	346	413	423	321	323	389
26 Total deposits	**29,506**	**28,550**	**32,006**	**28,439**	**30,356**	**31,155**	**29,506**	**29,933**
27 Deferred availability cash items	7,965	5,946	5,952	5,825	5,663	6,015	7,965	5,597
28 Other liabilities and accrued dividends[4]	2,212	2,224	2,217	2,182	2,182	2,315	2,212	2,232
29 Total liabilities	**210,969**	**209,157**	**212,699**	**208,228**	**209,998**	**209,663**	**210,969**	**210,474**
CAPITAL ACCOUNTS								
30 Capital paid in	1,741	1,741	1,744	1,748	1,748	1,721	1,741	1,748
31 Surplus	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626
32 Other capital accounts	746	416	437	431	438	629	746	634
33 Total liabilities and capital accounts	**215,082**	**212,940**	**216,506**	**212,033**	**213,810**	**213,639**	**215,082**	**214,482**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	125,643	124,984	124,437	124,800	124,059	121,276	125,643	124,404
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	201,968	202,913	203,802	204,277	204,535	200,234	201,968	204,511
36 LESS: Held by bank	30,682	30,476	31,278	32,495	32,738	30,056	30,682	31,799
37 Federal Reserve notes, net	171,286	172,437	172,524	171,782	171,797	170,178	171,286	172,712
Collateral held against notes net:								
38 Gold certificate account	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	155,578	156,729	156,816	156,074	156,089	154,470	155,578	157,004
42 Total collateral	**171,286**	**172,437**	**172,524**	**171,782**	**171,797**	**170,178**	**171,286**	**172,712**

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

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1985					End of month 1985		
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	June 28	July 31	Aug. 30
1 Loans—Total	1,567	861	2,397	1,441	1,098	1,338	1,567	2,153
2 Within 15 days	1,494	740	2,272	1,401	1,079	937	1,494	2,074
3 16 days to 90 days	73	119	122	40	19	401	73	79
4 91 days to 1 year	0	2	3	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	167,095	167,580	169,474	167,837	169,862	169,110	167,095	170,109
10 Within 15 days[1]	9,291	10,678	10,533	8,690	10,845	7,604	9,291	6,209
11 16 days to 90 days	35,609	37,667	37,750	35,025	34,680	39,719	35,609	35,438
12 91 days to 1 year	49,831	46,860	48,816	52,558	52,773	48,651	49,831	56,898
13 Over 1 year to 5 years	36,355	36,361	36,361	35,235	35,235	37,042	36,355	35,235
14 Over 5 years to 10 years	15,196	15,201	15,201	14,866	14,866	15,281	15,196	14,866
15 Over 10 years	20,813	20,813	20,813	21,463	21,463	20,813	20,813	21,463
16 Federal agency obligations—Total	8,257	8,257	8,227	8,227	8,581	8,303	8,257	8,227
17 Within 15 days[1]	120	30	97	210	566	159	120	213
18 16 days to 90 days	635	719	622	509	476	677	635	475
19 91 days to 1 year	1,783	1,789	1,879	1,879	1,813	1,813	1,783	1,813
20 Over 1 year to 5 years	4,080	4,080	3,990	3,990	4,070	4,023	4,080	4,070
21 Over 5 years to 10 years	1,240	1,240	1,240	1,240	1,257	1,232	1,240	1,257
22 Over 10 years	399	399	399	399	399	399	399	399

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Adjusted for Changes in Reserve Requirements[1]	Seasonally adjusted											
1 **Total reserves**[2]	**32.10**	**34.28**	**36.14**	**39.08**	**39.64**	**40.43**	**40.47**	**40.71**	**41.32**	**42.18**	**42.61**	**43.20**
2 Nonborrowed reserves	31.46	33.65	35.36	35.90	38.24	39.14	38.88	39.39	39.99	40.97	41.50	42.13
3 Nonborrowed reserves plus extended credit[3]	31.61	33.83	35.37	38.50	39.29	39.95	39.94	40.26	40.52	41.64	42.01	42.70
4 Required reserves	31.78	33.78	35.58	38.23	38.89	39.53	39.71	39.97	40.52	41.27	41.75	42.36
5 Monetary base[4]	158.10	170.14	185.49	199.03	200.21	202.05	202.95	203.56	205.35	207.66	208.83	211.23
	Not seasonally adjusted											
6 **Total reserves**[2]	**32.82**	**35.01**	**36.86**	**40.13**	**40.70**	**39.88**	**40.07**	**41.25**	**40.64**	**41.96**	**42.41**	**42.60**
7 Nonborrowed reserves	32.18	34.37	36.09	36.94	39.31	38.59	38.47	39.93	39.31	40.75	41.30	41.53
8 Nonborrowed reserves plus extended credit[3]	32.33	34.56	36.09	39.55	40.36	39.39	39.53	40.80	39.84	41.42	41.81	42.10
9 Required reserves	32.50	34.51	36.30	39.28	39.96	38.97	39.30	40.52	39.84	41.05	41.55	41.77
10 Monetary base[4]	160.94	173.17	188.76	202.02	200.93	199.54	200.86	203.42	204.54	207.99	210.26	211.31
Not Adjusted for Changes in Reserve Requirements[5]												
11 **Total reserves**[2]	**41.92**	**41.85**	**38.89**	**40.70**	**41.12**	**40.27**	**40.49**	**41.65**	**41.05**	**42.35**	**42.80**	**42.97**
12 Nonborrowed reserves	41.29	41.22	38.12	37.51	39.73	38.98	38.90	40.33	39.72	41.15	41.70	41.90
13 Nonborrowed reserves plus extended credit[3]	41.44	41.41	38.12	40.09	40.88	39.83	40.03	40.77	40.45	41.88	42.23	42.50
14 Required reserves	41.61	41.35	38.33	39.84	40.38	39.37	39.73	40.91	40.25	41.45	41.95	42.13
15 Monetary base[4]	170.47	180.52	192.36	202.59	201.35	199.94	201.29	203.81	204.94	208.39	210.65	211.68

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 May	1985 June	1985 July	1985 Aug.
				Seasonally adjusted				
1 M1	441.8	480.8	528.0	558.5	581.6	591.2	595.8	606.0
2 M2	1,794.4	1,954.9	2,188.8	2,371.7	2,444.6	2,472.7r	2,490.2r	2,513.4
3 M3	2,235.8	2,446.8	2,701.8	2,995.0	3,075.7	3,102.7r	3,113.6r	3,136.0
4 L	2,596.5	2,854.7	3,168.8	3,539.4	3,642.3	n.a.	*	n.a.
5 Debt	4,255.6r	4,649.7r	5,177.3r	5,926.9r	6,226.5r	6,287.5r	6,349.9r	n.a.
M1 components								
6 Currency[2]	124.0	134.3	148.4	158.7	163.1	164.5	165.4	167.1
7 Travelers checks[3]	4.4	4.3	4.9	5.2	5.5	5.7	5.9	5.9
8 Demand deposits[4]	235.2	238.6	243.5	248.6	255.8	260.7	260.9	264.1
9 Other checkable deposits[5]	78.2	103.5	131.3	146.0	157.3	160.3	163.6	168.8
Nontransactions components								
10 In M2[6]	1,352.6	1,474.0	1,660.8	1,813.3	1,863.0	1,881.5r	1,894.4r	1,907.4
11 In M3 only[7]	441.4	492.0	512.9	623.3	631.0r	630.0r	623.4r	622.7
Savings deposits[9]								
12 Commercial Banks	158.6	163.5	133.4	122.6	120.4	121.9	123.2	124.2
13 Thrift institutions	185.8	194.4	173.6	166.0	168.9r	170.2	172.8	176.1
Small denomination time deposits[9]								
14 Commerical Banks	347.8	379.8	350.7	387.0	390.0r	390.7	388.4	384.1
15 Thrift institutions	475.8	471.7	433.8	498.6	502.1r	503.5	500.2r	494.4
Money market mutual funds								
16 General purpose and broker/dealer	150.6	185.2	138.2	167.5	172.2	175.4	175.8r	176.7
17 Institution-only	38.0	51.1	43.2	62.7	63.5	67.1	64.8	62.9
Large denomination time deposits[10]								
18 Commercial Banks[11]	247.5	262.0	228.9	264.4	272.1r	267.7	266.0	268.0
19 Thrift institutions	54.6	66.2	101.9	151.8	156.1r	156.4	154.2	153.7
Debt components								
20 Federal debt	825.9	979.3	1,173.0r	1,367.3r	1,442.8r	1,459.5r	1,479.0	n.a.
21 Non-federal debt	3,429.7r	3,670.4r	4,004.3r	4,559.7r	4,783.7r	4,828.0r	4,870.9	n.a.
				Not seasonally adjusted				
22 M1	452.2	491.8	539.7	570.4	576.2	592.3	599.1	601.6
23 M2	1,798.7	1,959.6	2,194.0	2,376.7	2,440.7r	2,476.4r	2,496.2r	2,506.6
24 M3	2,243.4	2,454.4	2,709.2	3,002.1	3,073.6r	3,105.4r	3,115.8r	3,130.9
25 L	2,604.7	2,859.5	3,172.7	3,540.9	3,637.2	n.a.	n.a.	n.a.
26 Debt	4,251.0r	4,644.0r	5,171.6r	5,920.8r	6,198.7r	6,262.6r	6,326.6	n.a.
M1 components								
27 Currency[2]	126.2	136.5	150.5	160.9	163.2	165.2	166.8	167.7
28 Travelers checks[3]	4.1	4.0	4.6	4.9	5.4	6.0	6.6	6.6
29 Demand deposits[4]	243.4	247.2	252.2	257.4	251.4	259.8	262.2	260.9
30 Other checkable deposits[5]	78.5	104.1	132.4	147.2	156.2	161.3	163.5	166.3
Nontransactions components								
31 M2[6]	1,346.5	1,467.8	1,654.2	1,806.3	1,864.5	1,884.1	1,897.1r	1,905.1
32 M3 only[7]	444.7	494.8	515.2	625.4	632.9	629.0r	619.6r	624.2
Money market deposit accounts								
33 Commercial banks	n.a.	26.3	230.5	267.1	298.3r	307.3	313.0	317.7
34 Thrift institutions	.0	16.9	148.7	147.9	165.6	167.8	171.0	174.0
Savings deposits[8]								
35 Commercial Banks	157.5	162.1	132.2	121.4	121.7	123.2	124.4	124.0
36 Thrift institutions	184.7	193.2	172.5	164.9	170.1	172.6	175.1	175.5
Small denomination time deposits[9]								
37 Commercial Banks	347.7	380.1	351.1	387.6	385.2	386.4	386.4	385.4
38 Thrift institutions	475.5	471.7	434.2	499.4	495.5	496.8	497.6r	494.1
Money market mutual funds								
39 General purpose and broker/dealer	150.6	185.2	138.2	167.5	172.2	175.4	175.8r	176.7
40 Institution-only	38.0	51.1	43.2	62.7	63.5	67.1	64.8	62.9
Large denomination time deposits[10]								
41 Commercial Banks[11]	251.7	265.2	230.8	265.9	270.0	267.3	265.1	269.8
42 Thrift institutions	54.4	65.9	101.4	151.1	156.1	156.0	154.3	155.1
Debt components								
43 Federal debt	823.0	976.4	1,170.2	1,364.7	1,443.8	1,457.9	1,475.8	n.a.
44 Non-federal debt	3,428.0r	3,667.6r	4,001.4r	4,556.1r	4,754.9r	4,804.8r	4,850.9	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. *Composition of the money stock measures and debt is as follows:*
M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.
M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.
M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.
L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.
Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are on an end-of-month basis.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.
3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.
4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.
5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.
6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.
7. Sum of large time deposits, term RPs and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.
8. Savings deposits exclude MMDAs.
9. Small-denomination time deposits—including retail RPs— are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.
10. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.
11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.
NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1982[1]	1983[1]	1984[1]	1985 Feb.	Mar.	Apr.	May	June	July
				Seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
1 All insured banks	90,914.4	109,642.3	128,440.8	143,281.5	139,608.3	156,513.2	149,252.8	146,714.9	157,128.3
2 Major New York City banks	37,932.9	47,769.4	57,392.7	63,157.0	62,523.7	70,621.4	66,394.3	66,615.5	69,952.8
3 Other banks	52,981.5	61,873.1	71,048.1	80,124.5	77,084.6	85,891.8	82,858.4	80,099.4	87,175.5
4 ATS–NOW accounts[3]	1,036.2	1,405.5	1,588.7	1,618.6	1,567.0	1,689.3	1,771.1	1,614.3	1,870.1
5 Savings deposits[4]	720.3	741.4	633.1	499.8	539.2	589.0	636.4	544.4	584.3
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	324.2	379.7	434.4	471.4	456.3	515.4	484.6	471.4	506.4
7 Major New York City banks	1,287.6	1,528.0	1,843.0	1,902.2	1,967.0	2,183.9	2,079.6	2,104.9	2,131.4
8 Other banks	211.1	240.9	268.6	295.9	281.1	316.5	300.2	286.5	314.2
9 ATS–NOW accounts[3]	14.5	15.6	15.8	15.0	14.4	15.4	16.1	14.4	16.4
10 Savings deposits[4]	4.5	5.4	5.0	4.2	4.6	5.0	5.4	4.6	4.9
				Not seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
11 All insured banks	91,031.8	109,517.6	128,059.1	129,297.2	143,154.3	151,536.1	151,342.3	148,651.5	157,898.2
12 Major New York City banks	38,001.0	47,707.4	57,282.4	57,337.4	64,188.9	67,422.3	67,249.3	67,999.4	70,496.1
13 Other banks	53,030.9	64,310.2	70,776.9	71,959.8	78,965.4	84,113.8	84,093.0	80,652.1	87,402.1
14 ATS–NOW accounts[3]	1,027.1	1,397.0	1,579.5	1,524.4	1,624.7	1,946.1	1,775.5	1,744.0	1,807.5
15 MMDA[5]	....	567.4	848.8	980.9	1,032.5	1,221.4	1,146.7	1,077.9	1,183.3
16 Savings deposits[4]	720.0	742.0	632.9	455.5	552.9	644.4	621.1	549.7	586.0
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	325.0	379.9	433.5	437.2	480.9	498.1	505.5	480.6	509.5
18 Major New York City banks	1,295.7	1,510.0	1,838.6	1,780.6	1,990.7	2,138.6	2,205.8	2,125.9	2,185.9
19 Other banks	211.5	240.5	267.9	273.0	297.5	308.4	312.7	290.8	314.8
20 ATS–NOW accounts[3]	14.4	15.5	15.7	14.3	14.9	17.2	16.2	15.5	15.9
21 MMDA[5]	....	2.8	3.5	3.4	3.5	4.2	3.9	3.5	3.5
22 Savings deposits[4]	4.5	5.4	5.0	3.9	4.7	5.4	5.2	4.6	4.8

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

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1984				1985							
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**1,674.8**	**1,682.8**	**1,701.0**	**1,714.8**	**1,724.0**	**1,742.3**	**1,758.9**	**1,765.8**	**1,785.3**	**1,799.1**	**1,814.3r**	**1,824.6**
2 U.S. government securities	258.0	257.0	259.4	260.2	260.1	265.8	266.9	261.1	265.9	266.6	271.0	270.9
3 Other securities	141.9	141.5	141.1	139.9	142.4	140.8	138.7	140.1	142.1	144.5	145.5	148.2
4 Total loans and leases[2]	1,274.9	1,284.3	1,300.6	1,314.7	1,321.5	1,335.6	1,353.3	1,364.6	1,377.3	1,388.0	1,397.8r	1,405.5
5 Commercial and industrial	460.0	463.0	467.1	468.1	468.4	473.4	480.4	480.9	483.3	483.6	484.2	485.8
6 Bankers acceptances held[3]	5.4	5.6	6.0	5.2	5.0	6.1	6.4	5.4	4.9	4.7	5.1	5.0
7 Other commercial and industrial	454.6	457.3	461.1	462.9	463.4	467.2	474.1	475.5	478.4	478.9	479.1	480.8
8 U.S. addressees[4]	443.5	446.7	450.7	453.3	453.7r	457.0r	463.7r	465.2r	468.7	469.7r	469.9	471.3
9 Non-U.S. addressees[4]	11.1	10.6	10.3	9.6	9.7	10.2	10.3	10.3	9.6	9.1	9.2	9.5
10 Real estate	364.7	367.7	371.8	375.6	377.9	382.1	385.8	389.9	393.8	397.4	401.4	405.3
11 Individual	241.3	243.5	246.7	251.0	254.6	257.7	261.9	265.5	268.7	271.5	274.9r	277.4
12 *Security*	28.8	30.3	30.2	31.5	31.9	31.6	32.8	35.1	37.5	40.0	40.3	36.7
13 Nonbank financial institutions	31.2	31.1	31.2	31.4	31.2	30.9	30.6	31.2	31.5	31.2	31.6	32.3
14 Agricultural	40.8	40.6	40.4	40.3	39.9	39.6	39.5	39.4	39.4r	39.4	39.6	39.6
15 State and political subdivisions	41.7	41.4	42.3	44.2	46.9	46.6	46.8	47.1	47.5	47.4	47.7	48.7
16 Foreign banks	11.7	11.7	11.9	11.5	11.4	11.4r	11.1r	10.8	10.5r	10.3	10.4	10.1
17 Foreign official institutions	8.9	8.5	8.4	8.3	7.9	7.9	7.7	7.8	7.8	7.6	7.2	6.4
18 Lease financing receivables	15.0	15.1	15.3	15.5	15.6	15.8	16.1	16.4	16.7	16.9	17.3	17.5
19 All other loans	30.8	31.5	35.3	37.2	35.8r	38.6	40.3	40.5r	40.5	42.6	43.2	45.7
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**1,673.2**	**1,684.0**	**1,701.9**	**1,725.8**	**1,732.0**	**1,740.4**	**1,755.0**	**1,766.0**	**1,781.4**	**1,800.0**	**1,807.9r**	**1,818.0**
21 U.S. government securities	255.7	254.1	255.2	256.9	260.1	266.8	269.0	266.6	268.0	270.3	270.8	269.3
22 Other securities	141.3	140.9	141.2	141.5	143.3	141.0	138.9	139.8	142.7	144.1	144.1	147.7
23 Total loans and leases[2]	1,276.2	1,289.0	1,305.5	1,327.4	1,328.7	1,332.6	1,347.1	1,359.7	1,370.7	1,385.5	1,392.9r	1,400.9
24 Commercial and industrial	459.9	463.8	467.3	471.2	470.3	472.9	480.0	481.2	481.9	482.1	483.3	483.6
25 *Bankers acceptances held[3]*	5.3	5.5	5.9	5.7	5.1	6.0	6.3	5.5	4.9	4.8	5.0	4.9
26 Other commercial and industrial	454.6	458.3	461.4	465.5	465.2	466.9	473.7	475.7	477.0	477.2	478.3	478.7
27 U.S. addressees[4]	443.3	447.2	450.5	455.0	455.4	457.2	463.9	466.1r	467.8	468.3	469.0	469.2
28 Non-U.S. addressees[4]	11.3	11.1	11.0	10.5	9.8	9.7	9.8	9.6r	9.2	8.9	9.3	9.5
29 Real estate	365.8	368.9	372.8	376.2	378.6	381.7	384.7	388.6	392.8	396.9	400.8	405.5
30 Individual	242.3	245.3	248.4	254.0	257.0	257.4	259.7	263.2	266.5	269.6	273.2r	277.2
31 Security	27.7	30.2	31.7	35.2	33.0	30.8	32.2	35.0	36.0	39.9	38.3	35.8
32 Nonbank financial institutions	31.3	31.0	31.1	31.5	31.3	30.7	30.6	31.3	31.3	31.2	31.7	32.4
33 Agricultural	41.6	41.2	40.5	40.0	39.3	38.8	38.6	38.8	39.3r	39.9	40.4	40.5
34 State and political subdivisions	41.7	41.4	42.3	44.2	46.9	46.6	46.8	47.1	47.5	47.4	47.7	48.7
35 Foreign banks	11.9	12.0	12.2	12.2	11.7	11.4	10.9r	10.4r	10.3	9.9r	10.2	9.9
36 Foreign official institutions	8.9	8.5	8.4	8.3	7.9	7.9	7.7	7.8	7.8	7.6	7.2	6.4
37 Lease financing receivables	14.9	15.0	15.1	15.5	15.8	16.0	16.3	16.4	16.7	16.9	17.2	17.3
38 All other loans	30.1	31.7	35.5	39.2	37.0r	38.4r	39.4	39.9	40.7r	44.2r	43.1r	43.6

1. Data are prorated averages of Wednesday estimates for domestically chartered insured banks, based on weekly sample reports and quarterly universe reports. *For foreign-related institutions, data are averages of month-end estimates* based on weekly reports from large U.S. agencies and branches and quarterly reports from all U.S. agencies and branches, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Excludes loans to commercial banks in the United States.

3. Includes nonfinancial commercial paper held.

4. *United States includes the 50 states and the District of Columbia.*

NOTE. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1984				1985							
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Total nondeposit funds												
1 Seasonally adjusted[2]	106.5	107.9	112.0	108.5	102.5r	113.9r	116.9r	105.2r	112.0r	112.5r	108.5r	112.8
2 Not seasonally adjusted	107.0	109.6	117.5	111.1	104.8r	117.4r	119.4r	108.3r	117.2r	114.8r	107.3r	114.6
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	141.6	141.4	145.0	140.5	138.8	146.8	147.2	138.8	142.0	146.7	146.9	144.1
4 Not seasonally adjusted	142.1	143.1	150.5	143.1	141.1	150.2	149.7	141.9	147.2	149.0	145.8	146.0
5 Net balances due to foreign-related institutions, not seasonally adjusted	−35.1	−33.5	−33.1	−32.0	−36.3r	−32.8r	−30.3r	−33.6r	−30.0r	−34.2r	−38.5r	−31.3
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−35.2	−34.2	−32.7	−31.4	−34.8r	−31.6r	−29.5r	−32.4r	−29.6r	−32.5	−38.4	−32.9
7 Gross due from balances	71.5	69.8	68.3	69.0	71.4	70.5	71.4	74.9r	74.6	76.6	79.3r	76.0
8 Gross due to balances	36.3	35.6	35.6	37.6	36.6r	38.9r	41.9r	42.5r	45.0r	44.1r	40.9	43.1
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	.1	.7	−.4	−.6	−1.5r	−1.2	−.8	−1.1r	−.5r	−1.6r	0r	1.6
10 Gross due from balances	51.7	50.8	50.7	52.0	53.1r	54.1r	53.4	51.8	52.4	53.8r	54.9	55.3
11 Gross due to balances	51.8	51.5	50.4	51.4	51.6r	52.8r	52.7r	50.7	52.0r	52.1r	54.9r	56.9
Security RP borrowings												
12 Seasonally adjusted[6]	81.4	82.0	84.0	81.1	82.3	90.1	92.0	85.4	85.5	86.5	87.1	87.4
13 Not seasonally adjusted	79.4	81.2	87.0	81.1	82.2	91.1	92.0	86.0	88.3	86.3	83.4	86.8
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	16.0	8.0	17.3	16.1	14.7	13.0	11.8	14.6	22.6	17.4	24.9	16.7
15 Not seasonally adjusted	17.5	11.0	10.4	12.5	18.5	15.8	12.8	15.4r	20.9	14.9	23.1	13.4
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	315.4	321.4	323.0	325.8	324.8	325.4	329.9	332.6	331.2	326.8	323.2	325.0
17 Not seasonally adjusted	316.8	322.2	322.9	327.3	325.6	324.9	330.3	330.1	329.1r	326.4	322.3	326.8

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

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

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

Billions of dollars

Account	1984			1985							
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,822.7	1,822.7	1,864.0	1,853.8	1,873.4	1,880.5	1,895.9	1,905.1	1,923.5	1,942.2	1,946.4
2 Investment securities	375.2	374.4	377.5	381.0	382.0	383.3	383.4	389.8	391.6	391.9	393.3
3 U.S. government securities	241.2	240.4	242.5	244.9	248.0	250.9	250.0	254.0	254.9	255.8	253.7
4 Other	134.0	133.9	134.9	136.1	134.1	132.5	133.4	135.8	136.7	136.1	139.5
5 Trading account assets	22.5	21.9	22.9	24.2	27.6	23.7	23.5	23.5	23.1	22.2	24.3
6 Total loans	1,424.9	1,426.4	1,463.7	1,448.7	1,463.7	1,473.5	1,489.0	1,491.8	1,508.7	1,528.1	1,528.9
7 Interbank loans	126.1	122.6	126.9	125.2	128.6	125.9	130.7	123.8	122.8	132.7	128.3
8 Loans excluding interbank	1,298.8	1,303.8	1,336.8	1,323.4	1,335.1	1,347.6	1,358.3	1,368.0	1,385.9	1,395.4	1,400.6
9 Commercial and industrial	467.7	468.7	476.8	469.8	476.5	482.7	481.5	482.8	483.6	486.1	484.8
10 Real estate	369.8	374.4	377.7	380.2	382.5	386.0	389.8	394.9	398.8	403.3	407.5
11 Individual	247.1	249.6	255.5	257.4	258.1	260.4	264.2	267.3	270.9	274.8	278.8
12 All other	214.2	211.1	226.8	216.1	218.0	218.4	222.8	223.0	232.6	231.2	229.6
13 Total cash assets	188.0	188.4	201.9	187.8	189.2	183.4	187.3	202.0	190.1	197.2	188.4
14 Reserves with Federal Reserve Banks	18.1	20.4	20.5	20.9	19.6	19.8	22.9	20.7	21.6	21.0	24.5
15 Cash in vault	21.4	23.9	23.3	21.9	21.8	21.3	21.3	23.3	22.2	22.0	22.6
16 Cash items in process of collection	70.2	66.5	75.9	66.9	68.8	63.9	64.1	76.5	68.4	71.3	62.4
17 Demand balances at U.S. depository institutions	32.0	30.9	34.5	30.9	32.2	31.6	30.1	35.1	31.2	32.5	30.6
18 Other cash assets	46.3	46.7	47.7	47.3	46.7	46.8	48.9	46.5	46.7	50.5	48.3
19 Other assets	201.6	190.1	196.8	191.7	195.4	188.5	188.7	183.4	189.4	195.2	179.1
20 Total assets/total liabilities and capital	**2,212.2**	**2,201.2**	**2,262.6**	**2,233.3**	**2,257.9**	**2,252.4**	**2,272.0**	**2,290.5**	**2,303.0**	**2,334.7**	**2,313.9**
21 Deposits	1,578.9	1,578.2	1,631.2	1,604.3	1,617.8	1,625.6	1,636.4	1,659.2	1,657.1	1,682.2	1,673.7
22 Transaction deposits	462.7	453.1	491.1	456.8	459.2	457.6	465.3	479.9	473.6	492.6	475.2
23 Savings deposits	371.1	378.1	386.3	400.0	406.8	409.8	409.4	418.0	424.8	433.2	435.3
24 Time deposits	745.0	747.0	753.8	747.5	751.8	758.2	761.7	761.3	758.7	756.4	763.1
25 Borrowings	314.3	298.8	304.1	306.5	308.8	300.6	309.8	304.9	315.4	319.4	306.1
26 Other liabilities	174.1[r]	179.4	181.1	173.7	182.2	176.9	175.3	175.6	179.3	181.0	181.4
27 Residual (assets less liabilities)	144.9[r]	144.8	146.2	148.8	149.2	149.2	150.5	150.8	151.3	152.1	152.7
MEMO											
28 U.S. government securities (including trading account)	256.3	255.2	256.9	261.9	269.5	268.4	266.4	268.9	270.6	269.7	267.9
29 Other securities (including trading account)	141.5	141.1	143.4	143.2	140.2	138.7	140.6	144.3	144.2	144.5	149.7
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	1,728.5	1,726.7	1,765.4	1,759.6	1,774.6	1,781.9	1,796.4	1,809.2	1,825.3	1,843.0	1,846.5
31 Investment securities	367.9	367.5	370.5	373.7	374.7	376.6	376.7	383.3	384.6	384.7	386.0
32 U.S. government securities	236.1	235.8	237.9	240.2	243.2	246.6	246.0	250.3	250.9	252.0	250.0
33 Other	131.8	131.6	132.6	133.5	131.5	130.0	130.6	133.0	133.7	132.7	136.0
34 Trading account assets	22.5	21.9	22.9	24.2	27.6	23.7	23.5	23.5	23.1	22.2	24.3
35 Total loans	1,338.0	1,337.3	1,372.1	1,361.7	1,372.3	1,381.6	1,396.2	1,402.5	1,417.6	1,436.1	1,436.2
36 Interbank loans	103.3	96.1	102.8	100.6	100.9	99.9	103.1	100.4	100.3	109.7	104.3
37 Loans excluding interbank	1,234.7	1,241.2	1,269.3	1,261.2	1,271.4	1,281.6	1,293.1	1,302.1	1,317.3	1,326.4	1,331.9
38 Commercial and industrial	423.0	424.7	430.2	425.7	431.5	435.5	436.0	435.9	435.3	437.4	435.6
39 Real estate	365.5	369.1	372.1	375.1	377.3	380.9	384.5	389.4	393.3	397.7	401.9
40 Individual	246.9	249.4	255.3	257.2	257.9	260.2	263.9	267.1	270.6	274.5	278.6
41 All other	199.3	198.0	211.7	203.1	204.8	205.0	208.7	209.6	218.1	216.7	215.9
42 Total cash assets	176.6	176.8	190.3	175.7	177.8	172.5	175.7	191.0	179.0	185.0	176.3
43 Reserves with Federal Reserve Banks	17.1	19.7	19.2	20.2	18.7	19.2	22.3	19.6	20.9	20.4	23.7
44 Cash in vault	21.4	23.9	23.3	21.9	21.8	21.3	21.3	23.2	22.2	22.0	22.6
45 Cash items in process of collection	69.9	66.3	75.6	66.7	68.5	63.7	63.9	76.2	68.1	71.0	62.1
46 Demand balances at U.S. depository institutions	30.7	29.4	32.9	29.5	30.9	30.3	28.7	33.7	29.7	31.2	28.9
47 Other cash assets	37.5	37.5	39.3	37.5	37.9	38.0	39.5	38.2	38.0	40.3	39.0
48 Other assets	147.9	139.7	142.1	137.6	139.0	137.2	137.6	131.6	137.8	143.7	129.5
49 Total assets/total liabilities and capital	**2,053.1**	**2,043.2**	**2,097.8**	**2,072.9**	**2,091.4**	**2,091.7**	**2,109.7**	**2,131.8**	**2,142.1**	**2,171.7**	**2,152.4**
50 Deposits	1,539.1	1,538.0	1,587.8	1,561.8	1,573.7	1,580.5	1,591.7	1,616.0	1,614.5	1,639.5	1,628.7
51 Transaction deposits	456.2	446.8	484.5	450.6	452.9	451.4	458.9	473.5	467.3	486.3	468.7
52 Savings deposits	370.1	377.1	385.2	398.9	405.6	408.6	408.3	416.8	423.5	431.8	434.0
53 Time deposits	712.8	714.1	718.1	712.3	715.2	720.5	724.5	725.8	723.7	721.4	726.0
54 Borrowings	251.3	240.9	243.1	246.5	247.0	239.9	247.9	245.6	253.3	256.0	246.9
55 Other liabilities	120.5	122.3	123.5	118.4	124.2	124.7	122.3	122.0	125.7	126.7	126.8
56 Residual (assets less liabilities)	142.1	142.0	143.4	146.1	146.5	146.6	147.8	148.1	148.6	149.4	150.0

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	July 10r	July 17	July 24	July 31r	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4
1 Cash and balances due from depository institutions	87,460	96,340	88,197r	93,245	86,716	90,905	85,991	89,297	107,568
2 **Total loans, leases and securities, net**	**851,903**	**853,801r**	**840,464r**	**855,998**	**847,179**	**850,212**	**853,676**	**852,253**	**864,830**
3 U.S. Treasury and government agency	88,953	85,614	85,448	86,100	84,733	86,486	86,590	84,751	88,597
4 Trading account	16,319	13,538	13,624	13,856	13,503	15,237	15,558	14,125	17,415
5 Investment account, by maturity	72,634	72,075	71,824	72,244	71,230	71,249	71,032	70,626	71,182
6 One year or less	21,453	21,537	21,292	21,724	21,867	21,743	21,302	21,180	20,886
7 Over one through five years	36,210	36,031	35,925	36,006	34,973	35,826	36,232	35,998	36,672
8 Over five years	14,972	14,507	14,606	14,514	14,390	13,680	13,497	13,447	13,623
9 Other securities	48,569	49,581r	49,930r	49,809	50,689	51,956	52,345	53,083	52,120
10 Trading account	4,192	4,836r	5,020r	4,820	5,319	6,126	6,013	6,380	5,240
11 Investment account	44,377	44,746	44,909	44,989	45,370	45,830	46,332	46,703	46,880
12 States and political subdivisions, by maturity	39,249	39,628	39,768	39,869	40,226	40,567	41,001	41,372	41,463
13 One year or less	4,879	4,905	4,950	5,090	5,157	5,335	5,537	5,830	5,882
14 Over one year	34,370	34,723	34,818	34,779	35,070	35,232	35,464	35,542	35,580
15 Other bonds, corporate stocks, and securities	5,128	5,118	5,141	5,120	5,143	5,263	5,330	5,331	5,417
16 Other trading account assets	5,144	3,745r	3,474r	3,555	3,776	3,976	3,534	3,735	4,163
17 Federal funds sold[1]	53,154	57,170r	50,935	59,315	52,509	53,935	53,960	54,633	57,903
18 To commercial banks	35,986	39,042r	33,426	41,576	34,803	36,062	33,892	35,828	37,398
19 To nonbank brokers and dealers in securities	11,862	12,676	12,266	12,375	11,913	11,965	12,842	11,820	12,970
20 To others	5,306	5,452	5,243	5,363	5,792	5,908	7,226	6,985	7,535
21 Other loans and leases, gross[2]	673,910	675,494r	668,512r	675,159	673,540	671,983	675,401	674,210	680,352
22 Other loans, gross[2]	659,912	661,486r	654,493r	661,117	659,461	657,843	661,253	660,000	666,089
23 Commercial and industrial[2]	253,070	252,799r	251,887r	253,599	252,954	251,880	251,203	251,591	253,557
24 Bankers acceptances and commercial paper	2,553	2,400	2,411	2,410	2,615	2,541	2,427	2,241	2,399
25 All other	250,516	250,399r	249,476r	251,189	250,339	249,339	248,776	249,350	251,157
26 U.S. addressees	245,530	245,437r	244,432r	246,163	245,352	244,325	243,811	244,425	246,220
27 Non-U.S. addressees	4,987	4,962	5,043	5,026	4,987	5,014	4,965	4,924	4,937
28 Real estate loans[2]	169,188	169,829r	169,953r	170,632	171,012	171,796	172,233	172,449	172,532
29 To individuals for personal expenditures	122,523	122,369	122,089	122,492	122,727	122,773	123,200	123,757	123,771
30 To depository and financial institutions	40,582	40,302	40,063	40,758	40,960	40,597	40,965	40,830	41,618
31 Commercial banks in the United States	10,449	10,343	10,832	10,776	11,123	10,870	10,886	11,119	10,892
32 Banks in foreign countries	5,454	5,441	5,383	5,683	5,314	5,048	5,216	4,917	5,863
33 Nonbank depository and other financial institutions	24,679	24,517	23,848	24,300	24,523	24,679	24,863	24,794	24,863
34 For purchasing and carrying securities	19,709	19,918	15,595r	18,593	16,729	15,858	18,168	16,052	17,171
35 To finance agricultural production	7,355	7,318	7,327	7,335	7,323	7,316	7,278	7,234	7,166
36 To states and political subdivisions	29,999	30,190r	30,356r	30,449	30,451	30,845	30,994	30,987	30,975
37 To foreign governments and official institutions	3,412	3,522	3,576	3,410	3,304	3,142	3,117	3,298	3,329
38 All other	14,074	15,239r	13,646r	13,848	14,002	13,635	14,095	13,801	15,969
39 Lease financing receivables	13,999	14,008r	14,019r	14,042	14,079	14,140	14,148	14,211	14,263
40 LESS: *Unearned income*	5,204	5,207	5,234	5,226	5,207	5,219	5,216	5,215	5,158
41 Loan and lease reserve[2]	12,622	12,596r	12,600r	12,724	12,860	12,905	12,939	12,944	13,146
42 Other loans and leases, net[2]	656,083	657,691r	650,678r	657,208	655,473	653,860	657,246	656,051	662,048
43 All other assets	134,704	132,110r	132,501r	136,455	133,283	131,557	126,317	125,331	130,010
44 **Total assets**	**1,074,067**	**1,082,251r**	**1,061,163r**	**1,085,689**	**1,067,179**	**1,072,675**	**1,065,985**	**1,066,880**	**1,102,408**
45 Demand deposits	191,717	194,702	186,895r	197,501	190,429	188,507	186,597	186,937	212,715
46 Individuals, partnerships, and corporations	146,559	149,450r	141,839r	150,051	143,882	146,237	142,477	142,797	160,382
47 States and political subdivisions	5,063	5,188	5,104	5,867	5,348	4,784	5,365	4,697	5,658
48 U.S. government	1,628	1,157r	2,727r	1,600	2,309	2,353	1,114	1,830	1,565
49 Depository institutions in United States	22,376	23,418	21,885	24,015	22,840	20,943	23,042	22,826	27,822
50 Banks in foreign countries	5,912	6,059	5,446	5,992	5,598	5,047	5,316	4,880	6,742
51 Foreign governments and official institutions	905	842	808	816	791	937	746	891	841
52 Certified and officers' checks	9,274	8,590	9,086	9,159	9,660	8,207	8,536	9,015	9,675
53 Transaction balances other than demand deposits	38,904	38,493	37,836	38,585	39,669	38,976	38,567	38,361	41,426
54 Nontransaction balances	470,710	470,802	471,540	472,175	473,029	473,639	474,684	474,261	474,447
55 Individuals, partnerships and corporations	435,426	435,271	435,385r	436,106	437,444	437,416	438,118	437,559	438,109
56 States and political subdivisions	23,165	23,474r	23,931r	23,770	23,630	24,210	24,429	24,510	24,258
57 U.S. government	392	371r	398r	412	399	419	465	488	472
58 Depository institutions in the United States	9,392	9,344	9,476r	9,521	9,392	9,356	9,412	9,461	9,448
59 Foreign governments, official institutions and banks	2,334	2,342	2,350	2,365	2,163	2,237	2,258	2,244	2,160
60 Liabilities for borrowed money	207,167	210,462r	198,532r	205,102	193,529	199,744	194,528	195,632	200,674
61 Borrowings from Federal Reserve Banks	66	3,370	50	919	180	1,627	705	229	240
62 Treasury *tax-and-loan* notes	13,633	15,015	15,501	16,336	6,521	5,727	7,035	7,144	4,764
63 All other liabilities for borrowed money[3]	193,468	192,077r	182,981r	187,847	186,828	192,390	186,788	188,259	195,670
64 Other liabilities and subordinated note and debentures	90,296	92,580r	90,869r	96,316	94,511	95,656	95,450	95,674	96,832
65 **Total liabilities**	**998,794**	**1,007,039r**	**985,673r**	**1,009,679**	**991,168**	**996,523**	**989,826**	**990,866**	**1,026,094**
66 Residual (total assets minus total liabilities)[4]	75,273	75,212r	75,490r	76,010	76,011	76,152	76,159	76,014	76,314
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	823,296	822,218r	814,040r	821,587	819,320	821,404	827,053	823,466	834,845
68 Total loans and leases (gross) adjusted[2,5]	680,630	683,279r	675,189r	682,122	680,123	678,987	684,584	681,897	689,965
69 Time deposits in amounts of $100,000 or more	152,813	152,991r	153,998	153,491	154,623	155,440	156,066	156,302	155,100
70 Loans sold outright to affiliates—total[6]	2,209	2,240	2,139	2,066	2,072	2,035	2,010	1,991	1,934
71 Commercial and industrial	1,404	1,423	1,327	1,271	1,272	1,260	1,227	1,239	1,230
72 Other	805	817	812	795	800	774	783	752	704
73 Nontransaction savings deposits (including MMDAs)	185,464	185,504	185,653	186,768	186,670	186,555	187,056	186,459	187,864

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	July 10	July 17	July 24	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4
1 Cash and balances due from depository institutions	18,626	24,892	22,281	21,265	20,712	22,446	19,531	22,180	24,685
2 Total loans, leases and securities, net[1]	**179,492r**	**180,847r**	**175,534r**	**184,063r**	**175,489**	**177,619**	**180,810**	**178,464**	**184,167**
Securities									
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	10,154	10,856	10,730	10,718	9,689	9,667	10,002	9,869	9,791
6 One year or less	1,373	1,799	1,731	2,013	1,844	1,844	1,770	1,781	1,669
7 Over one through five years	7,079	7,395	7,367	7,070	6,203	6,051	6,457	6,425	6,330
8 Over five years	1,702	1,662	1,632	1,636	1,642	1,772	1,776	1,662	1,792
9 Other securities[2]	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......
11 Investment account	10,046	10,141	10,261	10,144	10,216	10,422	10,481	10,482	10,544
12 States and political subdivisions, by maturity	8,914	8,986	9,087	9,115	9,177	9,231	9,268	9,270	9,273
13 One year or less	1,234	1,234	1,303	1,306	1,339	1,357	1,390	1,398	1,429
14 Over one year	7,680	7,753	7,785	7,809	7,837	7,874	7,878	7,872	7,844
15 Other bonds, corporate stocks and securities	1,132	1,155	1,174	1,029	1,040	1,190	1,213	1,212	1,271
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......
Loans and leases									
17 Federal funds sold[3]	22,746	23,611	21,570	26,658	21,119	23,714	23,736	23,238	25,070
18 To commercial banks	11,861	12,299	10,974	15,990	10,223	12,192	10,150	11,046	11,979
19 To nonbank brokers and dealers in securities	7,095	7,277	6,690	6,991	6,762	7,085	7,978	6,760	7,788
20 To others	3,790	4,035	3,907	3,676	4,134	4,437	5,608	5,432	5,303
21 Other loans and leases, gross	141,642r	141,334r	138,089r	141,659r	139,649	139,054	141,837	140,126	144,040
22 Other loans, gross	138,966r	138,652r	135,411r	138,979r	136,964	136,336	139,132	137,389	141,305
23 Commercial and industrial	60,330	59,704	59,638	60,381	60,208	59,870	59,770	59,703	60,751
24 Bankers acceptances and commercial paper	856	739	870	906	980	797	754	688	750
25 All other	59,473	58,964	58,769	59,475	59,227	59,074	59,017	59,015	60,000
26 U.S. addressees	58,809	58,286	58,086	58,811	58,556	58,354	58,310	58,325	59,313
27 Non-U.S. addressees	664	678	683	664	671	720	707	690	688
28 Real estate loans	26,690r	26,952r	26,862r	27,307r	27,306	27,473	27,636	27,685	27,688
29 To individuals for personal expenditures	17,099	17,133	17,174	17,252	17,254	17,347	17,342	17,433	17,527
30 To depository and financial institutions	11,460	11,292	11,571	11,745	11,501	11,326	11,785	11,998	12,700
31 Commercial banks in the United States	2,229	1,997	2,478	2,392	2,196	2,098	2,239	2,716	2,475
32 Banks in foreign countries	2,010	2,118	1,987	2,241	2,004	1,734	2,042	1,784	2,695
33 Nonbank depository and other financial institutions	7,220	7,177	7,106	7,112	7,300	7,495	7,504	7,497	7,529
34 For purchasing and carrying securities	10,505	10,352	7,351r	9,582	7,838	7,475	9,797	7,571	8,581
35 To finance agricultural production	370	365	362	352	367	352	342	340	315
36 To states and political subdivisions	7,801	7,956	8,022	7,991	8,014	8,395	8,421	8,286	8,274
37 To foreign governments and official institutions	746	849	922	737	767	626	648	829	865
38 All other	3,965	4,048	3,510	3,630	3,709	3,471	3,390	3,543	4,604
39 Lease financing receivables	2,675	2,682	2,678	2,680	2,685	2,718	2,706	2,737	2,735
40 Less: Unearned income	1,453	1,453	1,462	1,448	1,450	1,450	1,452	1,454	1,428
41 Loan and lease reserve	3,644	3,642	3,655	3,668	3,734	3,788	3,794	3,796	3,850
42 Other loans and leases, net	136,545r	136,239r	132,972r	136,543r	134,465	133,816	136,591	134,875	138,762
43 All other assets[4]	71,479r	67,732r	67,954r	69,507r	67,849	68,095	65,150	64,155	70,716
44 Total assets	**269,598r**	**273,471r**	**265,770r**	**274,834r**	**264,050**	**268,160**	**265,492**	**264,800**	**279,568**
Deposits									
45 Demand deposits	47,229	49,396	47,037r	48,945r	47,338	45,094	45,831	45,848	53,375
46 Individuals, partnerships, and corporations	31,375	33,542r	31,020r	33,181r	30,833	31,552	30,295	30,528	35,561
47 States and political subdivisions	988	1,027	912	872	892	868	1,017	809	782
48 U.S. government	264	127r	470r	195r	453	424	112	368	193
49 Depository institutions in the United States	4,842	5,446	5,212	5,761	5,379	4,280	5,989	5,702	6,248
50 Banks in foreign countries	4,660	4,793	4,210	4,658	4,243	3,795	4,168	3,701	5,395
51 Foreign governments and official institutions	696	679	636	641	603	770	562	711	687
52 Certified and officers' checks	4,402	3,781	4,577	3,637	4,934	3,404	3,687	4,027	4,510
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	4,196	4,043	3,997	4,115	4,194	4,127	4,067	4,046	4,259
54 Nontransaction balances	85,664	85,907	86,015	86,057	85,896	85,562	85,461	84,925	85,632
55 Individuals, partnerships and corporations	78,099	78,317	78,194	78,147	78,144	77,709	77,719	77,252	77,874
56 States and political subdivisions	4,289	4,456	4,586	4,607	4,548	4,592	4,556	4,489	4,568
57 U.S. government	60	47	51	50	49	54	51	49	39
58 Depository institutions in the United States	2,208	2,067	2,125	2,177	2,136	2,170	2,098	2,122	2,164
59 Foreign governments, official institutions and banks	1,008	1,019	1,059	1,075	1,019	1,037	1,038	1,013	987
60 Liabilities for borrowed money	68,638r	69,531r	64,752r	67,282r	61,594	66,563	62,845	63,330	67,734
61 Borrowings from Federal Reserve Banks	......	1,650	......	......	......	1,290	425	......	......
62 Treasury tax-and-loan notes	3,259	3,590	3,484	3,633	1,490	1,379	1,694	1,995	1,366
63 All other liabilities for borrowed money[5]	65,380r	64,291r	61,268r	63,649r	60,104	63,894	60,726	61,335	66,368
64 Other liabilities and subordinated note and debentures	39,822	40,578	39,918	44,221r	40,756	42,492	42,960	42,399	44,210
65 Total liabilities	**245,549r**	**249,454r**	**241,719r**	**250,620r**	**239,777**	**243,840**	**241,164**	**240,548**	**255,210**
66 Residual (total assets minus total liabilities)[6]	24,048	24,017	24,051	24,215r	24,272	24,320	24,328	24,252	24,358
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	170,498r	171,646r	167,199r	170,796r	168,254	168,567	173,667	169,953	174,990
68 Total loans and leases (gross) adjusted[7]	150,298r	150,649r	146,208r	149,934r	148,349	148,478	153,184	149,602	154,655
69 Time deposits in amounts of $100,000 or more	32,327	32,547r	32,776	32,458	32,726	32,534	32,525	32,220	32,615

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

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

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

Millions of dollars, Wednesday figures

Account	1985								
	July 10	July 17	July 24	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4
1 Cash and due from depository institutions	7,143	6,806	6,618	6,996r	7,004	6,874	6,828	6,886	6,617
2 Total loans and securities	46,616	47,244	45,485r	46,676	45,074	46,888	46,633	46,964	47,607
3 U.S. Treasury and govt. agency securities	3,417	3,262	3,354	3,270	3,092	3,055	3,063	3,208	3,242
4 Other securities	2,032	2,069	2,035	2,049	2,066	2,033	2,058	2,090	2,156
5 Federal funds sold[1]	4,033	5,086	4,027	4,276	3,621	4,754	3,399	4,102	4,046
6 To commercial banks in the United States	3,653	4,649	3,569	3,803	3,258	4,402	3,163	3,652	3,695
7 To others	381	437	458	472	363	352	237	450	351
8 Other loans, gross	37,135	36,827	36,069r	37,082	36,294	37,045	38,113	37,564	38,163
9 Commercial and industrial	22,115r	22,289	21,960	22,231r	21,991	22,311	23,030	22,399	22,900
10 Bankers acceptances and commercial paper	1,939	1,902	1,886	1,890	1,772	1,676	1,764	1,587	1,770
11 All other	20,176r	20,386	20,074	20,341r	20,219	20,635	21,266	20,812	21,130
12 U.S. addressees	18,751	19,002	18,669	18,945r	18,807	19,246	19,854	19,298	19,707
13 Non-U.S. addressees	1,425r	1,384	1,405	1,397	1,412	1,389	1,412	1,514	1,423
14 To financial institutions	10,660	10,488	10,002	10,238	10,027	10,354	10,984	11,018	10,655
15 Commercial banks in the United States	8,434	8,078	7,714	7,754	7,600	7,946	8,582	8,671	8,151
16 Banks in foreign countries	1,110	1,154	1,081	1,103	1,032	1,104	1,037	1,032	1,074
17 Nonbank financial institutions	1,116	1,256	1,207	1,381	1,395	1,304	1,365	1,316	1,430
18 To foreign govts. and official institutions	518r	516	517	514	516	512	506	515	514
19 For purchasing and carrying securities	1,543	1,255	1,228r	1,672	1,354	1,447	1,168	1,217	1,602
20 All other	2,298	2,278	2,362	2,426r	2,406	2,420	2,426	2,415	2,492
21 Other assets (claims on nonrelated parties)	18,383	18,238	18,294r	18,330r	18,483	18,735	18,600	18,758	18,689
22 Net due from related institutions	10,003	9,957	8,058r	9,766r	9,243	8,852	8,648	8,188	8,777
23 Total assets	82,146	82,245	78,456r	81,768r	79,804	81,350	80,709	80,796	81,691
24 Deposits or credit balances due to other than directly related institutions	22,676	22,722	23,048r	23,492r	23,685	23,889	24,566	25,238	25,003
25 Credit balances	148	186	173	142	208	137	136	280	143
26 Demand deposits	1,664	1,676	1,774r	1,652	1,759	1,762	1,643	1,755	1,745
27 Individuals, partnerships, and corporations	892	916	886r	933	998	943	957	965	948
28 Other	772	760	888r	720	761	818	686	790	797
29 Time and savings deposits	20,865	20,860	21,100r	21,698r	21,718	21,990	22,788	23,203	23,115
30 Individuals, partnerships, and corporations	16,414	16,519	16,773r	16,931	17,059	17,248	18,420	18,615	18,587
31 Other	4,451	4,340	4,327r	4,767r	4,659	4,742	4,367	4,588	4,528
32 Borrowings from other than directly related institutions	31,457	32,065	27,786	30,309	29,572	28,930	28,763	28,206	30,488
33 Federal funds purchased[2]	13,712	14,853	10,568	12,651	11,426	11,000	11,060	11,200	13,799
34 From commercial banks in the United States	10,861	12,199	8,105	10,044	8,787	8,605	8,373	8,253	10,859
35 From others	2,851	2,654	2,462	2,607	2,639	2,395	2,687	2,946	2,940
36 Other liabilities for borrowed money	17,745	17,212	17,218	17,658	18,145	17,931	17,703	17,006	16,689
37 To commercial banks in the United States	15,722	15,898	15,948	16,410	16,813	16,287	16,131	15,736	15,516
38 To others	2,023	1,314	1,270	1,248	1,332	1,644	1,572	1,270	1,173
39 Other liabilities to nonrelated parties	20,285	20,138	20,099r	20,432	20,903	20,789	20,643	21,078	20,827
40 Net due to related institutions	7,727	7,321	7,523r	7,535	5,645	7,741	6,736	6,274	5,373
41 Total liabilities	82,146	82,245	78,456r	81,768r	79,804	81,350	80,709	80,796	81,691
MEMO									
42 Total loans (gross) and securities adjusted[3]	34,529	34,517	34,202r	35,119	34,216	34,540	34,888	34,641	35,761
43 Total loans (gross) adjusted[3]	29,081	29,186	28,813r	29,800	29,057	29,451	29,767	29,343	30,364

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

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

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

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

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

Type of holder	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984 Mar.	1984 June	1984 Sept.	1984 Dec.	1985 Mar.[3]	1985 June[p]
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**315.5**	**288.9**	**291.8**	**293.5**	**279.3**	**286.3**	**288.8**	**302.7**	**288.1**	**300.9**
2 Financial business	29.8	28.0	35.4	32.8	31.7	30.8	30.4	31.7	28.1	29.4
3 Nonfinancial business	162.8	154.8	150.5	161.1	150.3	156.7	158.9	166.3	159.7	165.4
4 Consumer	102.4	86.6	85.9	78.5	78.1	78.7	79.9	81.5	77.3	81.9
5 Foreign	3.3	2.9	3.0	3.3	3.3	3.5	3.3	3.6	3.5	3.6
6 Other	17.2	16.7	17.0	17.8	15.9	16.7	16.3	19.7	19.6	20.6
	Weekly reporting banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.[2]	1984 Mar.	1984 June	1984 Sept.	1984 Dec.	1985 Mar.[3]	1985 June[p]
7 **All holders—Individuals, partnerships, and corporations**	**147.4**	**137.5**	**144.2**	**146.2**	**139.2**	**145.3**	**145.3**	**157.1**	**147.8**	**151.9**
8 Financial business	21.8	21.0	26.7	24.2	23.5	23.6	23.7	25.3	22.6	23.3
9 Nonfinancial business	78.3	75.2	74.3	79.8	76.4	79.7	79.2	87.1	82.8	83.9
10 Consumer	35.6	30.4	31.9	29.7	28.4	29.9	29.8	30.5	29.1	30.1
11 Foreign	3.1	2.8	2.9	3.1	3.2	3.2	3.2	3.4	3.3	3.5
12 Other	8.6	8.0	8.4	9.3	7.7	8.9	9.3	10.9	10.0	11.1

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. In January 1984 the weekly reporting panel was revised; it now includes 168 banks. Beginning with March 1984, estimates are constructed on the basis of 92 sample banks and are not comparable with earlier data. Estimates in billions of dollars for December 1983 based on the newly weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1980 Dec.	1981 Dec.	1982 Dec.[1]	1983 Dec.	1984 Dec.[2]	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**124,374**	**165,829**	**166,436**	**188,312**	**239,117**	**247,095**	**250,575**	**255,236**	**258,943**	**254,627**	**262,769**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	19,599	30,333	34,605	44,622	56,917	60,186	60,895	63,405	61,282	61,602	67,419
3 Bank-related (not seasonally adjusted)	3,561	6,045	2,516	2,441	2,035	2,265	2,304	2,180	2,295	2,051	2,083
Directly placed paper[5]											
4 Total	67,854	81,660	84,393	96,918	110,474	114,824	118,029	117,841	119,975	118,432	118,722
5 Bank-related (not seasonally adjusted)	22,382	26,914	32,034	35,566	42,105	42,759	43,334	42,405	43,126	43,454	41,228
6 Nonfinancial companies[6]	36,921	53,836	47,437	46,772	71,726	72,085	71,651	73,990	77,686	74,593	76,628
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**54,744**	**69,226**	**79,543**	**78,309**	**75,470**	**76,109**	**73,726**	**72,825**	**69,689**	**68,375**	**68,497**
Holder											
8 Accepting banks	10,564	10,857	10,910	9,355	10,255	10,623	10,473	9,666	9,265	9,470	9,299
9 Own bills	8,963	9,743	9,471	8,125	9,065	9,726	9,166	8,263	7,578	7,869	8,012
10 Bills bought	1,601	1,115	1,439	1,230	1,191	897	1,340	1,403	1,687	1,601	1,287
Federal Reserve Banks											
11 Own account	776	195	1,480	418	0	0	0	0	0	0	0
12 Foreign correspondents	1,791	1,442	949	729	671	761	737	728	575	511	652
13 Others	41,614	56,731	66,204	68,225	67,595	67,279	65,865	65,965	63,797	62,106	58,238
Basis											
14 Imports into United States	11,776	14,765	17,683	15,649	16,975	17,115	16,124	16,417	16,670	16,286	16,444
15 Exports from United States	12,712	15,400	16,328	16,880	15,859	15,881	15,179	14,875	14,214	13,340	12,969
16 All other	30,257	39,060	45,531	45,781	42,635	43,113	42,423	41,533	38,804	38,748	39,184

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

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

Percent per annum

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

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1982	1983	1984	1985				1985, week ending				
				May	June	July	Aug.	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30
MONEY MARKET RATES												
1 Federal funds[1,2]	12.26	9.09	10.22	7.97	7.53	7.88	7.90	7.64	7.92	7.88	8.06	7.78
2 Discount window borrowing[1,2,3]	11.02	8.50	8.80	7.50r	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Commercial paper[4,5]												
3 1-month	11.83	8.87	10.05	7.80	7.34	7.58	7.73	7.75	7.75	7.74	7.67	7.71
4 3-month	11.89	8.88	10.10	7.83	7.35	7.56	7.72	7.77	7.76	7.72	7.67	7.68
5 6-month	11.89	8.89	10.16	7.88	7.38	7.57	7.74	7.86	7.82	7.72	7.68	7.68
Finance paper, directly placed[4,5]												
6 1-month	11.64	8.80	9.97	7.74	7.31	7.53	7.70	7.69	7.76	7.66	7.63	7.70
7 3-month	11.23	8.70	9.73	7.71	7.19	7.40	7.56	7.61	7.67	7.54	7.50	7.47
8 6-month	11.20	8.69	9.65	7.69	7.16	7.34	7.55	7.60	7.65	7.53	7.50	7.47
Bankers acceptances[5,6]												
9 3-month	11.89	8.90	10.14	7.77	7.32	7.53	7.68	7.72	7.70	7.68	7.64	7.66
10 6-month	11.83	8.91	10.19	7.81	7.34	7.54	7.69	7.83	7.75	7.66	7.62	7.65
Certificates of deposit, secondary market[7]												
11 1-month	12.04	8.96	10.17	7.83	7.38	7.58	7.77	7.75	7.75	7.80	7.75	7.75
12 3-month	12.27	9.07	10.37	7.92r	7.44	7.64	7.81	7.83	7.83	7.82	7.78	7.79
13 6-month	12.57	9.27	10.68	8.08	7.58	7.80r	7.97	8.07	8.07	7.97	7.89	7.92
14 Eurodollar deposits, 3-month[8]	13.12	9.56	10.73	8.13	7.60	7.89	8.03	8.15	8.13	8.01	7.95	7.99
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	10.61	8.61	9.52	7.48	6.95	7.08	7.14	7.28	7.21	7.13	7.07	7.07
16 6-month	11.07	8.73	9.76	7.65	7.09	7.20r	7.32	7.44	7.44	7.34	7.22	7.22
17 1-year	11.07	8.80	9.92	7.85	7.27	7.31	7.48	7.57	7.58	7.49	7.39	7.42
Auction average[10]												
18 3-month	10.69r	8.63r	9.58r	7.56	7.01	7.05	7.18	7.23	7.30	7.14	7.14	7.07
19 6-month	11.08r	8.75r	9.80r	7.75	7.16	7.16	7.35	7.40	7.52	7.36	7.28	7.21
20 1-year	11.10	8.86r	9.91	7.94	7.18	7.09	7.60	n.a.	7.60	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	12.27	9.57	10.89	8.46	7.80	7.86	8.05	8.14	8.15	8.07	7.95	7.97
22 2-year	12.80	10.21	11.65	9.39	8.69	8.77	8.94	9.05	9.06	8.95	8.85	8.86
23 2-½-year[13]	......	......	......	......	......	......	......	9.20	n.a.	9.20	n.a.	9.20
24 3-year	12.92	10.45	11.89	9.75	9.05	9.18	9.31	9.51	9.46	9.28	9.18	9.22
25 5-year	13.01	10.80	12.24	10.34	9.60	9.70	9.81	10.01	9.98	9.84	9.67	9.66
26 7-year	13.06	11.02	12.40	10.72	10.08	10.16r	10.20	10.45	10.38	10.24	10.04	10.05
27 10-year	13.00	11.10	12.44	10.85	10.16	10.31	10.33	10.61	10.53	10.37	10.16	10.17
28 20-year	12.92	11.34	12.48	11.19	10.57	10.68	10.73	10.93	10.86	10.79	10.61	10.59
29 30-year	12.76	11.18	12.39	11.05	10.45r	10.50	10.56	10.73	10.69	10.63	10.45	10.42
Composite[14]												
30 Over 10 years (long-term)	12.23	10.84	11.99	10.96	10.36	10.51	10.60	10.78	10.73	10.65	10.48	10.46
State and local notes and bonds												
Moody's series[15]												
31 Aaa	10.86	8.80	9.61	8.52	8.24	8.34	8.49	8.40	8.40	8.50	8.65	8.50
32 Baa	12.46	10.17	10.38	9.54	9.03	9.18	9.50	9.40	9.40	9.50	9.60	9.60
33 *Bond Buyer* series[16]	11.66	9.51	10.10	9.01	8.69	8.81	9.08	9.01	9.02	9.12	9.18	9.09
Corporate bonds												
Seasoned issues[17]												
34 All industries	14.94	12.78	13.49	12.47	11.70	11.69	11.76	11.86	11.88	11.79	11.68	11.63
35 Aaa	13.79	12.04	12.71	11.72	10.94	10.97	11.05	11.21	11.20	11.08	10.95	10.90
36 Aa	14.41	12.42	13.31	12.30	11.46	11.42	11.47	11.56	11.61	11.51	11.40	11.33
37 A	15.43	13.10	13.74	12.70	11.98	11.92	12.00	12.09	12.11	12.04	11.92	11.89
38 Baa	16.11	13.55	14.19	13.15	12.40	12.43	12.50	12.58	12.59	12.54	12.44	12.40
39 A-rated, recently-offered utility bonds[18]	15.49	12.73	13.81	12.25	11.62	11.60	11.77	11.83	11.78	11.82	11.70	11.73
MEMO: Dividend/price ratio[19]												
40 Preferred stocks	12.53	11.02	11.59	10.60	10.05	9.92	10.15	9.93	10.04	10.13	10.17	10.25
41 Common stocks	5.81	4.40	4.64	4.31	4.21	4.14	4.23	4.17	4.24	4.25	4.21	4.22

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-½-year small saver certificates. (See table 1.16.)
14. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
15. General obligations based on Thursday figures; Moody's Investors Service.
16. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
17. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
18. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
19. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1982	1983	1984	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July	1985 Aug.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.93	92.63	92.46	94.85	99.11	104.73	103.92	104.66	107.00	109.52	111.64	109.09
2 Industrial	78.18	107.45	108.01	109.05	113.99	120.71	119.64	119.93	121.88	124.11	126.94	124.92
3 Transportation	60.41	89.36	85.63	88.00	94.88	101.76	98.30	96.47	99.66	105.79	111.67r	109.92
4 Utility	39.75	47.00	46.44	50.58	51.95	53.44	53.91	55.51	57.32	59.61	59.68	56.99
5 Finance	71.99	95.34	89.28	95.29	101.34	109.58	107.59	109.39	115.31	118.44	119.85	114.68
6 Standard & Poor's Corporation (1941–43 = 10)[1]	119.71	160.41	160.50	164.48	171.61	180.88	179.42	180.62	184.90r	188.89	192.54r	188.31
7 American Stock Exchange[2] (Aug. 31, 1973 = 100)	282.62r	216.48	207.96	202.28	211.82	228.40	225.62	229.46	228.75	227.48	235.21	232.65
Volume of trading (thousands of shares)												
8 New York Stock Exchange	64,617	85,418	91,084	89,032	121,545	115,489	102,591	94,387	106,827	105,849	111,952	87,468
9 American Stock Exchange	5,283	8,215	6,107	7,254	9,130	10,010	8,677	7,801	7,171	7,128	7,284	7,275
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers**[3]	**13,325**	**23,000**	**22,470**	**22,470**	**22,090**	**22,970**	**23,230**	**23,900**	**24,300**	**25,260**	**25,220**	**25,780**
11 Margin stock	12,980	22,720										
12 Convertible bonds	344	279	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Subscription issues	1	1										
Free credit balances at brokers[4]												
14 Margin-account	5,735	6,620	7,015	7,015	6,770	6,680	6,780	6,910	6,865	7,300	7,000	6,460
15 Cash-account	8,390	8,430	10,215	10,215	9,725	9,840	10,155	9,230	9,230	10,115	9,700	9,440
	Margin-account debt at brokers (percentage distribution, end of period)											
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
By equity class (in percent)[5]												
17 Under 40	21.0	41.0	46.0	46.0	35.0	36.0	38.0	39.0	36.0	37.0	34.0	35.0
18 40–49	24.0	22.0	18.0	18.0	19.0	20.0	20.0	19.0	19.0	19.0	20.0	21.0
19 50–59	24.0	16.0	16.0	16.0	20.0	18.0	18.0	18.0	19.0	19.0	19.0	18.0
20 60–69	14.0	9.0	9.0	9.0	11.0	11.0	10.0	10.0	11.0	10.0	11.0	11.0
21 70–79	9.0	6.0	5.0	5.0	7.0	8.0	7.0	7.0	7.0	7.0	8.0	8.0
22 80 or more	8.0	6.0	6.0	6.0	8.0	8.0	7.0	7.0	8.0	8.0	8.0	7.0
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[6]	**35,598**	**58,329**	**75,840**	**75,840**	**79,600**	**81,830**	**81,930**	**82,990**	**87,120**	**86,910**	**89,240**	**90,930**
Distribution by equity status (percent)												
24 Net credit status	62.0	63.0	59.0	59.0	59.0	59.0	60.0	60.0	60.0	59.0	59.0	59.0
Debt status, equity of												
25 60 percent or more	29.0	28.0	29.0	29.0	30.0	31.0	30.0	30.0	30.0	31.0	32.0	30.0
26 Less than 60 percent	9.0	9.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	9.0	11.0

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

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

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

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1982	1983	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July
	Savings and loan associations												
1 **Assets**	**707,646**	**773,417**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**	**906,995**	**911,696**	**917,013**	**923,681**
2 *Mortgages*	*483,614*	*494,789*	*550,129*	*552,516*	*556,229*	*555,277*	*558,276*	*556,184*	*559,263*	*563,376*	*566,396*	*569,291*	666,728
3 Cash and investment securities[1]	85,438	104,274	112,350	112,023	114,879	125,358	119,673	119,724	119,713	114,641	116,432	118,163	119,423
4 Other	138,594	174,354	215,163	217,088	216,588	221,814	220,588	222,178	225,851	228,978	228,868	229,559	137,530
5 **Liabilities and net worth**	**707,646**	**773,417**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**	**906,995**	**911,696**	**917,013**	**923,681**
6 Savings capital	567,961	634,455	704,558	708,846	714,780	724,301	730,709	726,308	732,406	731,914	737,704	742,034	743,878
7 Borrowed money	97,850	92,127	121,329	119,305	117,775	126,169	114,806	116,879	119,461	118,655	115,391	117,000	119,618
8 FHLBB	63,861	52,626	63,627	63,412	63,383	64,207	63,152	63,452	63,187	63,941	65,239	66,861	68,312
9 Other	33,989	39,501	57,702	55,893	54,392	61,962	51,654	53,427	56,274	54,714	50,152	50,139	51,306
10 Loans in process[2]	9,934	21,117	27,141	26,754	26,683	26,959	26,546	26,636	27,004	27,406	27,404	27,945r	n.a.
11 Other	15,602	15,968	18,050	19,894	21,302	17,215	18,358	19,857	17,471	20,539	21,671	19,708	21,359
12 Net worth[3]	26,233	30,867	33,705	33,582	33,839	34,764	34,664	35,042	35,489	35,887	36,930	38,271	38,824
13 MEMO: Mortgage loan commitments outstanding[4]	18,054	32,996	40,089	38,530	37,856	34,841	33,305	34,217	35,889	36,269	36,953	35,734r	n.a.
	Mutual savings banks[5]												
14 **Assets**	**174,197**	**193,535**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859**	**206,175**	**210,568**	**210,469**	**212,509**	**212,163**	
Loans													
15 Mortgage	94,091	97,356	101,621	102,704	102,953	102,895	103,393	103,654	104,340	105,102	105,869	105,891	
16 Other	16,957	19,129	24,535	24,486	24,884	24,954	25,747	26,456	27,798	28,000	28,530	29,211	
Securities													
17 U.S. government[6]	9,743	15,360	14,965	15,295	15,034	14,643	14,628	14,917	15,098	14,504	14,895	14,074	
18 State and local government	2,470	2,177	2,052	2,080	2,077	2,077	2,067	2,069	2,092	2,097	2,094	2,093	
19 Corporate and other[7]	36,161	43,580	42,605	43,003	43,361	42,962	43,351	43,063	43,888	43,889	43,871	43,189	
20 Cash	6,919	6,263	4,795	4,605	4,795	4,954	4,140	4,423	4,864	4,679	5,004	4,935	
21 Other assets	7,855	9,670	10,872	11,101	11,395	11,413	11,533	11,593	12,488	12,288	12,246	12,770	
22 **Liabilities**	**174,197**	**193,535**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859**	**206,175**	**210,568**	**210,469**	**212,509**	**212,163**	n.a.
23 Deposits	155,196	172,665	177,345	178,624	180,073	180,616	181,062	181,849	185,197	184,478	185,802	186,091	
24 Regular[8]	152,777	170,135	174,296	175,727	177,130	177,418	177,954	178,791	181,742	180,804	182,113	182,218	
25 Ordinary savings	46,862	38,554	34,564	34,221	34,009	33,739	33,413	33,413	33,715	33,211	33,457	33,526	
26 Time	96,369	95,129	102,934	104,151	104,849	104,732	104,098	103,536	105,204	104,527	104,843	104,756	
27 Other	2,419	2,530	3,049	2,897	2,943	3,198	3,108	3,058	3,455	3,689	3,674	3,873	
28 Other liabilities	8,336	10,154	12,979	13,853	13,453	12,504	12,931	13,387	14,393	14,959	15,546	14,348	
29 General reserve accounts	9,235	10,368	10,488	10,459	10,535	10,510	10,619	10,670	10,720	10,803	10,913	11,238	
30 MEMO: Mortgage loan commitments outstanding[9]	1,285	2,387	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
	Life insurance companies												
31 **Assets**	**588,163**	**654,948**	**699,996**	**705,827**	**712,271**	**720,807**	**730,120**	**734,920**	**741,442**	**747,683**	**756,552**		
Securities													
32 Government	36,499	50,752	57,552	59,825	62,678	64,683	65,367	67,111	66,641	67,265	68,673		
33 United States[10]	16,529	28,636	35,586	37,594	40,288	41,970	42,183	43,929	43,317	43,840	45,069		
34 State and local	8,664	9,986	9,221	9,344	9,385	9,757	9,895	9,956	9,770	9,772	9,870		
35 Foreign[11]	11,306	12,130	12,745	12,887	13,005	12,956	13,289	13,226	13,554	13,653	13,734		
36 Business	287,126	322,854	350,512	352,059	354,815	354,902	364,617	367,411	370,582	374,904	379,763	n.a.	n.a.
37 Bonds	231,406	257,986	285,543	287,607	291,021	290,731	297,666	298,381	302,072	305,945	308,393		
38 Stocks	55,720	64,868	64,969	64,452	63,794	64,171	66,951	69,030	68,510	68,959	71,370		
39 Mortgages	141,989	150,999	155,802	156,064	156,691	157,283	157,583	158,052	158,956	160,250	161,354		
40 Real estate	20,264	22,234	24,685	24,947	25,467	25,985	26,343	26,567	26,911	27,202	27,652		
41 Policy loans	52,961	54,063	54,551	54,574	54,571	54,610	54,442	54,523	54,466	54,472	54,417		
42 Other assets	48,571	54,046	56,894	58,358	58,049	63,344	61,768	61,256	63,886	63,590	64,693		
	Credit unions[12]												
43 **Total assets/liabilities and capital**	***69,585***	***81,961***	***91,651***	***91,619***	***92,521***	***93,036***	***94,646***	***96,183***	***98,646***	***101,268***	***104,992***	***106,783r***	
44 Federal	45,493	54,482	62,107	61,935	62,690	63,205	64,505	65,989	67,799	68,903	71,342	72,021r	
45 State	24,092	27,479	29,544	29,684	29,831	29,831	30,141	30,194	30,847	32,365	33,650	34,762r	
46 Loans outstanding	43,232	50,083	59,874	60,483	62,170	62,561	62,662	62,393	62,936	64,341	65,298	66,817r	
47 Federal	27,948	32,930	40,310	40,727	41,762	42,337	42,220	42,283	42,804	43,414	44,042	44,707r	n.a.
48 State	15,284	17,153	19,564	19,756	20,408	20,224	20,442	20,110	20,132	20,927	21,256	22,110r	
49 Savings	62,990	74,739	83,172	83,129	84,000	84,348	86,047	86,048	88,560	91,275	95,278	96,702r	
50 Federal (shares)	41,352	49,889	56,734	56,655	57,302	57,539	58,820	59,914	61,758	62,867	66,680	66,243r	
51 State (shares and deposits)	21,638	24,850	26,438	26,474	26,698	26,809	27,227	26,134	26,802	28,408	28,598	30,459r	

1.37 Continued

Account	1982	1983	1984				1985						
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	FSLIC-insured federal savings banks												
52 **Assets**	**6,859**	**64,969**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**	**106,657**	**109,720**	**110,511**	**113,739**	**114,610**	
53 Mortgages	3,353	38,698	48,841	51,554	55,861	57,429	57,667	60,938	62,608	63,519	64,822	65,862	
54 Cash and investment securities[1]	......	10,436	12,867	13,615	14,826	16,001	15,378	17,511	18,237	17,923	18,886	18,655	
55 Other	......	15,835	20,466	22,574	23,849	25,129	25,702	28,208	28,875	29,069	30,031	30,093	
56 **Liabilities and net worth**	**6,859**	**64,969**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**	**106,657**	**109,720**	**110,511**	**113,739**	**114,610**	
57 Savings and capital	5,877	53,227	65,079	70,080	76,167	79,572	80,091	85,632	88,001	88,205	90,414	92,089	
58 Borrowed money	......	7,477	11,828	11,935	11,937	12,798	12,372	14,079	14,860	15,187	15,220	14,576	
59 FHLBB	......	4,640	6,600	6,867	7,041	7,515	7,361	8,023	8,491	8,849	8,925	9,039	n.a.
60 Other	......	2,837	5,228	5,068	4,896	5,283	5,011	6,056	6,369	6,338	6,295	5,537	
61 Other	......	1,157	1,610	1,896	2,259	1,903	1,982	2,356	2,174	2,400	3,032	2,740	
62 Net worth[3]	......	3,108	3,657	3,832	4,173	4,286	4,302	4,590	4,685	4,719	5,073	5,205	
MEMO													
63 Loans in process[2]	98	1,264	1,505	1,457	1,689	1,738	1,685	1,747	1,919	2,010	2,068	2,072	
64 Mortgage loan commitments outstanding[4]	......	2,151	2,970	2,925	3,298	3,234	3,510	3,646	3,752	3,937	4,229	4,682	

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

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

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Calendar year					
				1983		1984	1985		
				H1	H2	H1	June	July	August
U.S. budget									
1 Receipts[1]	617,766	600,562	666,457	306,331	306,584	341,808	72,151	57,970	55,776
2 Outlays[1]	728,375	795,917	841,800	396,477	406,849	420,700	71,506	78,012	83,621
3 Surplus, or deficit (−)	−110,609	−195,355	−175,343	−90,146	−100,265	−78,892	645	−20,042	−27,845
4 Trust funds	5,456	23,056	30,565	22,680	7,745	18,080	10,268	−392	287
5 Federal funds[2,3]	−116,065	−218,410	−205,908	−112,822	−108,005	−96,971	−9,623	−19,650	−28,132
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,142	−10,404	−7,277	−5,418	−3,199	−2,813	−1,573	−1,308	26
7 Other[3,4]	−3,190	−1,953	−2,719	−528	−1,206	−838	−441	−183	221
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−127,940	−207,711	−185,339	−96,094	−104,670	−84,884	−1,369	−21,532	−27,597
Source of financing									
9 Borrowing from the public	134,993	212,425	170,817	102,538	84,020	80,592	11,857	23,921	16,157
10 Cash and monetary assets (decrease, or increase (−))[4]	−11,911	−9,889	5,636	−9,664	−16,294	−3,127	−12,697	−466	12,013
11 Other[5]	4,858	5,176	8,885	3,222	4,358	7,418	2,209	−1,923	−573
MEMO									
12 Treasury operating balance (level, end of period)	29,164	37,057	22,345	27,997	11,817	13,567	24,013	24,146	11,841
13 Federal Reserve Banks	10,975	16,557	3,791	19,442	3,661	4,397	3,288	2,656	3,656
14 Tax and loan accounts	18,189	20,500	18,553	8,764	8,157	9,170	20,725	21,489	8,185

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

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1983	Fiscal year 1984	Calendar year						
			1983		1984		1985		
			H1	H2	H1	H2	June	July	Aug.
RECEIPTS									
1 **All sources**	600,563	666,457	306,331	305,122	341,808	341,392	72,151	57,970	55,776
2 Individual income taxes, net	288,938	295,955	144,551	147,663	144,691	157,229	34,764	26,252	25,770
3 Withheld	266,010	279,345	135,531	133,768	140,657	145,210	23,448	26,898	24,914
4 Presidential Election Campaign Fund	36	35	30	6	29	5	3	3	2
5 Nonwithheld	83,585	81,346	63,014	20,703	61,463	19,403	13,579	1,133	2,285
6 Refunds	60,692	64,770	54,024	6,815	57,458	7,387	2,266	1,783	1,431
Corporation income taxes									
7 Gross receipts	61,780	74,179	33,522	31,064	40,328	35,190	11,373	3,052	2,397
8 Refunds	24,758	17,286	13,809	8,921	10,045	6,847	585	1,161	1,319
9 Social insurance taxes and contributions, net	208,994	241,902	110,520	100,832	131,372	118,690	21,049	22,853	22,943
10 Payroll employment taxes and contributions[1]	179,010	203,476	90,912	88,388	106,436	104,540	18,924	21,474	18,617
11 Self-employment taxes and contributions[2]	6,756	8,709	6,427	398	7,667	1,086	1,258	−406	0
12 Unemployment insurance	18,799	25,138	10,984	8,714	14,942	10,706	501	1,276	3,928
13 Other net receipts[3]	4,436	4,580	2,197	2,290	2,329	2,360	367	441	398
14 Excise taxes	35,300	37,361	16,904	19,586	18,304	18,961	2,733	3,409	2,544
15 Customs deposits	8,655	11,370	4,010	5,079	5,576	6,329	997	1,125	1,151
16 Estate and gift taxes	6,053	6,010	2,883	3,050	3,102	3,029	428	614	560
17 Miscellaneous receipts[4]	15,594	16,965	7,751	7,811	8,481	8,812	1,391	1,826	1,730
OUTLAYS									
18 **All types**	795,917	841,800	396,477	406,849	420,700	446,943	71,506	78,012	83,621
19 National defense	210,461	227,405	105,072	108,967	114,639	118,286	20,815	22,140	23,209
20 International affairs	8,927	13,313	4,705	6,117	5,426	8,550	974	491	1,542
21 General science, space, and technology	7,777	8,271	3,486	4,216	3,981	4,473	656	652	754
22 Energy	4,035	2,464	2,073	1,533	1,080	1,423	−874	282	647
23 Natural resources and environment	12,676	12,677	5,892	6,933	5,463	7,370	1,073	1,317	1,396
24 Agriculture	22,173	12,215	10,154	5,278	7,129	8,524	822	1,162	1,510
25 Commerce and housing credit	4,721	5,198	2,164	2,648	2,572	2,663	266	−189	−295
26 Transportation	21,231	24,705	9,918	13,323	10,616	13,673	2,130	2,563	2,617
27 Community and regional development	7,302	7,803	3,124	4,327	3,154	4,836	652	476	730
28 Education, training, employment, social services	25,726	26,616	12,801	13,246	13,445	13,737	1,949	2,185	2,745
29 Health	28,655	30,435	41,206	27,271	15,551	15,692	2,735	2,944	2,917
30 Social security and medicare	223,311	235,764	n.a.	n.a.	119,420	119,613	23,074	21,890	21,306
31 Income security	122,156	96,714	143,001	92,643	50,450	57,411	7,809	10,855	10,201
32 Veterans benefits and services	24,845	25,640	11,334	13,621	12,849	13,317	907	2,324	3,409
33 Administration of justice	5,014	5,616	2,522	2,628	2,807	2,992	443	658	519
34 General government	4,991	4,836	2,434	2,479	2,462	2,552	643	215	479
35 General-purpose fiscal assistance	6,287	6,577	3,124	3,290	2,943	3,458	−131	1,222	92
36 Net interest[6]	86,963	111,007	42,358	47,674	54,748	61,293	9,972	10,312	12,324
37 Undistributed offsetting receipts[7]	−33,976	−15,454	−8,887	−7,262	−8,036	−12,914	−2,410	−3,485	−2,481

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

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

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

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

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

Billions of dollars, end of period

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

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

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

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

Item	1982	1983	1984	1985			1985 week ending Wednesday					
				June	July	Aug.	July 24	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28
Immediate delivery[1]												
1 U.S. government securities	32,260	42,135	52,786	86,993r	65,844r	70,843	65,336r	64,585	71,267	77,463	72,543	62,462
By maturity												
2 Bills	18,392	22,393	26,040	34,571	29,390	29,989	29,067	28,656	31,947	30,521	30,998	26,417
3 Other within 1 year	810	708	1,305	1,664	1,556	1,636	1,324	1,676	1,928	1,473	1,581	1,634
4 1–5 years	6,271	8,758	11,734	23,489r	15,962r	17,390	16,373r	17,618	18,415	16,419	20,052	16,739
5 5–10 years	3,555	5,279	7,607	15,601	10,810	11,270	10,373	8,987	9,771	13,454	9,875	9,283
6 Over 10 years	3,232	4,997	6,100	11,667	8,126	10,557	8,197	7,648	9,207	15,597	10,037	8,389
By type of customer												
7 U.S. government securities dealers	1,770	2,257	2,920	2,947	2,478	2,912	1,799	3,383	2,564	3,711	1,999	2,923
8 U.S. government securities brokers	15,794	21,045	25,584	42,796	33,392	34,593	34,915	32,157	36,022	38,425	36,733	28,555
9 All others[2]	14,697	18,832	24,282	41,251r	29,973r	33,339	28,623r	29,045	32,682	35,328	33,812	30,983
10 Federal agency securities	4,140	5,576	7,846	12,893	10,794	10,950	9,710	8,749	8,468	11,591	14,290	10,030
11 Certificates of deposit	5,000	4,333	4,947	4,669	3,889	3,245	4,009	3,272	3,352	3,558	3,350	2,867
12 Bankers acceptances	2,502	2,642	3,244	4,007	3,245	2,980	3,143	3,038	3,005	3,064	3,298	2,583
13 Commercial paper	7,595	8,036	10,018	12,711	13,379	13,026	12,313	12,403	12,826	12,827	13,980	12,509
Futures transactions[3]												
14 Treasury bills	5,055	6,655	6,947	6,420	4,044r	3,922	5,051	3,476	3,019	4,796	4,603	2,802
15 Treasury coupons	1,487	2,501	4,503	7,632	4,954r	5,589	5,280	5,462	5,597	6,280	5,386	5,266
16 Federal agency securities	261	265	262	223	155	346	134	337	176	334	262	502
Forward transactions[4]												
17 U.S. government securities	835	1,493	1,364	1,319	1,151	1,268	1,450	1,583	1,364	1,665	1,235	1,174
18 Federal agency securities	978	1,646	2,843	3,740	3,492	3,581	2,959	2,685	3,371	4,171	4,425	2,777

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

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

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

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

Item	1982	1983	1984	1985			1985 week ending Wednesday				
				June	July	Aug.	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28
	Positions										
Net immediate[1]											
1 U.S. government securities	13,663	10,701	5,538	1,940r	295r	1,433	−2,246	−4,599	4,627	640	3,971
2 Bills	7,297	8,020	5,500	4,638r	2,973r	5,327	2,042	2,521	8,312	5,357	5,280
3 Other within 1 year	972	394	63	844r	1,293	1,376	1,652	1,310	1,394	1,337	1,356
4 1–5 years	3,256	1,778	2,159	5,698	6,513r	4,442	6,669	5,253	6,548	1,651	4,277
5 5–10 years	−318	−78	−1,119	−7,173r	−7,230r	−6,199	−8,150	−8,169	−7,555	−4,685	−5,084
6 Over 10 years	2,026	528	−1,174	−2,393r	−3,412r	−3,670	−4,576	−5,654	−4,221	−3,167	−2,034
7 Federal agency securities	4,145	7,232	15,294	22,746	23,461	23,108	22,083	22,784	23,756	22,988	22,944
8 Certificates of deposit	5,532	5,839	7,369	9,492	8,996	8,205	8,636	8,236	8,079	8,269	8,212
9 Bankers acceptances	2,832	3,332	3,874	4,544	4,607	4,206	3,679	4,525	4,573	3,984	3,753
10 Commercial paper	3,317	3,159	3,788	5,232	4,786	4,905	4,041	5,272	4,972	5,093	4,417
Futures positions											
11 Treasury bills	−2,507	−4,125	−4,525	−4,925	−4,799	−6,699	−4,751	−5,856	−6,158	−6,779	−7,700
12 Treasury coupons	−2,303	−1,032	1,794	4,235r	4,452	5,169	5,520	5,347	5,929	5,250	4,638
13 Federal agency securities	−224	171	233	−472r	−1,161	−530	−1,199	−1,169	−540	−130	−282
Forward positions											
14 U.S. government securities	−788	−1,936	−1,643	223r	−1,086	−693	−2,076	−945	−298	−1,221	−453
15 Federal agency securities	−1,432	−3,561	−9,205	−9,144	−8,941	−10,793	−9,153	−9,431	−11,294	−11,843	−10,638
	Financing[2]										
Reverse repurchase agreements[3]											
16 Overnight and continuing	26,754	29,099	44,078	66,347	221,104	69,377	73,201	67,514	71,755	71,916	66,067
17 Term agreements	48,247	52,493	68,357	75,308	74,930	78,394	77,445	79,663	76,708	78,163	80,744
Repurchase agreements[4]											
18 Overnight and continuing	49,695	57,946	75,717	146,450	100,429	103,403	105,731	96,920	104,777	105,841	105,336
19 Term agreements	43,410	44,410	57,047	66,486	151,085	67,346	60,274	68,577	65,709	67,851	67,878

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

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1982	1983	1984	1985					
				Feb.	Mar.	Apr.	May	June	July
1 **Federal and federally sponsored agencies**	**237,085**	**239,716**	**271,564**	**271,479**	**275,093**	**275,209**	**278,697**	**283,953r**	**284,732**
2 Federal agencies	33,055	33,940	35,145	35,360	35,140	35,182	34,915r	35,644r	35,352
3 Defense Department[1]	354	243	142	122	116	107	102	97	93
4 Export-Import Bank[2,3]	14,218	14,853	15,882	15,881	15,709	15,707	15,706	15,744	15,744
5 Federal Housing Administration[4]	288	194	133	129	127	123	122	119	118
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,471	1,404	1,337	1,337	1,337	1,337	970r	970	970
8 Tennessee Valley Authority	14,365	14,970	15,435	15,675	15,635	15,776	15,776	16,475r	16,188
9 United States Railway Association[6]	194	111	51	51	51	74	74	74	74
10 Federally sponsored agencies[7]	204,030	205,776	236,419	236,120	239,953	240,027	243,782	248,309	249,380
11 Federal Home Loan Banks	55,967	48,930	65,085	64,706	65,700	65,257	67,765	69,898	70,244
12 Federal Home Loan Mortgage Corporation	4,524	6,793	10,270	11,237	11,882	12,004	12,167	12,723	13,197
13 Federal National Mortgage Association[8]	70,052	74,594	83,720	84,701	86,297	86,913	88,170	89,518	90,208
14 Farm Credit Banks	71,896	72,409	71,255	70,012	70,161	69,882	69,321	69,570	69,122
15 Student Loan Marketing Association	1,591	3,050	5,369	5,464	5,913	5,971	6,359	6,600	6,609
MEMO									
16 **Federal Financing Bank debt**[9]	**126,424**	**135,791**	**145,217**	**146,611**	**147,507**	**148,718**	**149,597**	**151,971r**	**152,958**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,177	14,789	15,852	15,852	15,690	15,690	15,690	15,729	15,729
18 Postal Service[6]	1,221	1,154	1,087	1,087	1,087	1,087	720	720	720
19 Student Loan Marketing Association	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	12,640	13,245	13,710	13,950	13,910	14,051	14,154	14,750r	14,463
21 United States Railway Association[6]	194	111	51	51	51	74	74	74	74
Other Lending[10]									
22 Farmers Home Administration	53,261	55,266	58,971	59,041	59,756	60,641	61,461	62,606	63,546
23 Rural Electrification Administration	17,157	19,766	20,693	20,804	20,730	20,894	21,003	21,183	21,364
24 Other	22,774	26,460	29,853	30,826	31,283	31,281	31,495	31,909r	32,062

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

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984		1985					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 **All issues, new and refunding[1]**	**79,138**	**86,421**	**106,641**	**13,548**	**17,713**	**6,607**	**8,510**	**9,873**	**12,095**	**14,097**	**11,313**
Type of issue											
2 General obligation	21,094	21,566	26,485	2,611	2,185	1,887	3,527	2,998	3,265	4,535	2,581
3 U.S. government loans[2]	225	96	16	3	2	7	0	5	0	2	0
4 Revenue	58,044	64,855	80,156	10,937	15,528	4,720	4,983	6,875	8,830	9,562	8,732
5 U.S. government loans[2]	461	253	17	1	0	3	0	0	2	0	1
Type of issuer											
6 State	8,438	7,140	9,129	405	725	369	1,559	252	958	1,298	350
7 Special district and statutory authority	45,060	51,297	63,550	7,265	11,894	4,045	4,493	5,754	7,279	8,126	7,380
8 Municipalities, counties, townships, school districts	25,640	27,984	33,962	5,878	5,094	2,193	2,458	3,867	3,858	4,673	3,583
9 **Issues for new capital, total**	**74,804**	**72,441**	**94,050**	**12,352**	**16,354**	**5,206**	**5,890**	**8,253**	**9,075**	**9,279**	**7,886**
Use of proceeds											
10 Education	6,482	8,099	7,553	999	671	757	950	1,018	1,121	1,169	933
11 Transportation	6,256	4,387	7,552	2,151	1,339	347	472	173	319	631	276
12 Utilities and conservation	14,259	13,588	17,844	534	4,133	1,359	1,008	1,491	2,347	1,478	1,883
13 Social welfare	26,635	26,910	29,928	3,701	3,598	1,670	1,848	3,155	3,105	3,454	2,903
14 Industrial aid	8,349	7,821	15,415	3,866	5,572	389	353	584	293	782	540
15 Other purposes	12,822	11,637	15,758	1,101	1,041	684	1,259	1,832	1,890	1,765	1,351

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

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984	1985						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 **All issues[1]**	**84,638**	**120,074**	**132,311**	**6,940**	**7,294**	**6,743**	**14,005**	**11,790**	**12,896**	**19,391**	**11,775[p]**
2 **Bonds[2]**	**54,076**	**68,495**	**109,683**	**5,918**	**5,739**	**4,027**	**11,641**	**8,850**	**9,738**	**15,651**	**8,628**
Type of offering											
3 Public	44,278	47,369	73,357	5,918	5,739	4,027	11,641	8,850	9,738	15,651	8,628
4 Private placement	9,798	21,126	36,326	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	12,822	16,851	24,607	1,741	1,326	1,476	5,660	922	1,500	8,044	2,688
6 Commercial and miscellaneous	5,442	7,540	13,726	555	144	469	974	1,317	639	865	1,642
7 Transportation	1,491	3,833	4,694	110	297	30	130	334	357	512	76
8 Public utility	12,327	9,125	10,679	575	309	80	500	860	1,136	585	423
9 Communication	2,390	3,642	2,997	169	375	353	300	0	150	125	110
10 Real estate and financial	19,604	27,502	52,980	2,768	3,288	1,619	4,077	5,418	5,956	5,520	3,689
11 **Stocks[3]**	**30,562**	**51,579**	**22,628**	**1,022**	**1,555**	**2,716**	**2,364**	**2,940**	**3,158**	**3,740**	**3,147**
Type											
12 Preferred	5,113	7,213	4,118	91	170	218	311	312	634	726	631[p]
13 Common	25,449	44,366	18,510	931	1,385	2,498	2,053	2,628	2,524	3,014	2,516[p]
Industry group											
14 Manufacturing	5,649	14,135	4,054	137	172	229	224	283	504	558	601[p]
15 Commercial and miscellaneous	7,770	13,112	6,277	112	234	760	472	1,019	624	1,453	562[p]
16 Transportation	709	2,729	589	71	0	153	32	522	33	236	0[p]
17 Public utility	7,517	5,001	1,624	66	225	283	197	157	185	91	87[p]
18 Communication	2,227	1,822	419	26	271	101	15	5	119	151	99[p]
19 Real estate and financial	6,690	14,780	9,665	610	653	1,190	1,424	954	1,693	1,251	1,798[p]

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

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1983	1984r	1984	1985						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June^r	July
Investment Companies[1]										
1 Sales of own shares[2]	84,345	107,484	10,006	19,152	14,786	14,582	18,049	16,408	18,191	20,285
2 Redemptions of own shares[3]	57,100	77,027	8,948	9,183	8,005	9,412	13,500	10,069	9,836	11,502
3 Net sales	27,245	30,457	1,058	9,969	6,781	5,170	4,549	6,339	8,355	8,783
4 Assets[4]	113,599	137,126	137,126	151,534	154,707	157,065	164,087	178,275	186,284	195,707
5 Cash position[5]	8,343	11,978	11,978	13,114	14,567	13,082	15,444	15,017	15,565	17,079
6 Other	105,256	125,148	125,148	138,420	140,140	143,983	148,643	163,258	170,719	178,628

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

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1982	1983	1984	1983		1984				1985	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2^r
1 Corporate profits with inventory valuation and capital consumption adjustment	159.1	225.2	285.7	245.0	260.0	277.4	291.1	282.8	291.6	292.3	298.5
2 Profits before tax	165.5	203.2	235.7	227.4	225.5	243.3	246.0	224.8	228.7	222.3	221.0
3 Profits tax liability	60.7	75.8	89.8	84.7	84.5	92.7	95.8	83.1	87.7	85.3	83.6
4 Profits after tax	104.8	127.4	145.9	142.6	141.1	150.6	150.2	141.7	141.0	137.0	137.4
5 Dividends	69.2	72.9	80.5	73.3	75.4	77.7	79.9	81.3	83.1	84.5	85.6
6 Undistributed profits	35.6	54.5	65.3	69.3	65.6	72.9	70.2	60.3	58.0	52.5	51.8
7 Inventory valuation	-9.5	-11.2	-5.6	-19.3	-9.2	-13.5	-7.3	-.2	-1.6	.9	2.5
8 Capital consumption adjustment	3.1	33.2	55.7	36.9	43.6	47.6	52.3	58.3	64.5	69.1	75.0

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

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

1. Ratio of total current assets to total current liabilities.
NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.
All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1983	1984r	1985[1r]	1984r Q1	1984r Q2	1984r Q3	1984r Q4	1985 Q1	1985 Q2r	1985 Q3[1r]	1985 Q4[1]
1 **Total nonfarm business**	**304.78**	**354.44**	**383.98**	**337.95**	**349.97**	**361.48**	**368.29**	**371.16**	**387.83**	**389.54**	**387.40**
Manufacturing											
2 Durable goods industries	53.08	66.24	73.58	61.23	64.03	68.26	71.43	69.87	73.96	75.81	74.68
3 Nondurable goods industries	63.12	72.58	79.86	68.68	71.93	74.18	75.53	75.78	80.36	82.02	81.30
Nonmanufacturing											
4 Mining	15.19	16.86	16.08	17.24	16.38	16.82	17.00	15.66	16.51	16.32	15.80
Transportation											
5 Railroad	4.88	6.79	7.24	6.06	7.34	7.31	6.44	6.02	7.48	8.06	7.43
6 Air	4.36	3.56	4.28	3.35	3.53	3.72	3.65	4.20	3.66	4.86	4.39
7 Other	4.72	6.17	6.05	5.87	6.14	6.47	6.18	6.01	6.37	6.09	5.74
Public utilities											
8 Electric	37.27	37.03	35.53	38.27	37.79	36.63	35.40	36.65	36.04	35.29	34.13
9 Gas and other	7.70	10.44	12.56	8.81	10.16	11.28	11.52	11.81	12.43	13.11	12.87
10 Commercial and other[2]	114.45	134.75	148.81	128.42	132.67	136.80	141.13	145.71r	151.02	148.00	151.05

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.
1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.
SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities ▲

Billions of dollars, end of period

Account	1980	1981	1982	1983	1984				1985	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
Assets										
Accounts receivable, gross										
1 Consumer	63.2	72.4	78.1	87.4	87.4	90.5	95.6	96.7	99.1	106.0
2 Business	90.3	100.3	101.4	113.4	120.5	124.4	124.5	135.2	142.1	144.6
3 Real estate	13.8	17.9	20.2	22.5	22.2	23.0	25.2	26.3	27.2	28.4
4 Total	167.3	190.5	199.7	223.4	230.1	238.0	245.3	258.3	268.5	279.0
Less:										
5 Reserves for unearned income	23.6	30.0	31.9	33.0	32.8	33.9	36.0	36.5	36.6	38.6
6 Reserves for losses	2.8	3.2	3.5	4.0	4.1	4.4	4.3	4.4	4.9	4.8
7 Accounts receivable, net	140.9	157.3	164.3	186.4	193.2	199.6	205.0	217.3	227.0	235.6
8 All other	23.1	27.1	30.7	34.0	35.7	35.8	36.4	35.4	35.9	39.5
9 **Total assets**	**164.0**	**184.4**	**195.0**	**220.4**	**228.9**	**235.4**	**241.3**	**252.7**	**262.9**	**275.2**
Liabilities										
10 Bank loans	14.3	16.1	18.3	18.7	16.2	18.3	19.7	21.3	19.8	18.5
11 Commercial paper	47.7	57.2	51.1	59.7	64.8	68.5	66.8	72.5	79.1	82.6
Debt										
12 Other short-term	10.4	11.3	12.7	13.9	14.1	15.5	16.1	16.2	16.8	16.6
13 Long-term	52.4	56.0	64.4	68.1	70.3	69.7	73.8	77.2	78.3	85.7
14 All other liabilities	15.9	18.5	21.2	30.1	32.4	32.1	32.6	33.1	35.4	36.9
15 Capital, surplus, and undivided profits	23.3	25.3	27.4	29.8	31.1	31.4	32.3	32.3	33.5	34.8
16 **Total liabilities and capital**	**164.0**	**184.4**	**195.0**	**220.4**	**228.9**	**235.4**	**241.3**	**252.7**	**262.9**	**275.2**

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

NOTE. Components may not add to totals due to rounding.
These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding July 31, 1985[1]	Changes in accounts receivable			Extensions			Repayments		
		1985			1985			1985		
		May	June	July	May	June	July	May	June	July
1 **Total**	**143,942**	**692**	**508**	**580**	**26,710**	**25,455**	**25,791**	**26,018**	**24,947**	**25,211**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	12,895	354	146	366	1,135	948	1,170	781	802	804
3 Business, industrial, and farm equipment	20,520	4	71	−38	1,238	1,347	1,240	1,234	1,276	1,278
Wholesale financing										
4 Automotive	19,577	−462	422	−997	9,493	9,053	8,497	9,955	8,631	9,494
5 Equipment	4,583	34	−160	83	588	439	638	554	599	555
6 All other	6,790	−249	126	30	1,569	1,517	1,576	1,818	1,391	1,606
Leasing										
7 Automotive	15,228	363	295	251	1,034	829	1,090	671	534	839
8 Equipment	37,477	141	−174	584	992	1,345	1,223	851	1,519	639
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,591	243	−268	207	9,396	8,917	9,201	9,153	9,185	8,994
10 All other business credit	11,281	264	50	154	1,265	1,060	1,156	1,001	1,010	1,002

1. Not seasonally adjusted.

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

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1982	1983	1984	1985 Feb.	Mar.	Apr.	May	June	July	Aug.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	94.6	92.8	96.8	101.8	91.3	101.4	106.4	102.4	119.2[r]	104.4
2 Amount of loan (thousands of dollars)	69.8	69.5	73.7	76.5	69.9	76.9	78.4	79.7	89.4[r]	74.4
3 Loan/price ratio (percent)	76.6	77.1	78.7	77.6	79.8	78.9	76.1	79.9	77.5[r]	74.6
4 Maturity (years)	27.6	26.7	27.8	28.1	27.2	27.4	26.8	27.7	27.5	24.5
5 Fees and charges (percent of loan amount)[2]	2.95	2.40	2.64	2.58	2.65	2.65	2.49	2.40	2.24[r]	2.46
6 Contract rate (percent per annum)	14.47	12.20	11.87	11.74	11.42	11.55	11.55	11.31	10.94[r]	10.78
Yield (percent per annum)										
7 FHLBB series[3]	15.12	12.66	12.37	12.21	11.92	12.05	12.01	11.75	11.34[r]	11.24
8 HUD series[4]	15.79	13.43	13.80	13.06	13.26	13.01	12.49	12.06	12.09	12.06
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	15.30	13.11	13.81	13.27	13.43	12.97	12.28	11.89	12.12	n.a.
10 GNMA securities[6]	14.68	12.25	13.13	12.23	12.68	12.31	11.93	11.54	11.48	11.24
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	66,031	74,847	83,339	90,369	91,975	92,765	93,610	94,777	95,634	96,324
12 FHA/VA-insured	39,718	37,393	35,148	34,553	34,585	34,516	34,428	34,307	34,276	34,177
13 Conventional	26,312	37,454	48,191	55,816	57,391	58,250	59,182	60,470	61,359	62,147
Mortgage transactions (during period)										
14 Purchases	15,116	17,554	16,721	1,559	2,256	1,515	1,703	1,904	1,918	1,921
15 Sales	2	3,528	978	0	100	0	0	0	251	230
Mortgage commitments[7]										
16 Contracted (during period)	22,105	18,607	21,007	1,895	1,636	1,921	2,074	1,593	1,583	1,797
17 Outstanding (end of period)	7,606	5,461	6,384	5,665	5,019	5,361	5,589	5,062	4,517[r]	4,245
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,131	5,996	9,283	11,118	11,549	11,615	11,879	12,576	12,844	n.a.
19 FHA/VA	1,027	974	910	859	854	850	843	838	842	n.a.
20 Conventional	4,102	5,022	8,373	10,259	10,694	10,765	11,036	11,738	12,002	n.a.
Mortgage transactions (during period)										
21 Purchases	23,673	23,089	21,886	3,247	3,232	2,201	3,591	4,106	4,626	n.a.
22 Sales	24,170	19,686	18,506	2,428	2,751	1,973	3,189	3,292	4,200	n.a.
Mortgage commitments[9]										
23 Contracted (during period)	28,179	32,852	32,603	3,622	3,453	4,141	3,701	5,172	3,259	n.a.
24 Outstanding (end of period)	7,549	16,964	13,318	30,135	30,436	n.a.	n.a.	n.a.	n.a.	n.a.

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

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1982	1983	1984	1984 Q2	1984 Q3	1984 Q4	1985 Q1	1985 Q2
1 **All holders**	**1,631,283r**	**1,811,445r**	**2,025,383r**	**1,919,082r**	**1,975,197r**	**2,025,383r**	**2,072,673r**	**2,127,879**
2 1- to 4-family	1,074,670r	1,192,840r	1,331,582r	1,263,236r	1,298,583r	1,331,582r	1,363,648r	1,402,596
3 Multifamily	145,767r	156,738r	171,418r	165,088r	167,439r	171,418r	175,047r	179,369
4 Commercial	300,799	349,195	407,533	376,617	394,144	407,533	419,809	431,891
5 Farm	110,047r	112,672r	114,850r	114,141r	115,031r	114,850r	114,169r	114,023
6 Major financial institutions	1,021,327	1,108,249	1,241,682	1,177,662	1,215,160	1,241,682	1,263,656	1,292,487
7 Commercial banks[1]	301,272	330,521	374,681	352,258	363,156	374,681	383,444	395,755
8 1- to 4-family	173,804	182,514	196,070	190,185	193,090	196,070	198,912	203,299
9 Multifamily	16,480	18,410	21,432	20,501	20,083	21,432	21,974	22,716
10 Commercial	102,553	120,210	146,650	131,533	139,742	146,650	152,242	159,094
11 Farm	8,435	9,387	10,529	10,039	10,241	10,529	10,316	10,646
12 Mutual savings banks	94,452	131,940	154,441	143,387	146,073	154,441	161,992	165,684
13 1- to 4-family	64,488	93,649	109,890	102,122	103,824	109,890	114,735	118,190
14 Multifamily	14,780	17,247	19,385	18,227	18,580	19,385	20,081	20,575
15 Commercial	15,156	21,016	25,136	23,009	23,639	25,136	27,146	26,888
16 Farm	28	28	30	29	30	30	30	31
17 Savings and loan associations	483,614	494,789	555,277	528,172	550,129	555,277	559,263	569,292
18 1- to 4-family	393,323	390,883	431,450	414,087	429,101	431,450	433,429	441,201
19 Multifamily	38,979	42,552	48,309	45,951	47,861	48,309	48,936	49,813
20 Commercial	51,312	61,354	75,518	68,134	73,167	75,518	76,898	78,278
21 Life insurance companies	141,989	150,999	157,283	153,845	155,802	157,283	158,957	161,756
22 1- to 4-family	16,751	15,319	14,180	14,437	14,204	14,180	13,918	14,009
23 Multifamily	18,856	19,107	19,017	19,028	18,828	19,017	19,071	19,328
24 Commercial	93,547	103,831	111,642	107,796	110,149	111,642	113,823	116,493
25 Farm	12,835	12,742	12,444	12,584	12,621	12,444	12,145	11,926
26 Federal and related agencies	138,741	148,328	158,993	153,897	154,768	158,993	163,547	166,504
27 Government National Mortgage Association	4,227	3,395	2,301	2,715	2,389	2,301	1,964	1,825
28 1- to 4-family	676	630	585	605	594	585	576	564
29 Multifamily	3,551	2,765	1,716	2,110	1,795	1,716	1,388	1,261
30 Farmers Home Administration	1,786	2,141	1,276	1,344	738	1,276	1,062	790
31 1- to 4-family	783	1,159	213	281	206	213	156	223
32 Multifamily	218	173	119	463	126	119	82	136
33 Commercial	377	409	497	81	113	497	421	163
34 Farm	408	400	447	519	293	447	403	268
35 Federal Housing and Veterans Administration	5,228	4,894	4,816	4,753	4,749	4,816	4,878	4,882
36 1- to 4-family	1,980	1,893	2,048	1,894	1,982	2,048	2,181	2,205
37 Multifamily	3,248	3,001	2,768	2,859	2,767	2,768	2,697	2,677
38 Federal National Mortgage Association	71,814	78,256	87,940	83,243	84,850	87,940	91,975	94,777
39 1- to 4-family	66,500	73,045	82,175	77,633	79,175	82,175	86,129	88,788
40 Multifamily	5,314	5,211	5,765	5,610	5,675	5,765	5,846	5,989
41 Federal Land Banks	50,953	52,010	52,261	52,364	52,595	52,261	52,120	51,654
42 1- to 4-family	3,130	3,081	3,074	3,061	3,068	3,074	3,080	3,053
43 Farm	47,823	48,929	49,187	49,303	49,527	49,187	49,040	48,601
44 Federal Home Loan Mortgage Corporation	4,733	7,632	10,399	9,478	9,447	10,399	11,548	12,576
45 1- to 4-family	4,686	7,559	9,654	8,931	8,841	9,654	10,642	11,288
46 Multifamily	47	73	745	547	606	745	906	1,288
47 Mortgage pools or trusts[2]	216,654	285,073	332,057	305,051	317,548	332,057	347,793	365,748
48 Government National Mortgage Association	118,940	159,850	179,981	170,893	175,770	179,981	185,954	192,925
49 1- to 4-family	116,038	155,950	175,589	166,723	171,481	175,589	181,419	188,228
50 Multifamily	2,902	3,900	4,392	4,170	4,289	4,392	4,535	4,697
51 Federal Home Loan Mortgage Corporation	42,964	57,895	70,822	61,267	63,964	70,822	76,759	83,327
52 1- to 4-family	42,560	57,273	70,253	60,636	63,352	70,253	75,781	82,369
53 Multifamily	404	622	569	631	612	569	978	958
54 Federal National Mortgage Association[3]	14,450	25,121	36,215	29,256	32,888	36,215	39,370	42,755
55 1- to 4-family	14,450	25,121	35,965	29,256	32,730	35,965	38,772	41,985
56 Multifamily	n.a.	n.a.	250	n.a.	158	250	598	770
57 Farmers Home Administration	40,300	42,207	45,039	43,635	44,926	45,039	45,710	46,741
58 1- to 4-family	20,005	20,404	21,813	21,331	21,595	21,813	21,928	21,962
59 Multifamily	4,344	5,090	5,841	5,081	5,618	5,841	6,041	6,377
60 Commercial	7,011	7,351	7,559	7,764	7,844	7,559	7,681	8,014
61 Farm	8,940	9,362	9,826	9,459	9,869	9,826	10,060	10,388
62 Individual and others[4]	254,561r	269,795r	292,651r	282,472r	287,721r	292,651r	297,677r	303,140
63 1- to 4-family[5]	155,496r	164,360r	178,623r	172,054r	175,340r	178,623r	181,990r	185,232
64 Multifamily	36,644r	38,587r	41,110r	39,910r	40,441r	41,110r	41,914r	42,784
65 Commercial	30,843	35,024	40,531	38,300	39,490	40,531	41,598	42,961
66 Farm	31,578r	31,824r	32,387r	32,208r	32,450r	32,387r	32,175r	32,163

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

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

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

Millions of dollars

Holder, and type of credit	1983	1984	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July
	Amounts outstanding (end of period)										
1 **Total**	**383,701**	**460,500**	**447,783**	**460,500**	**461,530**	**463,628**	**471,567**	**479,935**	**488,666**	**495,813r**	**503,834**
By major holder											
2 Commercial banks	171,978	212,391	206,635	212,391	213,951	215,778	219,970	223,850	226,973	229,676r	232,913
3 Finance companies	87,429	96,747	95,753	96,747	96,732	97,360	99,133	101,324	104,130	105,971	107,985
4 Credit unions	53,471	67,858	66,528	67,858	68,538	68,939	70,432	71,418	72,381	73,468	74,614
5 Retailers[2]	37,470	40,913	37,124	40,913	38,978	37,483	37,082	37,091	37,472	37,548	37,399
6 Savings and loans	23,108	29,945	29,358	29,945	30,520	31,405	32,349	33,514	34,754	35,901	37,301
7 Gasoline companies	4,131	4,315	4,217	4,315	4,329	4,012	3,820	3,834	3,918	4,075	4,316
8 Mutual savings banks	6,114	8,331	8,168	8,331	8,482	8,651	8,781	8,904	9,038	9,174	9,306
By major type of credit											
9 Automobile	143,114	172,589	170,731	172,589	173,769	175,491	179,661	183,558	187,795	191,315r	194,678
10 Commercial banks	67,557	85,501	84,326	85,501	86,223	87,333	89,257	90,915	92,403	94,099r	95,763
11 Credit unions	25,574	32,456	31,820	32,456	32,781	32,973	33,687	34,159	34,620	35,139	35,687
12 Finance companies	49,983	54,632	54,585	54,632	54,765	55,185	56,717	58,484	60,772	62,077	63,228
13 Revolving	81,977	101,555	93,944	101,555	100,565	99,316	100,434	101,887	103,492	104,333r	105,539
14 Commercial banks	44,184	60,549	56,641	60,549	61,445	61,978	63,684	65,127	66,311	66,956r	68,093
15 Retailers	33,662	36,691	33,086	36,691	34,791	33,326	32,930	32,926	33,263	33,302	33,130
16 Gasoline companies	4,131	4,315	4,217	4,315	4,329	4,012	3,820	3,834	3,918	4,075	4,316
17 Mobile home	23,862	24,556	24,439	24,556	24,281	24,379	24,456	24,675	24,925	25,205r	25,545
18 Commercial banks	9,842	9,610	9,613	9,610	9,498	9,456	9,425	9,432	9,445	9,480r	9,493
19 Finance companies	9,547	9,243	9,235	9,243	9,053	9,044	8,981	8,992	9,016	9,061	9,146
20 Savings and loans	3,906	4,985	4,887	4,985	5,005	5,150	5,305	5,496	5,699	5,887	6,117
21 Credit unions	567	718	704	718	725	729	745	755	765	777	789
22 Other	134,748	161,800	158,669	161,800	162,915	164,442	167,016	169,815	172,454	174,960r	178,072
23 Commercial banks	50,395	56,731	56,055	56,731	56,785	57,011	57,604	58,376	58,814	59,141r	59,564
24 Finance companies	27,899	32,872	31,933	32,872	32,914	33,131	33,435	33,848	34,342	34,833	35,611
25 Credit unions	27,330	34,684	34,004	34,684	35,032	35,237	36,000	36,504	36,996	37,552	38,138
26 Retailers	3,808	4,222	4,038	4,222	4,187	4,157	4,152	4,165	4,209	4,246	4,269
27 Savings and loans	19,202	24,960	24,471	24,960	25,515	26,255	27,044	28,018	29,055	30,014	31,184
28 Mutual savings banks	6,114	8,331	8,168	8,331	8,482	8,651	8,781	8,904	9,038	9,174	9,306
	Net change (during period)										
29 **Total**	**48,742**	**76,799**	**6,080**	**6,819**	**7,223**	**9,041**	**8,342**	**8,270**	**9,042**	**5,227r**	**6,247**
By major holder											
30 Commercial banks	19,488	40,413	2,483	3,028	3,799	5,071	4,847	3,853	4,108	1,690r	1,824
31 Finance companies	18,572	18,636	778	1,196	901	1,203	2,048	1,885	2,373	1,218	1,629
32 Credit unions	6,218	14,387	1,731	1,336	1,290	1,423	797	1,215	673	797	1,149
33 Retailers[2]	5,075	3,443	278	389	251	269	91	168	341	−31	112
34 Savings and loans	7,285	6,837	546	576	922	997	715	1,063	1,327	1,417	1,338
35 Gasoline companies	68	184	86	117	−91	−102	−142	−45	59	−51	21
36 Mutual savings banks	1,322	2,217	178	177	151	180	−14	131	161	187	174
By major type of credit											
37 Automobile	16,856	29,475	2,549	2,687	2,887	3,198	3,391	3,488	3,792	2,686r	2,365
38 Commercial banks	8,002	17,944	1,019	1,275	1,616	1,790	1,767	1,546	1,589	1,488r	1,025
39 Credit unions	2,978	6,882	828	640	598	696	381	580	325	380	550
40 Finance companies	11,752	9,298	702	772	673	712	1,243	1,362	1,878	818	790
41 Revolving	12,353	19,578	1,614	1,445	1,957	2,527	2,631	2,126	2,429	−73r	856
42 Commercial banks	7,518	16,365	1,289	1,001	1,809	2,429	2,698	2,003	2,095	42r	733
43 Retailers	4,767	3,029	239	327	239	200	75	168	275	−64	102
44 Gasoline companies	68	184	86	117	−91	−102	−142	−45	59	−51	21
45 Mobile home	1,452	694	−91	117	−159	282	−11	218	186	196r	324
46 Commercial banks	237	−232	−1	29	−89	41	−50	19	−21	−31r	−22
47 Finance companies	776	−608	−192	−13	−144	33	−63	13	−19	1	74
48 Savings and loans	763	1,079	84	88	60	192	92	175	219	217	261
49 Credit unions	64	151	18	13	14	16	10	11	7	9	11
50 Other	18,081	27,052	2,008	2,570	2,538	3,034	2,331	2,438	2,635	2,418r	2,702
51 Commercial banks	3,731	6,336	176	723	463	811	432	285	445	191r	88
52 Finance companies	6,044	9,946	268	437	372	458	868	510	514	399	765
53 Credit unions	3,176	7,354	885	683	678	711	406	624	341	408	588
54 Retailers	308	414	39	62	12	69	16	0	66	33	10
55 Savings and loans	6,522	5,758	462	488	862	805	623	888	1,108	1,200	1,077
56 Mutual savings banks	1,322	2,217	178	177	151	180	−14	131	161	187	174

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

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

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

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

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

	Item	1982	1983	1984	1985 Jan.	Feb.	Mar.	Apr.	May	June	July
	INTEREST RATES										
	Commercial banks[1]										
1	48-month new car[2]	16.82	13.92	13.71	n.a.	13.37	n.a.	n.a.	13.16	n.a.	n.a.
2	24-month personal	18.64	16.50	16.47	n.a.	16.21	n.a.	n.a.	16.09	n.a.	n.a.
3	120-month mobile home[2]	18.05	16.08	15.58	n.a.	15.42	n.a.	n.a.	15.03	n.a.	n.a.
4	Credit card	18.51	18.78	18.77	n.a.	18.85	n.a.	n.a.	18.74	n.a.	n.a.
	Auto finance companies										
5	New car	16.15	12.58	14.62	15.11	13.78	12.65	11.92	11.87	12.06	12.46
6	Used car	20.75	18.74	17.85	17.88	17.91	17.78	17.78	17.84	17.77	17.49
	OTHER TERMS[3]										
	Maturity (months)										
7	New car	45.9	45.9	48.3	50.7	51.4	52.2	51.5	50.9	51.3	51.7
8	Used car	37.0	37.9	39.7	41.3	41.1	41.3	41.3	41.4	41.3	41.5
	Loan-to-value ratio										
9	New car	85	86	88	90	90	91	91	91	91	91
10	Used car	90	92	92	93	93	93	93	94	94	95
	Amount financed (dollars)										
11	New car	8,178	8,787	9,333	9,654	9,196	9,232	9,305	9,775	9,965	10,355
12	Used car	4,746	5,033	5,691	5,951	5,968	5,976	6,043	6,117	6,116	6,146

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

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

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1979r	1980r	1981r	1982r	1983r	1984r	1982r H2	1983r H1	1983r H2	1984r H1	1984r H2	1985 H1
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**388.7**	**340.0**	**371.6**	**398.3**	**538.9**	**755.6**	**442.1**	**508.8**	**569.0**	**704.0**	**807.3**	**708.4**
By sector and instrument												
2 U.S. government	37.4	79.2	87.4	161.3	186.6	198.8	218.4	222.0	151.1	172.7	224.9	182.3
3 Treasury securities	38.8	79.8	87.8	162.1	186.7	199.0	218.8	222.1	151.2	172.9	225.0	182.4
4 Agency issues and mortgages	-1.4	-.6	-.5	-.9	-.1	-.2	-.4	-.1	-.1	-.2	-.1	-.1
5 Private domestic nonfinancial sectors	351.3	260.8	284.2	237.0	352.3	556.8	223.7	286.7	417.9	531.3	582.4	526.1
6 Debt capital instruments	213.9	186.3	153.7	153.5	249.1	322.1	167.1	225.4	272.7	281.8	362.4	344.1
7 Tax-exempt obligations	30.3	30.3	23.4	48.6	57.3	65.8	54.6	57.3	57.3	38.9	92.6	80.5
8 Corporate bonds	17.3	26.7	21.8	18.7	16.0	42.3	25.3	21.4	10.6	24.4	60.2	61.4
9 Mortgages	166.2	129.4	108.5	86.2	175.7	214.1	87.1	146.7	204.7	218.5	209.6	202.2
10 Home mortgages	121.7	93.8	71.6	50.4	115.6	139.2	50.1	96.2	135.1	144.8	133.5	140.8
11 Multifamily residential	8.3	7.1	4.8	5.3	9.4	14.0	5.8	6.3	12.6	16.0	12.0	13.9
12 Commercial	24.4	19.2	22.2	25.2	47.6	58.8	27.3	42.3	53.0	55.6	62.0	49.0
13 Farm	11.8	9.3	9.9	5.3	3.0	2.1	3.9	1.9	4.1	2.0	2.1	-1.5
14 Other debt instruments	137.5	74.5	130.5	83.6	103.3	234.8	56.6	61.3	145.2	249.5	220.0	182.0
15 Consumer credit	45.4	4.7	22.7	20.1	59.8	96.5	21.7	44.1	75.5	102.1	90.9	122.3
16 Bank loans n.e.c.	51.2	37.0	54.7	54.1	26.7	79.4	41.9	13.7	39.8	90.2	68.7	16.6
17 Open market paper	11.1	5.7	19.2	-4.7	-1.6	23.7	-19.3	-10.0	6.9	33.5	13.8	15.6
18 Other	29.7	27.1	33.9	14.0	18.3	35.2	12.4	13.6	23.1	23.7	46.7	27.6
19 By borrowing sector	351.3	260.8	284.2	237.0	352.3	556.8	223.7	286.7	417.9	531.3	582.4	526.1
20 State and local governments	17.6	17.2	6.8	25.9	37.6	45.0	29.3	36.1	39.2	21.4	68.6	66.6
21 Households	181.0	117.9	119.2	90.4	190.4	249.5	93.5	156.0	224.8	248.2	250.7	273.1
22 Farm	21.4	14.3	16.4	7.9	4.5	2.9	5.9	1.1	7.8	2.1	3.8	-10.5
23 Nonfarm noncorporate	35.3	31.0	38.4	40.9	65.2	77.8	42.1	55.5	75.0	83.0	72.5	69.6
24 Corporate	96.0	80.4	103.4	71.9	54.6	181.7	52.9	38.0	71.1	176.6	186.8	127.3
25 Foreign net borrowing in United States	20.2	27.2	27.2	15.7	18.9	1.7	21.2	15.3	22.5	22.9	-19.5	-14.2
26 Bonds	3.9	.8	5.4	6.7	3.8	4.1	11.0	4.6	2.9	1.1	7.0	4.8
27 Bank loans n.e.c.	2.3	11.5	3.7	-6.2	4.9	-7.8	-4.7	11.3	-1.5	-4.6	-11.0	-11.7
28 Open market paper	11.2	10.1	13.9	10.7	6.0	1.4	9.0	-4.6	16.5	20.9	-18.1	-8.8
29 U.S. government loans	2.9	4.7	4.2	4.5	4.3	4.0	6.0	3.9	4.6	5.5	2.6	1.5
30 **Total domestic plus foreign**	**408.9**	**367.2**	**398.8**	**414.0**	**557.8**	**757.4**	**463.3**	**524.0**	**591.5**	**726.9**	**787.8**	**694.3**
						Financial sectors						
31 **Total net borrowing by financial sectors**	**82.4**	**57.6**	**89.0**	**76.2**	**85.2**	**130.3**	**57.5**	**66.7**	**103.7**	**119.2**	**141.3**	**177.9**
By instrument												
32 U.S. government related	47.9	44.8	47.4	64.9	67.8	74.9	69.7	66.2	69.4	69.6	80.1	105.0
33 Sponsored credit agency securities	24.3	24.4	30.5	14.9	1.4	30.4	7.5	-4.1	6.9	29.9	31.0	26.1
34 Mortgage pool securities	23.1	19.2	15.0	49.5	66.4	44.4	62.2	70.3	62.5	39.7	49.2	78.9
35 Loans from U.S. government	.6	1.2	1.9	.4	......	......	......	......	......	......	......	......
36 Private financial sectors	34.5	12.8	41.6	11.3	17.4	55.4	-12.2	.5	34.4	49.6	61.2	72.8
37 Corporate bonds	7.8	1.8	3.5	9.7	8.6	18.5	11.2	6.4	10.7	12.2	24.7	31.9
38 Mortgages	*	*	*	.1	*	-.1	.1	*	*	-.1	-.1	*
39 Bank loans n.e.c.	-.5	-.9	.9	1.9	-.2	1.0	.6	-2.5	2.2	.3	1.6	*
40 Open market paper	18.0	4.8	20.9	-1.1	16.0	20.4	-14.6	8.7	23.4	21.3	19.5	29.3
41 Loans from Federal Home Loan Banks	9.2	7.1	16.2	.8	-7.0	15.7	-9.5	-12.1	-2.0	15.9	15.5	11.6
By sector												
42 Sponsored credit agencies	24.8	25.6	32.4	15.3	1.4	30.4	7.5	-4.1	6.9	29.9	31.0	26.1
43 Mortgage pools	23.1	19.2	15.0	49.5	66.4	44.4	62.2	70.3	62.5	39.7	49.2	78.9
44 Private financial sectors	34.5	12.8	41.6	11.3	17.4	55.4	-12.2	.5	34.4	49.6	61.2	72.8
45 Commercial banks	1.6	.5	.4	1.2	.5	4.4	1.7	.8	.2	4.8	3.9	8.2
46 Bank affiliates	6.5	6.9	8.3	1.9	8.6	10.9	-5.8	6.1	11.1	20.0	1.8	8.2
47 Savings and loan associations	12.6	7.4	15.5	2.5	-2.1	22.7	-9.3	-9.3	5.2	19.7	25.6	5.6
48 Finance companies	15.3	-1.1	18.2	6.3	11.3	18.1	1.9	3.9	18.8	5.6	30.6	51.6
49 REITs	-.1	-.5	-.2	*	.3	.2	*	-.3	-.2	.3	.1	.1
						All sectors						
50 **Total net borrowing**	**491.3**	**424.9**	**487.8**	**490.2**	**643.0**	**887.6**	**520.8**	**590.7**	**695.2**	**846.1**	**929.2**	**872.1**
51 U.S. government securities	84.8	122.9	133.0	225.9	254.4	273.8	288.3	288.4	220.5	242.4	305.1	287.4
52 State and local obligations	30.3	30.3	23.4	48.6	57.3	65.8	54.6	57.3	57.3	38.9	92.6	80.5
53 Corporate and foreign bonds	29.0	29.3	30.7	35.0	28.4	64.8	47.5	32.5	24.3	37.7	92.0	98.1
54 Mortgages	166.1	129.3	108.4	86.2	175.6	213.9	87.1	146.6	204.7	218.3	209.4	202.1
55 Consumer credit	45.4	4.7	22.7	20.1	59.8	96.5	21.7	44.1	75.5	102.1	90.9	122.3
56 Bank loans n.e.c.	52.9	47.7	59.2	49.9	31.4	72.6	37.8	22.5	40.4	85.9	59.3	4.9
57 Open market paper	40.3	20.6	54.0	4.9	20.4	45.4	-25.0	-5.9	46.8	75.7	15.2	36.1
58 Other loans	42.4	40.1	56.2	19.7	15.5	54.9	8.9	5.3	25.7	45.1	64.8	40.8
						External corporate equity funds raised in United States						
59 **Total new share issues**	**-4.3**	**21.9**	**-3.0**	**35.3**	**67.8**	**-33.1**	**47.2**	**83.4**	**52.1**	**-40.8**	**-25.5**	**25.4**
60 Mutual funds	.1	5.2	6.3	18.4	32.8	37.7	24.3	36.8	28.9	39.6	35.7	94.9
61 All other	-4.3	16.8	-9.3	16.9	35.0	-70.8	22.9	46.7	23.2	-80.4	-61.2	-69.5
62 Nonfinancial corporations	-7.8	12.9	-11.5	11.4	28.3	-77.0	15.8	38.2	18.4	-84.5	-69.4	-78.7
63 Financial corporations	2.7	1.8	1.9	4.0	2.7	5.1	4.1	2.7	2.6	4.8	5.3	5.4
64 Foreign shares purchased in United States	.8	2.1	.3	1.5	4.0	1.1	3.0	5.7	2.2	-.7	2.9	3.8

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1979r	1980r	1981r	1982r	1983r	1984r	1982r H2	1983r H1	1983r H2	1984r H1	1984r H2	1985r H1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**388.7**	**340.0**	**371.6**	**398.3**	**538.9**	**755.6**	**442.1**	**508.8**	**569.0**	**704.0**	**807.3**	**708.4**
By public agencies and foreign												
2 Total net advances	75.2	97.1	97.7	114.1	117.5	142.2	127.1	120.2	114.7	123.2	161.2	193.6
3 U.S. government securities	-6.3	15.8	17.1	22.7	27.6	36.0	35.7	40.7	14.4	29.5	42.5	52.8
4 Residential mortgages	35.8	31.7	23.5	61.0	76.1	56.5	74.5	80.2	72.1	52.8	60.1	86.5
5 FHLB advances to savings and loans	9.2	7.1	16.2	.8	-7.0	15.7	-9.5	-12.1	-2.0	15.9	15.5	11.6
6 Other loans and securities	36.5	42.5	40.9	29.5	20.8	34.1	26.5	11.5	30.2	25.1	43.2	42.7
Total advanced, by sector												
7 U.S. government	19.0	23.7	24.0	15.9	9.7	17.2	17.1	9.1	10.3	7.9	26.5	5.2
8 Sponsored credit agencies	53.1	45.6	48.2	65.5	69.8	73.3	69.1	68.6	71.0	73.6	73.0	111.2
9 Monetary authorities	7.7	4.5	9.2	9.8	10.9	8.4	15.7	15.6	6.2	11.9	4.9	27.9
10 Foreign	-4.5	23.3	16.2	22.8	27.1	43.4	25.3	27.0	27.2	29.9	56.9	49.2
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.9	44.8	47.4	64.9	67.8	74.9	69.7	66.2	69.4	69.6	80.1	105.0
12 Foreign	20.2	27.2	27.2	15.7	18.9	1.7	21.2	15.3	22.5	22.9	-19.5	-14.2
Private domestic funds advanced												
13 Total net advances	381.6	314.9	348.5	364.8	508.1	690.0	405.9	470.0	546.1	673.3	706.8	605.7
14 U.S. government securities	91.0	107.1	115.9	203.1	226.9	237.8	252.6	247.6	206.1	213.0	262.7	234.7
15 State and local obligations	30.3	30.3	23.4	48.6	57.3	65.8	54.6	57.3	57.3	38.9	92.6	80.5
16 Corporate and foreign bonds	18.5	19.3	18.8	14.8	14.9	29.9	29.6	21.4	8.5	17.7	42.2	33.2
17 Residential mortgages	94.2	69.1	52.9	-5.5	48.9	96.6	-18.7	22.2	75.5	107.9	85.3	68.1
18 Other mortgages and loans	156.7	96.3	153.8	104.6	153.0	275.6	78.2	109.4	196.7	311.7	239.5	200.9
19 LESS: Federal Home Loan Bank advances	9.2	7.1	16.2	.8	-7.0	15.7	-9.5	-12.1	-2.0	15.9	15.5	11.6
Private financial intermediation												
20 *Credit market funds advanced by private financial institutions*	316.4	281.3	317.2	287.6	382.7	553.2	300.7	334.6	430.7	548.1	558.3	465.0
21 Commercial banking	123.1	100.6	102.3	107.2	136.1	181.9	114.5	121.6	150.6	196.0	167.9	140.3
22 Savings institutions	56.5	54.5	27.4	31.4	140.5	143.0	37.6	132.7	148.4	161.5	124.6	78.0
23 Insurance and pension funds	85.6	94.5	97.6	107.4	94.2	123.1	103.8	83.0	105.3	111.8	134.4	101.6
24 Other finance	51.2	31.7	89.9	41.5	11.9	105.1	44.8	-2.7	26.5	78.8	131.4	145.2
25 Sources of funds	316.4	281.3	317.2	287.6	382.7	553.2	300.7	334.6	430.7	548.1	558.3	465.0
26 Private domestic deposits and RPs	137.4	169.6	211.9	174.4	205.2	287.7	201.7	194.1	216.3	277.1	298.2	186.2
27 Credit market borrowing	34.5	12.8	41.6	11.3	17.4	55.4	-12.2	.5	34.4	49.6	61.2	72.8
28 Other sources	144.5	98.8	63.7	101.8	160.0	210.1	111.2	140.0	180.0	221.3	198.9	206.0
29 Foreign funds	27.6	-21.7	-8.7	-26.7	22.1	19.0	-25.1	-14.2	58.5	27.2	10.9	26.3
30 Treasury balances	.4	-2.6	-1.1	6.1	-5.3	4.0	14.1	10.1	-20.8	1.7	6.4	20.1
31 Insurance and pension reserves	72.9	83.7	90.7	103.2	95.1	111.7	95.3	83.5	106.8	118.0	105.5	93.3
32 Other, net	43.6	39.4	-17.2	19.3	48.1	75.4	26.9	60.6	35.6	74.6	76.2	66.2
Private domestic nonfinancial investors												
33 Direct lending in credit markets	99.7	46.5	72.9	88.5	142.8	192.2	93.0	135.9	149.8	174.8	209.6	213.5
34 U.S. government securities	52.5	24.6	29.3	32.1	88.3	122.8	28.9	97.5	79.1	128.3	117.3	123.5
35 State and local obligations	9.9	7.0	11.1	29.2	43.5	42.2	29.7	47.2	39.8	24.3	60.1	41.9
36 Corporate and foreign bonds	-1.4	-11.0	-3.9	3.9	-9.2	*	13.8	-14.5	-4.0	-8.4	8.5	13.1
37 Open market paper	8.6	-3.1	2.7	-.6	6.5	-1.0	-4.7	-6.0	19.1	4.4	-6.5	11.6
38 Other	30.1	29.1	33.7	24.0	13.7	28.2	25.4	11.8	15.6	26.2	30.3	23.4
39 Deposits and currency	146.8	181.1	221.9	181.6	224.4	292.2	211.5	215.9	232.8	288.5	296.0	203.8
40 Currency	8.0	10.3	9.5	9.7	14.3	8.6	12.7	14.8	13.8	15.9	1.4	18.8
41 Checkable deposits	18.3	5.2	18.0	15.4	23.0	21.4	29.3	49.1	-3.0	25.0	17.7	17.1
42 Small time and savings accounts	59.3	82.9	47.0	138.1	219.5	149.2	193.1	278.9	160.1	129.9	168.6	162.5
43 Money market fund shares	34.4	29.2	107.5	24.7	-44.1	47.2	10.0	-84.0	-4.2	30.2	64.2	4.2
44 Large time deposits	18.8	45.8	36.9	-7.7	-7.5	75.7	-37.3	-61.0	45.9	88.8	62.7	-2.3
45 Security RPs	6.6	6.5	2.5	3.8	14.3	-5.8	6.6	11.0	17.5	3.3	-15.0	4.7
46 Deposits in foreign countries	1.5	1.1	.5	-2.5	4.8	-4.0	-2.9	7.0	2.7	-4.5	-3.6	-1.2
47 ***Total of credit market instruments, deposits and currency***	**246.5**	**227.6**	**294.7**	**270.1**	**367.2**	**484.5**	**304.5**	**351.8**	**382.6**	**463.3**	**505.6**	**417.3**
48 Public holdings as percent of total	18.4	26.4	24.5	27.6	21.1	18.8	27.4	22.9	19.4	17.0	20.5	27.9
49 Private financial intermediation (in percent)	82.9	89.3	91.0	78.8	75.3	80.2	74.1	71.2	78.9	81.4	79.0	76.8
50 Total foreign funds	23.1	1.6	7.6	-3.9	49.2	62.4	.1	12.8	85.7	57.0	67.8	75.5
MEMO: Corporate equities not included above												
51 **Total net issues**	**-4.3**	**21.9**	**-3.0**	**35.3**	**67.8**	**-33.1**	**47.2**	**83.4**	**52.1**	**-40.8**	**-25.5**	**25.4**
52 Mutual fund shares	.1	5.2	6.3	18.4	32.8	37.7	24.3	36.8	28.9	39.6	35.7	94.9
53 Other equities	-4.3	16.8	-9.3	16.9	35.0	-70.8	22.9	46.7	23.2	-80.4	-61.2	-69.5
54 Acquisitions by financial institutions	12.9	24.9	20.9	37.1	56.4	11.1	63.9	76.2	36.5	2.6	19.6	56.9
55 Other net purchases	-17.1	-3.0	-23.9	-1.8	11.4	-44.3	-16.7	7.2	15.6	-43.4	-45.1	-31.5

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

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

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

Measure	1982	1983	1984	1984	1985							
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[r]	Aug.
1 **Industrial production**	**103.1**	**109.2**	**121.8**	**123.3**	**123.6**	**123.7**	**124.0**	**124.1**	**124.1**	**124.4**	**124.4**	**124.0**
Market groupings												
2 Products, total	107.8	113.9	127.1	129.8	129.6	129.8	130.3	130.8	131.4	131.7	131.7	132.3
3 Final, total	109.5	114.7	127.8	130.6	130.4	130.4	130.8	131.3	131.7	131.7	131.7	132.4
4 Consumer goods	101.4	109.3	118.2	119.7	118.8	119.1	119.8	119.5	120.0	120.7	120.4	121.3
5 Equipment	120.2	121.7	140.5	144.9	145.7	145.3	145.4	146.9	147.1	146.4	146.6	147.1
6 Intermediate	101.7	111.2	124.9	127.3	126.8	127.7	128.6	129.3	130.3	131.8	131.9	132.2
7 Materials	96.7	102.8	114.6	114.6	115.4	115.4	115.5	115.0	114.2	114.5	114.3	114.5
Industry groupings												
8 Manufacturing	102.2	110.2	123.9	125.8	125.9	125.8	126.3	126.6	126.6	126.7	126.8	127.5
Capacity utilization (percent)[2]												
9 Manufacturing	70.3	74.0	80.8	80.9	80.7	80.4	80.5	80.5	80.3	80.2	80.0	80.2
10 Industrial materials industries	71.7	75.3	82.3	81.3	81.7	81.5	81.4	80.9	80.1	80.2	79.9	79.8
11 Construction contracts (1977 = 100)[3]	111.0	137.0	149.0	150.0	150.0	145.0	162.0	161.0	162.0	142.0	164.0	163.0
12 Nonagricultural employment, total[4]	136.1	137.1	143.6	146.0	146.5	146.8	147.3	147.6	148.0	148.1	148.5	148.9
13 Goods-producing, total	102.2	100.1	106.1	107.5	107.7	107.5	107.5	107.6	107.5	107.3	107.2	107.4
14 Manufacturing, total	96.6	94.8	99.8	100.8	100.8	100.6	100.4	100.1	99.9	99.7	99.5	99.7
15 Manufacturing, production-worker	89.1	87.9	94.0	93.7	93.6	93.3	93.0	92.6	92.3	92.0	91.9	92.1
16 Service-producing	154.7	157.3	164.1	167.2	167.8	168.3	169.1	169.5	170.3	170.5	171.2	171.7
17 Personal income, total	410.3	435.6	478.1	493.9	496.7	499.4	501.0	505.5r	502.2	504.1	506.3	507.8
18 Wages and salary disbursements	367.4	388.6	422.5	436.7	438.5	440.5	443.7	445.7	446.8	449.8	450.4	453.0
19 Manufacturing	285.5	294.7	323.6	333.2	334.4	332.9	334.8	333.5	333.9	334.7	334.5	337.1
20 Disposable personal income[5]	398.0	427.1	470.3	484.5	487.6	484.7	481.3	496.3r	504.5	492.1	494.4	495.3
21 Retail sales (1977 = 100)[6]	148.1	162.0	179.0	183.4	184.2	186.1	185.7	191.5	190.7	188.8	189.1	192.7
Prices[7]												
22 Consumer	289.1	298.4	311.1	315.5	316.1	317.4	318.8	320.1	321.3	322.3	322.8	323.5
23 Producer finished goods	280.7	285.2	291.2	292.0	292.1	292.6	292.1r	293.1	294.2	293.9	294.8	293.5

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 will be shown in the September BULLETIN.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1982	1983	1984	1985							
				Jan.	Feb.	Mar.	Apr.	May r	June	July	Aug.
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population[1]	**174,450**	**176,414**	**178,602**	**179,600**	**179,742**	**179,891**	**180,024**	**180,171**	**180,322**	**180,492**	**180,657**
2 Labor force (including Armed Forces)[1]	112,383	113,749	115,763	117,091	117,310	117,738	117,596	117,600	117,009	117,543	117,551
3 Civilian labor force	110,204	111,550	113,544	114,875	115,084	115,514	115,371	115,373	114,783	115,314	115,299
Employment											
4 Nonagricultural industries[2]	96,125	97,450	101,685	103,071	103,345	103,757	103,517	103,648	103,232	103,737	104,080
5 Agriculture	3,401	3,383	3,321	3,320	3,340	3,362	3,428	3,312	3,138	3,126	3,092
Unemployment											
6 Number	10,678	10,717	8,539	8,484	8,399	8,396	8,426	8,413	8,413	8,451	8,127
7 Rate (percent of civilian labor force)	9.7	9.6	7.5	7.4	7.3	7.3	7.3	7.3	7.3	7.3	7.0
8 Not in labor force	62,067	62,665	62,839	62,509	62,432	62,153	62,428	62,571	63,313	62,949	63,106
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment[3]	**89,566**	**90,196**	**94,461**	**96,419**	**96,591**	**96,910**	**97,120**	**97,421**	**97,473r**	**97,722r**	**98,010**
10 Manufacturing	18,781	18,434	19,412	19,604	19,561	19,526	19,467	19,426	19,398r	19,355r	19,392
11 Mining	1,128	952	974	974	976	977	982	982	974	970	961
12 Contract construction	3,905	3,948	4,345	4,534	4,525	4,553	4,641	4,658	4,638r	4,653r	4,678
13 Transportation and public utilities	5,082	4,954	5,171	5,259	5,272	5,269	5,278	5,301	5,295	5,306r	5,290
14 Trade	20,457	20,881	22,134	22,776	22,857	22,963	23,013	23,140	23,193r	23,240r	23,315
15 Finance	5,341	5,468	5,682	5,790	5,809	5,835	5,858	5,888	5,906r	5,934r	5,972
16 Service	19,036	19,694	20,761	5,263r	5,269r	5,274r	5,278r	5,270r	5,276r	5,284r	5,314
17 Government	15,837	15,870	15,987	16,100	16,111	16,143	16,158	16,213	16,213r	16,349r	16,338

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

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

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

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1984		1985		1984		1985		1984		1985	
	Q3	Q4	Q1	Q2[r]	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**123.4**	**123.1**	**123.8**	**124.2**	**150.6**	**151.7**	**152.8**	**154.0**	**81.9**	**81.2**	**81.0**	**80.7**
2 Mining	113.8	108.3	110.1	109.9	132.9	133.1	133.4	133.6	85.6	81.3	82.6	82.3
3 Utilities	109.8	111.1	114.2	113.7	132.6	133.0	133.7	134.5	82.8	83.5	85.5	84.4
4 **Manufacturing**	**125.6**	**125.8**	**126.0**	**126.7**	**153.9**	**155.2**	**156.5**	**157.7**	**81.6**	**81.0**	**80.5**	**80.3**
5 Primary processing	107.6	107.0	107.5	108.0	131.2	131.4	131.6	132.0	82.0	81.5	81.6	81.8
6 Advanced processing	136.3	137.0	137.1	137.9	167.6	169.6	171.4	173.2	81.3	80.8	80.0	79.8
7 **Materials**	**116.0**	**114.5**	**115.4**	**114.5**	**139.8**	**140.7**	**141.6**	**142.5**	**83.0**	**81.4**	**81.5**	**80.4**
8 Durable goods	124.0	123.7	123.6	121.5	153.1	154.4	155.9	157.4	81.0	80.1	79.3	77.2
9 Metal materials	82.0	80.4	80.6	80.3	118.8	117.8	117.3	117.3	69.0	68.2	68.7	68.5
10 Nondurable goods	111.6	110.9	110.9	111.1	136.3	136.8	137.3	137.8	81.9	81.0	80.7	80.6
11 Textile, paper, and chemical	112.2	110.7	111.6	110.9	135.7	136.2	136.7	137.0	82.7	81.3	81.3	81.0
12 Paper	127.7	126.2	126.3	121.5	133.7	135.3	136.1	136.2	95.5	93.3	92.8	89.2
13 Chemical	110.2	110.9	113.2	112.5	140.8	141.1	141.5	142.0	78.3	78.6	80.0	79.2
14 Energy materials	105.7	101.3	105.0	105.3	119.3	119.7	120.0	120.3	88.6	84.6	87.5	87.5

Series	Previous cycle[1]		Latest cycle[2]		1984	1984	1985							
	High	Low	High	Low	Aug.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[r]	Aug.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**82.0**	**81.1**	**81.1**	**80.9**	**81.0**	**80.8**	**80.6**	**80.6**	**80.4**	**80.5**
16 Mining	92.8	87.8	95.2	76.9	85.0	81.7	82.9	82.1	82.8	82.1	82.2	82.6	81.9	81.3
17 Utilities	95.6	82.9	88.5	78.0	83.0	83.8	84.7	86.7	85.0	84.6	84.5	84.4	83.9	83.4
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**81.8**	**80.9**	**80.7**	**80.4**	**80.5**	**80.5**	**80.3**	**80.2**	**80.0**	**80.2**
19 Primary processing	91.9	68.3	89.1	65.1	82.3	80.9	81.6	81.5	81.8	82.1	81.5	81.9	82.2	82.5
20 Advanced processing	86.0	71.1	85.1	69.5	81.4	80.8	80.2	79.8	79.8	79.7	79.8	79.4	78.9	79.2
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**83.1**	**81.3**	**81.7**	**81.5**	**81.4**	**80.9**	**80.1**	**80.2**	**79.9**	**79.8**
22 Durable goods	91.8	64.4	89.8	60.9	81.3	79.7	79.9	79.1	78.9	78.3	76.6	76.7	76.5	76.5
23 Metal materials	99.2	67.1	93.6	45.7	69.3	68.0	68.1	68.2	69.8	69.9	66.2	69.3	68.1	69.5
24 Nondurable goods	91.1	66.7	88.1	70.6	81.9	80.8	80.9	81.1	80.2	80.2	80.8	80.9	81.5	81.7
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	82.9	80.7	81.7	82.0	81.4	80.7	80.9	81.2	82.0	82.3
26 Paper	98.4	70.6	97.3	79.9	95.0	93.7	93.7	92.6	92.1	89.1	88.8	89.7	90.6	n.a.
27 Chemical	92.5	64.4	87.9	63.3	78.2	78.3	80.1	80.2	79.5	79.2	79.5	79.1	79.6	n.a.
28 Energy materials	94.6	86.9	94.0	82.2	88.4	85.5	86.6	87.4	88.4	87.6	87.5	87.3	86.2	85.6

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

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1984 avg.	1984					1985							
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July[p]	Aug.[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	***121.8***	***123.5***	***123.3***	***122.7***	***123.4***	***123.3***	***123.6***	***123.7***	***124.0***	***124.1***	**124.1**	**124.4**	**124.4**	**124.8**
2 Products	57.72	127.1	129.0	128.8	129.0	129.9	129.8	129.6	129.8	130.3	130.8	131.4	131.7	131.7	132.3
3 Final products	44.77	127.8	129.7	129.8	129.9	130.7	130.6	130.4	130.4	130.8	131.3	131.7	131.7	131.7	132.4
4 Consumer goods	25.52	118.2	118.4	118.3	118.5	119.6	119.7	118.8	119.1	119.8	119.5	120.0	120.7	120.4	121.3
5 Equipment	19.25	140.5	144.5	145.0	145.0	145.5	144.9	145.7	145.3	145.4	146.9	147.1	146.4	146.6	147.1
6 Intermediate products	12.94	124.9	126.9	125.6	126.2	127.2	127.3	126.8	127.7	128.6	129.3	130.3	131.8	131.9	132.2
7 Materials	42.28	114.6	116.1	115.9	114.2	114.6	114.6	115.4	115.4	115.5	115.0	114.2	114.5	114.3	114.5
Consumer goods															
8 Durable consumer goods	6.89	112.6	113.3	111.5	111.4	113.3	113.1	112.8	112.8	113.5	111.5	111.8	112.9	112.1	115.1
9 Automotive products	2.98	109.8	111.6	107.4	104.2	110.2	111.6	114.2	115.4	115.1	113.1	113.6	113.8	116.7	121.0
10 Autos and trucks	1.79	103.0	106.0	98.7	95.0	103.1	104.7	112.5	111.7	110.5	109.0	109.6	109.4	113.7	120.9
11 Autos, consumer	1.16	93.2	92.7	85.1	84.0	89.7	95.6	102.5	100.7	101.3	100.5	98.1	97.0	101.1	101.3
12 Trucks, consumer	.63	121.2	130.8	124.1	115.4	127.8	121.5	131.1	132.0	127.5	124.7	130.9	132.3	137.2	.....
13 Auto parts and allied goods	1.19	120.1	120.0	120.6	118.1	121.1	122.1	116.8	121.1	122.0	119.4	119.6	120.4	121.1	121.3
14 Home goods	3.91	114.8	114.6	114.7	116.9	115.8	114.3	111.6	110.9	112.2	110.2	110.4	112.2	108.6	110.6
15 Appliances, A/C and TV	1.24	136.2	138.7	138.0	140.5	137.4	137.2	126.1	127.1	131.8	126.9	129.3	134.8	121.5	127.3
16 Appliances and TV	1.19	137.5	140.6	140.1	142.2	138.4	138.2	126.6	127.2	131.8	127.1	128.7	135.2	123.1	.....
17 Carpeting and furniture	.96	117.6	117.5	118.8	118.1	118.1	114.1	112.7	117.9	117.7	118.1	116.9	119.6	121.4	.....
18 Miscellaneous home goods	1.71	97.8	95.7	95.6	99.3	99.0	97.9	100.6	95.1	95.0	93.7	93.1	91.7	92.1	.....
19 Nondurable consumer goods	18.63	120.2	120.2	120.7	121.0	121.8	122.1	121.1	121.4	122.1	122.5	123.1	123.5	123.5	123.5
20 Consumer staples	15.29	125.0	125.4	126.3	126.7	127.4	127.7	126.6	126.9	127.9	128.5	129.0	129.7	129.4	129.8
21 Consumer foods and tobacco	7.80	126.2	126.6	127.7	128.2	127.6	129.1	127.1	127.8	128.0	129.4	128.9	130.6	129.9	.....
22 Nonfood staples	7.49	123.9	124.3	125.0	125.4	127.5	126.5	126.0	126.0	127.7	127.6	129.1	128.7	128.9	129.6
23 Consumer chemical products	2.75	137.4	138.3	140.4	141.3	143.3	142.7	142.9	143.2	145.1	145.1	147.3	145.4	145.2	.....
24 Consumer paper products	1.88	138.4	141.2	140.7	140.0	141.5	141.8	141.2	138.1	141.7	142.0	143.7	144.7	145.5	.....
25 Consumer energy	2.86	101.4	99.8	100.0	100.5	103.0	100.7	99.9	101.5	101.9	101.5	102.1	102.2	102.5	.....
26 Consumer fuel	1.44	89.3	88.5	88.1	88.8	89.9	87.7	85.1	84.9	87.0	90.0	90.2	88.8	89.7	.....
27 Residential utilities	1.42	113.7	111.2	112.1	112.4	116.3	113.9	115.0	118.4	117.1	113.2	114.4	115.9	.....	.....
Equipment															
28 Business and defense equipment	18.01	139.6	143.5	144.1	144.1	144.6	143.9	145.5	145.6	146.1	147.7	147.9	147.2	147.2	147.7
29 Business equipment	14.34	134.9	139.1	139.2	139.1	139.8	138.4	140.4	140.0	140.2	142.0	141.9	140.6	140.4	140.7
30 Construction, mining, and farm	2.08	66.6	68.1	67.9	69.5	68.2	68.5	68.8	68.3	67.1	68.4	67.4	67.7	68.5	.....
31 Manufacturing	3.27	109.4	113.4	113.3	112.7	112.4	111.5	111.6	112.3	112.0	112.4	113.1	111.9	112.3	112.9
32 Power	1.27	79.2	80.3	82.4	83.7	83.8	84.5	82.5	81.8	79.6	81.8	82.8	83.3	83.7	84.1
33 Commercial	5.22	209.2	216.5	216.9	216.4	217.1	214.5	217.4	217.0	218.9	221.8	222.8	219.6	218.9	219.3
34 Transit	2.49	98.6	100.6	99.3	98.5	102.9	100.9	106.7	104.9	104.5	106.0	102.9	103.1	102.2	102.8
35 Defense and space equipment	3.67	157.9	160.7	163.4	163.5	163.3	165.3	165.3	167.3	169.0	170.1	171.2	172.8	173.5	175.0
Intermediate products															
36 Construction supplies	5.95	114.0	115.3	114.7	114.6	115.7	114.7	116.2	115.7	116.9	117.4	118.1	119.7	120.1	120.2
37 Business supplies	6.99	134.2	136.9	134.9	136.1	137.1	138.0	135.9	137.9	138.6	139.4	140.7	142.2	142.0	.....
38 General business supplies	5.67	137.9	141.3	138.7	140.1	140.9	141.4	140.2	141.1	141.9	143.4	144.4	145.8	145.8	.....
39 Commercial energy products	1.31	118.0	117.4	118.2	118.8	120.4	122.9	117.1	124.1	124.5	122.4	124.6	126.4	.....	.....
Materials															
40 Durable goods materials	20.50	122.3	124.4	124.0	123.7	123.9	123.4	124.2	123.3	123.3	122.8	120.7	121.2	121.2	121.6
41 Durable consumer parts	4.92	98.0	99.0	98.8	98.9	99.1	99.8	102.6	102.2	102.1	101.8	100.1	99.1	99.5	99.7
42 Equipment parts	5.94	164.5	170.1	169.9	168.6	169.1	168.8	166.7	164.2	163.3	161.1	157.8	157.5	157.6	157.9
43 Durable materials n.e.c.	9.64	108.6	109.2	108.5	108.7	108.7	107.4	109.1	109.0	109.6	110.0	108.2	110.1	109.8	110.4
44 Basic metal materials	4.64	86.4	85.6	85.0	84.8	85.2	84.0	83.5	84.1	85.1	86.6	82.0	85.4	84.9	.....
45 Nondurable goods materials	10.09	111.2	111.6	111.4	111.2	110.7	110.7	110.9	111.4	110.3	110.4	111.3	111.6	112.6	113.0
46 Textile, paper, and chemical materials	7.53	111.6	112.5	112.3	111.5	110.5	110.1	111.5	112.1	111.3	110.5	110.9	111.4	112.6	113.1
47 Textile materials	1.52	101.5	104.5	99.2	98.5	93.7	91.2	90.3	93.5	93.0	94.1	95.0	97.3	99.4	.....
48 Pulp and paper materials	1.55	126.5	127.0	127.7	126.2	125.1	127.2	127.5	126.0	125.4	121.3	120.9	122.2	123.5	.....
49 Chemical materials	4.46	109.9	110.1	111.5	110.8	111.1	110.6	113.3	113.5	112.7	112.3	112.9	112.5	113.3	.....
50 Miscellaneous nondurable materials	2.57	109.8	109.0	108.4	109.9	111.1	112.1	109.2	109.4	107.2	110.1	112.5	112.3	112.4	.....
51 Energy materials	11.69	104.0	105.5	105.5	99.9	101.5	102.4	103.9	104.9	106.2	105.3	105.3	105.2	103.9	103.2
52 Primary energy	7.57	107.5	109.3	110.0	101.4	104.1	106.0	107.0	107.6	110.2	107.9	107.8	108.8	106.6	.....
53 Converted fuel materials	4.12	97.6	98.5	97.2	97.1	96.8	96.0	98.2	100.0	99.0	100.6	100.6	98.5	98.8	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1984 avg.	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May[r]	1985 June[r]	1985 July[p]	1985 Aug.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.9	111.9	112.1	108.0	110.1	109.9	111.4	111.9	111.8	111.1	111.3	111.7	111.0	110.4
2 Mining	......	9.83	110.9	113.0	113.6	107.2	108.8	108.9	110.5	109.5	110.5	109.6	109.8	110.4	109.6	108.9
3 Utilities	......	5.96	110.9	110.0	109.7	109.4	112.1	111.6	113.0	115.8	113.9	113.6	113.7	113.8	113.3	112.9
4 Manufacturing	......	84.21	123.9	125.9	125.6	125.5	126.0	125.8	125.9	125.8	126.3	126.6	126.6	126.7	126.8	127.5
5 Nondurable	......	35.11	122.5	123.2	123.1	123.3	123.8	123.4	123.2	123.8	123.9	124.3	124.7	125.4	125.8	126.1
6 Durable	......	49.10	124.8	127.7	127.2	127.0	127.5	127.4	127.8	127.2	128.0	128.2	127.9	127.7	127.5	128.4
Mining																
7 Metal	10	.50	77.0	72.2	73.6	75.3	75.5	69.3	70.5	74.5	83.6	81.2	78.3	77.2	76.1	.....
8 Coal	11.12	1.60	127.6	136.4	144.2	102.0	113.1	116.2	118.5	121.5	131.9	128.5	128.7	134.0	128.0	127.0
9 Oil and gas extraction	13	7.07	109.1	110.2	109.2	110.1	109.8	109.8	110.7	108.2	106.8	106.5	106.9	106.7	107.0	106.5
10 Stone and earth minerals	14	.66	116.1	118.4	117.6	114.2	115.3	113.2	118.5	119.8	118.7	118.5	118.7	117.9	117.8	.....
Nondurable manufactures																
11 Foods	20	7.96	127.1	127.7	128.2	129.1	128.7	129.0	128.2	129.4	128.5	130.8	131.4	131.8	131.5	.....
12 Tobacco products	21	.62	100.7	97.3	99.6	103.1	102.7	107.4	97.2	103.8	103.4	98.4	95.7	100.5	.....	.....
13 Textile mill products	22	2.29	103.7	103.5	100.9	100.3	97.1	94.7	93.6	98.5	99.4	99.0	100.0	103.3	104.0	.....
14 Apparel products	23	2.79	102.8	101.3	100.1	100.5	101.1	102.5	102.6	103.1	101.3	100.2	100.3	99.2	100.9	.....
15 Paper and products	26	3.15	127.3	128.2	128.9	127.6	127.7	128.8	128.3	126.4	126.9	125.1	124.1	127.1	127.9	.....
16 Printing and publishing	27	4.54	147.9	151.5	148.8	149.5	153.5	151.2	150.4	150.3	152.6	154.2	155.4	156.3	156.4	157.8
17 Chemicals and products	28	8.05	121.7	122.0	124.2	123.5	124.3	123.4	125.7	125.8	126.5	125.8	126.7	126.4	127.0	.....
18 Petroleum products	29	2.40	87.4	87.5	85.7	85.4	86.2	84.7	84.1	84.0	84.7	87.3	87.4	87.0	87.5	88.4
19 Rubber and plastic products	30	2.80	143.2	144.5	144.1	146.0	146.6	146.6	145.9	145.7	144.1	144.9	144.3	144.6	145.5	.....
20 Leather and products	31	.53	76.7	74.2	73.4	70.9	71.5	71.4	69.1	69.2	69.4	69.9	71.0	70.5	71.3	.....
Durable manufactures																
21 Lumber and products	24	2.30	109.1	109.4	110.4	110.2	109.5	109.4	109.2	109.1	109.5	110.9	112.2	114.0	.....	.....
22 Furniture and fixtures	25	1.27	136.7	140.0	140.9	139.9	139.8	138.0	136.5	139.0	139.2	141.0	142.0	141.9	144.6	.....
23 Clay, glass, stone products	32	2.72	112.3	113.7	112.6	113.3	113.6	111.8	112.7	110.5	111.4	114.5	116.3	115.8	116.5	.....
24 Primary metals	33	5.33	82.4	84.0	82.9	81.3	80.9	78.4	81.7	80.2	81.8	81.4	76.4	78.3	78.3	78.9
25 Iron and steel	331.2	3.49	73.5	74.6	73.6	71.0	71.1	68.9	71.0	68.5	73.2	71.9	65.4	67.6	66.4	.....
26 Fabricated metal products	34	6.46	102.8	104.1	104.8	104.8	105.4	105.9	106.4	107.6	108.6	109.1	108.3	107.4	107.7	107.5
27 Nonelectrical machinery	35	9.54	142.0	147.8	146.5	146.6	145.8	144.6	145.0	144.9	146.5	148.9	149.1	145.9	145.8	146.5
28 Electrical machinery	36	7.15	172.4	176.2	176.8	178.4	178.9	180.2	176.0	173.2	173.1	168.9	169.3	169.9	165.7	165.9
29 Transportation equipment	37	9.13	113.6	116.2	114.3	113.4	116.0	117.8	120.4	120.5	120.8	120.7	120.9	121.7	123.2	126.8
30 Motor vehicles and parts	371	5.25	105.6	108.3	104.6	103.1	107.5	109.5	113.0	112.5	111.3	110.9	110.5	110.5	112.5	117.5
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	124.4	126.9	127.5	127.3	127.5	129.0	130.5	131.4	133.7	134.1	134.9	136.9	137.7	139.5
32 Instruments	38	2.66	136.9	139.8	140.2	138.6	138.6	138.9	138.7	138.7	139.0	138.5	139.9	140.7	140.7	141.2
33 Miscellaneous manufactures	39	1.46	98.0	97.8	95.9	98.6	98.6	97.2	99.0	96.4	96.0	98.3	98.3	97.8	96.3	.....
Utilities																
34 Electric	......	4.17	116.8	116.8	116.2	116.8	118.7	117.5	118.9	121.9	119.5	119.1	119.5	119.4	118.9	118.3
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
35 **Products, total**	......	**596.0**	**745.6**	**752.4**	**749.2**	**753.7**	**759.2**	**756.5**	**761.3**	**764.2**	**769.5**	**773.3**	**774.4**	**774.9**	**770.1**	**773.9**
36 Final	......	472.7	593.7	598.0	596.8	600.4	605.2	601.8	606.5	608.7	613.3	616.2	616.2	614.8	610.0	613.6
37 Consumer goods	......	309.2	356.5	354.1	352.5	355.5	359.0	360.0	358.8	360.9	364.6	364.7	365.1	364.9	362.7	364.6
38 Equipment	......	163.5	237.6	244.3	244.8	245.4	246.7	242.3	247.6	247.8	248.7	251.4	251.1	249.8	247.4	248.9
39 Intermediate	......	123.3	151.8	154.3	152.3	153.2	154.0	154.6	154.9	155.5	156.3	157.1	158.2	160.2	160.1	160.4

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

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

2.14 HOUSING AND CONSTRUCTION

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

Item	1982	1983	1984	1984			1985						
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,000	1,605	1,682	1,477	1,616	1,599	1,635	1,624	1,741	1,704	1,778	1,712	1,694
2 1-family	546	902	922	827	846	843	903	927	993	948	933	961	967
3 2-or-more-family	454	703	759	650	770	756	732	697	748	756	845	751	727
4 Started	1,062	1,703	1,749	1,564	1,600	1,630	1,849	1,647	1,889	1,933	1,681	1,701	1,647
5 1-family	663	1,067	1,084	979	1,043	1,112	1,060	1,135	1,168	1,155	1,039	1,031	1,062
6 2-or-more-family	400	635	665	585	557	518	789	512	721	778	642	670	585
7 Under construction, end of period[1]	720	1,003	1,051	1,081	1,077	1,073	1,071	1,066	1,063	1,088	1,089	1,078	1,079
8 1-family	400	524	556	571	574	579	572	580	578	583	582	575	582
9 2-or-more-family	320	479	494	510	503	495	499	485	485	505	507	503	497
10 Completed	1,005	1,390	1,652	1,614	1,587	1,635	1,719	1,794	1,685	1,641	1,627	1,768	1,686
11 1-family	631	924	1,025	972	1,001	985	1,107	1,082	1,043	1,074	1,020	1,098	1,010
12 2-or-more-family	374	466	627	642	586	650	612	712	642	567	607	670	676
13 Mobile homes shipped	240	296	295	302	291	282	273	276	283	287	287	270	286
Merchant builder activity in 1-family units													
14 Number sold	413	622	639	652	596	604	634	676	699	649r	682	708	747
15 Number for sale, end of period[1]	255	304	358	346	349	356	356	360	357	356r	356	354	353
Price (thousands of dollars)[2]													
Median													
16 Units sold	69.3	75.5	80.0	80.1	82.5	78.3	82.5	82.0	84.2	85.6r	80.1	85.7	81.7
Average													
17 Units sold	83.8	89.9	97.5	95.7	101.4	96.3	98.3	96.2	100.9	104.7r	98.1	99.0	99.5
EXISTING UNITS (1-family)													
18 Number sold	1,991	2,719	2,868	2,740	2,830	2,870	3,000	2,880	3,030	3,040	3,040	3,060	3,140
Price of units sold (thousands of dollars)[2]													
19 Median	67.7	69.8	72.3	71.9	71.9	72.1	73.8	73.5	74.2	74.5	75.0	76.2	77.4
20 Average	80.4	82.5	85.9	86.2	85.1	85.9	87.7	87.2	88.6	89.7	90.1	91.5	93.5
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**236,935**	**268,730**	**312,989**	**318,179**	**313,076**	**310,062**	**341,038**	**334,254**	**333,723**	**341,861r**	**339,943**	**343,837**	**340,243**
22 Private	186,091	218,016	257,802	261,963	257,469	254,547	283,688	276,452	274,575	281,988r	276,420	278,939	275,561
23 Residential	80,609	121,309	145,058	144,043	137,880	134,296	155,260	146,042	146,195	146,539r	142,254	147,158	144,542
24 Nonresidential, total	105,482	96,707	112,744	117,920	119,589	120,251	128,428	130,410	128,380	135,449r	134,166	131,781	131,019
Buildings													
25 Industrial	17,346	12,863	13,746	14,333	14,645	14,440	15,195	15,815	14,585	17,283	16,443	15,170	15,413
26 Commercial	37,281	35,787	48,102	52,092	52,541	54,528	58,524	58,922	59,382	61,219r	60,064	58,290	58,097
27 Other	10,507	11,660	12,298	11,916	11,771	12,150	11,889	12,054	11,245	12,663r	12,929	12,786	12,625
28 Public utilities and other	40,348	36,397	38,598	39,579	40,632	39,133	42,820	43,619	43,168	44,284r	44,730	45,535	44,884
29 Public	50,843	50,715	55,186	56,215	55,608	55,514	57,350	57,802	59,148	59,873r	63,523	64,897	64,682
30 Military	2,205	2,544	2,839	2,902	3,107	2,952	2,969	3,036	3,078	3,166r	3,349	3,426	3,197
31 Highway	13,293	14,143	16,295	16,210	16,939	16,888	17,759	18,416	19,176	19,920	22,314	21,093	19,685
32 Conservation and development	5,029	4,822	4,656	4,748	5,127	4,654	4,645	4,674	4,727	4,393r	5,051	5,410	5,135
33 Other	30,316	29,206	31,396	32,355	30,435	31,020	31,977	31,676	32,167	32,394r	32,809	34,968	36,665

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Aug. 1985 (1967 = 100)[1]
	1984 Aug.	1985 Aug.	1984		1985		1985					
			Sept.	Dec.	Mar.	June	Apr.	May	June	July	Aug.	
CONSUMER PRICES[2]												
1 **All items**	**4.2**	**3.4**	**4.5**	**3.0**	**4.1**	**3.3**	**.4**	**.2**	**.2**	**.2**	**.2**	**323.5**
2 Food	4.3	1.6	3.9	3.7	2.6	−.9	−.2	−.1	.1	.1	.0	309.7
3 Energy items	−.6	1.5	.1	−.7	−.8	9.6	1.8	.3	.2	−.3	−.6	433.8
4 All items less food and energy	5.1	4.1	5.3	3.5	5.5	3.4	.3	.3	.3	.3	.3	315.3
5 Commodities	4.1	1.8	3.8	.9	6.6	−1.4	.0	−.2	−.2	−.2	.1	258.8
6 Services	5.7	5.6	6.2	5.0	5.0	6.4	.4	.7	.5	.5	.5	378.6
PRODUCER PRICES												
7 Finished goods	1.8	.8	.0	1.1	.5	1.5	.4	.2	−.2	.3	−.3	293.5
8 Consumer foods	5.1	−1.6	4.5	3.3	−3.0	−8.2	−.9	−1.1	−.1	1.3	−.7	269.5
9 Consumer energy	−7.1	−2.9	−19.7	5.6	−21.3	25.9	6.1r	3.2r	−3.3	−1.4	−1.6	719.5
10 Other consumer goods	2.3	2.5	2.5	−.2	6.5	1.3	−.1r	.2	.2	.4	.0	252.6
11 Capital equipment	2.4	2.1	2.3	−1.1	6.2	1.9	.0r	.0	.4	.0	.2	300.9
12 *Intermediate materials*[3]	2.4	−.6	−1.1	1.2	−2.5	1.1	.3	.4r	−.4	−.3	−.1	324.4
13 Excluding energy	3.0	.1	.9	1.5	−1.0	1.2	−.1r	.2	.2	−.1	−.1	305.2
Crude materials												
14 Foods	.0	−13.7	−1.7	10.6	−24.9	−19.9	−3.0r	−2.2r	−.3	−1.1	−3.8	221.4
15 Energy	1.2	−6.6	.4	−7.6	−13.1	2.9	.4r	1.9r	−1.5	−.3	−.9	742.4
16 Other	1.0	−5.6	−15.3	−10.7	−13.3	3.4	2.0r	−1.4r	.2	.7	−1.2	245.8

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

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1982	1983	1984	1984			1985	
				Q2	Q3	Q4	Q1	Q2r
GROSS NATIONAL PRODUCT								
1 **Total**	**3,069.3**	**3,304.8**	**3,662.8**	**3,644.7**	**3,694.6**	**3,758.7**	**3,810.6**	**3,853.1**
By source								
2 Personal consumption expenditures	1,984.9	2,155.9	2,341.8	2,332.7	2,361.4	2,396.5	2,446.5	2,493.0
3 Durable goods	245.1	279.8	318.8	320.7	317.2	326.3	334.8	339.2
4 Nondurable goods	757.5	801.7	856.9	858.3	861.4	866.5	877.3	891.9
5 Services	982.2	1,074.4	1,166.1	1,153.7	1,182.8	1,203.8	1,234.4	1,261.9
6 Gross private domestic investment	414.9	471.6	637.8	627.0	662.8	637.8	646.8	643.2
7 Fixed investment	441.0	485.1	579.6	576.4	591.0	601.1	606.1	625.3
8 Nonresidential	349.6	352.9	425.7	420.8	435.7	447.7	450.9	467.3
9 Structures	142.1	129.7	150.4	150.0	151.4	157.9	162.9	168.3
10 Producers' durable equipment	207.5	223.2	275.3	270.7	284.2	289.7	288.0	299.0
11 Residential structures	91.4	132.2	153.9	155.6	155.3	153.5	155.2	158.0
12 Nonfarm	86.6	127.6	148.8	150.5	150.1	148.3	150.0	152.4
13 Change in business inventories	−26.1	−13.5	58.2	50.6	71.8	36.6	40.7	17.9
14 Nonfarm	−24.0	−3.1	49.6	47.0	63.7	27.2	34.1	11.4
15 Net exports of goods and services	19.0	−8.3	−64.2	−58.7	−90.6	−56.0	−74.5	−94.0
16 Exports	348.4	336.2	364.3	362.4	368.6	367.2	360.7	347.7
17 Imports	329.4	344.4	428.5	421.1	459.3	423.2	435.2	441.6
18 Government purchases of goods and services	650.5	685.5	747.4	743.7	761.0	780.5	791.9	810.9
19 Federal	258.9	269.7	295.4	296.4	302.0	315.7	319.9	324.2
20 State and local	391.5	415.8	452.0	447.4	458.9	464.8	472.0	486.7
By major type of product								
21 Final sales, total	3,095.4	3,318.3	3,604.6	3,594.1	3,622.8	3,722.1	3,770.0	3,835.2
22 Goods	1,276.7	1,355.7	1,542.9	1,544.8	1,549.1	1,579.8	1,583.8	1,579.6
23 *Durable*	499.9	555.3	655.6	647.9	654.7	687.7	677.1	669.6
24 Nondurable	776.9	800.4	887.3	896.9	894.4	892.1	906.7	910.0
25 Services	1,510.8	1,639.3	1,763.3	1,742.6	1,783.3	1,813.7	1,857.2	1,888.8
26 Structures	281.7	309.8	356.5	357.2	362.1	365.2	369.6	384.8
27 Change in business inventories	−26.1	−13.5	58.2	50.6	71.8	36.6	40.7	17.9
28 Durable goods	−18.0	−2.1	30.4	18.2	41.7	26.7	29.0	3.7
29 Nondurable goods	−8.1	−11.3	27.8	32.4	30.1	9.9	11.7	14.2
30 **MEMO: Total GNP in 1972 dollars**	**1,480.0**	**1,534.7**	**1,639.3**	**1,638.8**	**1,645.2**	**1,662.4**	**1,663.5**	**1,671.3**
NATIONAL INCOME								
31 **Total**	**2,446.8**	**2,646.7**	**2,959.9**	**2,944.8**	**2,984.9**	**3,036.3**	**3,076.5**	**3,106.5**
32 Compensation of employees	1,864.2	1,984.9	2,173.2	2,159.2	2,191.9	2,228.1	2,272.7	2,305.9
33 Wages and salaries	1,568.7	1,658.8	1,804.1	1,793.3	1,819.1	1,848.2	1,882.8	1,909.5
34 Government and government enterprises	306.6	328.2	349.8	347.5	352.0	357.2	365.5	370.7
35 Other	1,262.2	1,331.1	1,454.2	1,445.8	1,467.1	1,490.9	1,517.3	1,538.9
36 Supplement to wages and salaries	295.5	326.2	369.0	365.9	372.8	380.0	389.8	396.3
37 Employer contributions for social insurance	140.0	153.1	173.5	172.4	174.7	177.5	183.6	186.1
38 Other labor income	155.5	173.1	195.5	193.5	198.1	202.5	206.3	210.2
39 Proprietors' income[1]	111.1	121.7	154.4	149.8	153.7	159.1	159.8	160.7
40 Business and professional[1]	89.2	107.9	126.2	126.3	126.4	129.7	134.0	137.3
41 Farm[1]	21.8	13.8	28.2	23.4	27.3	29.4	25.7	23.4
42 Rental income of persons[2]	51.5	58.3	62.5	62.0	63.0	64.1	64.8	66.7
43 Corporate profits[1]	159.1	225.2	285.7	291.1	282.8	291.6	292.3	298.5
44 Profits before tax[3]	165.5	203.2	235.7	246.0	224.8	228.7	222.3	221.0
45 Inventory valuation adjustment	−9.5	−11.2	−5.7	−7.3	−.2	−1.6	.9	2.5
46 Capital consumption adjustment	3.1	33.2	55.7	52.3	58.3	64.5	69.1	75.0
47 Net interest	260.9	256.6	284.1	282.8	293.5	293.4	287.0	274.7

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1982	1983	1984	1984			1985	
				Q2	Q3	Q4	Q1	Q2r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,584.6**	**2,744.2**	**3,012.1**	**2,984.6**	**3,047.3**	**3,096.2**	**3,143.8**	**3,174.7**
2 Wage and salary disbursements	1,568.7	1,659.2	1,804.0	1,793.1	1,819.5	1,847.6	1,882.7	1,910.6
3 Commodity-producing industries	509.3	519.3	569.3	567.0	573.3	580.9	590.9	594.2
4 Manufacturing	382.9	395.2	433.9	432.2	436.4	442.4	447.9	447.9
5 Distributive industries	378.6	398.6	432.0	429.5	436.4	443.1	449.0	455.7
6 Service industries	374.3	413.1	452.9	449.3	457.3	466.9	477.4	489.0
7 Government and government enterprises	306.6	328.2	349.8	347.3	352.4	356.7	365.4	371.7
8 Other labor income	155.5	173.1	195.5	193.5	198.1	202.5	206.3	210.2
9 Proprietors' income[1]	111.1	121.7	154.4	149.8	153.7	159.1	159.8	160.7
10 Business and professional[1]	89.2	107.9	126.2	126.3	126.4	129.7	134.0	137.3
11 Farm[1]	21.8	13.8	28.2	23.4	27.3	29.4	25.7	23.4
12 Rental income of persons[2]	51.5	58.3	62.5	62.0	63.0	64.1	64.8	66.7
13 Dividends	66.5	70.3	77.7	77.2	78.5	80.2	81.4	82.5
14 Personal interest income	366.6	376.3	433.7	425.6	449.3	456.1	456.0	453.0
15 Transfer payments	376.1	405.0	416.7	415.2	418.6	421.8	439.2	439.5
16 Old-age survivors, disability, and health insurance benefits	204.5	221.6	237.3	235.2	238.2	243.5	249.6	249.9
17 LESS: Personal contributions for social insurance	111.4	119.6	132.5	131.8	133.4	135.2	146.4	148.4
18 EQUALS: Personal income	2,584.6	2,744.2	3,012.1	2,984.6	3,047.3	3,096.2	3,143.8	3,174.7
19 LESS: Personal tax and nontax payments	404.1	404.2	435.3	430.3	440.9	451.7	489.0	448.2
20 EQUALS: Disposable personal income	2,180.5	2,340.1	2,576.8	2,554.3	2,606.4	2,644.5	2,654.8	2,726.5
21 LESS: Personal outlays	2,044.5	2,222.0	2,420.7	2,409.5	2,442.3	2,481.5	2,536.2	2,587.1
22 EQUALS: Personal saving	136.0	118.1	156.1	144.8	164.1	163.0	118.6	139.4
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,369.7	6,543.4	6,926.1	6,933.2	6,943.2	6,998.3	6,989.0	7,007.9
24 Personal consumption expenditures	4,145.9	4,302.8	4,488.7	4,502.3	4,498.4	4,527.1	4,575.7	4,621.2
25 Disposable personal income	4,555.0	4,670.0	4,939.0	4,930.0	4,965.0	4,996.0	4,965.0	5,054.0
26 Saving rate (percent)	6.2	5.0	6.1	5.7	6.3	6.2	4.5	5.1
GROSS SAVING								
27 **Gross saving**	**408.8**	**437.2**	**551.8**	**551.0**	**556.4**	**556.0**	**550.7**	**532.6**
28 Gross private saving	524.0	571.7	674.8	660.2	689.4	698.2	662.1	696.3
29 Personal saving	136.0	118.1	156.1	144.8	164.1	163.0	118.6	139.4
30 Undistributed corporate profits[1]	29.2	76.5	115.4	115.3	118.4	120.8	122.5	129.3
31 Corporate inventory valuation adjustment	-9.5	-11.2	-5.7	-7.3	-.2	-1.6	.9	2.5
Capital consumption allowances								
32 Corporate	221.8	231.2	246.2	244.1	248.1	252.8	257.4	261.6
33 Noncorporate	137.1	145.9	157.0	156.0	158.8	161.5	163.7	166.1
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (−), national income and product accounts	-115.3	-134.5	-122.9	-109.2	-133.0	-142.2	-111.4	-163.8
36 Federal	-148.2	-178.6	-175.8	-163.7	-180.6	-197.8	-165.1	-214.1
37 State and local	32.9	44.1	52.9	54.5	47.6	55.6	53.7	50.3
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**408.3**	**437.7**	**544.4**	**542.0**	**543.4**	**546.1**	**542.6**	**518.9**
40 Gross private domestic	414.9	471.6	637.8	627.0	662.8	637.8	646.8	643.2
41 Net foreign	-6.6	-33.9	-93.4	-85.0	-119.4	-91.6	-104.2	-124.3
42 **Statistical discrepancy**	-.5	.5	-7.4	-9.0	-13.0	-9.9	-8.1	-13.7

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1982	1983	1984	1984			1985	
				Q2	Q3	Q4	Q1	Q2[p]
1 Balance on current account	-8,051	-40,790	-101,532	-24,493	-32,500	-25,477	-30,325	-31,811
2 Not seasonally adjusted	....	....	....	-24,654	-35,724	-22,759	-29,416	-32,066
3 Merchandise trade balance[2]	-36,444	-62,012	-108,281	-25,649	-32,507	-24,557	-29,532	-33,001
4 Merchandise exports	211,198	200,745	220,316	54,677	55,530	56,355	55,707	53,245
5 Merchandise imports	-247,642	-262,757	-328,597	-80,326	-88,037	-80,912	-85,239	-86,246
6 Military transactions, net	-318	-163	-1,765	-593	-250	-575	-212	-566
7 Investment income, net[3]	29,493	25,401	19,109	3,618	3,256	4,003	2,537	5,582
8 Other service transactions, net	7,353	4,837	819	363	-123	-253	54	-474
9 Remittances, pensions, and other transfers	-2,633	-2,566	-2,891	-710	-669	-782	-934	-841
10 U.S. government grants (excluding military)	-5,501	-6,287	-8,522	-1,522	-2,207	-3,313	-2,238	-2,511
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	-6,131	-5,006	-5,516	-1,353	-1,369	-734	-850	-849
12 Change in U.S. official reserve assets (increase, −)	-4,965	-1,196	-3,130	-565	-799	-1,109	-233	-356
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-1,371	-66	-979	-288	-271	-194	-264	-180
15 Reserve position in International Monetary Fund	-2,552	-4,434	-995	-321	-331	-143	281	72
16 Foreign currencies	-1,041	3,304	-1,156	44	-197	-772	-250	-248
17 Change in U.S. private assets abroad (increase, −)[3]	-108,121	-48,842	-11,800	-17,070	20,532	-13,003	718	-1,657
18 Bank-reported claims	-111,070	-29,928	-8,504	-20,186	17,725	-4,933	135	4,350
19 Nonbank-reported claims	6,626	-6,513	6,266	1,908	2,099	970	1,201	n.a.
20 U.S. purchase of foreign securities, net	-8,102	-7,007	-5,059	-756	-1,313	-3,663	-2,494	-1,862
21 U.S. direct investments abroad, net[3]	4,425	-5,394	-4,503	1,964	2,021	-5,377	1,876	-4,145
22 Change in foreign official assets in the United States (increase, +)	3,672	5,795	3,424	-224	-686	7,119	-11,204	8,154
23 U.S. Treasury securities	5,779	6,972	4,690	-274	-575	5,814	-7,219	8,521
24 Other U.S. government obligations	-694	-476	167	146	85	-67	-307	136
25 Other U.S. government liabilities[4]	684	552	453	555	-139	-197	-462	503
26 Other U.S. liabilities reported by U.S. banks	-1,747	545	663	328	430	2,052	-3,099	-185
27 Other foreign official assets[5]	-350	-1,798	-2,549	-979	-487	-483	-117	-821
28 Change in foreign private assets in the United States (increase, +)[3]	90,775	78,527	93,895	41,816	3,825	26,191	24,915	17,636
29 U.S. bank-reported liabilities	65,922	49,341	31,674	20,970	-5,125	4,481	13,345	326
30 U.S. nonbank-reported liabilities	-2,383	-118	4,284	4,566	-2,939	-1,863	-2,655	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	7,052	8,721	22,440	6,485	5,058	9,501	2,633	5,291
32 Foreign purchases of other U.S. securities, net	6,392	8,636	12,983	506	1,603	9,380	9,510	7,117
33 Foreign direct investments in the United States, net[3]	13,792	11,947	22,514	9,289	5,228	4,692	2,082	4,902
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	32,821	11,513	24,660	1,889	10,997	7,013	16,979	8,883
36 Owing to seasonal adjustments	....	....	....	-606	-3,170	4,200	-305	-578
37 Statistical discrepancy in recorded data before seasonal adjustment	32,821	11,513	24,660	2,495	14,167	2,813	17,284	9,461
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	-4,965	-1,196	-3,131	-566	-799	-1,119	-233	-356
39 Foreign official assets in the United States (increase, +)	2,988	5,243	2,971	-779	-547	7,316	-10,742	7,651
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	7,291	-8,283	-4,143	-2,097	-453	812	-2,021	-1,862
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	585	194	190	44	45	61	10	15

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

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

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1982	1983	1984	1985 Jan.	Feb.	Mar.	Apr.	May	June	July
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	212,193	200,486	19,142	19,401	17,853	18,446	17,779	17,414	17,438	17,411
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	243,952	258,048	25,933	28,297	27,985	28,129	28,295	28,685	29,425	26,630
3 **Trade balance**	**−31,759**	**−57,562**	**−6,791**	**−8,896**	**−10,131**	**−9,683**	**−10,516**	**−11,271**	**−11,987**	**−9,219**

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

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

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

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1982	1983	1984	1985 Feb.	Mar.	Apr.	May	June	July	Aug.
1 **Total**	**33,958**	**33,747**	**34,934**	**34,272**	**35,493**	**35,493**	**35,782**	**36,088**	**37,071**	**37,154**
2 Gold stock, including Exchange Stabilization Fund[1]	11,148	11,121	11,096	11,093	11,093	11,091	11,091	11,091	11,090	11,090
3 Special drawing rights[2,3]	5,250	5,025	5,641	5,781	5,973	5,971	6,163	6,196	6,510	6,692
4 Reserve position in International Monetary Fund[2]	7,348	11,312	11,541	11,097	11,386	11,382	11,370	11,394	11,513	11,490
5 Foreign currencies[4]	10,212	6,289	6,656	6,301	7,041	7,049	7,158	7,408	7,958	7,894

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1982	1983	1984	1985 Feb.	Mar.	Apr.	May	June	July	Aug.
1 Deposits	328	190	253	331	253	348	204	310	274	223
Assets held in custody										
2 U.S. Treasury securities[1]	112,544	117,670	118,267	115,179	113,532	115,184	116,989	121,755	124,400	123,321
3 Earmarked gold[2]	14,716	14,414	14,265	14,260	14,264	14,264	14,265	14,262	14,251	14,251

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

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

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

Millions of dollars, end of period

Asset account	1982	1983	1984	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July[p]
				All foreign countries						
1 **Total, all currencies**	**469,712**	**477,090**	**452,205**	**444,953**	**452,796**	**462,009**	**460,344**	**458,121r**	**456,859**	**462,707**
2 Claims on United States	91,805	115,542	113,435	115,501	119,034	119,925r	121,809r	121,137r	121,270	119,387
3 Parent bank	61,666	82,026	78,151	79,318	84,084	86,795r	86,893r	85,606r	85,261	84,039
4 Other banks in United States[2]	30,139	33,516	13,664	13,686	13,737	13,092	14,199	14,101	14,461	14,739
5 Nonbanks[2]			21,620	22,497	21,213	20,038	20,717r	21,430r	21,548	20,609
6 Claims on foreigners	358,493	342,689	318,710	309,119	314,174	321,686r	318,487r	316,319r	314,874	321,542
7 Other branches of parent bank	91,168	96,004	94,717	87,351	89,184	92,990	90,896r	90,421r	89,428	90,763
8 Banks	133,752	117,668	100,328	99,871	104,373	105,258	104,303	102,249	101,441	104,817
9 Public borrowers	24,131	24,517	22,872	22,408	22,186	22,456	22,812	22,753	22,709	22,724
10 Nonbank foreigners	109,442	107,785	100,793	99,489	98,431	100,982r	100,476	100,896r	101,296	103,238
11 Other assets	19,414	18,859	20,060	20,333	19,588	20,398	20,048	20,665r	20,715	21,778
12 **Total payable in U.S. dollars**	**361,982**	**371,508**	**349,342**	**343,461**	**351,796**	**354,570**	**351,280**	**349,442r**	**348,875**	**344,949**
13 Claims on United States	90,085	113,436	111,468	113,250	116,730	117,560r	119,219r	118,687r	118,717	116,416
14 Parent bank	61,010	80,909	77,271	78,392	83,074	85,713r	85,760r	84,635r	84,273	82,889
15 Other banks in United States[2]	29,075	32,527	13,500	13,493	13,464	12,790	13,844	13,708	14,023	14,115
16 Nonbanks[2]			20,697	21,365	20,192	19,057	19,615r	20,344r	20,421	19,412
17 Claims on foreigners	259,871	247,406	227,303	219,768	224,714	226,968r	222,260r	220,846r	220,388	218,749
18 Other branches of parent bank	73,537	78,431	78,279	72,326	74,248	77,229	74,652r	74,664r	74,190	74,063
19 Banks	106,447	93,332	76,872	75,756	79,217	78,755	76,874	75,642	75,280	75,320
20 Public borrowers	18,413	17,890	17,160	16,994	16,754	17,001	16,976	16,999	16,923	16,667
21 Nonbank foreigners	61,474	60,977	54,992	54,692	54,495	53,983r	53,758	53,541r	53,995	52,699
22 Other assets	12,026	10,666	10,571	10,443	10,352	10,042	9,801	9,909	9,770	9,784
				United Kingdom						
23 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**146,130**	**149,534**	**150,705**	**148,711**	**148,285**	**149,599**	**151,455**
24 Claims on United States	27,354	34,433	27,731	28,783	31,910	29,675	29,930r	30,327r	31,321	31,142
25 Parent bank	23,017	29,111	21,918	22,296	25,313	23,250	23,236r	23,567r	23,932	24,370
26 Other banks in United States[2]	4,337	5,322	1,429	1,540	1,561	1,511	1,649	1,613	1,691	1,525
27 Nonbanks[2]			4,384	4,947	5,036	4,914	5,045	5,147	5,698	5,247
28 Claims on foreigners	127,734	119,280	111,772	112,284	112,937	115,889	113,689r	112,817r	113,201	114,827
29 Other branches of parent bank	37,000	36,565	37,897	36,367	35,381	35,857	34,036r	33,948r	34,188	33,539
30 Banks	50,767	43,352	37,443	39,063	40,961	40,812	41,253	39,910	39,856	40,546
31 Public borrowers	6,240	5,898	5,334	5,345	5,306	5,186	4,959	4,921	4,966	5,056
32 Nonbank foreigners	33,727	33,465	31,098	31,509	31,289	34,034	33,441	34,038	34,191	35,686
33 Other assets	5,979	5,019	4,882	5,063	4,687	5,141	5,092	5,141	5,077	5,486
34 **Total payable in U.S. dollars**	**123,740**	**126,012**	**112,809**	**112,953**	**116,232**	**114,122**	**111,497**	**111,303**	**112,684**	**110,451**
35 Claims on United States	26,761	33,756	26,924	27,807	30,945	28,839	29,003r	29,405r	30,372	30,089
36 Parent bank	22,756	28,756	21,551	21,960	24,911	22,910	22,905r	23,272r	23,625	23,997
37 Other banks in United States[2]	4,005	5,000	1,363	1,496	1,498	1,466	1,576	1,491	1,608	1,415
38 Nonbanks[2]			4,010	4,351	4,536	4,463	4,522	4,642	5,139	4,677
39 Claims on foreigners	92,228	88,917	82,889	82,161	82,268	82,437	79,505r	79,016r	79,466	77,446
40 Other branches of parent bank	31,648	31,838	33,551	31,899	31,099	31,331	29,056r	29,230r	29,364	28,623
41 Banks	36,717	32,188	26,805	27,465	28,523	27,982	27,808	27,188	27,325	26,349
42 Public borrowers	4,329	4,194	4,030	4,021	3,964	3,804	3,533	3,527	3,619	3,538
43 Nonbank foreigners	19,534	20,697	18,503	18,776	18,682	19,320	19,108	19,071	19,158	18,936
44 Other assets	4,751	3,339	2,996	2,985	3,019	2,846	2,989	2,882	2,846	2,916
				Bahamas and Caymans						
45 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**141,834**	**144,665**	**147,041**	**145,096**	**144,033**	**143,549**	**140,785**
46 Claims on United States	59,403	75,309	77,296	76,856	76,446	78,886	79,150	78,849	78,049	75,275
47 Parent bank	34,653	48,720	49,449	48,892	50,043	53,925	52,996r	51,886r	51,171	48,669
48 Other banks in United States[2]	24,750	26,589	11,544	11,326	11,305	10,761	11,647	11,723	11,999	12,381
49 Nonbanks[2]			16,303	16,638	15,098	14,200	14,507r	15,240r	14,879	14,225
50 Claims on foreigners	81,450	72,868	65,598	61,204	64,408	64,339	62,164	61,604	61,959	62,209
51 Other branches of parent bank	18,720	20,626	17,661	14,382	16,235	15,685	14,716	15,271	15,645	15,669
52 Banks	42,699	36,842	30,246	29,230	30,927	31,481	29,887	28,942	28,501	29,240
53 Public borrowers	6,413	6,093	6,089	6,162	6,081	6,349	6,683	6,604	6,642	6,505
54 Nonbank foreigners	13,618	12,592	11,602	11,430	11,165	10,824	10,878	10,787	11,171	10,795
55 Other assets	4,303	3,906	3,917	3,774	3,811	3,816	3,782	3,580	3,541	3,301
56 **Total payable in U.S. dollars**	**139,605**	**145,641**	**141,562**	**137,090**	**139,543**	**141,534**	**139,926**	**138,724**	**138,581**	**135,472**

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

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

3.14 Continued

Liability account	1982	1983	1984	1985						
				Jan.	Feb.	Mar.	Apr.	May	June	July^p
	All foreign countries									
57 **Total, all currencies**	**469,712**	**477,090**	**452,205**	**444,953**	**452,796**	**462,009**	**460,344**	**458,121^r**	**456,859**	**462,707**
58 Negotiable CDs[3]	n.a.	n.a.	37,725	38,804	41,798	40,889	38,940	37,188	37,952	37,683
59 To United States	179,015	188,070	146,955	143,663	140,896	145,892	145,011^r	145,158^r	147,007	145,959
60 Parent bank	75,621	81,261	78,111	75,213	72,320	75,952	75,880^r	77,976^r	79,434	80,221
61 Other banks in United States	33,405	29,453	18,409	18,125	17,832^r	18,022^r	18,841	18,782	19,430	17,032
62 Nonbanks	69,989	77,356	50,435	50,325	50,744^r	51,918^r	50,290	48,400^r	48,143	48,706
63 To foreigners	270,853	269,685	247,122	241,538	249,619	253,642	254,840^r	253,701^r	250,748	255,987
64 Other branches of parent bank	90,191	90,615	93,206	87,722	89,872	93,978	91,792^r	91,208^r	90,354	92,275
65 Banks	96,860	92,889	78,203	79,291	84,013	82,670	83,607	81,537	80,496	82,802
66 Official institutions	19,614	18,896	20,281	19,484	19,356	20,831	21,854	21,827^r	21,703	20,937
67 Nonbank foreigners	64,188	68,845	55,432	55,041	56,378	56,163	57,587	59,129^r	58,195	59,973
68 Other liabilities	19,844	19,335	20,403	20,948	20,483	21,586	21,553	22,074^r	21,152	23,078
69 **Total payable in U.S. dollars**	**379,270**	**388,291**	**365,859**	**357,853**	**366,054**	**369,049**	**365,378**	**363,423^r**	**364,685**	**360,245**
70 Negotiable CDs[3]	n.a.	n.a.	35,227	36,295	39,544	38,197	35,958	34,216	34,638	33,716
71 To United States	175,528	184,305	142,943	139,811	137,154	141,555	140,350^r	140,508^r	142,084	140,715
72 Parent bank	73,295	79,035	75,626	72,892	70,084	73,529	73,281^r	75,352^r	76,628	77,108
73 Other banks in United States	33,040	28,936	17,935	17,587	17,303^r	17,473^r	18,270	18,209	18,869	16,446
74 Nonbanks	69,193	76,334	49,382	49,332	49,767^r	50,553^r	48,799^r	46,947^r	46,587	47,161
75 To foreigners	192,510	194,139	177,638	171,479	178,745	179,066	178,846^r	178,856^r	178,651	176,494
76 Other branches of parent bank	72,921	73,522	77,222	72,648	74,926	78,441	76,083^r	75,476^r	75,298	75,809
77 Banks	57,463	57,022	45,131	44,948	48,734	44,871	45,167	44,413	44,694	43,716
78 Official institutions	15,055	13,855	15,773	14,861	14,653	16,049	17,178	17,407^r	17,278	15,935
79 Nonbank foreigners	47,071	51,260	39,512	39,022	40,432	39,705	40,418	41,560	41,381	41,034
80 Other liabilities	11,232	9,847	10,051	10,268	10,611	10,231	10,224	9,843^r	9,312	9,320
	United Kingdom									
81 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**146,130**	**149,534**	**150,705**	**148,711**	**148,285**	**149,599**	**151,455**
82 Negotiable CDs[3]	n.a.	n.a.	34,413	35,455	38,281	37,350	35,326	33,661	34,437	34,094
83 To United States	53,954	55,799	25,250	27,757	23,439	23,982	23,984^r	24,816^r	25,477	24,172
84 Parent bank	13,091	14,021	14,651	16,714	13,763	14,509	14,033^r	14,283^r	14,912	13,439
85 Other banks in United States	12,205	11,328	3,125	3,569	2,948	2,918	2,665	2,735	3,571	2,853
86 Nonbanks	28,658	30,450	7,474	7,474	6,728	6,555	7,286	7,798^r	6,994	7,880
87 To foreigners	99,567	95,847	77,424	75,039	80,450	80,722	80,913^r	81,033^r	81,009	83,480
88 Other branches of parent bank	18,361	19,038	21,631	20,199	22,146	23,699	21,887^r	21,784^r	22,565	23,647
89 Banks	44,020	41,624	30,436	31,216	33,789	32,003	32,259	31,573	30,852	32,389
90 Official institutions	11,504	10,151	10,154	9,084	9,374	10,305	11,590	11,260^r	11,240	10,180
91 Nonbank foreigners	25,682	25,034	15,203	14,540	15,141	14,715	15,177	16,416^r	16,352	17,264
92 Other liabilities	7,546	7,086	7,298	7,879	7,364	8,651	8,488	8,775	8,676	9,709
93 **Total payable in U.S. dollars**	**130,261**	**131,167**	**117,497**	**117,198**	**120,623**	**117,984**	**116,128**	**115,740**	**117,331**	**114,123**
94 Negotiable CDs[3]	n.a.	n.a.	33,070	34,084	37,033	35,719	33,763	32,140	32,722	31,743
95 To United States	53,029	54,691	24,105	26,587	22,386	22,481	22,281^r	23,213^r	23,728	22,259
96 Parent bank	12,814	13,839	14,339	16,349	13,506	14,129	13,569^r	13,874^r	14,474	12,782
97 Other banks in United States	12,026	11,044	2,980	3,420	2,804	2,748	2,500	2,550	3,387	2,687
98 Nonbanks	28,189	29,808	6,786	6,818	6,076	5,604	6,212	6,789^r	5,867	6,790
99 To foreigners	73,477	73,279	56,923	52,954	57,654	56,327	56,473^r	56,880^r	57,507	56,783
100 Other branches of parent bank	14,300	15,403	18,294	16,940	18,772	20,127	18,451^r	18,375^r	19,053	19,640
101 Banks	28,810	29,320	18,356	17,889	20,022	17,191	17,497	17,417	17,175	17,249
102 Official institutions	9,668	8,279	8,871	7,748	7,854	8,734	9,989	9,687^r	9,648	8,430
103 Nonbank foreigners	20,699	20,277	11,402	10,377	11,006	10,275	10,536	11,401	11,631	11,464
104 Other liabilities	3,755	3,197	3,399	3,573	3,550	3,457	3,611	3,507	3,374	3,338
	Bahamas and Caymans									
105 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**141,834**	**144,665**	**147,041**	**145,096**	**144,033**	**143,549**	**140,785**
106 Negotiable CDs[3]	n.a.	n.a.	615	734	953	779	634	436	344	320
107 To United States	104,425	111,299	102,955	98,466	99,200	103,037	100,480	99,370	99,847	98,684
108 Parent bank	47,081	50,980	47,162	43,783	43,358	45,373	43,740	45,557	45,731	47,144
109 Other banks in United States	18,466	16,057	13,938	13,320	13,590	13,959	15,112	14,545	14,748	12,979
110 Nonbanks	38,878	44,262	41,855	41,363	42,252	43,705	41,628^r	39,268	39,368	38,561
111 To foreigners	38,274	38,445	40,320	39,785	41,529	40,367	41,102	41,437	40,621	39,081
112 Other branches of parent bank	15,796	14,936	16,782	16,014	17,111	16,744	17,179	17,759	16,615	16,645
113 Banks	10,166	11,876	12,405	12,274	12,976	12,562	13,469	12,879	13,600	12,329
114 Official institutions	1,967	1,919	2,054	2,020	1,992	1,884	1,598	2,194	1,866	1,941
115 Nonbank foreigners	10,345	11,274	9,079	9,477	9,450	9,177	8,856	8,605	8,540	8,166
116 Other liabilities	2,457	2,339	2,921	2,849	2,983	2,858	2,880	2,790	2,737	2,700
117 **Total payable in U.S. dollars**	**141,908**	**148,278**	**143,590**	**138,200**	**140,973**	**143,223**	**140,945**	**139,909**	**139,648**	**136,820**

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

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1983	1984	1985						
			Jan.	Feb.	Mar.	Apr.	May[r]	June[p]	July[p]
1 **Total**[1]	**177,950**	**180,556**	**176,853**	**173,356**	**169,815**	**170,565**	**173,637**	**177,673**	**180,306**
By type									
2 Liabilities reported by banks in the United States[2]	25,534	26,089	23,310	23,420	22,991	22,721	23,103	22,845	21,960
3 U.S. Treasury bills and certificates[3]	54,341	59,976	56,662	52,474	54,685	57,226	56,691	58,589	60,727
U.S. Treasury bonds and notes									
4 Marketable	68,514	69,029	71,557	72,879	67,601	67,004	70,470	73,182	74,693
5 Nonmarketable[4]	7,250	5,800	5,800	5,300	5,300	4,900	4,500	4,500	4,500
6 U.S. securities other than U.S. Treasury securities[5]	22,311	19,662	19,524	19,283	19,238	18,714	18,873	18,557	18,426
By area									
7 Western Europe[1]	67,645	69,789	68,295	67,387	63,746	65,660	67,870	70,248	72,943
8 Canada	2,438	1,528	1,491	1,136	1,715	1,403	1,558	1,571	2,010
9 Latin America and Caribbean	6,248	8,554	7,450	7,278	7,518	7,528	8,072	8,467	8,833
10 Asia	92,572	93,951	93,044	91,029	90,721	89,968	90,217	91,445	90,868
11 Africa	958	1,264	1,120	1,397	1,200	1,403	1,262	1,299	1,259
12 Other countries[6]	8,089	5,470	5,453	5,129	4,915	4,603	4,658	4,643	4,393

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

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

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

Millions of dollars, end of period

Item	1981	1982	1983	1984		1985	
				Sept.	Dec.	Mar.	June
1 Banks' own liabilities	3,523	4,844	5,219	6,227	7,542	8,012	10,150
2 Banks' own claims	4,980	7,707	7,231	9,290	11,307	12,639	14,012
3 Deposits	3,398	4,251	2,731	3,641	4,537	6,148	7,437
4 Other claims	1,582	3,456	4,501	5,649	6,770	6,491	6,575
5 Claims of banks' domestic customers[1]	971	676	1,059	281	569	440	243

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1982	1983	1984	1985						
				Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **All foreigners**	**307,056**	**369,607**	**406,457**	**399,255**	**405,239**	**413,225**	**410,655**	**411,144r**	**412,772**	**414,868**
2 Banks' own liabilities	227,089	279,087	306,510	301,627	311,688	317,097	312,697	315,455r	316,873	317,112
3 Demand deposits	15,889	17,470	19,571	17,975	19,369	18,131	18,295	17,705r	19,425	17,954
4 Time deposits[1]	68,797	90,632	110,292	114,169	117,097	119,228	117,787	120,682r	116,213	114,075
5 Other[2]	23,184	25,874	26,099	23,507	24,991	25,127	24,338	25,614r	25,746	26,221
6 Own foreign offices[3]	119,219	145,111	150,547	145,977	150,211	154,611	152,277	151,453r	155,488	158,862
7 Banks' custody liabilities[4]	79,967	90,520	99,947	97,628	93,572	96,128	97,958	95,690	95,899	97,756
8 U.S. Treasury bills and certificates[5]	55,628	68,669	75,838	73,635	69,189	71,552	73,078	71,597	73,061	75,396
9 Other negotiable and readily transferable instruments[6]	20,636	17,467	18,670	18,192	18,068	18,099	18,337	17,690	16,207	16,084
10 Other	3,702	4,385	5,439	5,802	6,315	6,477	6,543	6,403	6,632	6,276
11 **Nonmonetary international and regional organizations[7]**	**4,922**	**5,957**	**4,083**	**6,929**	**5,812**	**5,905**	**6,112**	**6,694**	**5,709**	**4,854**
12 Banks' own liabilities	1,909	4,632	1,644	3,571	2,092	2,333	3,083	4,389	3,928	3,078
13 Demand deposits	106	297	254	417	341	191	167	264	164	134
14 Time deposits[1]	1,664	3,584	1,102	2,682	936	1,488	2,276	3,747	3,023	2,391
15 Other[2]	139	750	288	472	815	654	640	377	740	553
16 Banks' custody liabilities[4]	3,013	1,325	2,440	3,358	3,719	3,572	3,029	2,305	1,782	1,777
17 U.S. Treasury bills and certificates	1,621	463	916	1,921	2,258	2,082	1,434	775	642	767
18 Other negotiable and readily transferable instruments[6]	1,392	862	1,524	1,429	1,461	1,490	1,593	1,531	1,140	1,010
19 Other	0	0	0	8	1	0	2	0	0	0
20 **Official institutions[8]**	**71,647**	**79,876**	**86,065**	**79,972**	**75,894**	**77,675**	**79,947**	**79,794r**	**81,434**	**82,687**
21 Banks' own liabilities	16,640	19,427	19,039	16,970	17,249	16,777	16,581	17,602r	17,725	17,161
22 Demand deposits	1,899	1,837	1,823	1,780	1,881	1,923	1,975	1,630	1,891	1,551
23 Time deposits[1]	5,528	7,318	9,374	8,363	8,673	8,469	9,126	8,678r	9,000	8,996
24 Other[2]	9,212	10,272	7,842	6,826	6,694	6,385	5,481	7,294r	6,833	6,614
25 Banks' custody liabilities[4]	55,008	60,448	67,026	63,002	58,645	60,898	63,366	62,192	63,710	65,526
26 U.S. Treasury bills and certificates[5]	46,658	54,341	59,976	56,662	52,474	54,685	57,226	56,691	58,589	60,727
27 Other negotiable and readily transferable instruments[6]	8,321	6,082	6,966	6,287	6,086	6,109	6,007	5,451	5,042	4,705
28 Other	28	25	84	53	85	105	133	50	78	94
29 **Banks[9]**	**185,881**	**226,887**	**248,190**	**241,805**	**250,059**	**257,565**	**252,858**	**251,720r**	**254,073**	**256,681**
30 Banks' own liabilities	169,449	205,347	225,341	219,231	227,722	235,132	230,426	229,794r	232,247	235,030
31 Unaffiliated foreign banks	50,230	60,236	74,794	73,254	77,512	80,521	78,149	78,341	76,759	76,168
32 Demand deposits	8,675	8,759	10,556	9,030	9,656	9,154	9,266	8,714r	9,847	8,952
33 Time deposits[1]	28,386	37,439	47,120	48,622	50,993	54,222	51,610	52,653r	49,949	49,630
34 Other[2]	13,169	14,038	17,118	15,602	16,862	17,144	17,273	16,973	16,962	17,586
35 Own foreign offices[3]	119,219	145,111	150,547	145,977	150,211	154,611	152,277	151,453r	155,488	158,862
36 Banks' custody liabilities[4]	16,432	21,540	22,848	22,575	22,336	22,433	22,432	21,926	21,827	21,651
37 U.S. Treasury bills and certificates	5,809	10,178	10,927	10,933	10,493	10,602	10,446	10,216	9,745	9,934
38 Other negotiable and readily transferable instruments[6]	7,857	7,485	7,156	6,527	6,254	6,206	6,235	6,104	6,231	6,330
39 Other	2,766	3,877	4,766	5,114	5,589	5,625	5,751	5,606	5,851	5,387
40 **Other foreigners**	**44,606**	**56,887**	**68,119**	**70,549**	**73,475**	**72,079**	**71,738**	**72,936r**	**71,555**	**70,645**
41 Banks' own liabilities	39,092	49,680	60,486	61,855	64,604	62,855	62,608	63,670r	62,973	61,842
42 Demand deposits	5,209	6,577	6,938	6,747	7,491	6,863	6,888	7,098	7,522	7,317
43 Time deposits	33,219	42,290	52,697	54,502	56,494	55,049	54,775	55,603r	54,241	53,058
44 Other[2]	664	813	851	606	619	943	945	969	1,211	1,468
45 Banks' custody liabilities[4]	5,514	7,207	7,633	8,693	8,871	9,224	9,131	9,266	8,581	8,803
46 U.S. Treasury bills and certificates	1,540	3,686	4,020	4,118	3,964	4,182	3,973	3,915	4,085	3,968
47 Other negotiable and readily transferable instruments[6]	3,065	3,038	3,024	3,948	4,267	4,294	4,501	4,604	3,793	4,040
48 Other	908	483	590	628	640	748	657	746	704	795
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	14,307	10,346	10,476	9,287	9,169	9,412	9,145	9,081	8,679	8,565

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and *foreign branches, agencies or wholly owned subsidiaries of head office or parent* foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, *held by or through reporting* banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and *Asian Development Banks*.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "*Official institutions.*"

3.17 Continued

Area and country	1982	1983	1984	1985						
				Jan.	Feb.	Mar.	Apr.	May	June	July^p
1 **Total**	**307,056**	**369,607**	**406,457**	**399,255**	**405,239**	**413,225**	**410,655**	**411,144^r**	**412,772**	**414,868**
2 **Foreign countries**	**302,134**	**363,649**	**402,374**	**392,326**	**399,428**	**407,320**	**404,544**	**404,451^r**	**407,063**	**410,013**
3 Europe	117,756	138,072	152,553	149,304	152,221	151,660	149,108	151,219^r	153,782	154,806
4 Austria	519	585	615	734	625	670	537	627	563	561
5 Belgium-Luxembourg	2,517	2,709	4,114	4,000	4,638	4,797	4,795	4,619	4,989	5,684
6 Denmark	509	466	438	452	530	452	557	494	727	747
7 Finland	748	531	418	425	735	804	476	604	325	395
8 France	8,171	9,441	12,701	11,908	12,430	12,782	13,627	14,178^r	13,849	15,228
9 Germany	5,351	3,599	3,358	3,586	3,258	2,923	3,539	3,727	4,003	4,394
10 Greece	537	520	699	615	583	730	649	585^r	605	589
11 Italy	5,626	8,462	10,757	9,477	9,108	8,412	7,895	8,467^r	9,276	9,624
12 Netherlands	3,362	4,290	4,799	4,663	4,622	4,934	4,448	4,685^r	4,376	4,691
13 Norway	1,567	1,673	1,548	1,712	1,635	1,889	2,138	1,994^r	1,397	1,182
14 Portugal	388	373	597	570	614	715	698	665	635	658
15 Spain	1,405	1,603	2,082	2,016	1,887	2,079	2,000	2,030	2,015	2,114
16 Sweden	1,390	1,799	1,676	2,133	1,486	1,667	1,901	1,689	2,277	2,557
17 Switzerland	29,066	32,246	31,054	31,437	31,580	30,421	30,059	29,706^r	29,547	28,401
18 Turkey	296	467	584	495	501	527	506	384	631	653
19 United Kingdom	48,172	60,683	68,711	68,039	70,269	70,289	68,239	69,779^r	70,952	70,242
20 Yugoslavia	499	562	602	545	602	671	648	585	729	626
21 Other Western Europe[1]	7,006	7,403	7,184	5,855	6,628	6,286	5,790	5,877^r	6,241	5,980
22 U.S.S.R.	50	65	79	66	60	94	125	67	31	72
23 Other Eastern Europe[2]	576	596	537	575	431	517	480	458	614	408
24 Canada	12,232	16,026	16,048	16,331	18,263	17,228	17,006	16,214	15,874	16,284
25 Latin America and Caribbean	114,163	140,088	153,577	151,374	154,828	157,708	156,803	157,071	158,316	158,915
26 Argentina	3,578	4,038	4,424	4,523	4,354	4,551	4,664	4,912	5,088	5,325
27 Bahamas	44,744	55,818	56,897	55,580	56,928	59,600	59,069	58,195	57,406	55,662
28 Bermuda	1,572	2,266	2,370	2,706	3,410	2,799	3,159	3,192	2,496	2,381
29 Brazil	2,014	3,168	5,332	4,920	6,143	4,656	4,743	5,376	5,187	5,727
30 British West Indies	26,381	34,545	36,747	35,265	35,171	36,593	35,765	35,489	38,967	40,654
31 Chile	1,626	1,842	2,001	1,948	1,916	1,897	1,909	1,922	1,870	1,910
32 Colombia	2,594	1,689	2,514	2,356	2,453	2,540	2,401	2,452	2,526	2,421
33 Cuba	9	8	10	26	8	6	6	7	6	10
34 Ecuador	455	1,047	1,092	912	981	1,024	1,022	987	1,004	1,046
35 Guatemala	670	788	896	920	915	950	955	979	963	972
36 Jamaica	126	109	183	157	182	163	154	146	123	194
37 Mexico	8,377	10,392	12,506	13,254	13,000	13,240	13,202	13,658	13,532	13,406
38 Netherlands Antilles	3,597	3,879	4,153	4,346	4,662	4,576	4,383	4,439	4,200	4,056
39 Panama	4,805	5,924	6,951	6,884	7,177	7,488	7,584	7,570	7,427	7,427
40 Peru	1,147	1,166	1,266	1,151	1,064	1,132	1,077	1,162	1,168	1,113
41 Uruguay	759	1,244	1,394	1,485	1,413	1,443	1,461	1,492	1,415	1,459
42 Venezuela	8,417	8,632	10,545	10,667	10,740	10,649	10,791	10,696	10,471	10,853
43 Other Latin America and Caribbean	3,291	3,535	4,297	4,275	4,311	4,401	4,458	4,396	4,465	4,301
44 Asia	48,716	58,570	71,115	66,522	64,981	72,095	73,233	71,509^r	70,316	71,752
China										
45 Mainland	203	249	1,153	1,075	1,068	980	912	698	886	939
46 Taiwan	2,761	4,051	4,975	5,098	5,187	5,306	5,242	5,381	5,545	5,849
47 Hong Kong	4,465	6,657	6,594	6,558	6,648	6,937	7,091	7,360	7,989	7,900
48 India	433	464	507	559	725	738	554	546	569	555
49 Indonesia	857	997	1,033	1,136	914	1,052	1,104	1,031	1,118	1,463
50 Israel	606	1,722	1,268	1,003	994	941	873	988^r	1,053	1,010
51 Japan	16,078	18,079	21,586	21,662	22,551	24,540	22,683	22,688^r	21,104	23,058
52 Korea	1,692	1,648	1,724	1,560	1,584	1,526	1,595	1,598	1,705	1,403
53 Philippines	770	1,234	1,383	1,327	1,113	1,102	1,223	1,305	1,443	1,334
54 Thailand	629	747	1,257	1,161	1,050	1,384	1,141	1,167	1,063	984
55 Middle-East oil-exporting countries[3]	13,433	12,976	16,804	15,965	15,202	16,391	16,373	16,316	15,051	15,412
56 Other Asia	6,789	9,748	12,831	9,417	7,945	11,200	14,441	12,430	12,790	11,845
57 Africa	3,124	2,827	3,396	3,170	3,561	3,476	3,517	3,429	3,920	3,381
58 Egypt	432	671	647	541	637	715	747	618	745	882
59 Morocco	81	84	118	115	116	167	155	189	161	98
60 South Africa	292	449	328	376	371	244	339	273	332	181
61 Zaire	23	87	153	76	79	100	128	124	170	87
62 Oil-exporting countries[4]	1,280	620	1,189	1,186	1,450	1,346	1,177	1,114	1,497	1,099
63 Other Africa	1,016	917	961	876	910	903	969	1,112	1,015	1,034
64 Other countries	6,143	8,067	5,684	5,624	5,574	5,152	4,877	5,009	4,854	4,875
65 Australia	5,904	7,857	5,300	5,248	5,017	4,743	4,456	4,608	4,462	4,364
66 All other	239	210	384	377	557	409	422	401	392	511
67 Nonmonetary international and regional organizations	4,922	5,957	4,083	6,929	5,812	5,905	6,112	6,694	5,709	4,854
68 International	4,049	5,273	3,376	6,165	4,935	5,132	5,247	5,636	4,698	3,802
69 Latin American regional	517	419	587	600	580	632	706	834	808	782
70 Other regional[5]	357	265	120	165	296	141	159	224	203	270

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

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1982	1983	1984	1985 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**355,705**	**391,312**	**398,558**	**387,050**	**393,212**	**396,898**	**390,022**	**390,992r**	**395,596**	**390,506**
2 **Foreign countries**	**355,636**	**391,148**	**397,884**	**386,126**	**392,912**	**396,658**	**389,942**	**390,178r**	**394,926**	**390,232**
3 Europe	85,584	91,927	97,917	96,068	98,019	101,759	99,427	99,997	100,790	100,374
4 Austria	229	401	433	339	367	484	519	552	536	815
5 Belgium-Luxembourg	5,138	5,639	4,794	4,683	5,097	5,233	5,161	5,264	5,217	5,739
6 Denmark	554	1,275	648	589	589	638	601	560	474	503
7 Finland	990	1,044	898	817	907	826	804	700	896	875
8 France	7,251	8,766	9,117	8,642	9,627	10,042	10,273	10,462	9,969	10,006
9 Germany	1,876	1,284	1,313	1,001	945	1,072	1,008	1,015r	1,218	1,107
10 Greece	452	476	817	896	840	848	907	921	1,002	947
11 Italy	7,560	9,018	9,079	8,040	8,481	8,711	8,256	7,798	7,518	7,600
12 Netherlands	1,425	1,267	1,351	1,480	1,490	1,348	1,401	1,040	1,339	1,142
13 Norway	572	690	675	651	808	621	748	753	750	709
14 Portugal	950	1,114	1,243	1,212	1,286	1,186	1,151	1,158	1,156	1,151
15 Spain	3,744	3,573	2,884	2,858	3,135	2,978	2,890	2,587	2,699	2,388
16 Sweden	3,038	3,358	2,220	2,497	2,586	2,342	2,338	2,177	2,072	2,714
17 Switzerland	1,639	1,863	2,123	2,308	2,110	1,921	1,843	1,631	2,231	2,635
18 Turkey	560	812	1,130	1,232	1,155	1,172	1,147	1,162	1,208	1,313
19 United Kingdom	45,781	47,364	55,184	54,843	54,648	58,381	56,199	57,812	58,218	56,411
20 Yugoslavia	1,430	1,718	1,886	1,862	1,783	1,793	1,892	1,940	1,958	1,972
21 Other Western Europe[1]	368	477	596	671	679	642	640	760	776	689
22 U.S.S.R	263	192	142	118	178	203	245	312	297	275
23 Other Eastern Europe[2]	1,762	1,598	1,382	1,329	1,308	1,317	1,404	1,393r	1,255	1,383
24 Canada	13,678	16,341	16,057	16,363	19,082	18,766	18,349	17,891	17,856	16,695
25 Latin America and Caribbean	187,969	205,491	207,561	199,474	200,736	202,808	199,034	201,104r	203,642	200,794
26 Argentina	10,974	11,749	11,043	11,453	11,280	11,162	11,163	11,346	11,422	11,457
27 Bahamas	56,649	59,633	57,904	54,405	54,548	57,608	55,526	56,763r	59,104	55,648
28 Bermuda	603	566	592	601	448	464	633	506	581	405
29 Brazil	23,271	24,667	26,315	25,886	26,146	26,124	26,207	26,434	26,567	26,583
30 British West Indies	29,101	35,527	38,077	35,368	36,806	36,299	35,503	36,050r	36,344	37,277
31 Chile	5,513	6,072	6,839	6,746	6,713	6,775	6,676	6,634	6,675	6,663
32 Colombia	3,211	3,745	3,499	3,369	3,406	3,313	3,246	3,270	3,207	3,230
33 Cuba	3	0	0	0	1	0	0	0	0	0
34 Ecuador	2,062	2,307	2,420	2,477	2,489	2,470	2,467	2,487	2,495	2,450
35 Guatemala[3]	124	129	158	154	157	154	154	149	145	152
36 Jamaica[3]	181	215	252	242	253	233	223	237	227	234
37 Mexico	29,552	34,802	34,824	34,066	33,660	33,410	32,554	32,748r	32,412	32,214
38 Netherlands Antilles	839	1,154	1,350	1,273	1,393	1,254	1,319	1,386	1,249	1,110
39 Panama	10,210	7,848	7,707	6,864	7,071	7,083	7,039	6,751	6,856	7,005
40 Peru	2,357	2,536	2,384	2,414	2,337	2,345	2,353	2,310	2,290	2,238
41 Uruguay	686	977	1,088	1,053	1,021	1,019	1,014	1,013	1,013	1,007
42 Venezuela	10,643	11,287	11,017	10,968	10,929	10,956	10,804	10,947	10,996	10,991
43 Other Latin America and Caribbean	1,991	2,277	2,091	2,135	2,077	2,139	2,154	2,072	2,061	2,129
44 Asia	60,952	67,837	66,278	64,387	65,351	63,595	63,430	61,788r	63,374	63,334
China										
45 Mainland	214	292	710	507	741	650	572	543r	360	635
46 Taiwan	2,288	1,908	1,849	1,745	1,827	1,954	1,937	1,641r	1,716	1,540
47 Hong Kong	6,787	8,489	7,283	6,801	7,351	6,639	6,897	7,290	7,225	7,497
48 India	222	330	425	299	354	284	307	270	310	375
49 Indonesia	348	805	734	710	780	780	704	701	682	627
50 Israel	2,029	1,832	2,088	1,993	2,041	1,941	2,004	2,038	2,599	2,056
51 Japan	28,379	30,354	29,059	28,495	29,092	28,008	26,594	25,407r	26,522	26,406
52 Korea	9,387	9,943	9,285	8,799	8,813	9,298	9,454	9,127r	9,115	9,712
53 Philippines	2,625	2,107	2,550	2,499	2,560	2,435	2,360	2,384	2,452	2,454
54 Thailand	643	1,219	1,125	1,123	1,076	1,005	939	852	862	750
55 Middle East oil-exporting countries[4]	3,087	4,954	5,044	5,004	4,856	4,708	5,509	5,546	5,120	5,315
56 Other Asia	4,943	5,603	6,126	6,411	5,860	5,895	6,171	5,989	6,411	5,967
57 Africa	5,346	6,654	6,615	6,536	6,376	6,221	6,299	6,203	6,071	5,978
58 Egypt	322	747	728	668	584	674	629	612	626	606
59 Morocco	353	440	583	552	582	584	595	577	592	596
60 South Africa	2,012	2,634	2,795	2,791	2,666	2,420	2,508	2,497	2,519	2,421
61 Zaire	57	33	18	41	29	24	24	24	24	24
62 Oil-exporting countries[5]	801	1,073	842	812	791	819	893	871	740	743
63 Other	1,802	1,727	1,649	1,672	1,724	1,700	1,651	1,621	1,570	1,589
64 Other countries	2,107	2,898	3,456	3,297	3,348	3,510	3,403	3,194r	3,192	3,057
65 Australia	1,713	2,256	2,778	2,593	2,635	2,824	2,755	2,536r	2,506	2,320
66 All other	394	642	678	704	713	686	648	658	686	737
67 Nonmonetary international and regional organizations[6]	68	164	674	925	300	240	80	815	670	275

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

NOTE. Data for period before April 1978 include claims of banks' domestic customers on foreigners.

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

Millions of dollars, end of period

Type of claim	1982	1983	1984	1985						
				Jan.	Feb.	Mar.	Apr.	May^r	June	July^p
1 **Total**	**396,015**	**426,215**	**431,474**	....	....	**430,544**	....	....	**425,018**	....
2 Banks' own claims on foreigners	355,705	391,312	398,558	387,050	393,212	396,898	390,022	390,992	395,596	390,506
3 Foreign public borrowers	45,422	57,569	61,473	61,411	61,828	61,676	60,972	61,673	61,136	61,147
4 Own foreign offices[1]	127,293	146,393	156,202	153,651	154,524	157,933	155,144	156,989	162,456	158,007
5 Unaffiliated foreign banks	121,377	123,837	123,791	117,525	121,372	122,145	119,369	119,108	118,204	117,642
6 Deposits	44,223	47,126	48,168	45,745	47,685	49,672	47,664	48,096	47,898	48,931
7 Other	77,153	76,711	75,624	71,780	73,687	72,473	71,706	71,012	70,306	68,710
8 All other foreigners	61,614	63,514	57,092	54,463	55,487	55,143	54,536	53,222	53,800	53,711
9 Claims of banks' domestic customers[2]	40,310	34,903	32,916	....	....	33,646	....	....	29,422	....
10 Deposits	2,491	2,969	3,380	....	....	3,871	....	....	2,870	....
11 Negotiable and readily transferable instruments[3]	30,763	26,064	23,805	....	....	24,576	....	....	21,064	....
12 Outstanding collections and other claims	7,056	5,870	5,732	....	....	5,198	....	....	5,488	....
13 MEMO: Customer liability on acceptances	38,153	37,715	36,667	....	....	35,204	....	....	31,694	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	42,499	46,217	40,096	43,136^r	40,261^r	39,703^r	39,375^r	37,393	36,012	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1981▲	1982	1983	1984		1985	
				Sept.	Dec.	Mar.	June^p
1 **Total**	**154,590**	**228,150**	**243,715**	**240,590**	**243,170**	**239,222**	**230,714**
By borrower							
2 Maturity of 1 year or less[1]	116,394	173,917	176,158	162,802	165,321	164,883	158,090
3 Foreign public borrowers	15,142	21,256	24,039	21,086	22,141	23,496	23,864
4 All other foreigners	101,252	152,661	152,120	141,716	143,180	141,387	134,227
5 Maturity of over 1 year[1]	38,197	54,233	67,557	77,788	77,849	74,339	72,623
6 Foreign public borrowers	15,589	23,137	32,521	38,571	39,672	38,088	37,133
7 All other foreigners	22,608	31,095	35,036	39,217	38,177	36,251	35,490
By area							
Maturity of 1 year or less[1]							
8 Europe	28,130	50,500	56,117	56,741	58,173	60,269	55,448
9 Canada	4,662	7,642	6,211	5,841	5,978	7,481	6,098
10 Latin America and Caribbean	48,717	73,291	73,660	61,449	60,825	60,071	63,370
11 Asia	31,485	37,578	34,403	32,268	33,435	30,651	27,426
12 Africa	2,457	3,680	4,199	4,798	4,442	4,109	3,976
13 All other[2]	943	1,226	1,569	1,705	2,468	2,301	1,772
Maturity of over 1 year[1]							
14 Europe	8,100	11,636	13,576	11,249	9,590	8,545	8,588
15 Canada	1,808	1,931	1,857	1,801	1,890	2,181	2,116
16 Latin America and Caribbean	25,209	35,247	43,888	56,625	57,834	55,372	53,141
17 Asia	1,907	3,185	4,850	5,106	5,386	5,235	5,196
18 Africa	900	1,494	2,286	1,857	2,033	1,963	2,002
19 All other[2]	272	740	1,101	1,150	1,116	1,043	1,581

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1981	1982	1983			1984				1985	
			June	Sept.	Dec.	Mar.	June[7]	Sept.	Dec.	Mar.	June[p]
1 **Total**	**415.2**	**438.7**	**439.9**	**431.0**	**437.3**	**435.1**	**430.6**	**410.1**	**407.7**	**409.3r**	**400.6**
2 G-10 countries and Switzerland	175.5	179.7	177.1	168.8	168.0	166.0	157.7	148.0	147.6	152.4r	146.7
3 Belgium-Luxembourg	13.3	13.1	13.3	12.6	12.4	11.0	10.9	9.8	8.8	9.4	9.0
4 France	15.3	17.1	17.1	16.2	16.3	15.9	14.2	14.3	14.1	14.6r	13.6
5 Germany	12.9	12.7	12.6	11.6	11.3	11.7	10.9	10.0	9.0	8.9	9.6
6 Italy	9.6	10.3	10.5	9.9	11.4	11.2	11.5	9.7	10.1	10.0	8.9
7 Netherlands	4.0	3.6	4.0	3.6	3.5	3.4	3.0	3.4	3.9	3.7	3.7
8 Sweden	3.7	5.0	4.7	4.9	5.1	5.2	4.3	3.5	3.2	3.1	2.9
9 Switzerland	5.5	5.0	4.8	4.2	4.3	4.3	4.2	3.9	3.9	4.2	4.0
10 United Kingdom	70.1	72.1	70.8	67.8	65.4	65.1	60.5	57.4	59.8	64.8r	65.2
11 Canada	10.9	10.4	10.8	8.9	8.3	8.6	8.9	8.1	7.8	9.0	8.0
12 Japan	30.2	30.2	28.5	29.0	29.9	29.7	29.3	27.9	27.2	24.7r	21.9
13 Other developed countries	28.4	33.7	34.5	34.3	36.1	35.7	37.1	36.3	33.8	33.0	32.4
14 Austria	1.9	1.9	2.1	1.9	1.9	2.0	1.9	1.8	1.6	1.6	1.6
15 Denmark	2.3	2.4	3.4	3.3	3.4	3.4	3.1	2.9	2.2	2.1	1.9
16 Finland	1.7	2.2	2.1	1.8	2.4	2.1	2.3	1.9	1.9	1.8	1.8
17 Greece	2.8	3.0	2.9	2.9	2.8	3.0	3.3	3.2	2.9	2.9	2.9
18 Norway	3.1	3.3	3.4	3.2	3.3	3.2	3.2	3.2	3.0	2.9	2.9
19 Portugal	1.1	1.5	1.4	1.4	1.5	1.4	1.7	1.6	1.4	1.4	1.3
20 Spain	6.6	7.5	7.2	7.1	7.1	7.1	7.3	6.9	6.5	6.5r	5.9
21 Turkey	1.4	1.4	1.4	1.5	1.7	1.9	2.0	2.0	1.9	1.9	2.0
22 Other Western Europe	2.1	2.3	2.0	2.1	1.8	1.8	1.9	1.7	1.7	1.7	1.8
23 South Africa	2.8	3.7	3.9	4.7	4.7	4.8	4.7	5.0	4.5	4.2	3.9
24 Australia	2.5	4.4	4.5	4.4	5.5	5.2	5.7	6.2	6.1	6.2	6.3
25 OPEC countries[2]	,24.8	27.4	28.3	27.2	28.9	28.6	26.7	25.0	25.6	25.2r	23.6
26 Ecuador	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.2	2.2	2.3
27 Venezuela	9.9	10.5	10.4	9.8	9.9	9.7	9.5	9.2	9.3	9.3r	9.3
28 Indonesia	2.6	3.2	3.2	3.4	3.8	4.0	4.0	3.8	3.7	3.6	3.4
29 Middle East countries	7.5	8.7	9.5	9.1	10.0	9.8	8.4	7.4	8.2	7.8	6.5
30 African countries	2.5	2.8	3.0	2.8	3.0	3.0	2.7	2.5	2.3	2.3r	2.1
31 Non-OPEC developing countries	96.3	107.1	108.8	109.8	111.6	112.2	112.8	111.9	112.2	111.3	110.4
Latin America											
32 Argentina	9.4	8.9	9.4	9.5	9.5	9.5	9.2	9.1	8.7	8.6	8.6
33 Brazil	19.1	22.9	22.7	23.1	23.1	25.1	25.4	26.3	26.3	26.4	26.6
34 Chile	5.8	6.3	5.8	6.3	6.4	6.5	6.7	7.1	7.0	7.0	6.9
35 Colombia	2.6	3.1	3.2	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.7
36 Mexico	21.6	24.5	25.3	25.9	26.1	25.6	26.0	26.1	25.8	25.7	25.6
37 Peru	2.0	2.6	2.6	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1
38 Other Latin America	4.1	4.0	4.3	4.2	4.2	4.4	4.1	3.9	3.9	3.7r	3.6
Asia											
China											
39 Mainland	.2	.2	.2	.2	.3	.3	.6	.5	.7	.7	.3
40 Taiwan	5.1	5.3	5.1	5.2	5.3	4.9	5.3	5.2	5.1	5.3	5.5
41 India	.3	.6	.7	.8	1.0	1.0	1.0	1.1	1.0	1.0	1.0
42 Israel	2.1	2.3	2.3	1.7	1.9	1.6	1.9	1.7	1.8	1.7	2.3
43 Korea (South)	9.4	10.9	10.9	10.9	11.3	11.1	11.2	10.3	10.8r	10.5	10.1
44 Malaysia	1.7	2.1	2.6	2.8	2.9	2.8	2.7	3.0	2.8	2.8	2.8
45 Philippines	6.0	6.3	6.4	6.2	6.2	6.7	6.3	5.9	6.0	6.1	5.9
46 Thailand	1.5	1.6	1.8	1.8	2.2	2.1	1.9	1.8	1.8	1.7	1.5
47 Other Asia	1.0	1.1	1.2	1.0	1.0	.9	1.1	.9r	1.1	1.1	.9
Africa											
48 Egypt	1.1	1.2	1.3	1.4	1.5	1.4	1.4	1.2	1.2	1.1	1.0
49 Morocco	.7	.7	.8	.8	.8	.8	.8	.8	.8	.8	.8
50 Zaire	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.3	2.4	2.2	2.4	2.3	2.2	1.9	1.9	2.1	2.2r	2.0
52 Eastern Europe	7.8	6.2	5.8	5.3	5.3	4.9	4.9	4.5	4.4	4.3r	4.3
53 U.S.S.R.	.6	.3	.4	.2	.2	.2	.2	.2	.1	.2r	.3
54 Yugoslavia	2.5	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.3	2.2	2.2
55 Other	4.7	3.7	3.0	2.8	2.8	2.5	2.4	2.1	2.0	1.9	1.8
56 Offshore banking centers	63.7	66.8	69.3	68.7	70.5	71.4	74.1	66.9	66.8	66.2r	65.9
57 Bahamas	19.0	19.0	20.7	21.6	21.8	24.6	27.5	23.7	21.5	21.6r	21.5
58 Bermuda	.7	.9	.8	.8	.9	.7	.7	1.0	.9	.7	.9
59 Cayman Islands and other British West Indies	12.4	12.9	12.7	10.5	12.2	12.0	12.2	11.1	11.7	12.3r	12.4
60 Netherlands Antilles	3.2	3.3	2.6	4.1	4.2	3.3	3.3	3.1	3.4	3.3	3.2
61 Panama[4]	7.7	7.6	6.6	5.7	6.0	6.3	6.6	5.7	6.8	5.7	5.5
62 Lebanon	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.8	13.9	14.5	15.2	15.0	14.4	13.5	12.7	12.5	12.4	12.6
64 Singapore	8.7	9.2	11.2	10.5	10.3	10.0	10.2	9.5	9.8	10.0	9.6
65 Others[5]	.1	.0	.0	.1	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	18.8	17.9	16.2	16.9	17.0	16.3	17.3	17.3	17.3	16.9	17.5

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).
2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia.
4. Includes Canal Zone beginning December 1979.
5. Foreign branch claims only.
6. Includes New Zealand, Liberia, and international and regional organizations.
7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984				1985
				Mar.	June	Sept.	Dec.	Mar.^{p}
1 **Total**	**28,618**	**27,512**	**25,215**	**29,551**	**34,248**	**30,738**	**28,808**	**25,195**
2 Payable in dollars	24,909	24,280	22,195	26,314	31,050	27,934	25,935	22,517
3 Payable in foreign currencies	3,709	3,232	3,020	3,237	3,198	2,804	2,873	2,678
By type								
4 Financial liabilities	12,157	11,066	10,441	14,247	18,574	15,879	13,951	10,705
5 Payable in dollars	9,499	8,858	8,662	12,229	16,532	14,082	12,084	8,953
6 Payable in foreign currencies	2,658	2,208	1,779	2,018	2,043	1,797	1,868	1,751
7 Commercial liabilities	16,461	16,446	14,774	15,304	15,674	14,859	14,857	14,490
8 Trade payables	10,818	9,438	7,765	7,893	7,897	6,900	6,990	6,961
9 Advance receipts and other liabilities	5,643	7,008	7,009	7,411	7,776	7,959	7,867	7,529
10 Payable in dollars	15,409	15,423	13,533	14,085	14,518	13,852	13,851	13,563
11 Payable in foreign currencies	1,052	1,023	1,241	1,219	1,155	1,007	1,006	927
By area or country								
Financial liabilities								
12 Europe	6,825	6,501	5,710	7,158	7,335	6,679	6,798	5,814
13 Belgium-Luxembourg	471	505	302	428	359	428	471	298
14 France	709	783	843	956	900	910	995	876
15 Germany	491	467	502	524	571	521	489	441
16 Netherlands	748	711	589	537	595	595	578	592
17 Switzerland	715	792	486	641	563	514	569	521
18 United Kingdom	3,565	3,102	2,839	3,841	4,097	3,463	3,389	2,847
19 Canada	963	746	764	795	735	825	863	813
20 Latin America and Caribbean	3,356	2,751	2,607	4,912	9,017	6,780	4,576	2,606
21 Bahamas	1,279	904	751	1,419	3,642	2,606	1,423	853
22 Bermuda	7	14	13	51	13	11	13	10
23 Brazil	22	28	32	37	25	33	35	29
24 British West Indies	1,241	1,027	1,018	2,635	4,546	3,250	2,103	1,489
25 Mexico	102	121	213	243	237	260	367	25
26 Venezuela	98	114	124	121	124	130	137	3
27 Asia	976	1,039	1,332	1,355	1,462	1,566	1,682	1,450
28 Japan	792	715	898	947	1,013	1,085	1,121	935
29 Middle East oil-exporting countries[2]	75	169	170	170	180	144	147	116
30 Africa	14	17	19	19	16	16	14	12
31 Oil-exporting countries[3]	0	0	0	0	0	1	0	0
32 All other[4]	24	12	10	9	9	14	19	10
Commercial liabilities								
33 Europe	3,770	3,831	3,245	3,567	3,409	3,961	3,987	3,486
34 Belgium-Luxembourg	71	52	62	40	45	34	48	37
35 France	573	598	437	488	525	430	438	401
36 Germany	545	468	427	417	501	558	619	553
37 Netherlands	220	346	268	259	265	239	245	272
38 Switzerland	424	367	241	477	246	405	257	233
39 United Kingdom	880	1,027	732	847	794	1,133	1,082	734
40 Canada	897	1,495	1,841	1,776	1,840	1,906	1,975	1,727
41 Latin America and Caribbean	1,044	1,570	1,473	1,807	1,705	1,758	1,871	1,698
42 Bahamas	2	16	1	14	17	1	7	11
43 Bermuda	67	117	67	158	124	110	114	112
44 Brazil	67	60	44	68	31	68	124	101
45 British West Indies	2	32	6	33	5	8	32	21
46 Mexico	340	436	585	682	568	641	586	654
47 Venezuela	276	642	432	560	630	628	636	395
48 Asia	9,384	8,144	6,741	6,620	6,989	5,569	5,307	5,782
49 Japan	1,094	1,226	1,247	1,291	1,235	1,429	1,256	1,241
50 Middle East oil-exporting countries[2,5]	7,008	5,503	4,178	3,735	4,190	2,364	2,372	2,786
51 Africa	703	753	553	539	684	597	588	727
52 Oil-exporting countries[3]	344	277	167	243	217	251	233	255
53 All other[4]	664	651	921	995	1,046	1,068	1,128	1,070

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984				1985
				Mar.	June	Sept.	Dec.	Mar.^{p}
1 **Total**	**36,185**	**28,725**	**34,951**	**33,767**	**31,977**	**30,545**	**29,531**	**28,221**
2 Payable in dollars	32,582	26,085	31,856	30,919	28,996	27,754	26,934	25,679
3 Payable in foreign currencies	3,603	2,640	3,096	2,848	2,982	2,792	2,597	2,542
By type								
4 Financial claims	21,142	17,684	23,821	22,904	21,529	20,157	18,940	17,935
5 Deposits	15,081	13,058	18,375	17,657	16,410	15,376	14,307	13,941
6 Payable in dollars	14,456	12,628	17,872	17,225	15,888	14,936	13,887	13,462
7 Payable in foreign currencies	625	430	503	432	522	439	420	479
8 Other financial claims	6,061	4,626	5,445	5,247	5,120	4,781	4,633	3,994
9 Payable in dollars	3,599	2,979	3,489	3,502	3,359	3,088	3,190	2,430
10 Payable in foreign currencies	2,462	1,647	1,956	1,745	1,761	1,693	1,442	1,565
11 Commercial claims	15,043	11,041	11,131	10,864	10,448	10,389	10,591	10,286
12 Trade receivables	14,007	9,994	9,721	9,540	9,105	8,885	9,110	8,762
13 Advance payments and other claims	1,036	1,047	1,410	1,323	1,343	1,503	1,481	1,524
14 Payable in dollars	14,527	10,478	10,494	10,193	9,749	9,729	9,856	9,787
15 Payable in foreign currencies	516	563	637	671	699	659	735	499
By area or country								
Financial claims								
16 Europe	4,596	4,873	6,448	6,351	6,434	5,679	5,604	5,614
17 Belgium-Luxembourg	43	15	37	30	37	15	15	29
18 France	285	134	150	171	151	146	114	86
19 Germany	224	178	159	144	161	187	224	276
20 Netherlands	50	97	71	32	158	62	66	72
21 Switzerland	117	107	38	115	61	64	66	46
22 United Kingdom	3,546	4,064	5,781	5,651	5,613	4,973	4,721	4,901
23 Canada	6,755	4,377	6,166	5,684	5,290	4,480	4,006	3,945
24 Latin America and Caribbean	8,812	7,546	10,150	9,871	8,562	8,825	8,045	7,322
25 Bahamas	3,650	3,279	4,745	3,953	3,255	3,382	3,270	2,956
26 Bermuda	18	32	102	3	11	5	6	36
27 Brazil	30	62	53	87	83	84	100	98
28 British West Indies	3,971	3,255	4,163	4,925	4,394^r	4,488	3,905	3,641
29 Mexico	313	274	291	279	230	232	215	201
30 Venezuela	148	139	134	130	124	128	125	102
31 Asia	758	698	764	757	977	900	961	856
32 Japan	366	153	297	313	321	371	353	509
33 Middle East oil-exporting countries[2]	37	15	4	7	8	7	13	6
34 Africa	173	158	147	144	158	160	210	101
35 Oil-exporting countries[3]	46	48	55	42	35	37	85	32
36 All other[4]	48	31	145	96	109	113	114	97
Commercial claims								
37 Europe	5,405	3,826	3,670	3,610	3,555	3,570	3,812	3,369
38 Belgium-Luxembourg	234	151	135	173	142	128	138	149
39 France	776	474	459	413	408	411	440	375
40 Germany	561	357	349	365	447	370	374	359
41 Netherlands	299	350	334	310	306	303	340	345
42 Switzerland	431	360	317	336	250	289	271	253
43 United Kingdom	985	811	809	787	812	891	1,063	872
44 Canada	967	633	829	1,061	933	1,026	1,021	1,248
45 Latin America and Caribbean	3,479	2,526	2,695	2,419	2,042	1,976	1,973	1,913
46 Bahamas	12	21	8	8	4	14	8	9
47 Bermuda	223	261	190	216	89	88	115	164
48 Brazil	668	258	493	357	310	219	214	210
49 British West Indies	12	12	7	7	8	10	7	6
50 Mexico	1,022	775	884	745	577	595	583	493
51 Venezuela	424	351	272	268	241	245	206	193
52 Asia	3,959	3,050	3,063	2,997	3,085	2,884	3,086	3,012
53 Japan	1,245	1,047	1,114	1,186	1,178	1,080	1,191	1,154
54 Middle East oil-exporting countries[2]	905	751	737	701	710	703	688	693
55 Africa	772	588	588	497	536	595	470	522
56 Oil-exporting countries[3]	152	140	139	132	128	135	134	177
57 All other[4]	461	417	286	280	297	338	229	221

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1983	1984	1985 Jan.–July	1985 Jan.	Feb.	Mar.	Apr.	May	June	July^p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	69,770	60,473^r	43,680	5,026	7,125	6,303	5,106	6,476	6,462	7,181
2 Foreign sales	64,360	63,388	43,686	5,726	7,180	6,748	5,071	6,371	6,068	6,522
3 Net purchases, or sales (−)	**5,410**	**−2,915^r**	**−5**	**−700**	**−56**	**−445**	**36**	**106**	**394**	**659**
4 *Foreign countries*	**5,312**	**−3,030^r**	**−39**	**−717**	**−51**	**−402**	**28**	**149**	**396**	**559**
5 Europe	3,979	−2,975^r	−1,380	−558	−215	−582	−161	−269	70	336
6 France	−97	−405	−9	−19	−41	−13	24	17	26	−3
7 Germany	1,045	−50	−165	−134	−109	−113	23	38	5	126
8 Netherlands	−109	−315	−357	−44	−108	−129	16	−48	−86	42
9 Switzerland	1,325	−1,490	−455	−159	−133	−122	−48	−81	49	38
10 United Kingdom	1,799	−647^r	−496	−178	129	−195	−191	−214	48	104
11 Canada	1,151	1,673	260	47	168	−2	33	9	−62	66
12 Latin America and Caribbean	529	493	1,003	98	158	80	169	247	132	119
13 Middle East[1]	−808	−1,998	64	−52	−101	116	−96	44	100	53
14 Other Asia	395	−372	−61	−264	−99	−41	91	101	174	−23
15 Africa	42	−23	7	−7	−2	−13	−1	−8	13	25
16 Other countries	24	171	69	19	40	39	−6	25	−31	−16
17 Nonmonetary international and regional organizations	**98**	**115**	**33**	**17**	**−5**	**−43**	**8**	**−44**	**−1**	**100**
BONDS[2]										
18 Foreign purchases	24,000	39,331^r	44,682	5,937	8,219	5,484	4,501	6,747	5,284	8,510
19 Foreign sales	23,097	26,071	24,282	3,106	3,649	2,598	3,068	3,689^r	3,910	4,261
20 Net purchases, or sales (−)	**903**	**13,260^r**	**20,400**	**2,831**	**4,570**	**2,886**	**1,432**	**3,058^r**	**1,374**	**4,249**
21 Foreign countries	**888**	**12,963^r**	**19,753**	**2,835**	**4,489**	**2,936**	**1,408**	**3,246^r**	**1,241**	**3,598**
22 Europe	909	11,793^r	18,530	2,635	4,143	2,952	1,634	2,762	1,195	3,210
23 France	−89	207	10	55	−17	−10	18	0	−35	−2
24 Germany	344	1,731	164	67	−153	−112	174	−6	13	182
25 Netherlands	51	93	30	9	44	8	−9	−11	−9	−2
26 Switzerland	583	644	1,529	12	315	483	65	71	93	491
27 United Kingdom	434	8,520	16,126	2,441	4,018	2,550	1,294	2,398	1,035	2,390
28 Canada	123	−71	87	59	−11	−5	0	43	4	−4
29 Latin America and Caribbean	100	390	373	90	50	69	−82	178	28	40
30 Middle East[1]	−1,161	−1,011	−1,724	−123	−84	−127	−507	−112	−505	−265
31 Other Asia	865	1,862	2,447	140	337	89	381	372	518	610
32 Africa	0	1	5	0	0	0	0	1	0	3
33 Other countries	52	0^r	35	35	54	−41	−19	2^r	1	3
34 Nonmonetary international and regional organizations	**15**	**297**	**647**	**−4**	**81**	**−50**	**25**	**−188**	**133**	**651**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,765	−1,057^r	−2,586	−782	−663^r	−457	−101	129^r	−155	−556
36 Foreign purchases	13,281	14,591	10,609	1,222	1,607^r	1,379	1,437	1,753^r	1,631	1,580
37 Foreign sales	17,046	15,648^r	13,194	2,004	2,271^r	1,836	1,538	1,623	1,786	2,136
38 Bonds, net purchases, or sales (−)	−3,239	−4,052^r	−3,062	175	202^r	−950	−670	−1,035	−263	−521
39 Foreign purchases	36,333	57,312^r	43,370	5,424	5,299^r	5,673	5,674	7,469	6,689	7,142
40 Foreign sales	39,572	61,364^r	46,432	5,249	5,097^r	6,623	6,345	8,504	6,952	7,662
41 *Net purchases, or sales (−), of stocks and bonds*	**−7,004**	**−5,109^r**	**−5,648**	**−607**	**−461^r**	**−1,407**	**−772**	**−906^r**	**−418**	**−1,076**
42 Foreign countries	**−6,559**	**−4,720^r**	**−6,140**	**−736**	**−761^r**	**−1,217**	**−680**	**−1,070^r**	**−369**	**−1,306**
43 Europe	−5,492	−8,632^r	−6,594	−719	−96^r	−1,208	−798	−1,980^r	−674	−1,120
44 Canada	−1,328	413	−1,431	75	−422	−68	23	99	−157	−785
45 Latin America and Caribbean	1,120	2,472	1,323	193	−49^r	7	136	812	75	150
46 Asia	−855	1,345	418	−392	−250^r	99	−13	202^r	355	418
47 Africa	141	−107	−6	−4	−3	−26	−5	2	13	18
48 Other countries	−144	−210	149	111	58^r	−21	−23	−8^r	19	13
49 Nonmonetary international and regional organizations	**−445**	**−389**	**492**	**129**	**300**	**−190**	**−91**	**164**	**−49**	**229**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1983	1984	1985 Jan.–July	1985 Jan.	Feb.	Mar.	Apr.	May	June	July^p
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**3,693**	**21,438^r**	**17,822**	**2,294**	**2,308**	**−4,401**	**−4,324**	**2,981^r**	**5,758**	**4,558**
2 Foreign countries[2]	3,162	16,433^r	18,582	3,779	2,153	−4,756	2,249	4,249^r	5,758	5,150
3 Europe[2]	6,226	11,070	3,196	532	−81	−1,435	1,818	544	1,025	793
4 Belgium-Luxembourg	−431	289	341	104	18	0	80	101	17	21
5 Germany[2]	2,450	2,958	361	−120	−129	−1,538	299	851	415	584
6 Netherlands	375	454	−183	−71	11	−201	−7	−73	10	148
7 Sweden	170	46	1,192	150	−10	1	30	157	775	89
8 Switzerland[2]	−421	635	808	−35	358	313	183	−133	143	−21
9 United Kingdom	1,966	5,223	−1,320	419	−342	293	188	−1,021	−96	−761
10 Other Western Europe	2,118	1,466^r	1,996	86	12	−303	1,045	663	−239	732
11 Eastern Europe	0	0	0	0	0	0	0	0	0	0
12 Canada	699	1,526	149	−110	−242	38	334	114^r	6	8
13 Latin America and Caribbean	−212	1,413	2,197	149	735	−82	466	581	206	143
14 Venezuela	−124	14	77	5	−11	2	10	−9	80	0
15 Other Latin America and Caribbean	60	528	877	−2	71	65	177	462	124	−20
16 Netherlands Antilles	−149	871	1,242	146	674	−149	278	127	3	163
17 Asia	−3,535	2,377	12,944	3,093	1,726	−3,289	−331	2,943	4,516	4,285
18 Japan	2,315	6,062	10,503	578	559	177	1,717	1,054	2,666	3,752
19 Africa	3	−67	95	2	1	1	13	57	10	10
20 All other	−17	114	1	113	14	11	−51	9^r	−6	−89
21 Nonmonetary international and regional organizations	535	5,006^r	−759	−1,485	155	355	2,075	−1,267^r	0	−592
22 International	218	4,612	−422	−1,675	504	338	1,792	−1,057	−105	−219
23 Latin American regional	0	0	3	0	1	0	−3	5	0	0
MEMO										
24 Foreign countries[2]	3,162	16,433^r	18,582	3,779	2,153	−4,756	2,249	4,249^r	5,758	5,150
25 Official institutions	779	515^r	5,664	2,528	1,322	−5,278	−598	3,466	2,713	1,511
26 Other foreign[2]	2,382	15,918^r	12,914	1,251	830	521	2,846	782^r	3,045	3,639
Oil-exporting countries										
27 Middle East[3]	−5,419	−6,277	911	27	−372	554	−827	108	1,422	−1
28 Africa[4]	−1	−101	0	0	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Aug. 31, 1985		Country	Rate on Aug. 31, 1985		Country	Rate on Aug. 31, 1985	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.5	June 1984	France[1]	9.63	July 1985	Norway	8.0	June 1983
Belgium	10.0	Aug. 1985	Germany, Fed. Rep. of	4.5	June 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	15.5	Jan. 1985	United Kingdom[2]	....	....
Canada	9.20	Aug. 1985	Japan	5.0	Oct. 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct. 1983	Netherlands	5.0	Aug. 1985			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1982	1983	1984	1985						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	12.24	9.57	10.75	9.05	9.32	8.74	8.13	7.60	7.89	8.02
2 United Kingdom	12.21	10.06	9.91	13.69	13.52	12.70	12.61	12.38	12.01	11.42
3 Canada	14.38	9.48	11.29	10.63	11.42	10.15	9.77	9.58	9.33	9.16
4 Germany	8.81	5.73	5.96	6.13	6.36	5.99	5.87	5.66	5.31	4.75
5 Switzerland	5.04	4.11	4.35	5.66	5.77	5.35	5.15	5.14	5.07	4.64
6 Netherlands	8.26	5.58	6.08	6.90	7.14	6.82	6.90	6.58	6.29	5.80
7 France	14.61	12.44	11.66	10.60	10.71	10.49	10.15	10.18	9.97	9.79
8 Italy	19.99	18.95	17.08	15.79	15.82	15.15	14.91	15.00	14.37	14.36
9 Belgium	14.10	10.51	11.41	10.75	10.75	10.09	9.35	8.96	8.95	9.50
10 Japan	6.84	6.49	6.32	6.29	6.30	6.26	6.26	6.30	6.29	6.30

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1982	1983	1984	1985					
				Mar.	Apr.	May	June	July	Aug.
1 Australia/dollar[1]	101.65	90.14	87.937	69.70	65.84	67.68	66.51	69.95	70.70
2 Austria/schilling	17.060	17.968	20.005	23.247	21.717	21.868	21.532	20.446	19.632
3 Belgium/franc	45.780	51.121	57.749	66.308	62.283	62.572	61.719	58.626	56.543
4 Brazil/cruzeiro	179.22	573.27	1841.50	4158.19	4511.58	5239.00	5786.00	6236.19	6714.00
5 Canada/dollar	1.2344	1.2325	1.2953	1.3840	1.3658	1.3756	1.3676	1.3526	1.3575
6 China, P.R./yuan	1.8978	1.9809	2.3308	2.8533	2.8480	2.8556	2.8693	2.8809	2.9093
7 Denmark/krone	8.3443	9.1483	10.354	11.797	11.114	11.2244	10.9962	10.456	10.1459
8 Finland/markka	4.8086	5.5636	6.0007	6.8464	6.4652	6.4641	6.3660	6.0798	5.9464
9 France/franc	6.5793	7.6203	8.7355	10.078	9.4427	9.4829	9.3414	8.8513	8.5323
10 Germany/deutsche mark	2.428	2.5539	2.8454	3.2982	3.0946	3.1093	3.0636	2.9083	2.7937
11 Greece/drachma	66.872	87.895	112.73	140.62	134.86	137.239	136.00	131.75	131.75
12 Hong Kong/dollar	6.0697	7.2569	7.8188	7.8009	7.7902	7.7766	7.7698	7.7527	7.7906
13 India/rupee	9.4846	10.1040	11.348	12.861	12.400	12.5004	12.441	12.031	11.898
14 Ireland/pound[1]	142.05	124.81	108.64	94.58	101.17	100.71	102.19	107.79	111.43
15 Israel/shekel	24.407	55.865	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1354.00	1519.30	1756.10	2078.50	1975.89	1984.45	1953.92	1900.33	1873.51
17 Japan/yen	249.06	237.55	237.45	257.92	251.84	251.73	248.84	241.14	237.46
18 Malaysia/ringgit	2.3395	2.3204	2.3448	2.5734	2.4922	2.4759	2.4685	2.4696	2.4644
19 Mexico/peso	72.990	155.01	192.31	246.15	246.57	254.8182	294.22	346.70	339.78
20 Netherlands/guilder	2.6719	2.8543	3.2083	3.7290	3.4981	3.5097	3.4535	3.2732	3.1429
21 New Zealand/dollar[1]	75.101	66.790	57.837	45.276	45.520	45.197	45.949	49.826	53.564
22 Norway/krone	6.4567	7.3012	8.1596	9.4608	8.9314	8.9442	8.8255	8.4338	8.2487
23 Philippines/peso	8.5324	11.0940	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Portugal/escudo	80.101	111.610	147.70	183.98	174.56	177.545	176.15	169.77	167.34
25 Singapore/dollar	2.1406	2.1136	2.1325	2.2582	2.2199	2.2228	2.2291	2.2109	2.2191
26 South Africa/rand[1]	92.297	89.85	69.534	50.33	51.50	50.18	50.54	51.07	43.07
27 South Korea/won	731.93	776.04	807.91	850.71	861.21	792.56	875.00	876.46	885.09
28 Spain/peseta	110.09	143.500	160.78	183.13	172.85	175.397	173.42	167.97	164.49
29 Sri Lanka/rupee	20.756	23.510	25.428	26.836	27.113	27.404	27.433	27.327	27.377
30 Sweden/krona	6.2838	7.6717	8.2706	9.4135	8.9946	8.9895	8.8565	8.4703	8.3106
31 Switzerland/franc	2.0327	2.1006	2.3500	2.8033	2.5948	2.6150	2.5721	2.4060	2.2962
32 Taiwan/dollar	n.a.	n.a.	39.633	39.542	39.728	39.906	39.857	40.136	40.501
33 Thailand/baht	23.014	22.991	23.582	28.097	27.466	27.554	27.433	27.053	26.889
34 United Kingdom/pound[1]	174.80	151.59	133.66	112.53	123.77	124.83	128.08	138.07	138.40
35 Venezuela/bolivar	4.2981	10.6840	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO									
36 United States/dollar[2]	116.57	125.34	138.19	158.14	149.56	149.92	147.71	140.94	137.55

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		.....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregulary, with Latest Bulletin Reference

Special tables begin on next page.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 5–9, 1985[1]

A. Commercial and Industrial Loans

Characteristics	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)
			Days	Weighted average effective[3]	Standard error[4]	Interquartile range[5]		
ALL BANKS								
1 Overnight[6]	14,399,667	8,840	*	8.57	.43	8.33–8.73	52.9	2.0
2 One month and under	7,026,181	499	15	9.00	.18	8.48–9.22	69.5	12.8
3 Fixed rate	3,985,397	380	16	9.03	.27	8.49–9.20	71.4	9.1
4 Floating rate	3,040,784	845	13	8.97	.11	8.45–9.41	67.0	17.7
5 Over one month and under a year	8,841,052	65	151	10.31	.39	8.88–11.07	66.3	8.6
6 Fixed rate	5,028,949	50	129	10.38	.54	8.72–11.74	56.4	4.7
7 Floating rate	3,812,104	109	179	10.23	.24	9.45–11.02	79.4	13.7
8 Demand[7]	4,752,297	195	*	9.88	.13	8.57–10.79	68.5	8.1
9 Fixed rate	1,296,414	470	*	8.83	.41	8.21–8.84	62.1	10.5
10 Floating rate	3,455,883	160	*	10.28	.11	9.84–11.02	70.9	7.2
11 **Total short term**	**35,019,198**	**199**	**48**	**9.27**	**.26**	**8.38–9.84**	**61.8**	**6.7**
12 Fixed rate (thousands of dollars)	24,041,683	208	32	9.03	.39	8.33–9.06	57.1	3.2
13 1–24	603,704	6	101	13.30	.32	12.13–14.30	27.3	.0
14 25–49	363,031	35	104	13.80	.63	12.19–14.85	30.5	.1
15 50–99	334,031	68	116	13.05	.25	11.74–14.49	35.8	9.1
16 100–499	622,174	187	226	12.15	.64	10.38–13.25	41.9	1.4
17 500–999	256,557	648	47	9.66	.12	8.99–9.96	75.5	7.7
18 1000 and over	21,862,185	7,878	22	8.68	.07	8.33–8.90	58.9	3.2
19 Floating rate (thousands of dollars)	10,977,515	182	96	9.80	.12	8.70–10.75	72.0	14.3
20 1–24	306,732	9	154	11.77	.12	10.95–12.56	65.8	1.2
21 25–49	298,767	32	146	11.49	.06	10.92–12.13	65.0	2.3
22 50–99	436,192	66	143	11.17	.07	10.47–11.82	62.6	3.3
23 100–499	1,437,152	192	145	10.75	.07	9.92–11.30	69.9	5.7
24 500–999	775,152	654	145	10.45	.10	9.92–11.02	76.2	4.5
25 1000 and over	7,723,521	4,266	80	9.33	.17	8.49–9.93	73.0	18.5
			Months					
26 **Total long term**	**5,450,796**	**123**	**52**	**10.44**	**.26**	**9.14–11.36**	**78.2**	**6.0**
27 Fixed rate (thousands of dollars)	1,855,446	60	51	10.49	.44	8.92–11.76	70.9	3.8
28 1–99	418,156	14	43	13.51	.75	12.13–14.93	17.0	.2
29 100–499	59,084	222	90	11.78	.16	10.79–12.68	32.5	7.9
30 500–999	39,511	707	80	10.47	1.00	9.25–11.57	70.8	3.2
31 1000 and over	1,338,695	7,676	51	9.49	.57	8.75–9.92	89.5	4.8
32 Floating rate (thousands of dollars)	3,595,350	265	52	10.42	.23	9.29–11.36	81.9	7.2
33 1–99	254,576	25	46	12.15	.25	11.02–13.24	38.9	2.8
34 100–499	605,333	225	39	11.41	.12	11.02–12.00	69.5	4.3
35 500–999	202,479	669	43	10.56	.21	9.92–11.19	76.2	12.3
36 1000 and over	2,532,963	5,702	57	9.99	.23	8.99–10.98	89.7	7.9
			Days	Loan rate (percent)		Prime rate[9]		
				Effective[3]	Nominal[8]			
LOANS MADE BELOW PRIME[10]								
37 Overnight[6]	13,953,262	10,307	*	8.52	8.17	9.54	52.5	2.1
38 One month and under	6,120,031	2,850	14	8.73	8.38	9.54	70.8	14.1
39 Over one month and under a year	4,425,942	472	142	9.01	8.71	9.69	74.3	8.8
40 Demand[7]	1,822,347	2,248	*	8.52	8.24	9.52	59.9	11.5
41 **Total short term**	**26,321,582**	**1,923**	**30**	**8.65**	**8.32**	**9.56**	**60.9**	**6.7**
42 Fixed rate	21,286,429	1,919	23	8.65	8.31	9.57	58.7	3.3
43 Floating rate	5,035,153	1,939	61	8.66	8.33	9.54	70.3	20.9
			Months					
44 **Total long term**	**2,068,250**	**288**	**52**	**8.94**	**8.70**	**9.57**	**92.6**	**6.3**
45 Fixed rate	996,038	146	46	8.97	8.83	9.58	91.2	6.1
46 Floating rate	1,072,219	2,790	58	8.92	8.58	9.55	93.8	6.6

For notes see end of table.

4.23 Continued

A. Continued

Characteristics	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2] (Days)	Loan rate (percent): Weighted average effective[3]	Loan rate (percent): Standard error[4]	Loan rate (percent): Inter-quartile range[5]	Loans made under commitment (percent)	Participation loans (percent)
48 LARGE BANKS								
1 Overnight[6]	11,771,007	11,295	*	8.55	.01	8.33–8.73	53.7	2.3
2 One month and under	5,406,134	2,328	13	8.84	.03	8.46–9.14	73.1	12.8
3 Fixed rate	2,824,539	3,082	15	8.88	.00	8.51–9.16	76.4	8.8
4 Floating rate	2,581,595	1,836	11	8.80	.06	8.38–9.13	69.4	17.3
5 Over one month and under a year	4,900,340	531	140	9.47	.03	8.70–9.92	78.1	11.8
6 Fixed rate	2,983,284	1,615	116	9.11	.04	8.43–9.72	71.2	5.4
7 Floating rate	1,917,056	260	178	10.03	.06	9.38–10.79	88.9	21.8
8 Demand[7]	2,157,601	396	*	9.69	.06	8.46–10.47	71.0	12.3
9 Fixed rate	588,789	792	*	8.76	.02	8.21–8.84	69.6	22.7
10 Floating rate	1,568,812	333	*	10.04	.03	9.25–10.75	71.6	8.4
11 Total short term	**24,235,082**	**1,343**	**35**	**8.90**	**.04**	**8.33–9.20**	**64.5**	**7.5**
12 Fixed rate (thousands of dollars)	17,680,476	3,918	24	8.70	.04	8.33–8.93	60.4	3.2
13 1–24	11,967	9	95	12.42	.25	10.92–13.52	58.2	.0
14 25–49	11,145	33	84	11.64	.29	10.52–12.68	63.1	.0
15 50–99	15,611	68	78	11.08	.01	10.52–12.13	74.8	1.0
16 100–499	106,341	215	56	10.53	.16	9.73–11.35	86.4	4.2
17 500–999	102,732	628	44	9.59	.07	9.01–9.96	78.6	6.7
18 1000 and over	17,432,679	9,145	23	8.68	.04	8.33–8.91	60.2	3.2
19 Floating rate (thousands of dollars)	6,554,606	484	74	9.44	.01	8.49–9.96	75.5	19.0
20 1–24	55,548	11	150	11.66	.01	11.02–12.19	79.1	2.2
21 25–49	67,709	34	143	11.38	.01	10.75–12.13	76.4	3.2
22 50–99	129,904	64	135	11.13	.01	10.48–11.57	74.7	3.8
23 100–499	541,008	195	140	10.69	.01	9.92–11.03	79.6	5.5
24 500–999	311,067	662	147	10.37	.03	9.92–11.02	85.8	1.7
25 1000 and over	5,449,371	5,141	64	9.18	.01	8.46–9.84	74.4	22.1
			Months					
26 Total long term	**3,314,021**	**1,115**	**53**	**9.84**	**.04**	**8.93–10.81**	**93.0**	**6.4**
27 Fixed rate (thousands of dollars)	1,221,654	1,903	49	9.49	.07	8.71–9.81	93.3	5.8
28 1–99	8,181	21	54	12.49	.69	10.64–13.31	45.1	11.7
29 100–499	17,014	224	49	10.65	.04	9.84–11.33	81.2	27.4
30 500–999	26,170	669	61	9.64	.01	9.01–10.44	79.5	4.9
31 1000 and over	1,170,289	8,501	49	9.45	.10	8.70–9.69	94.1	5.4
32 Floating rate (thousands of dollars)	2,092,367	898	55	10.05	.10	8.99–11.02	92.8	6.8
33 1–99	43,432	33	36	11.37	.03	10.75–12.13	74.2	6.7
34 100–499	124,021	219	42	10.94	.04	10.24–11.57	80.6	7.8
35 500–999	116,933	669	42	10.50	.04	9.84–11.17	85.0	11.9
36 1000 and over	1,807,981	6,621	57	9.93	.13	8.94–10.98	94.6	6.4
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[8]	Prime rate[9]		
LOANS MADE BELOW PRIME[10]								
37 Overnight[6]	11,554,902	11,646	*	8.52	8.18	9.50	54.1	2.4
38 One month and under	4,914,681	5,192	13	8.69	8.34	9.50	72.2	13.7
39 Over one month and under a year	3,309,910	5,057	135	8.92	8.64	9.50	75.9	9.3
40 Demand[7]	964,771	3,324	*	8.52	8.24	9.50	59.7	20.0
41 Total short term	**20,744,264**	**7,194**	**27**	**8.63**	**8.29**	**9.50**	**62.1**	**7.0**
42 Fixed rate	16,867,946	8,097	23	8.62	8.29	9.50	60.2	3.0
43 Floating rate	3,876,318	4,845	46	8.65	8.31	9.50	70.8	24.2
			Months					
44 Total long term	**1,707,880**	**5,890**	**49**	**8.94**	**8.71**	**9.50**	**97.7**	**5.7**
45 Fixed rate	855,434	5,801	43	8.93	8.83	9.50	99.2	7.1
46 Floating rate	852,446	5,982	55	8.94	8.59	9.50	96.2	4.4

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS SURVEY of Loans Made, August 5–9, 1985[1]—Continued

A. Commercial and Industrial Loans—Continued

Characteristics	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)
			Days	Weighted average effective[3]	Standard error[4]	Interquartile range[5]		
OTHER BANKS								
1 Overnight[6]	2,628,661	4,480	*	8.63	.42	8.33–8.66	49.5	.7
2 One month and under	1,620,047	138	19	9.54	.17	8.52–9.93	57.5	12.8
3 Fixed rate	1,160,858	121	18	9.39	.27	8.46–9.64	59.1	10.0
4 Floating rate	459,189	209	21	9.91	.10	8.86–10.75	53.6	19.6
5 Over one month and under a year	3,940,713	31	163	11.36	.39	9.84–13.10	51.6	4.5
6 Fixed rate	2,045,665	21	148	12.22	.53	9.96–13.65	34.8	3.6
7 Floating rate	1,895,048	69	181	10.44	.23	9.84–11.43	69.8	5.5
8 Demand[7]	2,594,696	138	*	10.04	.12	8.73–11.02	66.4	4.6
9 Fixed rate	707,626	351	*	8.88	.41	8.30–8.79	55.8	.4
10 Floating rate	1,887,070	112	*	10.47	.11	9.92–11.02	70.4	6.2
11 Total short term	**10,784,116**	**68**	**83**	**10.10**	**.26**	**8.46–11.07**	**55.6**	**4.8**
12 Fixed rate (thousands of dollars)	6,361,207	57	58	9.95	.38	8.39–11.07	47.7	3.1
13 1–24	591,737	6	102	13.32	.21	12.13–14.37	26.7	.0
14 25–49	351,886	35	104	13.87	.56	12.19–14.85	29.4	.1
15 50–99	318,421	68	117	13.15	.25	12.19–14.49	33.8	9.5
16 100–499	515,833	182	251	12.48	.62	10.56–13.25	32.8	.9
17 500–999	153,825	662	49	9.71	.10	8.87–9.96	73.4	8.3
18 1000 and over	4,429,506	5,099	17	8.67	.05	8.83–8.82	53.8	3.4
19 Floating rate (thousands of dollars)	4,422,909	95	139	10.32	.12	9.73–11.07	66.8	7.3
20 1–24	251,184	9	154	11.80	.12	10.93–12.66	62.9	1.0
21 25–49	231,058	32	146	11.53	.06	10.92–12.13	61.7	2.0
22 50–99	306,288	66	146	11.18	.07	10.47–11.91	57.5	3.1
23 100–499	896,144	190	148	10.79	.07	9.92–11.47	64.1	5.8
24 500–999	464,085	648	143	10.51	.10	9.92–11.02	69.8	6.4
25 1000 and over	2,274,150	3,030	131	9.70	.17	8.58–10.47	69.5	9.8
			Months					
26 Total long term	**2,136,775**	**52**	**50**	**11.37**	**.26**	**9.92–12.19**	**55.2**	**5.4**
27 Fixed rate (thousands of dollars)	633,792	21	54	12.43	.44	10.12–13.80	27.8	.0
28 1–99	409,975	14	43	13.53	.29	12.13–14.93	16.5	.0
29 100–499	42,070	221	107	12.24	.15	12.19–12.96	12.9	.0
30 500–999	13,341	795	119	12.10	1.00	9.96–13.99	53.6	.0
31 1000 and over	168,406	4,585	64	9.83	.56	8.84–9.96	57.2	.0
32 Floating rate (thousands of dollars)	1,502,983	134	48	10.92	.21	9.92–12.00	66.8	7.7
33 1–99	211,143	24	49	12.31	.25	11.07–13.24	31.6	2.0
34 100–499	481,312	226	38	11.53	.11	11.02–12.00	66.6	3.4
35 500–999	85,546	669	45	10.64	.21	9.93–11.19	64.2	12.9
36 1000 and over	724,982	4,235	56	10.15	.18	9.84–10.92	77.4	11.7
			Days	Loan rate (percent)		Prime rate[9]		
				Effective[3]	Nominal[8]			
LOANS MADE BELOW PRIME[10]								
37 Overnight[6]	2,398,360	6,633	*	8.48	8.14	9.74	44.9	.7
38 One month and under	1,205,350	1,004	18	8.90	8.54	9.70	65.0	15.8
39 Over one month and under a year	1,116,032	128	163	9.28	8.94	10.24	69.5	7.4
40 Demand[7]	857,576	1,648	*	8.51	8.24	9.53	60.1	1.8
41 Total short term	**5,577,318**	**516**	**44**	**8.74**	**8.40**	**9.80**	**56.5**	**5.5**
42 Fixed rate	4,418,483	490	26	8.74	8.40	9.83	53.3	4.4
43 Floating rate	1,158,835	645	116	8.71	8.40	9.69	68.9	9.7
			Months					
44 Total long term	**360,377**	**52**	**67**	**8.97**	**8.65**	**9.88**	**68.2**	**9.2**
45 Fixed rate	140,604	21	63	9.19	8.83	10.09	42.4	.0
46 Floating rate	219,773	909	69	8.83	8.53	9.75	84.7	15.0

For notes see end of table.

4.23 Continued

B. Construction and Land Development Loans

Characteristics	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity (months)[2]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)
				Weighted average effective[3]	Standard error[4]	Interquartile range[5]		
All Banks								
1 **Total**	**2,282,636**	**146**	**17**	**11.37**	**.15**	**9.92–12.96**	**83.9**	**7.3**
2 Fixed rate (thousands of dollars)	1,124,143	110	6	11.00	.33	9.92–11.31	89.5	10.6
3 1–24	47,676	11	14	13.56	.27	13.24–14.45	32.3	.3
4 25–49	86,780	29	18	12.68	.71	11.57–14.37	93.4	20.1
5 50–99	158,474	74	10	13.25	.52	11.31–14.93	70.6	.5
6 100–499	127,821	169	6	11.29	.13	11.31–11.31	96.3	1.2
7 500 and over	703,393	7,551	4	10.06	.41	9.92–9.99	95.9	14.2
8 Floating rate (thousands of dollars)	1,158,493	214	27	11.72	.25	11.02–12.96	78.4	4.1
9 1–24	24,000	10	7	11.71	.09	11.30–12.13	82.6	2.3
10 25–49	27,536	34	13	11.48	.12	11.02–12.01	79.6	7.1
11 50–99	33,937	69	11	11.55	.14	11.02–12.13	66.3	6.8
12 100–499	123,502	195	13	11.33	.18	10.92–11.57	78.8	7.0
13 500 and over	949,518	926	29	11.79	.24	11.02–12.96	78.7	3.6
By type of construction								
14 Single family	799,176	97	27	12.83	.25	12.96–12.96	87.0	.7
15 Multifamily	133,424	115	10	12.11	.30	11.01–12.68	87.5	5.4
16 Nonresidential	1,350,035	216	11	10.43	.18	9.92–11.31	81.6	11.4
48 Large Banks								
1 **Total**	**889,451**	**1,062**	**8**	**10.15**	**.18**	**9.92–10.47**	**93.0**	**11.7**
2 Fixed rate (thousands of dollars)	657,841	3,795	4	9.79	.16	9.92–9.99	96.7	15.0
3 1–24	901	11	5	12.91	.21	12.40–13.80	68.0	6.7
4 25–49	*	*	*	*	*	*	*	*
5 50–99	*	*	*	*	*	*	*	*
6 100–499	*	*	*	*	*	*	*	*
7 500 and over	653,702	10,946	4	9.77	.15	9.92–9.99	96.8	14.9
8 Floating rate (thousands of dollars)	231,610	349	18	11.20	.03	11.02–11.57	82.4	2.4
9 1–24	2,028	11	7	11.52	.11	11.02–11.59	93.0	.0
10 25–49	4,161	37	10	11.43	.10	11.02–11.57	94.6	3.6
11 50–99	5,668	69	13	11.41	.08	11.02–11.57	84.0	9.8
12 100–499	39,146	218	13	11.33	.05	11.02–11.57	92.9	6.9
13 500 and over	180,607	1,757	20	11.15	.01	11.02–11.57	79.7	1.2
By type of construction								
14 Single family	71,934	180	11	11.41	.04	11.02–11.57	87.4	2.5
15 Multifamily	33,894	376	19	10.84	.20	11.02–11.02	95.6	17.3
16 Nonresidential	783,622	2,249	7	10.01	.16	9.92–10.20	93.4	12.3
Other Banks								
1 **Total**	**1,393,185**	**94**	**22**	**12.14**	**.14**	**11.31–12.96**	**78.0**	**4.5**
2 Fixed rate (thousands of dollars)	466,302	47	10	12.72	.38	11.31–14.37	79.3	4.4
3 1–24	46,775	11	15	13.57	.28	13.24–14.45	31.6	.2
4 25–49	86,205	29	18	12.67	.76	11.57–14.37	93.6	20.3
5 50–99	157,994	74	10	13.26	.55	11.31–14.93	70.6	.5
6 100–499	125,638	169	6	11.30	.11	11.31–11.31	96.3	.0
7 500 and over	*	*	*	*	*	*	*	*
8 Floating rate (thousands of dollars)	926,883	195	29	11.85	.28	11.02–12.96	77.4	4.5
9 1–24	21,973	10	7	11.73	.08	11.30–12.13	81.7	2.5
10 25–49	23,375	34	14	11.49	.12	10.95–12.02	76.9	7.7
11 50–99	28,268	69	10	11.58	.16	11.02–12.13	62.8	6.2
12 100–499	84,356	185	13	11.33	.21	10.92–12.01	72.2	7.1
13 500 and over	768,911	833	32	11.93	.31	11.02–12.96	78.4	4.1
By type of construction								
14 Single family	727,241	93	28	12.97	.27	12.96–12.96	86.9	.5
15 Multifamily	99,530	93	7	12.54	.33	11.01–15.02	84.7	1.4
16 Nonresidential	566,413	96	17	11.01	.19	9.92–11.57	65.4	10.1

For notes see end of table.
*Fewer than 10 sample loans.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS SURVEY of Loans Made, August 5–9, 1985[1]—Continued
C. Loans to Farmers[11]

Characteristics	Size class of loans (thousands)						
	All sizes	$1–9	$10–24	$25–49	$50–99	$100–249	$250 and over
ALL BANKS							
1 Amount of loans (thousands of dollars)	772,865	130,361	105,392	89,350	86,369	150,882	210,511
2 Number of loans	49,814	37,315	7,100	2,712	1,284	1,107	298
3 Weighted average maturity (months)[2]	7.7	6.4	7.7	8.5	6.9	5.8	10.1
4 Weighted average interest rate (percent)[3]	12.31	13.18	12.96	12.73	12.46	12.82	10.83
5 Standard error[4]	.35	.17	.18	.41	.22	.71	1.00
6 Interquartile range[5]	11.02–13.42	12,32–13.88	12.31–13.65	11.89–13.42	12.00–13.26	12.10–13.42	9.84–11.46
By purpose of loan							
7 Feeder livestock	11.70	13.16	13.17	12.25	11.78	10.66	10.59
8 Other livestock	12.41	12.93	13.28	*	*	13.00	10.70
9 Other current operating expenses	12.53	13.23	12.95	12.31	12.43	13.20	10.76
10 Farm machinery and equipment	13.34	13.40	12.97	13.43	*	*	*
11 Other	11.46	12.84	12.41	12.57	12.09	10.65	10.98
Percentage of amount of loans							
12 With floating rates	41.2	26.3	34.5	40.0	47.1	27.2	61.8
13 Made under commitment	41.9	27.7	25.6	31.2	40.1	26.6	75.3
By purpose of loan							
14 Feeder livestock	10.6	11.3	9.1	6.2	17.7	10.8	9.8
15 Other livestock	11.7	5.6	16.1	*	*	22.5	11.4
16 Other current operating expenses	50.2	64.6	58.0	45.0	40.9	60.8	35.9
17 Farm machinery and equipment	9.2	8.9	4.6	33.4	*	*	*
18 Other	18.1	9.5	11.6	12.1	12.1	3.5	42.2
48 LARGE BANKS[11]							
1 Amount of loans (thousands of dollars)	209,930	6,918	9,695	10,242	10,359	33,919	138,796
2 Number of loans	3,327	1,840	643	312	159	231	143
3 Weighted average maturity (months)[2]	7.3	5.9	7.9	8.4	7.2	6.0	7.5
4 Weighted average interest rate (percent)[3]	10.63	11.86	11.56	11.38	11.18	10.95	10.33
5 Standard error[4]	.30	.10	.13	.18	.17	.22	.48
6 Interquartile range[5]	9.77–11.46	11.02–12.40	10.92–12.13	10.65–12.01	10.51–11.76	10.15–11.73	9.27–11.14
By purpose of loan							
7 Feeder livestock	10.80	11.57	11.21	11.51	*	10.89	10.59
8 Other livestock	10.71	11.66	11.56	*	*	*	10.70
9 Other current operating expenses	10.66	11.89	11.60	11.34	11.13	11.22	10.04
10 Farm machinery and equipment	11.13	12.24	*	*	*	*	*
11 Other	10.44	11.98	11.68	11.17	11.32	10.65	10.28
Percentage of amount of loans							
12 With floating rates	66.8	75.9	85.9	90.8	93.7	91.4	55.2
13 Made under commitment	81.1	84.5	79.5	87.3	87.3	88.7	78.3
By purpose of loan							
14 Feeder livestock	17.3	13.7	10.9	17.6	*	29.0	14.9
15 Other livestock	14.3	5.5	8.7	*	*	*	17.3
16 Other current operating expenses	37.0	61.5	58.2	58.6	43.8	46.5	29.9
17 Farm machinery and equipment	1.2	2.4	*	*	*	*	*
18 Other	30.2	17.0	17.8	15.9	22.9	15.5	36.9
OTHER BANKS[11]							
1 Amount of loans (thousands of dollars)	562,935	123,443	95,698	79,107	76,010	116,963	*
2 Number of loans	46,487	35,475	6,457	2,400	1,124	876	*
3 Weighted average maturity (months)[2]	7.9	6.4	7.7	8.5	6.9	5.8	*
4 Weighted average interest rate (percent)[3]	12.93	13.26	13.10	12.91	12.64	13.36	*
5 Standard error[4]	.17	.13	.13	.36	.14	.67	*
6 Interquartile range[5]	12.36–13.51	12.45–13.93	12.59–13.65	12.13–13.50	12.36–13.26	13.15–13.52	*
By purpose of loan							
7 Feeder livestock	12.41	13.27	*	*	11.83	*	*
8 Other livestock	13.25	13.00	13.37	*	*	*	*
9 Other current operating expenses	13.00	13.30	13.09	12.48	12.62	13.61	*
10 Farm machinery and equipment	13.42	13.42	13.12	*	*	*	*
11 Other	12.31	12.93	12.52	12.82	*	*	*
Percentage of amount of loans							
12 With floating rates	31.6	23.5	29.3	33.5	40.8	*	*
13 Made under commitment	27.3	24.5	20.2	23.9	33.7	*	*
By purpose of loan							
14 Feeder livestock	8.1	11.2	*	*	17.4	*	*
15 Other livestock	10.8	5.6	16.9	*	*	*	*
16 Other current operating expenses	55.2	64.8	58.0	43.2	40.5	64.9	*
17 Farm machinery and equipment	12.2	9.3	4.7	*	*	*	*
18 Other	13.6	9.1	11.0	11.6	*	*	*

For notes see following page.

NOTES TO TABLE 4.23

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. The survey of terms of bank lending to farmers covers about 250 banks selected to represent all sizes of banks. Mortgage loans, purchased loans, foreign loans, and loans of less than $1,000 are excluded from the survey.
As of December 31, 1984, average domestic assets of 48 large banks were $14.7 billion and assets of the smallest of these banks were $2.7 billion. For all insured banks total domestic assets averaged $149 million.
2. The weighted average maturity is calculated only for loans with a stated date of maturity (that is, loans payable on demand are excluded). In computing the average, each loan is weighted by its dollar amount.
3. The approximate compounded annual interest rate on each loan is calculated from survey data on the stated rate and other terms of the loan; then, in computing the average of these approximate effective rates, each loan is weighted by its dollar amount.
4. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of lending at all banks.
5. The interquartile range shows the interest rate range that encompasses the middle 50 percent of the total dollar amount of loans made.
6. Overnight loans are loans that mature on the following business day.
7. Demand loans have no stated date of maturity.
8. The approximate annual interest rate on each loan—without regard to compounding—is calculated from survey data on the stated rate and other terms of the loan; then in computing the average of these approximate nominal rates, each loan is weighted by its dollar amount.
9. The prime rate reported by each bank is weighted by the volume of loans extended and then averaged.
10. This survey provides data on gross loan extensions made during one week of each quarter. The proportion of these loan extensions that is made at rates below prime may vary substantially from the proportion of such loans outstanding in bank loan portfolios.
11. Among banks reporting loans to farmers, most "large banks" had over $500 million in total assets, and most "other banks" had total assets below $500 million.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1985[1]

Millions of dollars

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
1 **Total assets[5]**	**283,052**	**226,778**	**56,275**	**202,930**	**5,713**	**46,218**	**13,583**	**6,265**	**8,342**
2 Cash and due from depository institutions	66,748	60,913	5,835	57,042	255	6,034	2,714	272	431
3 Currency and coin (U.S. and foreign)	22	19	3	15	1	2	2	1	2
4 Balances with Federal Reserve Banks	1,147	1,090	57	970	28	38	52	51	8
5 Balances with other central banks	32	29	3	28	3	0	1	0	0
6 Demand balances with commercial banks in United States	1,011	880	131	807	44	65	31	21	43
7 All other balances with depository institutions in United States and with banks in foreign countries	64,295	58,670	5,625	55,002	178	5,918	2,625	197	374
8 Time and savings balances with commercial banks in United States	33,709	30,169	3,540	28,292	154	3,310	1,598	123	233
9 Balances with other depository institutions in United States	126	101	25	101	0	4	0	0	21
10 Balances with banks in foreign countries	30,460	28,400	2,060	26,610	24	2,604	1,027	74	120
11 Foreign branches of U.S. banks	2,314	2,280	35	2,239	5	21	41	0	9
12 Other banks in foreign countries	28,145	26,120	2,025	24,371	19	2,583	986	74	111
13 Cash items in process of collection	241	225	16	219	1	12	3	2	5
14 **Total securities, loans, and lease financing receivables**	**155,800**	**120,237**	**35,563**	**104,135**	**4,430**	**27,637**	**10,032**	**3,441**	**6,125**
15 Total securities, book value	12,402	10,925	1,477	10,315	151	1,298	423	43	173
16 U.S. Treasury	4,731	4,488	242	4,273	112	59	163	25	100
17 Obligations of other U.S. government agencies and corporations	568	548	21	532	2	15	0	13	6
18 Obligations of states and political subdivisions in United States	73	62	12	50	0	1	12	0	11
19 Other bonds, notes, debentures, and corporate stock	7,030	5,827	1,202	5,460	37	1,223	249	5	55
20 Federal funds sold and securities purchased under agreements to resell	7,796	6,636	1,159	6,426	658	449	130	48	84
By holder									
21 Commercial banks in United States	6,270	5,469	801	5,267	360	398	122	48	74
22 Others	1,526	1,167	359	1,159	298	51	8	0	10
By type									
23 One-day maturity or continuing contract	7,655	6,496	1,159	6,286	658	448	130	48	84
24 Securities purchased under agreements to resell	49	30	19	30	18	0	0	0	1
25 Other	7,606	6,466	1,140	6,256	640	448	130	48	83
26 Other securities purchased under agreements to resell	141	140	1	140	0	1	0	0	0
27 Total loans, gross	143,542	109,412	34,130	93,910	4,289	26,375	9,614	3,400	5,955
28 LESS: Unearned income on loans	145	100	44	89	10	35	5	2	2
29 EQUALS: Loans, net	143,397	109,312	34,086	93,820	4,279	26,339	9,608	3,398	5,953
Total loans, gross, by category									
30 Real estate loans	5,005	2,797	2,208	1,812	8	1,340	405	277	1,163
31 Loans to financial institutions	54,397	41,555	12,842	37,238	953	11,564	3,265	519	858
32 Commercial banks in United States	27,513	19,941	7,572	18,034	390	7,412	1,253	246	178
33 U.S. branches and agencies of other foreign banks	23,548	16,336	7,212	14,566	373	7,094	1,170	202	144
34 Other commercial banks	3,965	3,605	360	3,468	17	318	83	44	34
35 Banks in foreign countries	23,886	19,043	4,843	17,352	542	3,734	1,336	273	649
36 Foreign branches of U.S. banks	841	657	184	497	13	180	149	1	1
37 Other	23,045	18,386	4,659	16,855	529	3,554	1,187	272	648
38 Other financial institutions	2,998	2,571	426	1,851	22	418	676	1	31
39 Loans for purchasing or carrying securities	1,537	1,451	86	1,375	1	158	0	3	0
40 Commercial and industrial loans	66,085	51,069	15,017	41,896	2,063	11,234	5,395	2,387	3,111
41 U.S. addressees (domicile)	42,300	32,244	10,056	24,492	217	8,476	4,840	1,709	2,566
42 Non-U.S. addressees (domicile)	23,785	18,825	4,961	17,404	1,846	2,758	554	679	544
43 Loans to individuals for household, family, and other personal expenditures	362	244	119	205	91	27	9	21	9
44 All other loans	16,156	12,297	3,859	11,383	1,174	2,052	540	192	815
45 Loans to foreign governments and official institutions	15,269	11,547	3,722	10,765	1,161	1,941	479	152	772
46 Other	887	750	137	618	13	111	61	41	43
47 Lease financing receivables	0	0	0	0	0	0	0	0	0
48 All other assets	52,709	38,991	13,718	35,327	371	12,098	706	2,504	1,702
49 Customers' liability on acceptances outstanding	19,153	14,624	4,529	14,150	36	4,485	207	197	79
50 U.S. addressees (domicile)	11,968	7,939	4,030	7,629	6	4,074	196	42	21
51 Non-U.S. addressees (domicile)	7,185	6,686	499	6,520	30	412	11	154	57
52 Net due from related banking institutions[6]	26,153	18,296	7,858	15,694	177	6,561	132	2,184	1,406
53 Other	7,402	6,072	1,331	5,484	158	1,052	367	123	218

4.30 Continued

Millions of dollars

Item	All states[2] Total	All states[2] Branches[3]	All states[2] Agencies	New York Branches[3]	New York Agencies	California, total[4]	Illinois, branches	Other states[2] Branches	Other states[2] Agencies
54 **Total liabilities[5]**	**283,052**	**226,778**	**56,275**	**202,930**	**5,713**	**46,218**	**13,583**	**6,265**	**8,342**
55 Total deposits and credit balances	160,877	138,972	21,905	127,680	1,957	18,914	5,226	3,631	3,469
56 Individuals, partnerships, and corporations	46,541	42,687	3,853	36,433	94	1,663	2,162	3,134	3,054
57 U.S. addressees (domicile)	26,245	26,185	60	20,996	12	383	1,797	3,038	20
58 Non-U.S. addressees (domicile)	20,295	16,502	3,793	15,437	83	1,280	365	97	3,034
59 U.S. government, states, and political subdivisions in United States	72	72	0	27	0	9	11	26	0
60 All other	114,265	96,213	18,052	91,221	1,863	17,242	3,054	471	414
61 Foreign governments and official institutions	7,632	7,176	456	7,044	262	111	40	20	154
62 Commercial banks in United States	46,709	36,009	10,700	33,698	938	10,290	1,454	241	88
63 U.S. branches and agencies of other foreign banks	37,719	28,945	8,775	27,010	564	8,714	1,252	140	40
64 Other commercial banks in United States	8,990	7,064	1,925	6,688	374	1,576	202	102	48
65 Banks in foreign countries	59,512	52,658	6,855	50,135	652	6,818	1,547	205	154
66 Foreign branches of U.S. banks	7,059	5,779	1,280	5,285	235	1,184	292	51	13
67 Other banks in foreign countries	52,453	46,879	5,574	44,850	417	5,634	1,256	155	142
68 Certified and officers' checks, travelers checks, and letters of credit sold for cash	412	371	41	343	11	24	13	4	17
69 Demand deposits	3,400	3,162	238	2,889	11	87	126	91	196
70 Individuals, partnerships, and corporations	1,915	1,770	145	1,557	0	58	106	65	129
71 U.S. addressees (domicile)	1,199	1,198	1	1,010	0	26	102	59	1
72 Non-U.S. addressees (domicile)	716	572	144	547	0	32	4	6	128
73 U.S. government, states, and political subdivisions in United States	7	7	0	7	0	0	0	0	0
74 All other	1,478	1,385	93	1,325	11	29	19	26	67
75 Foreign governments and official institutions	304	301	3	279	0	1	2	20	2
76 Commercial banks in United States	97	85	11	82	0	1	1	2	11
77 U.S. branches and agencies of other foreign banks	33	33	1	32	0	0	0	0	1
78 Other commercial banks in United States	63	53	10	49	0	1	1	2	10
79 Banks in foreign countries	665	628	38	621	0	3	4	0	37
80 Certified and officers' checks, travelers checks, and letters of credit sold for cash	412	371	41	343	11	24	13	4	17
81 Time deposits	156,123	134,741	21,382	123,940	1,838	18,714	5,016	3,458	3,158
82 Individuals, partnerships, and corporations	43,418	39,929	3,488	34,104	44	1,493	1,972	2,988	2,817
83 U.S. addressees (domicile)	24,372	24,371	1	19,556	0	299	1,614	2,902	1
84 Non-U.S. addressees (domicile)	19,046	15,559	3,487	14,548	44	1,194	357	86	2,816
85 U.S. government, states, and political subdivisions in United States	65	65	0	20	0	9	10	25	0
86 All other	112,641	94,747	17,894	89,815	1,794	17,212	3,034	445	341
87 Foreign governments and official institutions	7,286	6,863	422	6,753	238	109	38	1	147
88 Commercial banks in United States	46,596	35,919	10,678	33,612	927	10,288	1,453	239	77
89 U.S. branches and agencies of other foreign banks	37,685	28,912	8,774	26,977	564	8,714	1,252	140	39
90 Other commercial banks in United States	8,911	7,007	1,904	6,635	363	1,575	201	100	38
91 Banks in foreign countries	58,759	51,965	6,794	49,450	629	6,815	1,543	205	117
92 Savings deposits	995	878	117	662	0	83	84	81	85
93 Individuals, partnerships, and corporations	995	878	117	662	0	83	84	81	85
94 U.S. addressees (domicile)	541	541	0	355	0	30	80	76	0
95 Non-U.S. addressees (domicile)	454	337	117	307	0	53	4	5	85
96 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
97 All other	0	0	0	0	0	0	0	0	0
98 Credit balances	360	191	168	190	109	30	0	1	30
99 Individuals, partnerships, and corporations	213	110	103	109	51	30	0	1	24
100 U.S. addressees (domicile)	134	75	58	74	12	29	0	1	19
101 Non-U.S. addressees (domicile)	80	35	45	35	39	1	0	0	5
102 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
103 All other	146	81	65	81	58	1	0	0	6
104 Foreign governments and official institutions	42	12	31	12	25	1	0	0	6
105 Commercial banks in United States	16	5	11	5	11	0	0	0	0
106 U.S. branches and agencies of other foreign banks	1	1	0	1	0	0	0	0	0
107 Other commercial banks in United States	15	4	11	4	11	0	0	0	0
108 Banks in foreign countries	88	65	23	65	23	0	0	0	0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1985[1]—Continued

Millions of dollars

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
109 Federal funds purchased and securities sold under agreements to repurchase	22,956	18,075	4,881	17,087	624	4,328	533	186	198
By holder									
110 Commercial banks in United States	18,692	14,373	4,319	13,471	242	4,174	465	186	154
111 Others	4,265	3,703	562	3,616	382	154	68	0	44
By type									
112 One-day maturity or continuing contract	21,834	17,038	4,796	16,127	541	4,316	467	186	198
113 Securities sold under agreements to repurchase	2,514	2,413	101	2,401	64	38	2	0	8
114 Other	19,320	14,626	4,695	13,726	477	4,277	464	186	190
115 Other securities sold under agreements to repurchase	1,122	1,037	85	960	83	13	66	0	0
116 Other liabilities for borrowed money	38,070	23,336	14,734	21,135	1,684	12,706	1,260	484	799
117 Owed to banks	36,150	21,564	14,586	19,530	1,631	12,613	1,100	478	799
118 U.S. addressees (domicile)	35,081	20,690	14,392	18,716	1,616	12,607	1,075	444	624
119 Non-U.S. addressees (domicile)	1,069	874	195	815	15	6	25	34	175
120 Owed to others	1,920	1,772	148	1,605	54	94	161	6	0
121 U.S. addressees (domicile)	1,739	1,648	91	1,481	7	84	161	6	0
122 Non-U.S. addressees (domicile)	181	124	57	124	47	10	0	0	0
123 All other liabilities	61,149	46,394	14,755	37,028	1,448	10,269	6,563	1,964	3,877
124 Acceptances executed and outstanding	21,571	16,705	4,866	16,216	16	4,841	219	199	81
125 Net due to related banking institutions[6]	33,813	24,634	9,178	16,196	1,321	4,860	6,073	1,654	3,709
126 Other	5,765	5,055	711	4,617	111	569	271	111	87
MEMO									
127 Time deposits of $100,000 or more	116,162	97,040	19,121	86,602	74	18,447	4,946	3,282	2,811
128 Certificates of deposit (CDs) in denominations of $100,000 or more	35,708	33,716	1,992	28,328	1	1,232	1,829	2,906	1,412
129 Other	80,454	63,324	17,129	58,274	73	17,215	3,117	376	1,399
130 Savings deposits authorized for automatic transfer and NOW accounts	88	53	35	34	0	14	7	8	26
131 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	0	0	0	0	0	0	0	0	0
132 Time certificates of deposit in denominations of $100,000 or more with remaining maturity of more than 12 months	11,713	11,677	36	9,834	0	193	462	1,195	28
133 Acceptances refinanced with a U.S.-chartered bank	3,333	2,408	925	2,024	114	933	0	261	1
134 Statutory or regulatory asset pledge requirement	49,739	48,322	1,417	45,351	1,337	150	2,846	20	35
135 Statutory or regulatory asset maintenance requirement	18,709	18,493	215	6,060	0	448	9,093	2,896	211
136 Commercial letters of credit	9,040	6,188	2,852	5,620	133	2,634	166	245	241
137 Standby letters of credit, total	33,989	29,010	4,979	24,934	86	4,183	2,730	715	1,342
138 U.S. addressees (domicile)	30,500	26,037	4,464	22,193	18	3,823	2,560	685	1,221
139 Non-U.S. addressees (domicile)	3,489	2,973	516	2,740	68	360	170	30	121
140 Standby letters of credit conveyed to others through participations (included in total standby letters of credit)	4,802	4,590	211	4,009	0	269	384	42	97
141 Holdings of commercial paper included in total gross loans	569	362	207	328	3	213	10	3	12
142 Holdings of acceptances included in total commercial and industrial loans	4,736	3,616	1,120	3,470	52	1,095	93	17	10
143 Immediately available funds with a maturity greater than one day (included in other liabilities for borrowed money)	28,058	17,569	10,489	15,696	1,373	9,400	1,120	371	98
144 Gross due from related banking institutions[6]	100,949	82,005	18,944	74,113	894	16,314	3,511	3,563	2,554
145 U.S. addressees (domicile)	25,732	18,951	6,781	14,355	117	5,807	1,354	2,900	1,199
146 Branches and agencies in the United States	24,915	18,355	6,560	13,780	95	5,608	1,336	2,897	1,199
147 In the same state as reporter	2,130	1,471	658	1,418	48	595	0	2	67
148 In other states	22,785	16,884	5,902	12,362	48	5,013	1,336	2,896	1,132
149 U.S. banking subsidiaries[7]	818	596	221	576	22	199	18	2	1
150 Non-U.S. addressees (domicile)	75,217	63,054	12,163	59,757	777	10,507	2,157	664	1,355
151 Head office and non-U.S. branches and agencies	73,232	61,449	11,783	58,190	759	10,298	2,122	663	1,199
152 Non-U.S. banking companies and offices	1,984	1,605	380	1,567	18	209	35	0	156
153 Gross due to related banking institutions[6]	108,608	88,344	20,264	74,615	2,038	14,613	9,452	3,033	4,858
154 U.S. addressees (domicile)	25,066	17,880	7,186	10,222	34	3,789	4,811	2,320	3,891
155 Branches and agencies in the United States	24,545	17,497	7,048	9,932	34	3,706	4,728	2,311	3,834
156 In the same state as reporter	2,045	1,428	617	1,373	12	608	0	2	51
157 In other states	22,500	16,069	6,431	8,559	22	3,099	4,728	2,309	3,783
158 U.S. banking subsidiaries[7]	521	384	138	290	0	82	83	9	57
159 Non-U.S. addressees (domicile)	83,542	70,464	13,078	64,393	2,004	10,824	4,641	713	967
160 Head office and non-U.S. branches and agencies	81,189	68,386	12,803	62,382	1,915	10,668	4,626	713	886
161 Non-U.S. banking companies and offices	2,353	2,078	275	2,011	89	157	15	0	81

4.30 Continued

Millions of dollars

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
Average for 30 calendar days (or calendar month) ending with report date									
162 Total assets	284,148	226,989	57,160	203,179	5,715	47,090	13,569	6,365	8,231
163 Cash and due from depository institutions	64,446	58,364	6,082	54,579	278	6,164	2,755	255	414
164 Federal funds sold and securities purchased under agreements to resell	8,728	7,591	1,138	7,214	612	545	255	43	59
165 Total loans	139,987	106,586	33,402	91,464	4,108	26,012	9,389	3,405	5,609
166 Loans to banks in foreign countries	23,179	18,373	4,806	16,791	570	3,679	1,237	265	637
167 Total deposits and credit balances	155,982	134,266	21,715	123,146	1,720	18,872	5,363	3,581	3,300
168 Time CDs in denominations of $100,000 or more	35,009	33,007	2,001	27,399	0	1,277	1,903	3,045	1,384
169 Federal funds purchased and securities sold under agreements to repurchase	20,816	16,187	4,630	15,120	598	4,101	571	258	168
170 Other liabilities for borrowed money	39,750	24,503	15,247	22,200	1,718	13,177	1,323	458	874
171 Number of reports filed[8]	465	295	170	189	26	120	45	32	53

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." This form was first used for reporting data as of June 30, 1980. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release *G.11*, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.
2. Includes the District of Columbia.
3. Includes all offices that have the power to accept deposits from U.S. residents, including any such offices that are considered agencies under state law.
4. Agencies account for almost all of the assets and liabilities reported in California.
5. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 6). On the former monthly branch and agency report, available through the *G.11 statistical release*, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.
6. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly). Gross amounts due from and due to related banking institutions are shown as memo items.
7. "U.S. banking subsidiaries" refers to U.S. banking subsidiaries majority-owned by the foreign bank and by related foreign banks and includes U.S. offices of U.S.-chartered commercial banks, of Edge Act and Agreement corporations, and of New York State (Article XII) investment companies.
8. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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Index to Statistical Tables

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FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
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NEW YORK*.............10045	John Brademas Clifton R. Wharton, Jr.	E. Gerald Corrigan Thomas M. Timlen	
Buffalo....................14240	M. Jane Dickman		John T. Keane
PHILADELPHIA........19105	Robert M. Landis Nevius M. Curtis	Edward G. Boehne Richard L. Smoot	
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Cincinnati................45201	Robert E. Boni		Charles A. Cerino
Pittsburgh................15230	Milton G. Hulme, Jr.		Harold J. Swart
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Charlotte.................28230	Wallace J. Jorgenson		Albert D. Tinkelenberg
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Miami.....................33152	Eugene E. Cohen		Patrick K. Barron
Nashville..................37203	Condon S. Bush		Jeffrey J. Wells
New Orleans............70161	Leslie B. Lampton		Henry H. Bourgaux
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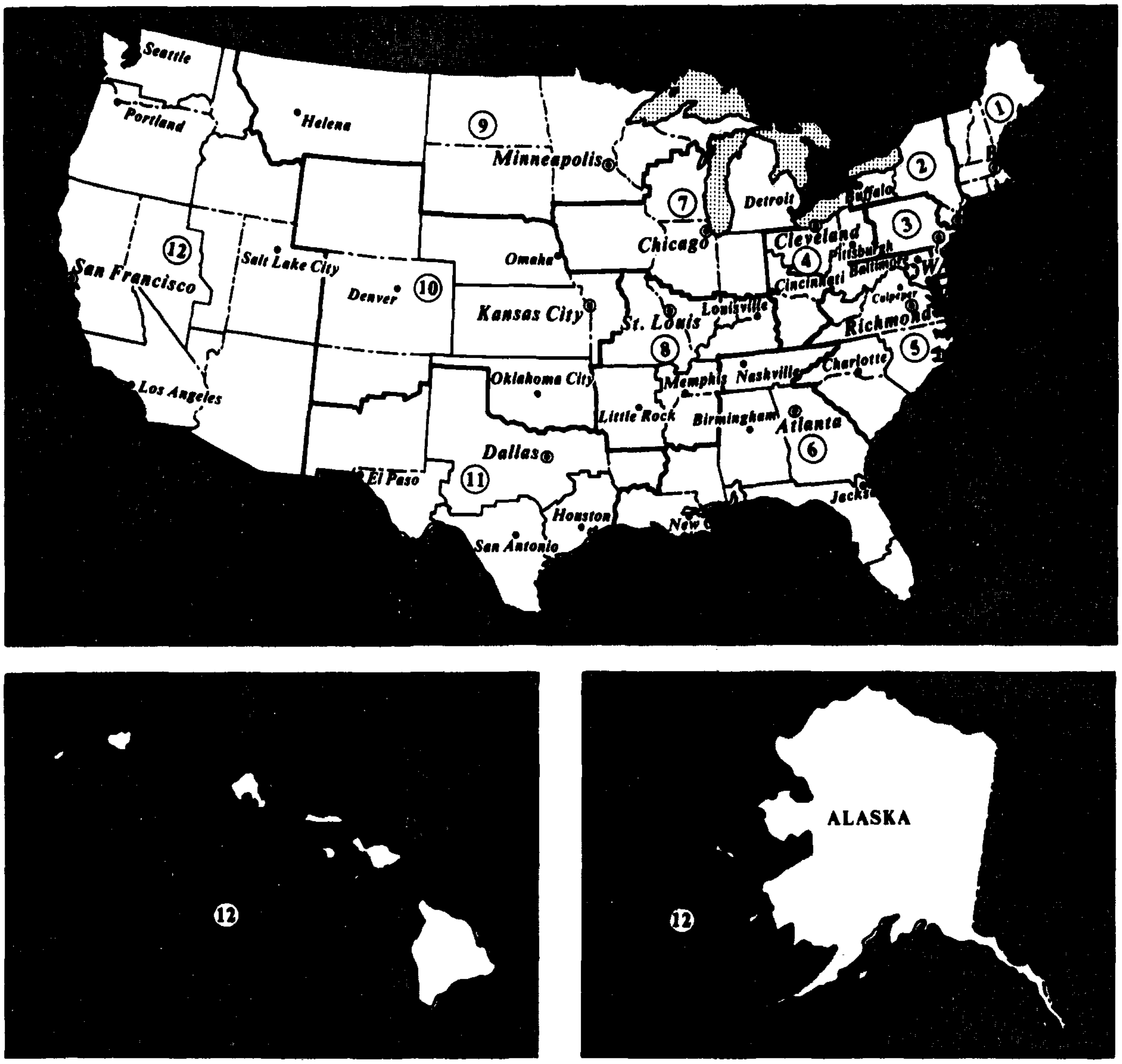
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



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— 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